

Lakehead University
Financial Statements
For the year ended April 30, 2005

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Auditors' Report

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

We have audited the financial statements of Lakehead University as at and for the year ended April 30, 2005 comprising of the following:

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

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

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Chartered Accountants

Thunder Bay, Ontario
August 12, 2005

Lakehead University Balance Sheet

April 30 (in thousands of dollars) **2005** **2004**

Assets

Cash (Note 3)	\$	12,917	\$	12,044
Accounts receivable (Note 4)		7,143		5,396
Inventories and prepaid expenses		770		823
Long term investments (Note 5)		21,825		16,256
Capital assets (Note 6)		<u>104,116</u>		<u>83,997</u>
	\$	<u>146,771</u>	\$	<u>118,516</u>

Liabilities and Net Assets

Liabilities

Demand loan (Note 7)	\$	600	\$	600
Accounts payable and accrued charges (Note 8)		9,941		7,140
Faculty early retirement program costs (Note 9)		4,679		6,356
Deferred revenue (Note 10)		12,996		9,540
Deferred capital contributions (Note 11)		47,949		44,720
Long term debt (Note 12)		<u>53,149</u>		<u>40,756</u>
		<u>129,314</u>		<u>109,112</u>

Net assets

Internally restricted (Note 13)		8,484		7,949
Investment in capital assets (Note 14)		3,852		2,570
Endowments (Note 15)		15,454		12,760
Unrestricted		<u>(10,333)</u>		<u>(13,875)</u>
		<u>17,457</u>		<u>9,404</u>
	\$	<u>146,771</u>	\$	<u>118,516</u>

On behalf of the Board of Governors:

Chair

President

Lakehead University Statement of Revenue and Expenses

For the year ended April 30 (in thousands of dollars)	2005	2004
Revenue		
Government grants for general operations	\$ 42,012	\$ 39,378
Government and other grants for restricted purposes	9,440	7,775
Student fees	33,735	31,765
Sales of goods and services	13,061	13,363
Investment income	1,621	2,178
Donations	1,525	247
Contract research	2,813	3,746
Sundry	1,771	1,494
Amortization of deferred capital contributions	7,318	6,722
	113,296	106,668
Expenses		
Salaries and benefits	62,405	58,038
Operational supplies and expenses	3,600	4,761
Cost of sales and services	5,941	6,005
Amortization of capital assets	12,701	11,652
Building and equipment maintenance	4,223	3,145
Municipal taxes	438	387
Scholarships, bursaries and awards	5,969	5,487
Utilities	4,559	4,364
Travel	2,186	2,090
Other	3,388	2,342
Interest	2,529	2,238
	107,939	100,509
Excess of revenue over expenses for the year	\$ 5,357	\$ 6,159

Lakehead University Statement of Changes in Net Assets

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

2005

2004

	Internally Restricted	Investment in Capital Assets	Endowments	Unrestricted	Total	Total
	(Note 13)	(Note 14)	(Note 15)			
Balance, beginning of year	\$ 7,949	\$ 2,570	\$ 12,760	\$ (13,875)	\$ 9,404	\$ 2,687
Excess of revenue over expenses for the year	-	-	-	5,357	5,357	6,159
Change in internally restricted net assets	533	-	-	(533)	-	-
Change in investment in capital assets	-	1,282	-	(1,282)	-	-
Transfer to endowments	2	-	(2)	-	-	-
Endowment contributions	-	-	2,525	-	2,525	486
Capital preservation of endowments	-	-	171	-	171	72
Balance, end of year	\$ 8,484	\$ 3,852	\$ 15,454	\$ (10,333)	\$ 17,457	\$ 9,404

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

Lakehead University Statement of Cash Flows

For the year ended April 30 (in thousands of dollars)	2005	2004
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 5,357	\$ 6,159
Items not involving cash		
Amortization of capital assets	12,701	11,652
Amortization of deferred capital contributions	(7,318)	(6,722)
	10,740	11,089
Net change in non-cash working capital balances related to operations (Note 21)	1,107	(7,012)
	11,847	4,077
Financing activities		
Increase in faculty early retirement program	19	422
Faculty early retirement program payments	(1,696)	(1,530)
Long term debt principal repayments	(2,202)	(1,891)
Issue of long term debt	14,595	13,600
Increase (decrease) in deferred revenue	3,456	(649)
Increase in deferred capital contributions	10,547	8,919
	24,719	18,871
Investing activities		
Endowment contributions	2,525	486
Capital preservation of endowments	171	72
Purchase of capital assets	(32,820)	(25,130)
Change in long term investments, net	(5,569)	(1,490)
	(35,693)	(26,062)
	(10,974)	(7,191)
Increase (decrease) in cash for the year	873	(3,114)
Cash, beginning of year	12,044	15,158
Cash, end of year	\$ 12,917	\$ 12,044

Lakehead University Notes to the Financial Statements

April 30, 2004 (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 include the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations and organizations controlled by the University including The Lakehead Research and Technology Centre, a related corporation. 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 has an economic beneficial interest in a Crown-controlled foundation, Lakehead University Foundation, which is not consolidated into these financial statements. The principal objectives of the Foundation are to solicit, receive and distribute monies and other property to support education and research at the University.

The University also has an economic beneficial interest in the Lakehead University pension plan, the activities of which are not consolidated into these financial statements (Note 18). The Lakehead University Pension Investment Fund is audited separately.

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

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

2. Summary of Significant Accounting Policies

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

a) Investments

Investments include funds invested directly by the University and pooled funds which are held in trust and managed by external fund managers.

Lakehead University Notes to Financial Statements

April 30, 2005

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

a) Investments (cont'd)

The securities invested directly by the University are carried at the lower of cost and market value determined on an aggregate basis.

The portion of the portfolio held in pooled funds is carried at market value and the increase or decrease within the current year is included in investment income or in endowments (Note 5).

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
Library books	-	5 years

Construction in progress relates to building projects that are incomplete as at April 30, 2005. Amortization will be recorded upon completion at the applicable rates noted above.

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

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.

Lakehead University Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

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

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.

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

g) Financial instruments

The University's financial instruments consist of cash, accounts receivable, long term investments, demand loans, accounts payable and long term debt. Unless otherwise noted, it is management's opinion that the University is not exposed to significant interest, currency or credit risks arising from those financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted.

3. Cash

The University has available an operating line of credit of \$3,000, with interest at the bank's prime lending rate (4.25% per annum at year-end).

4. Accounts Receivable

Accounts receivable consist of the following:

	2005	2004
Tuition and residence fees	\$ 721	\$ 967
Interest and sundry accounts	2,420	1,860
Sponsored research monies	3,334	2,394
Capital grants from government	668	175
	\$ 7,143	\$ 5,396

Lakehead University Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

5. Long Term Investments

Long term investments consist of the following:

	2005		2004	
Pooled funds	\$	14,702	\$	9,391
Marketable securities		7,123		6,865
	\$	21,825	\$	16,256

The pooled funds consist of units held in a balanced fund in trust and managed by professional external fund managers. The market value of the University's investment in this fund as at April 30, 2005 was \$ 14,702 (2004 - \$9,391). The increase in the investment during the fiscal year of \$ 5,311 includes receipts of \$4,557 and investment income of \$754.

Marketable securities consist of investments in government and corporate bonds of \$7,120 (2004 - \$6,863), life insurance policy \$2 (2004 - \$1), and shares of \$1 (2004 - \$1). The market value of the marketable securities as at April 30, 2005 was \$8,762 (2004 - \$8,354). The bonds mature between 2006 and 2035 with annual yields ranging from 4.2% to 8.5%.

The University has purchased Government of Canada and Ontario stripped coupon bonds at a cost of \$597 with average effective annual yields of approximately 10.4% maturing during 2008 and 2009 for a total value of \$3,603. These proceeds will be used to repay a mortgage on residence townhouses described in Note 12.2. Interest accrued from the original purchase date to April 30, 2005 amounting to \$1,774 has been added to the asset value resulting in a sinking fund balance of \$2,371 (2004 - \$2,148).

6. Capital Assets

	2005			2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,203	\$ -	\$ 1,203	\$ 1,103	\$ -	\$ 1,103
Site development	5,167	5,167	-	5,167	5,164	3
Buildings	123,264	59,480	63,784	116,160	56,365	59,795
Furniture and equipment	91,148	70,455	20,693	82,124	62,286	19,838
Library books	31,190	28,285	2,905	29,659	26,871	2,788
Construction in progress	15,531	-	15,531	470	-	470
	\$ 267,503	\$ 163,387	\$ 104,116	\$ 234,683	\$ 150,686	\$ 83,997

Lakehead University Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

7. Demand Loan

The \$600 (2004 - \$600) demand loan is being used to partially finance the acquisition of the Northwestern Ontario Technology Centre and bears interest at the bank's prime lending rate (4.25% per annum at April 30, 2005). Interest is payable monthly for an initial five year period, with monthly principal and interest repayment to be established thereafter.

8. Accounts Payable and Accrued Charges

The accounts payable and accrued charges consist of the following:

	2005	2004
Trade accounts	\$ 3,323	\$ 2,768
Payroll liabilities	1,146	1,727
Vacation pay liability	1,922	1,923
Capital projects	3,550	722
	\$ 9,941	\$ 7,140

9. Faculty Early Retirement Program Costs

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

	2005	2004
2005	\$ -	\$ 1,676
2006	1,465	1,465
2007	1,307	1,307
2008	893	893
2009	536	536
2010	304	-
2011 to 2012	174	479
	\$ 4,679	\$ 6,356

Lakehead University
Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

10. 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:

	2005	2004
Research	\$ 7,956	\$ 5,638
Other restricted purposes	5,040	3,902
	\$ 12,996	\$ 9,540

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 revenue and expenses and is calculated on the same basis as the amortization expense related to the acquired capital assets. The changes in the deferred capital contributions balance are as follows:

	2005	2004
Balance, beginning of year	\$ 44,720	\$ 42,523
Add: contributions received for capital asset purchases	10,547	8,919
Less: amortization of deferred capital contributions	(7,318)	(6,722)
Balance, end of year	\$ 47,949	\$ 44,720

Lakehead University Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

12. Long Term Debt

	2005		2004
12.1 Canada Mortgage and Housing Corporation – Residence Addition			
Mortgage payable, repaid over a forty-year period ending December 1, 2006. Principal and interest at 5.75% per annum, payable through semi-annual installments of \$7.	\$ 22	\$	36
12.2 Ontario Housing Corporation – 6 Residence Townhouses			
Mortgage payable, interest payable semi-annually at 9.26% per annum. The principal is due and payable in full on December 1, 2009. A sinking fund has been established to repay the principal upon maturity. A total of \$597 has been invested in stripped coupon bonds and together with accrued interest of \$1,774, the value of the sinking funds as of April 30, 2005 is \$ 2,371 (2004 - \$2,148) (Note 5).	3,600		3,600
12.3 Ontario Housing Corporation Long-Term Lease Obligation – 480 Bed Student Residence			
The University leases a residence under an agreement with the Ontario Student Housing Corporation. The University is responsible for managing, operating and maintaining the residence. Further, the University has agreed to reimburse the Corporation over a fifty-year period ending December 1, 2019, for principal and interest, through semi-annual installment payments of \$78 including interest at 6.80%. Upon satisfaction of this obligation, title to the building will vest in the University. Since this agreement is, in substance, a purchase of the building by the University, being financed by the Ontario Student Housing Corporation, the cost of the building is included in capital assets.	1,464		1,522
12.4 The Sisters of St. Joseph – Avila Centre			
Mortgage payable, principal and interest repaid at 6.00% per annum payable over fifteen years through varying annual installments (2005 – \$221; 2004 – \$208) ending May 21, 2008.	674		844
Carried forward	\$ 5,760	\$	6,002

Lakehead University Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

12. Long Term Debt (cont'd)

	2005	2004
Brought forward	\$ 5,760	\$ 6,002
12.5 Royal Bank of Canada – 12 Residence Townhouses		
Term loan, used to refinance debt associated with the construction of these townhouses and to provide additional funds for renovations and maintenance, semi-annual principal payments over the 15 year term of the loan are \$283 plus interest at bankers' acceptance rate plus 0.38%. The University entered into an interest rate swap contract whereby the University has fixed its interest rate on this loan at 6.07%, maturing February, 2012.	6,697	7,263
12.6 Royal Bank of Canada Demand Loan – Advanced Technology and Academic Centre (75%) Residence Apartment Complex #2 Construction (25%)		
Quarterly principal payments over the 18 year term of the loan are \$278 plus interest at bankers' acceptance rate plus 0.36%. The University entered into an interest rate swap contract whereby the University has fixed its interest rate on this loan at 5.90%, maturing June, 2008.	17,876	18,988
12.7 Royal Bank of Canada Non-Revolving Term Facility – Residence Apartment Complex #1 Construction		
Quarterly principal and interest payments over the 20 year term of the loan are \$120 plus interest at bankers' acceptance rate plus 0.36%. The University entered into an interest rate swap contract whereby the University has fixed its interest rate on this loan at 5.93%, maturing September 2008.	5,348	5,503
12.8 Royal Bank of Canada Non Revolving Term Facility – Advanced Technology and Academic Centre		
Quarterly principal and interest payments over the 10 year term of the loan are \$98 plus interest at banker's acceptance rate plus 0.38%. The University entered into an interest rate swap contract whereby the University has fixed its interest rate on this loan at 4.93%, maturing November 2014.	2,881	3,000
Carried forward	\$ 38,562	\$ 40,756

Lakehead University Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

12. Long Term Debt (cont'd)

	2005	2004
Brought forward	\$ 38,562	\$ 40,756
12.9 Royal Bank of Canada Non Revolving Term Facility - Athletics Hangar Building		
Quarterly principal and interest payments over the 20 year term of the loan are \$129. The University entered into an interest rate swap contract whereby the University has fixed its interest rate on this loan at 5.99 %, maturing January 2015. The full value of this loan of \$6,400 was completely drawn in July 2005.	5,201	-
12.10 Royal Bank of Canada Non Revolving Term Facility - Heating, Refrigeration, and Air Conditioning Retrofit Program		
Quarterly principal and interest payments over the 18 year term of the loan are \$286 plus interest at bankers' acceptance rate plus 0.32%. The University entered into an interest rate swap contract whereby the University has fixed its interest rate on this loan at 6.19% maturing May 2023. The total approved value of this loan is \$12,300 and will be fully drawn by Fall 2005.	8,973	-
12.11 Sun Life Financial – 874 Tungsten St		
Mortgage payable, principal and interest repaid at 6.42% per annum, payable through monthly installments of \$4, maturing July 2009.	354	-
12.12 Promissory Note – 874 Tungsten St.		
Promissory note, secured by second mortgage non-interest bearing, monthly principal payments of \$1 maturing March 2010.	59	-
	\$ 53,149	\$ 40,756

Lakehead University Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

12. Long Term Debt (cont'd)

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

Date	Amount
2006	\$ 2,846
2007	3,020
2008	3,103
2009	2,933
2010	6,596
Thereafter	<u>34,651</u>
	<u>\$ 53,149</u>

In accordance with its lending agreement, the University is required to maintain a minimum debt service coverage ratio. At April 30, 2005, the University is in compliance with this requirement.

13. Internally Restricted Net Assets

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

	<u>2005</u>	<u>2004</u>
Operating Fund:		
Repairs and replacements	\$ 1,083	\$ 1,085
Self-insurance	250	250
Unexpended budgets and departmental incomes	3,713	3,844
Ancillary Enterprises		
Retail operations	209	275
Food services	219	294
Residence reserve for repairs and replacements	200	133
Other ancillary	86	81
Restricted Funds		
University general trust fund	1,834	1,024
Unexpended capital funds	555	461
Research funds	<u>335</u>	<u>502</u>
	<u>\$ 8,484</u>	<u>\$ 7,949</u>

Lakehead University Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

14. Investment in Capital Assets

	2005	2004
The investment in capital assets consists of the following:		
Capital assets, net book value	\$ 104,116	\$ 83,997
Less amounts financed by:		
Long term debt (net of residence sinking fund)	(48,462)	(36,096)
Deferred capital contributions	(47,652)	(44,424)
Short term financing - demand loan	(600)	(600)
Construction in progress financed by accounts payable	(3,550)	(307)
	\$ 3,852	\$ 2,570

The change in investment in capital assets is calculated as follows:

	2005	2004
Repayment of long-term debt	\$ 2,006	\$ 1,695
Increase in residence sinking fund	247	201
Purchase of capital assets internally financed	4,412	3,181
	6,665	5,077
Amortization expense	12,701	11,652
Less: Amount of amortization expense related to Capital assets purchased with restricted contributions	(7,318)	(6,722)
	5,383	4,930
Net increase	\$ 1,282	\$ 147

15. 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 5 is equal to \$15,454 (2004 – \$12,760).

Lakehead University Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

16. Ontario Student Opportunity Trust Fund

Externally restricted endowments of \$15,454 (2004 - \$12,760) include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund (OSOTF) Phase I and Phase II matching programs to award student aid as a result of raising an equal amount of endowed donations.

OSOTF (Phase I)

	2005	2004
OSOTF endowment balance , beginning of year	\$ 6,674	\$ 6,666
Capitalized interest	73	8
	\$ 6,747	\$ 6,674
Expendable funds , beginning of year	\$ 64	\$ (514)
Investment income	505	819
Bursaries awarded	(234)	(241)
	\$ 335	\$ 64
Number of bursaries awarded	429	451

OSOTF (Phase II)

The Phase II of the OSOTF 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 March 27, 2004 to March 31, 2005.

	2005	2004
Donations eligible for matching	\$ 752	\$ 94
Donations not yet eligible for matching	-	62
Outstanding pledges received between January 1, 2005 and March 31, 2005.	146	2
	\$ 898	\$ 158

Lakehead University Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

16. Ontario Student Opportunity Trust Fund (Cont'd)

The following is the schedule of changes in endowment fund balance for the period March 27, 2004 to March 31, 2005

	<u>2005</u>	<u>2004</u>
Endowment balance, beginning of year	\$ 250	\$ -
Cash donations received within annual matching ceiling	596	94
Matching funds received	658	48
Matching funds receivable	-	46
Unmatched cash donations	6	62
Preservation of capital	<u>28</u>	<u>-</u>
Endowment balance, end of year	<u>\$ 1,538</u>	<u>\$ 250</u>

The following is the schedule of changes in expendable funds available for awards for the period March 27, 2004 to March 31, 2005

	<u>2005</u>	<u>2004</u>
Expendable funds, beginning of year	\$ 1	\$ -
Investment income	8	1
Bursaries awarded	<u>(8)</u>	<u>-</u>
Expendable funds, end of year	<u>\$ 1</u>	<u>\$ 1</u>
Number of bursaries awarded	<u>14</u>	<u>-</u>

17. 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.

Lakehead University Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

18. Pension Plan

The University has two separate pension plans.

18.1 Pension Plan for Professional Staff

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

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

Information about the defined benefit guarantee portion of this pension plan at April 30, 2005 is as follows based on an actuarial valuation prepared on a going concern basis at December 31, 2004.

Pension plan assets	\$	78,461
Pension plan liabilities		77,977
Estimated pension plan surplus	\$	484

The significant actuarial assumptions adopted in calculating the above amount include a discount rate of 6%, a general salary increase of 3.5% per annum, and mortality tables of UP94@15.

The actuarial valuation prepared at December 31, 2004 discloses a solvency deficiency as defined in the Pension Benefit's Act (1987) of \$2,641. As a result, the University is obligated to make additional contributions of \$51 per month for the sixty months ending December 31, 2009 as required by that Act. Pursuant to an amendment dated June 19, 2003 these contributions will be made into a Pension Solvency Account and, if a subsequent valuation determines that the amount in the Pension Solvency Account is greater than any solvency deficiency, the Board of Governors may elect to use the excess funds to pay its Required Contributions.

Lakehead University Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

18. Pension Plan (cont'd)

18.2 Lakehead University Employee Pension Plan

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

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

The employee benefits expense for the year includes pension expense of \$2,080 (2004 - \$1,782) and faculty early retirement benefits of \$19 (2004 - \$422).

19. Contingent Liabilities

- a) At April 30, 2005, the University was guarantor of nine (2004 - nine) housing loans for faculty and staff in the amount of \$138 (2004 - \$152).
- b) The nature of the University's activities is such that there is usually litigation pending or in prospect at any one time. With respect to claims at April 30, 2005, the University believes it has valid defenses and appropriate insurance coverage in place. In the unlikely event any claims are successful such claims are not expected to have a material effect on the University's financial position.

20. Commitments

The estimated cost to complete the Facility Renewal Performance Contract with Johnson Controls L.P. project in progress at April 30, 2005 is \$2,312. The \$2,312 will be funded from borrowings to be repaid from guaranteed energy savings; the initial drawings on this loan are described in Note 12.10.

The estimated cost to complete the construction (Phase II) of the Northern Ontario School of Medicine construction project in progress at April 30, 2005 is \$2,456. The \$2,456 is funded through a government grant to the School of Medicine.

Lakehead University
Notes to Financial Statements

April 30, 2005 (in thousands of dollars)

21. Statement of Cash Flows

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

	<u>2005</u>	<u>2004</u>
Accounts Receivable	\$ (1,747)	\$ 161
Inventories and prepaid expenses	53	(78)
Accounts payable and accrued charges	<u>2,801</u>	<u>(7,095)</u>
	<u>\$ 1,107</u>	<u>\$ (7,012)</u>

22. Related Party Transactions

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

	<u>2005</u>	<u>2004</u>
Recoveries and charges for goods and services	<u>\$ 350</u>	<u>\$ 354</u>

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

23. Comparative Figures

Certain comparative figures have been restated in order to conform to the financial statement presentation adopted for the current year.

**Lakehead University
Public Sector Salary Disclosure
(Unaudited)**

April 30, 2005 (in dollars)

**Disclosed as required by the Public Sector Salary
Disclosure Act, 1996**

Name/Position	Salary	Taxable Benefits
Bauer, Anthony, Associate Professor	\$ 103,259	\$ 983
Benson, Maurice W., Professor	111,916	983
Berg, Richard A., Associate Professor	104,434	983
Borradaile, Graham J., Professor	114,989	983
Brown, Kenneth M., Professor	121,405	983
Cooper, David F., Associate Professor	115,779	825
Courtland, Mary Clare M., Professor	108,970	983
Crossman, Jane E., Professor	109,260	983
Dadgostar, Bahram, Dean, Faculty of Business Administration	128,698	1,179
Delaney, Roger, Professor	118,258	983
Dilley, Robert S., Professor	119,039	983
Driben, Paul, Professor	119,989	983
Dunk, Thomas W., Professor	99,600	983
Eigenbrod, Kurt D., Professor	115,989	983
Epp, Juanita A., Professor	103,090	983
Fedderson, Kim M., Dean, Faculty of Social Sciences & Humanities	116,978	1,099
Gellert, James H., Professor	105,007	983
Gilbert, Allan F., Professor	116,826	983
Gilbert, Frederick F., President	205,626	1,179
Gillies, Antony G., Associate Professor	105,309	983
Goldstein, Stephen R., Associate Professor	103,259	983
Hartviksen, Kenneth R., Associate Professor	103,675	1,811
Heath, William G., Professor	114,989	983
Hill, Mary Louise, Vice-President (Academic) & Provost	120,751	1,085
Holmes, Frederick M., Professor	103,491	983
Howe, Mark L., Professor	114,989	983
Hunt, David D., Dean, NOSM	184,166	221
Isotalo, Robert M., Associate Professor	104,027	983
Jamieson, John L., Professor	125,946	983
Johnston, Margaret, Professor	99,163	983
Kelley, Mary L., Associate Professor	106,432	2,983
Kemp, David D., Professor	114,989	1,009
Kissin, Stephen, Professor	106,537	983
Konkin, Dorothy, Associate Dean, Admissions and Student Affairs NOSM	160,000	393
Luke, Florence, Sessional Lecturer	102,690	-
Macdonald, Alastair D., Dean, Faculty of Science & Environmental Studies	136,093	429
Malek, Ladislav, Professor	100,620	983
Mallik, Azim U., Professor	101,051	983
Mansour, Sabah Y., Associate Professor	116,779	983
McDougall, Lorne Scott, Associate Professor	108,410	983
McPherson, Dennis H., Associate Professor	106,233	941
Minore, James B., Professor	107,392	983

Lakehead University
Public Sector Salary Disclosure (cont'd)
(Unaudited)

April 30, 2005 (in dollars)

**Disclosed as required by the Public Sector Salary
Disclosure Act, 1996**

Name/Position	Salary	Taxable Benefits
Molto, Joseph E., Professor	\$ 113,794	\$ 983
Montelpare, William J., Associate Professor	114,799	983
Morris, Douglas W., Professor	103,398	983
Muirhead, Bruce W., Professor	108,041	983
Nabarra, Alain, Professor	111,638	983
Natarajan, Krishnamoorthy, Professor	100,764	983
Nelsen, Randle W., Professor	114,989	983
Nelson, Connie, Associate Professor	103,259	983
Nirdosh, Inderjit, Professor	120,374	983
Nock, David A., Professor	106,537	983
O'Meara, John D., Professor	101,891	983
O'Sullivan, Julia T., Dean, Faculty of Education	124,321	1,180
Panu, Umed S., Professor	111,873	983
Parker, William H., Professor	114,989	983
Pashuk, Kevin W., Director of Technology, NOSM	100,250	393
Pawlowski, Michael K., Vice-President Administration & Finance	123,201	1,180
Payne, Robert J., Professor	108,586	983
Phillips, Gerald E., Professor	117,337	983
Prepas, Ellie E., Professor	124,989	983
Puk, Thomas G., Professor	107,045	983
Pulkki, Reino E., Dean, Faculty of Forestry and Environmental Studies	120,107	1,177
Rahim, Medhat H., Professor	102,407	983
Richardson, John M., Professor	103,044	983
Rujimethabhas, Mani, Professor	101,440	1,355
Saliba, Henri T., Dean, Faculty of Engineering	130,343	5,180
Singh, Birbal, Professor	111,353	983
Smith, Victor C., Associate Professor	99,640	983
Steven, Darlene M., Professor	123,064	983
Stones, Michael A., Professor	107,022	983
Sweet, Robert A., Professor	100,538	983
Tsang, Siemer H., Professor	115,989	983
Vervoort, Patricia, Professor	105,413	983
Walsh, Grant E, Executive Director, University Services	108,492	1,180
Wright, Dorothy, Chief Administrative Officer, NOSM	126,511	2,070