Lakehead University
Financial Statements
For the year ended April 30, 2023

Contents

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Independent Auditor's Report

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 balance sheet as at April 30, 2023, 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, 2023, 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.

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

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 12, 2023

Lakehead University
Balance Sheet

April 30	2023	2022
Assets	(in thousands of dollars)	
Current		
Cash	$ 30,229	$ 28,489
Accounts receivable (Note 3)	16,568	10,761
Inventories and prepaid expenses	821	776
	47,618	40,026
Long-term investments (Note 4)	143,367	139,762
Capital assets (Note 5)	141,272	145,475
	$ 332,257	$ 325,263

	2023	2022
Liabilities and Net Assets		
Liabilities		
Current		
Accounts payable and accrued charges (Note 6)	$ 20,006	$ 18,286
Deferred revenue (Note 7)	42,434	39,328
Current portion of long-term debt (Note 10)	3,070	2,919
	65,510	60,533
Faculty early retirement program costs (Note 8)	775	1,049
Accrued pension liability (Note 9)	13,448	18,516
Long-term debt (Note 10)	100,585	103,655
Interest rate swaps (Notes 10.5 and 10.6)	1,035	1,512
Deferred capital contributions (Note 11)	46,923	48,033
	228,276	233,298
Net Assets		
Internally restricted (Note 12)	46,504	41,261
Endowments (Note 13)	68,626	64,417
Unrestricted	(11,149)	(13,713)
	103,981	91,965
	$ 332,257	$ 325,263

Contingent Liabilities (Note 16)

On behalf of the Board of Governors:

Chair

President

Lakehead University
Statement of Operations

For the year ended April 30	2023	2022
	(in thousands of dollars)	
Revenue		
Government grants for general operations	$ 66,718	$ 61,611
Government and other grants for restricted purposes	25,085	22,005
Student fees	89,323	86,962
Sales of goods and services	16,848	12,279
Investment income (loss) (Note 4)	9,000	(5,384)
Donations	1,610	1,412
Contract research	1,033	1,128
Sundry	5,146	2,943
Amortization of deferred capital contributions (Note 11)	2,050	1,868
	216,813	184,824
Expenditures		
Salaries and benefits	137,446	135,778
Operational supplies and expenses	10,275	10,191
Cost of sales and services	4,495	3,709
Amortization of capital assets	8,553	8,008
Amortization of debenture issuance costs	117	117
Building and equipment maintenance	13,836	12,007
Scholarships, bursaries and awards	15,034	14,938
Utilities	5,247	4,739
Travel	3,358	1,114
Other	9,207	8,946
Interest on long term debt	5,616	5,680
	213,184	205,227
Excess (deficit) of revenue over expenditures before the undernoted	3,629	(20,403)
Unrealized gain on interest rate swaps	477	3,674
Excess (deficit) of revenue over expenditures for the year	$ 4,106	$ (16,729)

Lakehead University
Statement of Changes in Net Assets

For the year ended April 30

(in thousands of dollars)

	Internally Restricted	Endowments	Unrestricted	2023 Total	2022 Total
	(Note 12)	(Note 13)			
Balance, beginning of year	$ 41,261	$ 64,417	$ (13,713)	$ 91,965	$ 110,184
Excess (deficit) of revenue over expenditures for the year	—	—	4,106	4,106	(16,729)
Post-employment benefit recovery – remeasurement (Note 9)	3,748	—	—	3,748	(2,377)
Change in internally restricted net assets	1,542	—	(1,542)	—	—
Transfer from endowments	(47)	47	—	—	—
Endowment contributions	—	1,116	—	1,116	887
Capitalization of investment income in endowments	—	3,046	—	3,046	—
Balance, end of year	$ 46,504	$ 68,626	$ (11,149)	$ 103,981	$ 91,965

Lakehead University
Statement of Cash Flows

For the year ended April 30		2023		2022
		(in thousands of dollars)		
Operating Activities				
Excess (deficit) of revenue over expenditures for the year	$	4,106	$	(16,729)
Items not involving cash				
Amortization of capital assets		8,553		8,008
Amortization of debenture issuance costs		117		117
Amortization of deferred capital contributions		(2,050)		(1,868)
Net change in accrued pension liability		(1,320)		(1,886)
Interest rate swaps		(477)		(3,674)
Net change in non-cash working capital balances related to operations (Note 18)		(1,300)		(173)
Cash provided by operating activities		7,629		(16,205)
Financing Activities				
Long-term debt principal repayments		(3,036)		(2,890)
Deferred capital contributions received		940		56
		(2,096)		(2,834)
Investing Activities				
Endowment contributions		1,116		887
Capitalization of investment income in endowments		3,046		—
Purchase of capital assets		(4,350)		(2,768)
Change in long term investments, net		(3,605)		7,655
		(3,793)		5,774
Increase (decrease) in cash for the year		1,740		(13,265)
Cash, beginning of year		28,489		41,754
Cash, end of year	$	30,229	$	28,489

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 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, were the only voting members of the School, had significant relationships with the School, but the University had no claim to the net operating assets of the School and the University was not liable for any direct or contingent liabilities of the School. In June 2021 the Ontario government introduced proposed legislation to establish the Northern Ontario School of Medicine (NOSM) as an independent, standalone degree-granting institution. On March 4, 2022, the Province of Ontario announced that it proclaimed a statute establishing NOSM as a stand-alone post-secondary medical institution effective as of April 1, 2022.

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

Financial instruments are recorded at fair value when acquired or issued, in subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations, other than financial instruments related to endowment funds. In addition, all bonds have been designated to be in the fair value category, with gains and losses reported in operations, other than financial instruments related to endowment funds. Changes in fair value of financial instruments related to endowment funds are recorded directly in net assets. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

2. Summary of Significant Accounting Policies (continued)

a. Financial Instruments (continued)

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.

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.

2. Summary of Significant Accounting Policies (continued)

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 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 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 balance sheet 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.

April 30, 2023 (in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

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 funding assumptions. The most recent actuarial valuation of the pension plan for funding purposes has been conducted as of December 31, 2021, and the next required valuation will be as of December 31, 2022. 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 consists of the following:

	2023	2022
Tuition and residence fees	$ 4,120	$ 3,817
Interest and sundry accounts	7,799	3,667
Sponsored research monies	5,952	4,706
Allowance for doubtful accounts	(1,303)	(1,429)
	$ 16,568	$ 10,761

4. Long-Term Investments and Investment Income

Long-term investments consist of the following:

	2023	2022
Pooled funds	$ 140,307	$ 136,449
Marketable securities carried at fair value	3,060	3,313
	$ 143,367	$ 139,762

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, 2023 was $140,307 (2022 — $136,449). The increase in the investment during fiscal year of $3,858 includes receipts of $1,719, withdrawals of $5,368 and investment gains of $7,507. Included in the pool funds

April 30, 2023 (in thousands of dollars)

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

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, 2023 is $18,873. Also included in the pooled funds is $22,150 (2022 — $22,680) of a debt repayment sinking fund for project loans being amortized over their initial terms. Included in Investments is $14,219 (2022 — $13,116) that are designated as Endowments (note 13) for awards to NOSM students. Lakehead University is working collaboratively with NOSM University for the transfer of these funds to NOSM.

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 $28,788 (2022 – 29,587).

Included in Investments is $14,219 (2022 — $13,116) that are designated as Endowments (Note 13) for awards to NOSMU students. Lakehead University is working collaboratively with NOSM University for the transfer of these funds to NOSMU.

Marketable securities carried at fair value consist of investments in government and corporate bonds of $3,014 (2022 — $3,268), life insurance policies of $36 (2022 — $35), and other of $10 (2022 — $10). The market value of the marketable securities as at April 30, 2023 was $3,060 (2022 — $3,313). The bonds mature between 2025 and 2035 with annual yields ranging from 5.4% to 8.5%.

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

	2023	2022
Net investment income (loss)	$ 12,046	$ (5,384)
Amount attributed to endowment capital preservation	3,046	—
Investment income (loss) recognized during the year	$ 9,000	$ (5,384)

Lakehead University
Notes to Financial Statements

April 30, 2023 (in thousands of dollars)

5. Capital Assets

	2023			2022		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$13,829	$ —	$13,829	$14,129	$ —	$14,129
Site development	8,182	8,171	11	8,182	8,166	16
Buildings	269,099	147,896	121,203	269,099	142,409	126,690
Furniture and equipment	148,374	142,456	5,918	143,864	139,534	4,330
Leasehold improvements	1,655	1,655	—	1,655	1,655	—
Library books	54,888	54,577	311	54,748	54,438	310
	$496,027	$354,755	$141,272	$491,677	$346,202	$145,475

6. Accounts Payable and Accrued Charges

The accounts payable and accrued charges consist of the following:

	2023	2022
Trade accounts	$ 10,863	$ 9,154
Payroll liabilities	5,384	5,325
Vacation pay liability	3,233	2,994
Current portion faculty early retirement (Note 8)	274	420
Capital projects	252	393
	$ 20,006	$ 18,286

As at April 30, 2023 accounts payable and accrued charges include government remittances payable of $1,803 (2022 — $1,731).

7. Deferred Revenue

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

	2023	2022
Research	$ 20,764	$ 19,139
Other restricted purposes	21,670	20,189
	$ 42,434	$ 39,328

April 30, 2023 (in thousands of dollars)

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:

	2023	2022
2023	$ —	$ 420
2024	274	274
2025	245	245
2026	245	245
2027	245	245
2028	40	40
Subtotal	1,049	1,469
Current portion (Note 6)	274	420
Total	$ 775	$ 1,049

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, 2021.

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

	2023	2022
Accrued benefit obligation	$ (69,994)	$ (77,066)
Fair value of plan assets	56,546	58,550
Plan deficit	$ (13,448)	$ (18,516)

The significant actuarial assumptions in calculating the University's liability accrued as at April 30, 2023, were a discount rate of 6.00% (2022 — 5.70%), a general salary increase assumption of 4.22% (2022 — 4.40%) per annum and the CPM2014 Public Sector mortality table.

April 30, 2023 (in thousands of dollars)

9. Accrued Pension Liability (continued)

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

		2023		2022
Expected return less actual return on plan assets	$	71	$	3,908
Actuarial gains		(3,819)		(1,531)
	$	(3,748)	$	2,377

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.

Effective January 1, 2023, one union group negotiated and join the CAAT DBplus pension plan for future service only. Subsequent to this, two other union groups negotiated to join CAAT effective June 30, 2023. Additionally, the University announced that all non-union staff will move to CAAT for future service only, effective July 1, 2023. This means that all contributions for these 4 groups will be directed to CAAT rather than the Pension Plan for Professional Staff of Lakehead University and the Lakehead University Employee Pension Plan.

The employee benefits expense for the year includes pension expense of $8,872 (2022 — $9,280).

April 30, 2023 (in thousands of dollars)

10. Long-Term Debt

		2023		2022
10.1 Royal Bank of Canada Non—Revolving Term Facility — C.J. Saunders Renovations				
Loan payable, unsecured, interest at 3.67%, monthly payments including interest of $15, maturing March 2025.	$	1,009	$	1,134
10.2 Royal Bank of Canada — Orillia Residence and Cafeteria				
Loan payable, unsecured, interest at 4.69%, monthly payments including interest of $140, maturing October 2036.		16,059		16,883
10.3 Royal Bank of Canada — Athletic Expansion Building				
Loan payable, unsecured, interest at 3.10%, quarterly payments including interest of $163, maturing September 2045.		10,226		10,524
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 $22,150 (2022 — $22,680) of a debt repayment sinking fund for project loans being amortized over their initial terms. The fair value of the debenture at April 30, 2023 was $84,782 (2022 — $82,504).		76,361		78,033
		103,655		106,574
Current portion		3,070		2,919
	$	100,585	$	103,655

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

Date		Amount
2024	$	3,070
2025		3,230
2026		3,399
2027		3,573
2028		3,753
Thereafter		86,630
	$	103,655

April 30, 2023 (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 $334 (2022 — $2,281) is recorded in the Statement of Operations as unrealized gain (loss) 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 $143 (2022 — $1,393) is recorded in the Statement of Operations as unrealized gain (loss) 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:

	2023		2022	
	Notional Loan Amount	Fair Value of Swap	Notional Loan Amount	Fair Value of Swap
Interest rate swaps:				
Note 10.2	$16,059	$1,431	$16,883	$1,765
Note 10.3	10,226	(396)	10,524	(253)
	$26,285	$1,035	$27,407	$1,512

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 6.70% per annum at year-end) and secured by a first ranking security agreement on all personal property of the University. As at April 30, 2023, the University utilized $nil (2022 - $nil) of this facility.

April 30, 2023 (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:

	2023	2022
Balance, beginning of year	$ 48,033	$ 49,845
Add: contributions received for capital asset purchases	940	56
Less: amortization of deferred capital contributions	(2,050)	(1,868)
Balance, end of year	$ 46,923	$ 48,033

12. Internally Restricted Net Assets

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

	2023	2022
Operating Fund		
Repairs and replacements	$ 3,255	$ 2,783
Unexpended budgets and departmental incomes	3,388	6,360
Employee pension benefits	(13,448)	(18,516)
Ancillary Enterprises	577	521
Restricted Funds		
Trust funds	18,156	14,627
Interest earned on investment from excess borrowing	6,727	7,106
Research funds	3,177	3,162
Bond Sinking Fund	22,150	22,680
Investment in Capital Assets	(4,498)	(4,482)
Land Appraisal Reserve	7,020	7,020
	$ 46,504	$ 41,261

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 $68,626 (2022 — $64,417).

Included in Endowments is $14,219 (2022 - $13,116) that are designated for awards to NOSM students. Lakehead University is working collaboratively with NOSM University for the transfer of these Endowment, and the related investments (Note 4) to NOSM.

April 30, 2023 (in thousands of dollars)

14. Ontario Student Trust Funds

Externally restricted endowments of $68,626 (2022 — $64,417) 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)	2023	2022
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	$ 8,119	$ 9,970
Unrealized Investment Income (loss)	1,487	(1,628)
Bursaries Awarded	(217)	(223)
Expendable Funds, end of year	$ 9,389	$ 8,119
Number of Bursaries Awarded	188	206
Market Value of Endowment	$ 16,352	$ 15,082

OSOTF (Phase II)	2023	2022
OSOTF Endowment Balance, beginning of year	$ 1,629	$ 1,629
Donations	—	—
OSOTF Endowment Balance, end of year	$ 1,629	$ 1,629
Expendable Funds, beginning of year	$ 1,483	$ 1,783
Unrealized Investment Income (loss)	303	(252)
Bursaries Awarded	(31)	(48)
Expendable Funds, end of year	$ 1,755	$ 1,483
Number of Bursaries Awarded	18	25
Market Value of Endowment	$ 3,384	$ 3,112

April 30, 2023 (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, 2022 to March 31, 2023 (April 1, 2021 to March 31, 2022).

	2023	2022
Donations eligible for matching	$ —	$ —
Donations not yet eligible for matching	—	—
Total cash donations	$ —	$ —

The following is the schedule of changes in endowment fund balance for the period from April 1, 2022 to March 31, 2023 (April 1, 2021 to March 31, 2022).

	2023	2022
Endowment Balance, beginning of year	$ 8,555	$ 8,555
Cash donations received	—	—
Matching funds received/receivable	—	—
Endowment Balance, end of year	$ 8,555	$ 8,555

The following is the schedule of changes in expendable funds available for awards for the period from April 1, 2022 to March 31, 2023 (April 1, 2021 to March 31, 2022).

	2023	2022
Expendable Funds, beginning of year	$ 7,294	$ 7,484
Unrealized Investment Income	61	63
Bursaries Awarded	(152)	(253)
Expendable Funds, end of year	$ 7,203	$ 7,294
Number of Bursaries Awarded	72	112
Market Value of Endowment	$ 15,758	$ 15,849

April 30, 2023 (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 $5,000 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. As at December 31, 2022, the Canadian University Reciprocal Insurance Exchange was fully funded.

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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, 2023, 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 $1,300 for Nanabijou Childcare Centre (the "Centre") for the construction of the facility. The Centre provides childcare services to 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.

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17. Commitment

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

Date		Amount
2024	$	582
2025		358
2026		137
2027		—
2028	$	—

April 30, 2023 (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:

	2023	2022
Accounts receivable	$ (5,807)	$ (2,070)
Inventories and prepaid expenses	(45)	161
Accounts payable and accrued charges	1,720	822
Deferred revenue	3,106	130
Faculty early retirement program	(274)	784
	$ (1,300)	$ (173)

19. Transactions with the Northern Ontario School of Medicine University

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

	2023	2022
Recoveries and charges for goods and services	$ 1,735	$ 1,575

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, 2023 the University had $270 (2022 — $191) receivable from the School and had a payable of $242 (2022 — $138) to the School.

20. 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.

20. Financial Instruments (continued)

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.

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.