

Lakehead University
Financial Statements
For the year ended April 30, 2026

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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 "University"), which comprise the statement of financial position as at April 30, 2026, and the statements 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 University as at April 30, 2026, and the results of its operations and its 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 University 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 the 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 University'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 University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University'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.

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 University'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 University'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 University 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.

Thunder Bay, Ontario

October 15, 2026

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Lakehead University Statement of Financial Position

April 30	2026	2025
Assets	(in thousands of dollars)	
Current		
Cash	\$ 62,424	\$ 59,005
Accounts receivable (Note 3)	19,078	18,748
Inventories and prepaid expenses	962	788
	<u>82,464</u>	<u>78,541</u>
Long-term investments (Note 4)	150,528	141,006
Capital assets (Note 5)	133,860	130,882
	<u>\$ 366,852</u>	<u>\$ 350,429</u>
Liabilities and Net Assets		
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 22,525	\$ 19,880
Deferred revenue (Note 7)	50,461	47,896
Current portion of long-term debt (Note 10)	3,571	3,399
	<u>76,557</u>	<u>71,175</u>
Faculty early retirement program costs (Note 8)	40	285
Accrued pension liability (Note 9)	3,779	8,273
Long-term debt (Note 10)	90,389	93,956
Interest rate swaps (Note 10.5 and 10.6)	419	1,385
Deferred capital contributions (Note 11)	59,485	54,714
	<u>230,669</u>	<u>229,788</u>
Net Assets		
Internally restricted (Note 12)	75,359	66,442
Endowments (Note 13)	66,706	62,393
Unrestricted	(5,882)	(8,194)
	<u>136,183</u>	<u>120,641</u>
	<u>\$ 366,852</u>	<u>\$ 350,429</u>

Contingent Liabilities (Note 16)

On behalf of the Board of Governors:

Chair

President

Lakehead University Statement of Operations

For the year ended April 30	2026	2025
	(in thousands of dollars)	
Revenue		
Government grants for general operations	\$ 71,339	\$ 69,512
Government and other grants for restricted purposes	31,709	30,477
Student fees	97,942	102,406
Sales of goods and services	21,584	20,190
Investment income (Note 4)	15,828	14,564
Donations	1,234	864
Contract research	1,101	687
Sundry	5,835	5,362
Amortization of deferred capital contributions (Note 11)	1,944	1,923
	248,516	245,985
Expenditures		
Salaries and benefits	156,088	148,211
Operational supplies and expenses	14,000	11,925
Cost of sales and services	6,266	6,077
Amortization of capital assets	7,948	8,145
Amortization of debenture issuance costs	117	117
Building and equipment maintenance	17,718	15,541
Scholarships, bursaries and awards	14,732	15,151
Utilities	5,674	5,620
Travel	4,858	4,879
Other	9,195	9,839
Interest on long-term debt	5,015	5,020
	241,611	230,525
Excess of revenue over expenditures before the undernoted	6,905	15,460
Unrealized gain/(loss) on interest rate swaps	966	(1,949)
Excess of revenue over expenditures for the year	\$ 7,871	\$ 13,511

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

2026

2025

(in thousands of dollars)

	Internally Restricted	Endowments	Unrestricted	Total	Total
	(Note 12)	(Note 13)			
Balance, beginning of year	\$ 66,442	\$ 62,393	\$ (8,194)	\$ 120,641	\$ 103,938
Excess of revenue over expenditures for the year	—	—	7,871	7,871	13,511
Post-employment benefit - remeasurements (Note 9)	3,802	—	—	3,802	194
Change in internally restricted net assets	5,559	—	(5,559)	—	—
Transfer to/(from) endowments	(444)	444	—	—	—
Endowment contributions	—	2,915	—	2,915	1,751
Capitalization of investment income in endowments	—	954	—	954	1,247
Balance, end of year	\$ 75,359	\$ 66,706	\$ (5,882)	\$ 136,183	\$ 120,641

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

Lakehead University Statement of Cash Flows

For the year ended April 30	2026	2025
	(in thousands of dollars)	
Operating Activities		
Excess of revenue over expenditures for the year	\$ 7,871	\$ 13,511
Items not involving cash		
Amortization of capital assets	7,948	8,145
Amortization of debenture issuance costs	117	117
Amortization of deferred capital contributions	(1,944)	(1,923)
Net change in accrued pension liability	(692)	(1,362)
Interest rate swaps	(966)	1,949
Net change in non-cash working capital balances related to operations (Note 18)	4,461	2,666
Cash provided by operating activities	<u>16,795</u>	<u>23,103</u>
Financing Activities		
Long-term debt principal repayments	(3,512)	(3,347)
Deferred capital contributions received	6,715	11,635
	<u>3,203</u>	<u>8,288</u>
Investing Activities		
Endowment contributions	2,915	1,751
Capitalization of investment income in endowments	954	1,247
Purchase of capital assets	(10,926)	(3,289)
Change in long term investments, net	(9,522)	(8,940)
	<u>(16,579)</u>	<u>(9,231)</u>
Increase in cash for the year	3,419	22,160
Cash, beginning of year	59,005	36,845
Cash, end of year	\$ 62,424	\$ 59,005

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

Lakehead University Notes to Financial Statements

April 30, 2026 (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 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).

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 subsequently 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, 2026 (in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

Investment income related to unrestricted contributions is recognized when earned and included as 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

Lakehead University Notes to Financial Statements

April 30, 2026 (in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

Projects in process are not amortized until the 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 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 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 capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Works of Art

The value of art and collections has been excluded from the Statement of Financial Position except for a nominal amount. 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. Government grants and other externally restricted contributions are recognized as revenue when the conditions attached to the funding have been substantially met and the related eligible expenditures have been incurred. 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.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, realized gains and losses on all investments and unrealized gains and losses on investments recorded at fair value, is recorded as investment income (loss) in the statement of operations and changes in deficit, except for investment income designated for externally restricted endowments. The amount made available for spending related to externally restricted endowments is recognized as investment income. Investment income on externally restricted endowments in excess of the amount made available for spending, losses on externally restricted endowments and deficiency of investment income compared to the amount available for spending are recognized as direct increases (decreases) to endowments.

Investment income (loss) designated for internally restricted endowments is recognized in the Statement of Operations. The investment income (loss) net of actual spending against internal

Lakehead University Notes to Financial Statements

April 30, 2026 (in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

endowments is transferred between the unrestricted and internally restricted endowments through the Statement of Changes in Net Assets.

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 capital assets, interest rate swap, valuation of accounts receivable and doubtful accounts, and assumptions regarding the accrued pension liability and contingency estimates.

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 term loans 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. Cloud Computing Arrangement

The University applies the simplification approach to account for expenditures in cloud computing arrangements. The expenditures in the arrangements are treated as a supply of services and expensed as incurred.

Lakehead University Notes to Financial Statements

April 30, 2026 (in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

i. 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 October 1, 2024, and the next required reporting period will be as of October 1, 2027. 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 expenses.

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; actuarial gains and losses; the effect of any valuation allowance in the case of a net defined benefit asset; past service costs; the gains and losses arising from the settlement and curtailments. Remeasurements are recognized directly in net assets.

3. Accounts Receivable

Accounts receivable consists of the following:

	2026	2025
Tuition and residence fees	\$ 4,907	\$ 5,346
Interest and sundry accounts	7,405	8,685
Sponsored research monies	8,447	6,525
Allowance for doubtful accounts	(1,681)	(1,808)
	<u>\$ 19,078</u>	<u>\$ 18,748</u>

Lakehead University

Notes to Financial Statements

April 30, 2026 (in thousands of dollars)

4. Long-Term Investments and Investment Income

Long-term investments consist of the following:

	2026	2025
Money Market Funds	\$ 4,278	\$ 3,429
Fixed Income Bonds	68,886	65,495
Canadian Equities	25,838	25,010
Global Equities	51,476	47,023
Life Insurance Policies	40	39
Other	10	10
	\$ 150,528	\$ 141,006

The funds consist of units held in balanced funds in trust and managed by professional external fund managers. The increase in the funds during the fiscal year of \$9,522 includes receipts of \$3,534, withdrawals of \$8,759, and investment gains of \$14,747. Included in the 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, 2026 is \$21,550. Also included in the funds is \$26,776 (2025 – \$22,881) of a debt repayment sinking fund for project loans being amortized over their initial terms.

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 funds in the amount of \$25,684 (2025 – \$27,884).

The bonds mature between 2029 and 2035 with annual yields ranging from 5.4% to 5.7%.

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

	2026	2025
Net investment income	\$ 16,782	\$ 15,811
Amount attributed to endowment capital preservation	954	1,247
Investment income recognized during the year	\$ 15,828	\$ 14,564

Lakehead University Notes to Financial Statements

April 30, 2026 (in thousands of dollars)

5. Capital Assets

	2026			2025		
	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	8,182	—	8,182	8,182	—
Buildings	269,407	163,746	105,661	269,099	158,868	110,231
Furniture and equipment	155,822	150,300	5,522	152,833	147,368	5,465
Leasehold improvements	1,655	1,655	—	1,655	1,655	—
Library books	55,253	55,013	240	55,145	54,875	270
Projects in process	8,608	—	8,608	1,087	—	1,087
	\$512,756	\$378,896	\$133,860	\$501,830	\$370,948	\$130,882

6. Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities consist of the following:

	2026		2025	
Trade accounts	\$	11,424	\$	10,855
Payroll liabilities		5,751		5,112
Vacation pay liability		3,435		3,366
Current portion faculty early retirement (Note 8)		245		245
Capital projects		1,670		302
	\$	22,525	\$	19,880

As at April 30, 2026 accounts payable and accrued liabilities include government remittances payable of \$1,383 (2025 — \$1,833).

Lakehead University Notes to Financial Statements

April 30, 2026 (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:

	2026		2025
Research	\$ 25,414	\$	20,355
Tuition	15,879		19,212
Other restricted purposes	9,168		8,329
	\$ 50,461	\$	47,896

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:

	2026		2025
2026	\$ —	\$	245
2027	245		245
2028	40		40
Subtotal	285		530
Current portion (Note 6)	(245)		(245)
Total	\$ 40	\$	285

9. Accrued Pension Liability

Full-time employees of the University, and part-time employees who opt to participate, are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"). The Plan 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.

Any pension surplus or deficit is a joint responsibility of the members and employers. 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, 2026 indicated an actuarial surplus on a going concern basis of \$6.7 billion. The University made contributions to all applicable plans in the amount of \$8,767 (2025 – \$9,146), which has been included in the statement of operations.

Lakehead University Notes to Financial Statements

April 30, 2026 (in thousands of dollars)

9. Accrued Pension Liability (continued)

The University has two legacy pension plans, which are closed to new members and are non-contributory. All members, not in receipt of a monthly pension, have been moved from the two legacy plans into the Lakehead University Combined Pension Plan, which has been wound up. This does not impact the assets or liabilities that remain in the Pension Plan for Professional Staff. Included in payroll liabilities (Note 6) is \$614 (2025 - nil) in funds held for former non-locked in deferred members.

a. Pension Plan for Professional Staff

The Pension Plan for Professional Staff is a legacy defined contribution pension plan. The University makes special payments for any going concern or solvency unfunded liability.

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, 2024.

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

	2026	2025
Accrued benefit obligation	\$ (54,006)	\$ (63,624)
Fair value of plan assets	50,227	55,351
Plan deficit	<u>\$ (3,779)</u>	<u>\$ (8,273)</u>

The significant actuarial assumptions in calculating the University's liability accrued as at April 30, 2026, were a discount rate of 5.7% (2025 – 5.60%), a general salary increase assumption of 3.69% (2025 – 0.00%) 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:

	2026	2025
Expected return less actual return on plan assets	\$ (3,941)	\$ (2,603)
Actuarial loss	139	2,409
	<u>\$ (3,802)</u>	<u>\$ (194)</u>

b. Lakehead University Employee Pension Plan

The Lakehead University Employee Pension Plan is a legacy defined contribution pension plan.

Lakehead University Notes to Financial Statements

April 30, 2026 (in thousands of dollars)

10. Long-Term Debt

	2026	2025
10.1 Royal Bank of Canada Non-Revolving Term Facility – C.J. Saunders Renovations		
Loan payable, interest at 4.96%, monthly payments including interest of \$14, maturing April 2030.	\$ 606	\$ 743
10.2 Royal Bank of Canada – Orillia Residence and Cafeteria		
Loan payable, interest at 4.39%, monthly payments including interest of \$140, maturing October 2036.	13,336	14,288
10.3 Royal Bank of Canada – Athletic Expansion Building		
Loan payable, interest at 2.80%, quarterly payments including interest of \$163, maturing September 2045.	9,265	9,597
10.4 Debenture Payable		
On November 15, 2005, the University issued a 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 \$26,776 (2025 – \$22,881) of a debt repayment sinking fund for project loans being amortized over their initial terms. The fair value of the debenture at April 30, 2026 was \$73,911 (2025 – \$78,064).	70,753	72,727
	93,960	97,355
Current portion	3,571	3,399
	\$ 90,389	\$ 93,956

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>
2027	\$ 3,571
2028	3,761
2029	3,957
2030	4,149
2031	4,206
Thereafter	74,316
	<u>\$ 93,960</u>

Lakehead University Notes to Financial Statements

April 30, 2026 (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 the interest rate on the loan described in Note 10.2. The University converted floating rate debt for fixed rate debt of 4.39%. The change in the fair value of the interest rate swap of \$579 (2025 – \$996 loss) 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 the interest rate on the loan described in Note 10.3. The University converted floating rate debt for fixed rate debt of 2.80%. The change in the fair value of the interest rate swap of \$387 (2025 – \$953 loss) 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.

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

	2026		2025	
	Notional Loan Amount	Fair Value of Swap	Notional Loan Amount	Fair Value of Swap
Interest rate swaps:				
Note 10.2	\$13,336	\$909	\$ 14,288	\$ 1,488
Note 10.3	9,265	(490)	9,597	(103)
	\$22,601	\$419	\$ 23,885	\$ 1,385

10.6 Credit Facilities

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 4.45% per annum at year-end) and secured by a first ranking security agreement on all personal property of the University. As at April 30, 2026, the University utilized \$nil (2025 – \$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, 2026 (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:

	2026	2025
Balance, beginning of year	\$ 54,714	45,002
Add: contributions received for capital asset purchases	6,715	11,635
Less: amortization of deferred capital contributions	(1,944)	\$ (1,923)
Balance, end of year	\$ 59,485	\$ 54,714

12. Internally Restricted Net Assets

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

	2026	2025
Operating Fund		
Repairs and replacements	\$ 2,618	\$ 3,305
Unexpended budgets and departmental incomes	7,081	10,261
Employee pension benefits	(3,779)	(8,273)
Ancillary Enterprises	464	585
Restricted Funds		
Trust funds	26,871	23,701
Interest earned on investment from excess borrowing	8,149	8,237
Research funds	4,753	4,182
Bond Sinking Fund	26,776	22,881
Capital Fund	(4,594)	(5,457)
Land Appraisal Reserve	7,020	7,020
	\$ 75,359	\$ 66,442

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 \$66,706 (2025 – \$62,393).

Lakehead University

Notes to Financial Statements

April 30, 2026 (in thousands of dollars)

14. Ontario Student Trust Funds

Externally restricted endowments of \$66,706 (2025 — \$62,393) 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)	2026	2025
OSOTF Endowment Balance, beginning of year	\$ 6,963	\$ 6,963
Unrealized Investment Income	—	—
OSOTF Endowment Balance, end of year	<u>\$ 6,963</u>	<u>\$ 6,963</u>
Expendable Funds, beginning of year	\$ 11,737	\$ 10,462
Unrealized Investment Income (loss)	972	1,492
Bursaries Awarded	<u>(224)</u>	<u>(217)</u>
Expendable Funds, end of year	<u>\$ 12,485</u>	<u>\$ 11,737</u>
Number of Bursaries Awarded	<u>182</u>	<u>183</u>
Market Value of Endowment	<u>\$ 19,448</u>	<u>\$ 18,700</u>
OSOTF (Phase II)	2026	2025
OSOTF Endowment Balance, beginning of year	\$ 972	\$ 972
Endowment Transferred to NOSM University	—	—
OSOTF Endowment Balance, end of year	<u>\$ 972</u>	<u>\$ 972</u>
Expendable Funds, beginning of year	\$ 1,716	\$ 1,551
Unrealized Investment Income (loss)	133	196
Bursaries Awarded	<u>(31)</u>	<u>(31)</u>
Expendable Funds, end of year	<u>\$ 1,818</u>	<u>\$ 1,716</u>
Number of Bursaries Awarded	<u>17</u>	<u>17</u>
Market Value of Endowment	<u>\$ 2,790</u>	<u>\$ 2,688</u>

Lakehead University Notes to Financial Statements

April 30, 2026 (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, 2025 to March 31, 2026 (April 1, 2024 to March 31, 2025).

	2026	2025
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, 2025 to March 31, 2026 (April 1, 2024 to March 31, 2025).

	2026	2025
Endowment Balance , beginning of year	\$ 5,541	\$ 8,555
Endowment transferred to NOSM	—	(3,014)
Cash donations received	—	—
Matching funds received/receivable	—	—
Endowment Balance , end of year	\$ 5,541	\$ 5,541

The following is the schedule of changes in expendable funds available for awards for the period from April 1, 2025 to March 31, 2026 (April 1, 2024 to March 31, 2025).

	2026	2025
Expendable Funds , beginning of year	\$ 8,075	\$ 9,184
Unrealized Investment Income (loss)	(12)	623
Expendable Funds Transferred to NOSM	—	(1,577)
Bursaries Awarded	(161)	(155)
Expendable Funds , end of year	\$ 7,902	\$ 8,075
Number of Bursaries Awarded	69	68
Market Value of Endowment	\$ 13,443	\$ 13,616

Lakehead University Notes to Financial Statements

April 30, 2026 (in thousands of dollars)

15. Property, Liability and Cyber Insurance

The University participates in a reciprocal exchange of insurance risks in association with seventy-seven other Canadian universities. This self-insurance cooperative involves a contractual agreement to share the property, liability, cyber, and equipment breakdown risks of member universities.

Settlement of claims is 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. The limits of insurance are \$15,000 per occurrence for property losses subject to a \$30,000 aggregate per year, \$5,000 per occurrence for liability losses, \$2,000 per occurrence on cyber and \$200,000 per occurrence for equipment breakdown. In addition, the University has excess coverage for property and liability claims.

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, 2025, 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, 2026, 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 \$578 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.
- c) The University has a contractual obligation of \$17,600 for the construction of a new facility for the Collaborative Doctor of Veterinary Medicine Program. As of April 30, 2026, \$5,900 has been spent. Substantial completion is scheduled for fall of 2026.

17. Commitment

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

<u>Date</u>	<u>Amount</u>
2027	\$ 498
2028	498
2029	123

Lakehead University Notes to Financial Statements

April 30, 2026 (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:

	2026	2025
Accounts receivable	\$ (330)	\$ 1,118
Inventories and prepaid expenses	(174)	(1)
Accounts payable and accrued liabilities	2,645	(996)
Deferred revenue	2,565	2,790
Faculty early retirement program costs	(245)	(245)
	<u>\$ 4,461</u>	<u>\$ 2,666</u>

19. Financial Instruments and Risk Management

The University's financial instruments consist of cash, accounts receivable, long-term investments, accounts payable and accrued liabilities, long-term debt and interest rate swaps. Financial instruments are subject to a variety of risks. The University is exposed to various financial risks through transactions in financial instruments. There are no significant changes in risks in 2026 from 2025.

Credit Risk

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. The credit quality of fixed income investments is managed by the University's investment managers in accordance with policies of the University. The external managers are responsible for the regular monitoring of credit exposures.

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

The University is exposed to interest rate risk with respect to its investments in fixed income investments, including pooled funds that hold fixed income securities and with respect to its fixed rate debt, because the fair value will fluctuate. 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. The University manages interest rate risk through diversification of its investments.

Lakehead University Notes to Financial Statements

April 30, 2026 (in thousands of dollars)

19. Financial Instruments (continued)

The University is also exposed to interest rate risk on its floating rate debt. The University mitigates this risk by entering into interest rate swap agreements.

Foreign Currency Risk

The University is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Other Price Risk

The University is exposed to other price risk through changes in market prices (other than changes arising from interest rate or currency risks) in connection with its investments in equity securities and pooled funds. The University manages other price risk through investment policies governing asset mixes, equity and fixed income allocations and diversification among fund managers.

Liquidity Risk

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. In addition, the University has a voluntary sinking fund that was established for the purpose of accumulating funds to repay the principal of the University's debentures at maturity.