

Lakehead University  
Financial Statements  
For the year ended April 30, 2024

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## Independent Auditor's Report

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

### Opinion

We have audited the financial statements of Lakehead University (the Organization), which comprise the statement of financial position as at April 30, 2024, and the statement of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at April 30, 2024, and its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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## Independent Auditor's Report (cont'd)

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

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

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

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario  
October 9, 2024

## Lakehead University Statement of Financial Position

April 30	2024	2023
Assets	(in thousands of dollars)	
Current		
Cash	\$ 36,845	\$ 30,229
Accounts receivable (Note 3)	19,866	16,568
Inventories and prepaid expenses	787	821
	57,498	47,618
Long-term investments (Note 4)	132,066	143,367
Capital assets (Note 5)	135,738	141,272
Interest rate swaps (Notes 10.5 and 10.6)	564	—
	\$ 325,866	\$ 332,257
Liabilities and Net Assets		
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 20,876	\$ 20,006
Deferred revenue (Note 7)	45,106	42,434
Current portion of long-term debt (Note 10)	3,230	3,070
	69,212	65,510
Faculty early retirement program costs (Note 8)	530	775
Accrued pension liability (Note 9)	9,829	13,448
Long-term debt (Note 10)	97,355	100,585
Interest rate swaps (Note 10.5 and 10.6)	—	1,035
Deferred capital contributions (Note 11)	45,002	46,923
	221,928	228,276
Net Assets		
Internally restricted (Note 12)	53,182	46,504
Endowments (Note 13)	58,650	68,626
Unrestricted	(7,894)	(11,149)
	103,938	103,981
	\$ 325,866	\$ 332,257

Contingent Liabilities (Note 16)

On behalf of the Board of Governors:

\_\_\_\_\_  
Chair

\_\_\_\_\_  
President

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

## Lakehead University Statement of Operations

For the year ended April 30	2024	2023
	(in thousands of dollars)	
Revenue		
Government grants for general operations	\$ 60,968	\$ 66,718
Government and other grants for restricted purposes	27,933	25,085
Student fees	99,050	89,323
Sales of goods and services	19,479	16,848
Investment income (Note 4)	11,826	9,000
Donations	1,251	1,610
Contract research	1,105	1,033
Sundry	5,300	5,146
Amortization of deferred capital contributions (Note 11)	1,941	2,050
	228,853	216,813
Expenditures		
Salaries and benefits	141,865	137,446
Operational supplies and expenses	11,202	10,275
Cost of sales and services	5,348	4,495
Amortization of capital assets	8,048	8,553
Amortization of debenture issuance costs	117	117
Building and equipment maintenance	13,958	13,836
Scholarships, bursaries and awards	15,500	15,034
Utilities	5,758	5,247
Travel	4,258	3,358
Other	9,949	9,207
Interest on long term debt	5,285	5,616
	221,288	213,184
Excess of revenue over expenditures before the undernoted	7,565	3,629
Unrealized gain on interest rate swaps	1,599	477
Excess of revenue over expenditures for the year	\$ 9,164	\$ 4,106

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

Lakehead University  
Statement of Changes in Net Assets

For the year ended April 30

2024

2023

(in thousands of dollars)

	Internally Restricted	Endowments	Unrestricted	Total	Total
	(Note 12)	(Note 13)			
Balance, beginning of year	\$ 46,504	\$ 68,626	\$ (11,149)	\$ 103,981	\$ 91,965
Excess of revenue over expenditures for the year	—	—	9,164	9,164	4,106
Post-employment benefit recovery - remeasurement (Note 9)	2,654	—	—	2,654	3,748
Change in internally restricted net assets	5,909	—	(5,909)	—	—
Transfer to/(from) endowments (Note 4)	(1,885)	(13,286)	—	(15,171)	—
Endowment contributions	—	1,205	—	1,205	1,116
Capitalization of investment income in endowments	—	2,105	—	2,105	3,046
Balance, end of year	\$ 53,182	\$ 58,650	\$ (7,894)	\$ 103,938	\$ 103,981

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

## Lakehead University Statement of Cash Flows

For the year ended April 30	2024	2023
	(in thousands of dollars)	
Operating Activities		
Excess of revenue over expenditures for the year	\$ 9,164	\$ 4,106
Items not involving cash		
Amortization of capital assets	8,048	8,553
Amortization of debenture issuance costs	117	117
Amortization of deferred capital contributions	(1,941)	(2,050)
Net change in accrued pension liability	(965)	(1,320)
Interest rate swaps	(1,599)	(477)
Net change in non-cash working capital balances related to operations (Note 18)	33	(1,300)
Cash provided by operating activities	12,857	7,629
Financing Activities		
Long-term debt principal repayments	(3,187)	(3,036)
Deferred capital contributions received	20	940
	(3,167)	(2,096)
Investing Activities		
Endowment contributions	1,205	1,116
Transfer to/(from) endowments, net	(15,171)	—
Capitalization of investment income in endowments	2,105	3,046
Purchase of capital assets	(2,514)	(4,350)
Change in long term investments, net	11,301	(3,605)
	(3,074)	(3,793)
Increase in cash for the year	6,616	1,740
Cash, beginning of year	30,229	28,489
Cash, end of year	\$ 36,845	\$ 30,229

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

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## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

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### 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 and Simcoe County 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 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 a beneficial economic interest in the Lakehead University pension plan, the activities of which are not consolidated into these financial statements (Note 9). The Lakehead University Pension Investment Fund is audited separately.

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

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### 2. Summary of Significant Accounting Policies

Financial statements of the University have been prepared in accordance with Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook – Accounting, which sets out Canadian accounting standards for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

#### a. Financial Instruments

All financial instruments are initially recorded on the Statement of Financial Position at fair value.

Investments held in bonds and equity pooled funds that trade in an active market are subsequently recorded at fair value.

All other financial instruments are subsequent measured at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the assets could be impaired.

Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items re-measured at fair value at each statement of financial position date and charged to the financial instruments for those measured at amortized cost.

Investment income arises primarily from the pooled fund investments held by the University, and can include changes in fair market value, realized gains and losses, dividends and interest.



## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

### 2. Summary of Significant Accounting Policies (continued)

Investment income related to unrestricted contributions is recognized when earned and included Investment income (loss) on the Statement of Operations.

Investment income related to endowments is recorded as a direct increase in net assets. Subsequent to initial income recognition, the University may allocate investment income earned that can be distributed for other purposes as stipulated by the external donor for another internally restricted purpose.

When the net investment income earned on externally restricted endowments is in excess of the amount made available for spending, the excess is recorded as a direct increase in endowment net assets. When the net investment income earned is insufficient to fund the amount made available for spending, the deficiency is recorded as a direct decrease in endowment net assets.

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

- i. Investments in pooled funds are valued at their reported net asset value per unit.
- ii. Publicly traded bonds are determined based on the latest bid prices.
- iii. Private investment interests, which consist of common shares in a Canadian Controlled Private 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.
- iv. Freestanding derivative instruments that are not in a qualifying hedging relationship that are quoted in an active market are subsequently measured at fair value.

#### b. 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.

#### c. 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
Furniture and equipment	—	5 years
Leasehold improvements	—	3 years
Library books	—	5 years

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## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

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### 2. Summary of Significant Accounting Policies (continued)

Projects in process are not amortized until the tangible capital asset is substantially completed and ready for use. Interest incurred on funds borrowed during construction is capitalized as a cost of the project.

When a tangible capital asset no longer contributes to an organization's ability to provide goods and services, or the future economic benefits or service potential of the tangible capital asset is less than its carrying value, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

#### Works of Art

Contributions of collection items are recorded as revenue and expensed, at fair market value, at the date of contribution.

#### d. 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. Restricted contributions for the purchase of property, plant and equipment that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired asset. Investment income is recorded on the accrual basis as earned.

#### e. 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.

Contributed materials which are used in the normal course of the University's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution.

#### f. 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

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## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

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### 2. Summary of Significant Accounting Policies (continued)

of revenues and expenses during the reporting period. The principal estimates used in preparation of these financial statements are the estimated useful life of capital assets, valuation of accounts receivable and doubtful accounts and assumption regarding the accrued pension liability.

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

#### g. Derivative Financial Instruments

Derivative financial instruments related to interest rate swaps on a term loan are used by the University in the management of its exposure to changes in interest rates. The University does not enter into derivative financial instrument transactions for trading or speculative purposes. The University records financial instruments related to swaps on the statement of financial position at fair value with subsequent changes in fair value recognized in the statement of operations. The fair value of the derivative financial instruments reflects the daily quoted market amount of those investments; thereby taking into account the current unrealized gains and losses. Quotes from financial institutions are available for all the University's derivative financial instruments.

#### h. Employee Future Benefits

The University accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits.

The University accounts for the defined benefit component of the Pension Plan for Professional Staff using the immediate recognition approach. The University recognizes the amount of the accrued benefit obligation, net of the fair value of the plan assets measured at year-end, adjusted for any valuation allowance, on the statement of financial position. Actuarial gains and losses are included in the cost of the plans for the year. The accrued benefit obligation for the pension plan is determined based on an actuarial valuation using funding assumptions. The most recent actuarial valuation of the pension plan for funding purposes has been conducted as of December 31, 2022, and the next required reporting period will be as of December 31, 2023. In years where an actuarial valuation is not prepared, the University uses a roll-forward technique to estimate the accrued liability using assumptions from the most recent actuarial valuation report.

Current service and finance costs for the year are recognized as salaries and benefit expense.

Remeasurements and other items comprise the aggregate of the difference between the actual return on plan assets and the return calculated using the discount rate; the actuarial gain and losses; the effect of any valuation allowance in the case of net defined benefit asset; the past services costs; the gains and losses arising from the settlement and curtailments. Remeasurements are recognized directly in net assets.

## Lakehead University

### Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

#### 3. Accounts Receivable

Accounts receivable consists of the following:

	2024	2023
Tuition and residence fees	\$ 5,460	\$ 4,120
Interest and sundry accounts	9,881	7,799
Sponsored research monies	6,223	5,952
Allowance for doubtful accounts	(1,698)	(1,303)
	<u>\$ 19,866</u>	<u>\$ 16,568</u>

#### 4. Long-Term Investments and Investment Income

Long-term investments consist of the following:

	2024	2023
Pooled funds	\$ 129,200	\$ 140,307
Marketable securities carried at fair value	2,866	3,060
	<u>\$ 132,066</u>	<u>\$ 143,367</u>

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, 2024 was \$129,200 (2023 — \$140,307). The decrease in the investment during fiscal year of \$11,107 includes receipts of \$1,729, withdrawals of \$24,723 and investment gains of \$11,887. Included in the pool funds are internally restricted amounts created from excess borrowings of the Series A unsecured debenture described in Note 10.4; the market value as at April 30, 2024 is \$18,965. Also included in the pooled funds is \$22,060 (2023 — \$22,150) of a debt repayment sinking fund for project loans being amortized over their initial terms. Included in withdrawals is \$15,171 that were designated as Endowments for awards to NOSM students.

Long-term investments consist of endowed and non-endowed investments. The University maintains certain liquid assets in long-term investments and consists of investment earnings which have not been withdrawn from the pooled funds in the amount of \$26,919 (2023 — \$28,788).

Marketable securities carried at fair value consist of investments in government and corporate bonds of \$2,819 (2023 — \$3,014), life insurance policies of \$37 (2023 — \$36), and other of \$10 (2023 — \$10). The market value of the marketable securities as at April 30, 2024 was \$2,866 (2023 — \$3,060). The bonds mature between 2025 and 2035 with annual yields ranging from 5.4% to 8.5%.

## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

### 4. Long-Term Investments and Investment Income (continued)

Investment income included in the statement of operations is calculated as follows:

	2024	2023
Net investment income (loss)	\$ 13,931	\$ 12,046
Amount attributed to endowment capital preservation	2,105	3,046
Investment income (loss) recognized during the year	\$ 11,826	\$ 9,000

### 5. Capital Assets

	2024			2023		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$13,829	\$ —	\$13,829	\$13,829	\$ —	\$13,829
Site development	8,182	8,177	5	8,182	8,171	11
Buildings	269,099	153,382	115,717	269,099	147,896	121,203
Furniture and equipment	150,637	144,863	5,774	148,374	142,456	5,918
Leasehold improvements	1,655	1,655	—	1,655	1,655	—
Library books	55,030	54,726	304	54,888	54,577	311
Projects in process	109	—	109	—	—	—
	\$498,541	\$362,803	\$135,738	\$496,027	\$354,755	\$141,272

### 6. Accounts Payable and Accrued Charges

The accounts payable and accrued charges consist of the following:

	2024	2023
Trade accounts	\$ 11,076	\$ 10,863
Payroll liabilities	5,301	5,384
Vacation pay liability	3,306	3,233
Current portion faculty early retirement (Note 8)	245	274
Capital projects	948	252
	\$ 20,876	\$ 20,006

## Lakehead University

### Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

#### 6. Accounts Payable and Accrued Charges (continued)

As at April 30, 2024 accounts payable and accrued charges include government remittances payable of \$1,759 (2023 — \$1,803).

#### 7. Deferred Revenue

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

	2024	2023
Research	\$ 19,514	\$ 20,764
Other restricted purposes	25,592	21,670
	<u>\$ 45,106</u>	<u>\$ 42,434</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 costs of contractual payments owed to participating faculty members. These retirement costs will be paid out approximately as:

	2024	2023
2024	\$ —	\$ 274
2025	245	245
2026	245	245
2027	245	245
2028	40	40
Subtotal	<u>775</u>	<u>1,049</u>
Current portion (Note 6)	<u>(245)</u>	<u>(274)</u>
Total	<u>\$ 530</u>	<u>\$ 775</u>

## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

### 9. Accrued Pension Liability

The University has two separate pension plans.

#### a. 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, while the University contributes 8.05% on their behalf. 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 most recent actuarial valuation for funding purposes for the pension plan was performed as at December 31, 2022.

Information about the University's pension plan is as follows:

	2024	2023
Accrued benefit obligation	\$ (64,320)	\$ (69,994)
Fair value of plan assets	54,491	56,546
Plan deficit	\$ (9,829)	\$ (13,448)

The significant actuarial assumptions in calculating the University's liability accrued as at April 30, 2024, were a discount rate of 6.00% (2023 — 6.00%), a general salary increase assumption of 4.06% (2023 — 4.22%) per annum and the CPM2014 Public Sector mortality table.

Remeasurements, which are recorded in the statement of changes in net assets, rather than in the statement of operations, are as follows:

	2024	2023
Expected return less actual return on plan assets	\$ (868)	\$ 71
Actuarial gains	(1,786)	(3,819)
	\$ (2,654)	\$ (3,748)

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## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

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### 9. Accrued Pension Liability (continued)

#### b. 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 6.50% 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 pension benefits as defined in the Plan. In addition to their regular contributions, members may voluntarily contribute additional contributions to provide increased benefits. Employer contributions are integrated with the Canada Pension Plan for IUEO, USW, COPE, OPSEU and UNIFOR members.

As of January 1, 2024, all union groups and non-union staff have joined the Colleges of Applied Arts and Technology (CAAT) DBplus pension plan for future service only. This means that all contributions will be directed to CAAT rather than the Pension Plan for Professional Staff of Lakehead University and the Lakehead University Employee Pension Plan.

All full-time employees of the University, and any part-time employees who opt to participate, are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), which is a multi-employer jointly sponsored defined benefit plan for public colleges in Ontario and other employers across Canada. The University makes contributions to the Plan equal or greater than those of the employees. Contribution rates are set through collective bargaining or by the Board of Governors in accordance with past practice and Plan regulations. Since the Plan is a multi-employer plan, the University's contributions are accounted for as if the plan were a defined contribution plan with the University's contributions being expensed in the period they come due.

The University does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the University's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2024 indicated an actuarial surplus on a going concern basis of \$5.3 billion.

The employee benefits expense for the year includes pension expense of \$8,581 (2023 — \$8,872).



## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

### 10. Long-Term Debt

	2024	2023
10.1 Royal Bank of Canada Non—Revolving Term Facility — C.J. Saunders Renovations		
Loan payable, interest at 3.67%, monthly payments including interest of \$14, maturing April 2025.	\$ 878	\$ 1,009
10.2 Royal Bank of Canada — Orillia Residence and Cafeteria		
Loan payable, interest at 4.69%, monthly payments including interest of \$140, maturing October 2036.	15,195	16,059
10.3 Royal Bank of Canada — Athletic Expansion Building		
Loan payable, interest at 3.10%, quarterly payments including interest of \$163, maturing September 2045.	9,917	10,226
10.4 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. Included in the pooled funds (Note 4) is \$22,060 (2023 — \$22,150) of a debt repayment sinking fund for project loans being amortized over their initial terms. The fair value of the debenture at April 30, 2024 was \$76,086 (2023 — \$84,782).	74,595	76,361
	100,585	103,655
Current portion	3,230	3,070
	\$ 97,355	\$ 100,585

Anticipated requirements to meet the principal portion of the long-term debt repayments over the next five years assuming refinancing on maturity at similar interest rates are as follows:

<u>Date</u>	<u>Amount</u>
2025	\$ 3,230
2026	3,399
2027	3,573
2028	3,760
2029	3,954
Thereafter	82,669
	<u>\$ 100,585</u>

## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

### 10. Long-Term Debt (continued)

#### 10.5 Interest Rate Swaps

The University has entered into an interest rate derivative agreement to manage the volatility of interest rate on the loan described in Note 10.2. The University converted floating rate debt for fixed rate debt of 4.69%. The change in the fair value of the interest rate swap of \$939 (2023 — \$334) is recorded in the Statement of Operations as unrealized gain on interest rate swaps. The interest rate swap agreement will expire on October 1, 2036.

The University has entered into an interest rate derivative agreement to manage the volatility of interest rate on the loan described in Note 10.3. The University converted floating rate debt for fixed rate debt of 3.10%. The change in the fair value of the interest rate swap of \$660 (2023 — \$143) is recorded in the Statement of Operations as unrealized gain on interest rate swap. The interest rate swap agreement will expire on September 1, 2045.

#### 10.6 Interest Rate Swaps

The notional loan amounts and fair value of the swaps are as follows:

	2024		2023	
	Notional Loan Amount	Fair Value of Swap	Notional Loan Amount	Fair Value of Swap
Interest rate swaps:				
Note 10.2	\$15,195	\$492	\$16,059	\$1,431
Note 10.3	9,917	(1,056)	10,226	(396)
	\$25,112	\$(564)	\$26,285	\$1,035

10.7 The University's credit facilities include an available operating line of credit of \$13,000, with interest at the bank's prime lending rate less 0.50% per annum (prime rate was 7.20% per annum at year-end) and secured by a first ranking security agreement on all personal property of the University. As at April 30, 2024, the University utilized \$nil (2023 - \$nil) of this facility. The University's RBC credit facilities noted in 10.1, 10.2 and 10.3 are secured by a general security agreement with first ranking security interest in all personal property of the University.

## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

### 11. 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 operations 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:

	2024	2023
Balance, beginning of year	\$ 46,923	\$ 48,033
Add: contributions received for capital asset purchases	20	940
Less: amortization of deferred capital contributions	(1,941)	(2,050)
Balance, end of year	\$ 45,002	\$ 46,923

### 12. Internally Restricted Net Assets

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

	2024	2023
Operating Fund		
Repairs and replacements	\$ 3,295	\$ 3,255
Unexpended budgets and departmental incomes	4,746	3,388
Employee pension benefits	(9,829)	(13,448)
Ancillary Enterprises	580	577
Restricted Funds		
Trust funds	20,270	18,156
Interest earned on investment from excess borrowing	6,819	6,727
Research funds	3,221	3,177
Bond Sinking Fund	22,060	22,150
Investment in Capital Assets	(5,000)	(4,498)
Land Appraisal Reserve	7,020	7,020
	\$ 53,182	\$ 46,504

### 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 \$58,650 (2023 – \$68,626).

## Lakehead University

### Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

#### 14. Ontario Student Trust Funds

Externally restricted endowments of \$58,650 (2023 — \$68,626) 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)	2024	2023
OSOTF Endowment Balance, beginning of year	\$ 6,963	\$ 6,963
Unrealized Investment Income	—	—
OSOTF Endowment Balance, end of year	\$ 6,963	\$ 6,963
Expendable Funds, beginning of year	\$ 9,389	\$ 8,119
Unrealized Investment Income (loss)	1,284	1,487
Bursaries Awarded	(211)	(217)
Expendable Funds, end of year	\$ 10,462	\$ 9,389
Number of Bursaries Awarded	189	188
Market Value of Endowment	\$ 17,425	\$ 16,352
OSOTF (Phase II)	2024	2023
OSOTF Endowment Balance, beginning of year	\$ 1,629	\$ 1,629
Endowment Transferred to NOSM University	(657)	—
OSOTF Endowment Balance, end of year	\$ 972	\$ 1,629
Expendable Funds, beginning of year	\$ 1,755	\$ 1,483
Unrealized Investment Income (loss)	290	303
Expendable Funds transferred to NOSM	(464)	—
Bursaries Awarded	(30)	(31)
Expendable Funds, end of year	\$ 1,551	\$ 1,755
Number of Bursaries Awarded	17	18
Market Value of Endowment	\$ 2,523	\$ 3,384

## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

### 14. Ontario Student Trust Funds (continued)

#### 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, 2023 to March 31, 2024 (April 1, 2022 to March 31, 2023).

	2024	2023
Donations eligible for matching	\$ —	\$ —
Donations not yet eligible for matching	—	—
Total cash donations	<u>\$ —</u>	<u>\$ —</u>

The following is the schedule of changes in endowment fund balance for the period from April 1, 2023 to March 31, 2024 (April 1, 2022 to March 31, 2023).

Included in the OTSS program is \$3,015 in Endowments and \$1,503 in Expendable Funds that are designated for awards to NOSM students. Lakehead University transferred these funds to NOSM University following the reporting date of March 31<sup>st</sup>.

	2024	2023
Endowment Balance, beginning of year	\$ 8,555	\$ 8,555
Cash donations received	—	—
Matching funds received/receivable	—	—
Endowment Balance, end of year	<u>\$ 8,555</u>	<u>\$ 8,555</u>

The following is the schedule of changes in expendable funds available for awards for the period from April 1, 2023 to March 31, 2024 (April 1, 2022 to March 31, 2023).

	2024	2023
Expendable Funds, beginning of year	\$ 7,203	\$ 7,294
Unrealized Investment Income	2,139	61
Bursaries Awarded	(158)	(152)
Expendable Funds, end of year	<u>\$ 9,184</u>	<u>\$ 7,203</u>
Number of Bursaries Awarded	<u>70</u>	<u>72</u>
Market Value of Endowment	<u>\$ 17,739</u>	<u>\$ 15,758</u>

## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

### 15. Property, Liability and Cyber Insurance

The University participates in a reciprocal exchange of insurance risks in association with seventy-eight 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 \$15,000 per occurrence for property losses subject to a \$30,000 aggregate per year, in excess of \$5,000 per occurrence for liability losses, and in excess of \$1,000 per occurrence on cyber.

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. As at December 31, 2023, the Canadian University Reciprocal Insurance Exchange was fully funded.

### 16. Contingent Liabilities

- a) 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, 2024, the University believes it has valid defenses and/or 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.
- b) The University has guaranteed a loan in the amount of \$1,197 for Nanabijou Childcare Centre (the "Centre") for the construction of the facility. The Centre provides childcare services to the children of staff and students of Lakehead University, and the public at large. The Centre is incorporated without share capital by Letters Patent under the laws of Ontario and is governed by a Board of Directors. The University has leased land to the Centre for the construction of the facility; the lease is a 35-year lease; the Centre pays \$2.00 per year to the University.

### 17. Commitment

The following are the future minimum annual operating lease payments due over the next two years:

<u>Date</u>	<u>Amount</u>
2025	\$ 358
2026	137

## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

### 18. Statement of Cash Flows

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

	2024	2023
Accounts receivable	\$ (3,298)	\$ (5,807)
Inventories and prepaid expenses	34	(45)
Accounts payable and accrued charges	870	1,720
Deferred revenue	2,672	3,106
Faculty early retirement program	(245)	(274)
	<u>\$ 33</u>	<u>\$ (1,300)</u>

### 19. Financial Instruments

The University's financial instruments consist of cash, accounts receivable, long-term investments, accounts payable, long-term debt and interest rate swaps. 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.

The University maintains all of its bank accounts with one financial institution and therefore all deposits are not covered by the Canadian Deposit Insurance Corporation (CDIC). The University is subject to credit risk on the excess deposits over CDIC coverage.

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 5.4% 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.

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## Lakehead University Notes to Financial Statements

April 30, 2024 (in thousands of dollars)

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### 19. Financial Instruments (continued)

Interest rate, foreign currency and market volatility risk arise 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.

Interest rate swaps are subject to interest rate and foreign currency exchange risk in the determination of fair value.

The University's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The University maintains a portion of its invested assets in liquid securities. The University also maintains certain credit facilities, which can be drawn upon as needed.