

Lakehead University
Financial Statements
For the year ended April 30, 2013

Contents

Independent Auditor's Report	2
Financial Statements	
Balance Sheet	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

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

We have audited the accompanying financial statements of Lakehead University, which comprise the balance sheet as at April 30, 2013, April 30, 2012 and May 1, 2011, and the statements of operations, changes in net assets and cash flows years for the years ended April 30, 2013 and April 30, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (Cont'd)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2013, April 30, 2012 and May 1, 2011, and the results of its operations and its cash flows for the years ended April 30, 2013 and April 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Thunder Bay, Ontario
October 4, 2013

Lakehead University Balance Sheet

	April 30, 2013	April 30, 2012	May 1, 2011
(in thousands of dollars)			
Assets			
Current			
Cash	\$ 40,121	\$ 39,146	\$ 37,486
Accounts Receivable (Note 3)	8,129	7,937	10,346
Inventories and prepaid expenses	902	900	1,021
	49,152	47,983	48,853
Long-term investments (Note 4)	83,016	73,697	69,222
Capital assets (Note 5)	159,000	164,970	157,302
	\$ 291,168	\$ 286,650	\$ 275,377

Liabilities and Net Assets

Liabilities			
Current			
Accounts payable and accrued charges (Note 6)	\$ 15,049	\$ 14,535	\$ 16,196
Deferred revenue (Note 7)	17,721	16,795	14,931
Current portion of long-term debt (Note 9)	1,720	1,628	1,325
	34,490	32,958	32,452
Accrued pension liability (Note 8)	7,584	12,347	8,707
Long-term debt (Note 9)	113,397	115,118	100,740
Interest Rate Swaps (Note 9.5)	6,127	5,135	2,623
Deferred capital contributions (Note 10)	48,049	48,219	50,530
	209,647	213,777	195,052
Net assets			
Internally restricted (Note 11)	48,856	38,696	44,678
Endowments (Note 12)	39,431	37,899	37,000
Unrestricted	(6,766)	(3,722)	(1,353)
	81,521	72,873	80,325
	\$ 291,168	\$ 286,650	\$ 275,377

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	2013	2012
	(in thousands of dollars)	
Revenue		
Government grants for general operations	\$ 64,299	\$ 64,492
Government and other grants for restricted purposes	14,889	15,509
Student fees	53,897	50,359
Sales of goods and services	18,243	17,010
Investment income (Note 4)	7,489	1,823
Donations	3,003	2,088
Contract research	1,171	1,027
Sundry	1,884	2,090
Amortization of deferred capital contributions (Note 10)	2,691	3,372
	167,566	157,770
Expenses		
Salaries and benefits	101,313	95,979
Operational supplies and expenses	6,669	6,463
Cost of sales and services	7,484	7,604
Amortization of capital assets	11,565	13,053
Amortization of debenture issuance costs	117	117
Building and equipment maintenance	7,066	7,602
Scholarships, bursaries and awards	9,601	9,425
Utilities and taxes	4,757	4,885
Travel	3,254	3,146
Other	5,067	4,819
Interest on long term debt	7,225	8,399
	164,118	161,492
Excess of revenue over expenses (expenses over revenue) before the undernoted	3,448	(3,722)
Post-employment benefit (recovery) expense - remeasurement	(3,751)	4,572
Excess of revenue over expenses (expenses over revenue) for the year	\$ 7,199	\$ (8,294)

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

2013 2012

(in thousands of dollars)

	Internally Restricted	Endowments	Unrestricted	Total	Total
	(Note 11)	(Note 12)			
Balance, beginning of year	\$ 38,696	\$ 37,899	\$ (3,722)	\$ 72,873	\$ 80,325
Excess of revenue over expenses (expenses over revenue) for the year	-	-	7,199	7,199	(8,294)
Change in internally restricted net assets	10,160	-	(10,160)	-	-
Transfer to endowments	-	83	(83)	-	-
Endowment contributions	-	537	-	537	801
Capitalization of investment income in endowments	-	912	-	912	41
Balance, end of year	\$ 48,856	\$ 39,431	\$ (6,766)	\$ 81,521	\$ 72,873

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

Lakehead University Statement of Cash Flows

For the year ended April 30	2013	2012
	(in thousands of dollars)	
Cash flows from operating activities		
Excess of revenue over expenses (expenses over revenue) for the year	\$ 7,199	\$ (8,294)
Items not involving cash		
Amortization of capital assets	11,565	13,053
Amortization of debenture issuance costs	117	117
Amortization of deferred capital contributions	(2,691)	(3,372)
Net change in accrued pension liability	(4,763)	3,640
Interest rate swap	992	2,512
Net change in non-cash working capital balances related to operations (Note 17)	1,246	2,733
	13,665	10,389
Financing activities		
Long term debt principal repayments	(1,746)	(1,536)
Long-term debt proceeds	-	16,100
Deferred capital contributions received	2,521	1,061
	775	15,625
Investing activities		
Endowment contributions	537	801
Capitalization of investment income in endowments	912	41
Purchase of capital assets	(5,595)	(20,721)
Change in long term investments, net	(9,319)	(4,475)
	(13,465)	(24,354)
Increase in cash for the year	975	1,660
Cash, beginning of year	39,146	37,486
Cash, end of year	\$ 40,121	\$ 39,146

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

Lakehead University Notes to Financial Statements

April 30, 2013 (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 a beneficial economic interest in the Lakehead University Pension Plan, the activities of which are not consolidated into these financial statements (Note 8). The Lakehead University Pension Investment Fund is audited separately.

The Northern Ontario School of Medicine ("School") is incorporated under the Ontario Business Corporations Act and is a not-for-profit organization. The School 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 registered charity, 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 Part III of the Canadian Institute of Chartered Accountants' ("CICA") Handbook - Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

a) Financial Instruments

Investments are carried at fair value. 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.

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

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

a) Financial Instruments (cont'd)

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 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.
4. 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

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

Works of Art

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

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

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

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.

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.

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 of revenues and expenses during the reporting period. The principal estimates used in preparation of these financial statements are the estimated useful life of property, plant and equipment, valuation of accounts receivable and doubtful accounts and assumption regarding 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 balance sheet at fair value with subsequent changes in fair value recognized in the statement of operations.

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

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

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, in the balance sheets. 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 accounting assumptions. The most recent actuarial valuation of the pension plan for funding purposes has been conducted as of December 31, 2009, and the next required valuation will be as of December 31, 2012 and is required to be completed and filed with the pension authorities no later than December 31, 2013. 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.

3. Accounts Receivable

Accounts receivable consist of the following:

	2013	2012
Tuition and residence fees	\$ 1,182	\$ 1,004
Interest and sundry accounts	2,735	3,070
Sponsored research monies	4,212	3,863
	\$ 8,129	\$ 7,937

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

4. Long-Term Investments and Investment Income

Long-term investments consist of the following:

	2013	2012
Pooled funds	\$ 77,364	\$ 67,951
Marketable securities carried at fair value	5,652	5,746
	\$ 83,016	\$ 73,697

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, 2013 was \$77,364 (2012 - \$67,951). The increase in the investment during the fiscal year of \$9,413 includes receipts of \$1,866 and investment gains of \$7,547. Included in the pooled funds are internally restricted amounts created from excess borrowings of the Series A unsecured debenture described in Note 9.4; the market value as at April 30, 2013 is \$14,899. Also included in the pooled funds is \$13,208 (2012 - \$10,453) 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 \$5,542 (2012 - \$5,590), life insurance policies of \$19 (2012 - \$65), and shares of \$91 (2012 - \$91). The market value of the marketable securities as at April 30, 2013 was \$5,652 (2012 - \$5,746). The bonds mature between 2013 and 2035 with annual yields ranging from 4.2% to 8.5%.

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

	2013	2012
Net investment income	\$ 8,401	\$ 1,864
Amount attributed to endowment capital preservations	(912)	(41)
Investment income recognized during the year	\$ 7,489	\$ 1,823

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

5. Capital Assets

	April 30, 2013		April 30, 2012		May 1, 2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 13,829	\$ -	\$ 13,829	\$ -	\$ 13,829	\$ -
Site development	8,128	7,123	8,091	6,827	8,091	6,535
Buildings	228,229	97,256	228,050	92,179	203,237	85,774
Furniture and equipment	123,477	114,815	120,972	110,317	116,428	105,702
Leasehold improvements	1,655	1,599	1,655	1,543	1,487	1,487
Library books	45,018	41,780	43,381	40,142	41,749	38,456
Construction in progress	1,237	-	-	-	10,435	-
	\$ 421,573	\$ 262,573	\$ 415,978	\$ 251,008	\$ 395,256	\$ 237,954
Less accumulated amortization	(262,573)		(251,008)		(237,954)	
Net book value	\$ 159,000		\$ 164,970		\$ 157,302	

6. Accounts Payable and Accrued Charges

The accounts payable and accrued charges consist of the following:

	2013	2012
Trade accounts	\$ 9,524	\$ 8,614
Payroll liabilities	2,837	2,956
Vacation pay liability	2,002	2,118
Capital projects	686	847
	\$ 15,049	\$ 14,535

As at April 30, 2013 accounts payable and accrued charges include government remittances payable of \$1,166 (2012 - \$1,002).

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

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:

	2013	2012
Research	\$ 12,368	\$ 11,612
Other restricted purposes	5,353	5,183
	\$ 17,721	\$ 16,795

8. Accrued Pension Liability

The University has two separate pension plans.

8.1 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, 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, 2009.

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

	April 30, 2013	April 30, 2012	May 1, 2011
Accrued benefit obligation	\$ (113,351)	\$ (114,545)	\$ (124,267)
Fair value of plan assets	105,767	102,198	115,560
Plan deficit	\$ (7,584)	\$ (12,347)	\$ (8,707)

The significant actuarial assumptions in calculating the University's liability accrued as at April 30, 2013, were a discount rate of 5.50% (2012 - 5.50%), a general salary increase assumption of 5.25% (2012 - 5.25%) per annum and mortality tables equal to 85% of UP94@2020.

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

8. Pension Benefit Obligation (cont'd)

8.2 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 pension benefits 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 \$4,082 (2012 - \$4,041).

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

9. Long-Term Debt

	2013	2012
<p>9.1 Ontario Housing Corporation Long-Term Lease Obligation - 480 Bed Student Residence</p> <p>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 6.40%. 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.</p>	\$ 824	\$ 922
<p>9.2 Royal Bank of Canada Non-Revolving Term Facility - C J Saunders Renovations</p> <p>Loan payable, unsecured, interest at 4.6%, monthly payments including interest of \$15, maturing March 2030.</p>	2,067	2,147
<p>9.3 Royal Bank of Canada - Orillia Residence and Cafeteria</p> <p>Loan payable, unsecured, interest at 5.06%, monthly payments including interest of \$140, maturing October 2036.</p>	22,747	23,255
<p>Carried forward</p>	\$ 25,638	\$ 26,324

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

9. Long Term Debt (cont'd)

	2013	2012
Brought forward	\$ 25,638	\$ 26,324
9.4 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 \$13,208 (2012 - \$10,453) of a debt repayment sinking fund for project loans being amortized over their initial terms. The fair value of the debenture at April 30, 2013 was \$105,684 (2012 - \$102,300)	89,479	90,422
	115,117	116,746
Current portion	1,720	1,628
	\$ 113,397	\$ 115,118

9.5 The University has entered into interest rate derivative agreements to manage the volatility of interest rates on the loan described in Note 9.3. The University converted floating rate debt for fixed rate debt of 5.09%. The change in the fair value of the interest rate swap of \$992 (2012 - \$2,512) is recorded in the statement of operations as interest on long term debt. The interest rate swap agreement will expire on October 1, 2036.

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

<u>Date</u>	<u>Amount</u>
2014	\$ 1,720
2015	1,817
2016	1,919
2017	2,027
2018	2,141
Thereafter	105,493
	\$ 115,117

9.6 The University's credit facilities include an available operating line of credit of \$3,000, with interest at the bank's prime lending rate less 0.50% per annum (2.50% per annum at year-end).

Lakehead University Notes to Financial Statements

April 30, 2013 (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 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:

	2013	2012
Balance, beginning of year	\$ 48,219	\$ 50,530
Add: contributions received for capital asset purchases	2,521	1,061
Less: amortization of deferred capital contributions	(2,691)	(3,372)
Balance, end of year	\$ 48,049	\$ 48,219

11. Internally Restricted Net Assets

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

	April 30, 2013	April 30, 2012	May 1, 2011
Operating Fund			
Repairs and replacements	\$ 4,753	\$ 5,044	\$ 5,285
Self-insurance	250	250	250
Unexpected budgets and departmental incomes	5,424	6,080	6,012
Future year's budget	2,000	1,500	2,332
Employee pension benefits	(7,584)	(12,347)	(8,707)
Ancillary Enterprises			
Retail operations	-	-	701
Food services	69	174	223
Residence operations	1,387	539	319
Residence reserves for repairs and replacements	272	264	256
Other ancillary	634	648	497
Restricted Funds			
University general trust fund	11,964	8,341	7,173
Interest earned on investment from excess borrowings	3,660	3,298	3,417
Research funds	1,720	1,260	1,254
Bond sinking fund	13,208	10,453	8,803
Investment in Capital Assets	4,079	6,172	9,843
Land appraisal reserve	7,020	7,020	7,020
	\$ 48,856	\$ 38,696	\$ 44,678

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

12. 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 \$39,431 (2012 - \$37,899).

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

13. Ontario Student Trust Funds

Externally restricted endowments of \$39,431 (2012 - \$37,899) 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)

	2013	2012
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	\$ 1,765	\$ 1,372
Unrealized investment income	1,219	521
Bursaries awarded	(124)	(128)
Expendable funds, end of year	\$ 2,860	\$ 1,765
Number of bursaries awarded	372	392
Market Value of Endowment	\$ 9,823	\$ 8,728

OSOTF (Phase II)

	2013	2012
OSOTF endowment balance, beginning of year	\$ 1,625	\$ 1,625
Unrealized investment income	-	-
OSOTF endowment balance, end of year	\$ 1,625	\$ 1,625
Expendable funds (deficit), beginning of year	\$ 77	\$ 74
Unrealized investment income	277	33
Bursaries awarded	(30)	(30)
Expendable funds, end of year	\$ 324	\$ 77
Number of bursaries awarded	35	36
Market Value of Endowment	\$ 1,949	\$ 1,702

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

13. 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, 2012 to March 31, 2013 (April 1, 2011 to March 31, 2012).

	<u>2013</u>	<u>2012</u>
Donations eligible for matching	\$ 10	\$ 407
Donations not yet eligible for matching	-	141
Total cash donations	\$ 10	\$ 548

The following is the schedule of changes in endowment fund balance for the period April 1, 2012 to March 31, 2013 (April 1, 2011 to March 31, 2012).

	<u>2013</u>	<u>2012</u>
Endowment balance, beginning of year	\$ 8,545	\$ 7,590
Cash donations received	10	548
Matching funds received / receivable	-	407
Endowment balance, end of year	\$ 8,555	\$ 8,545

The following is the schedule of changes in expendable funds available for awards for the period April 1, 2012 to March 31, 2013 (April 1, 2011 to March 31, 2012).

	<u>2013</u>	<u>2012</u>
Expendable funds (deficit), beginning of year	\$ 263	\$ 9
Unrealized investment income	1,013	388
Bursaries awarded	(164)	(134)
Expendable funds, end of year	\$ 1,112	\$ 263
Number of bursaries awarded	131	124
Market Value of Endowment	\$ 9,667	\$ 8,808

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

14. 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.

15. Contingent Liabilities

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, 2013, 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.

16. Commitments

a) The estimated cost to complete the PACI Faculty of Law renovations in progress at April 30, 2013 is \$2,455. The \$2,455 will be funded from donations, grants and internally restricted net assets.

b) The following are the future minimum annual operating lease payments due over the next five years:

<u>Date</u>	<u>Amount</u>
2014	\$ 534
2015	235
2016	230
2017	228
2018	224

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

17. Statement of Cash Flows

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

	2013	2012
Accounts receivable	\$ (192)	\$ 2,409
Inventories and prepaid expenses	(2)	121
Accounts payable and accrued charges	514	(1,661)
Deferred revenue	926	1,864
	\$ 1,246	\$ 2,733

18. Related Party Transactions

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

	2013	2012
Recoveries and charges for goods and services	\$ 1,305	\$ 1,583

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.

At April 30, 2013 the University had \$466 (2012 - \$437) receivable from the School and had a payable of \$249 (2012 - \$288) to the School.

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

19. Financial Instruments

The University's financial instruments consist of cash, accounts receivable, long-term investments, accounts payable and accrued charges, and 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.

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, 2013 (in thousands of dollars)

21. First-time Adoption of Accounting Standards for Not-for-Profit Organizations

Effective May 1, 2012, the University adopted the requirements of the new accounting framework, Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the University's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended April 30, 2013, the comparative information presented in these financial statements for the year ended April 30, 2012 and in the preparation of an opening ASNPO statement of financial position at the date of transition of May 1, 2011.

21.1 Exemptions elected upon transition

CICA 1501 provides a number of elective exemptions related to standards in Part III of the CICA Handbook. The University has elected to use the transition exemptions with respect to the recognition of cumulative actuarial losses and the fair value of capital assets at the Transition Date.

21.2 Reconciliations

The University issued financial statements for the year ended April 30, 2012 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in adjustments to the previously reported assets, liabilities, equity, excess of revenue over expenses and cash flows of the University. The following table provides a reconciliation of net assets as at May 1, 2011 and the deficiency of revenue over expenses for the year ended April 30, 2012 as previously reported with those computed under GAAP.

	Deficiency of revenue over expenses for the year ended April 30, 2012	Net assets as at May 1, 2011 (Transition Date)
Deficiency of revenue over expenses and net assets - previous GAAP	\$ (4,436)	\$ 81,794
Election to measure land at fair market value (a)	-	7,020
Election for immediate recognition approach - pension plan (b)	(3,858)	(8,489)
Deficiency of revenue over expenses and net assets - ASNPO	\$ (8,294)	\$ 80,325

Lakehead University Notes to Financial Statements

April 30, 2013 (in thousands of dollars)

21. First-time Adoption of Accounting Standards for Not-for-Profit Organizations (cont'd)

(a) Election to measure land at fair market value

Using an elective exemption available at the Transition Date, the carrying value of land was increased to the appraised value as at that date of \$13,829, resulting in an increase in land and internally restricted net assets of \$7,020.

(b) Adoption of immediate recognition approach

On the Transition Date, the University adopted the immediate recognition approach to account for its employee benefit plans using funding valuations for the pension plan. This change in accounting policy resulted in the recognition of unamortized actuarial losses, past service costs and the transitional liability, resulting in a decrease in internally restricted net assets of \$8,489 for the pension plan.