

Lakehead University
Financial Statements
For the year ended April 30, 2007

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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, 2007 comprising 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants

Thunder Bay, Ontario
August 16, 2007

Lakehead University Balance Sheet

April 30 (in thousands of dollars) **2007** **2006**

Assets

Cash	\$ 29,988	\$ 32,920
Accounts receivable (Note 3)	6,360	5,553
Inventories and prepaid expenses	2,833	769
Long-term investments (Note 4)	80,461	62,168
Deferred charge (Note 5)	4,507	4,624
Capital assets (Note 6)	<u>105,221</u>	<u>107,029</u>
	\$ 229,370	\$ 213,063

Liabilities and Net Assets

Liabilities

Accounts payable and accrued charges (Note 7)	\$ 11,796	\$ 10,541
Faculty early retirement program costs (Note 8)	1,907	3,214
Deferred revenue (Note 9)	15,441	16,036
Deferred capital contributions (Note 10)	41,015	45,383
Long-term debt (Note 11)	<u>104,614</u>	<u>105,520</u>
	174,773	180,694

Net assets

Internally restricted (Note 12)	23,050	13,098
Investment in capital assets (Note 13)	2,934	3,392
Endowments (Note 14)	30,636	20,367
Unrestricted	<u>(2,023)</u>	<u>(4,488)</u>
	54,597	32,369
	\$ 229,370	\$ 213,063

On behalf of the Board of Governors:

"D.P. Campbell" (signed)

Chair

"F.F. Gilbert" (signed)

President

Lakehead University

Statement of Revenue and Expenses

For the year ended April 30 (in thousands of dollars)	2007	2006
Revenue		
Government grants for general operations	\$ 54,514	\$ 51,453
Government and other grants for restricted purposes	9,763	10,707
Student fees	35,854	34,049
Sales of goods and services	14,924	14,058
Investment income	7,881	3,412
Donations	1,862	1,389
Contract research	3,072	3,049
Sundry	1,804	1,653
Amortization of deferred capital contributions	6,309	7,581
	<u>135,983</u>	<u>127,351</u>
Expenses		
Salaries and benefits	71,137	66,044
Operational supplies and expenses	4,862	4,465
Cost of sales and services	6,468	5,912
Amortization of capital assets and deferred charges	14,015	13,702
Building and equipment maintenance	4,556	5,540
Municipal taxes	465	490
Scholarships, bursaries and awards	6,827	6,632
Utilities	3,658	3,742
Travel	2,789	2,472
Other	3,568	4,085
Interest	5,666	4,221
	<u>124,011</u>	<u>117,305</u>
Excess of revenue over expenses for the year	\$ 11,972	\$ 10,046

Lakehead University Statement of Changes in Net Assets

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

2007

2006

	Internally Restricted	Investment in Capital Assets	Endowments	Unrestricted	Total	Total
	(Note 12)	(Note 13)	(Note 14)			
Balance, beginning of year	\$ 13,098	\$ 3,392	\$ 20,367	\$ (4,488)	\$ 32,369	\$ 17,457
Excess of revenue over expenses for the year	-	-	-	11,972	11,972	10,046
Change in internally restricted net assets	9,952	-	-	(9,952)	-	-
Change in investment in capital assets	-	(458)	-	458	-	-
Transfer to endowments	-	-	13	(13)	-	-
Endowment contributions	-	-	9,301	-	9,301	4,690
Capital preservation of endowments	-	-	955	-	955	176
Balance, end of year	\$ 23,050	\$ 2,934	\$ 30,636	\$ (2,023)	\$ 54,597	\$ 32,369

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)	2007	2006
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 11,972	\$ 10,046
Items not involving cash		
Amortization of capital assets	13,898	13,643
Amortization of deferred charge	117	59
Amortization of deferred capital contributions	(6,309)	(7,581)
	<u>19,678</u>	<u>16,167</u>
Net change in non-cash working capital balances related to operations (Note 20)	<u>(1,616)</u>	<u>2,191</u>
Cash provided by operating activities	<u>18,062</u>	<u>18,358</u>
Financing activities		
Increase in faculty early retirement program	16	19
Faculty early retirement program payments	(1,323)	(1,484)
Long term debt principal repayments	(1,141)	(47,629)
Demand loan repayment	-	(600)
Issue of long term debt	235	100,000
Increase in deferred charge	-	(4,683)
(Decrease) increase in deferred revenue	(595)	3,040
Increase in deferred capital contributions	1,941	5,015
	<u>(867)</u>	<u>53,678</u>
Investing activities		
Endowment contributions	9,301	4,690
Capital preservation of endowments	955	176
Purchase of capital assets	(12,090)	(16,556)
Change in long term investments, net	(18,293)	(40,343)
	<u>(20,127)</u>	<u>(52,033)</u>
	<u>(20,994)</u>	<u>1,645</u>
(Decrease) Increase in cash for the year	(2,932)	20,003
Cash, beginning of year	32,920	12,917
Cash, end of year	\$ 29,988	\$ 32,920

Lakehead University Notes to the Financial Statements

April 30, 2007 (in thousands of dollars)

1. Authority and Purpose

Lakehead University was incorporated as a university when the Lakehead University Act was given Royal Assent by the Lieutenant Governor of Ontario in 1965. Lakehead University serves a dual role in that it provides Northwestern Ontario with regional access to higher education while being committed to academic excellence on the provincial, national and international scenes.

These financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations controlled by the University. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue, restricted purpose endowment funds, and the ancillary operations, such as residences, food services, bookstore and parking.

The University also has an economic beneficial interest in the Lakehead University pension plan, the activities of which are not consolidated into these financial statements (Note 17). 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, 2007

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 4).

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
Leasehold improvements	-	3 years
Furniture and equipment	-	5 years
Library books	-	5 years

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, 2007 (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. Accounts Receivable

Accounts receivable consist of the following:

	<u>2007</u>	<u>2006</u>
Tuition and residence fees	\$ 497	\$ 466
Interest and sundry accounts	2,851	2,571
Sponsored research monies	2,887	2,397
Capital grants from government	125	119
	<u>\$ 6,360</u>	<u>\$ 5,553</u>

Lakehead University Notes to Financial Statements

April 30, 2007 (in thousands of dollars)

4. Long-Term Investments

Long-term investments consist of the following:

	2007	2006
Pooled funds	\$ 72,966	\$ 55,041
Marketable securities	7,495	7,127
	\$ 80,461	\$ 62,168

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, 2007 was \$72,966 (2006 - \$55,041). The increase in the investment during the fiscal year of \$17,925 includes receipts of \$11,054 and investment income of \$6,871. Included in the pooled funds are internally restricted amounts created from excess borrowings of the Series A unsecured debenture described in Note 11.8. The market value as at April 30, 2007 is \$38,323 representing an initial investment of \$32,912 and investment income of \$5,411 (Note 12); \$2,240 of the investment income has been allocated to the university operations for 2006/2007. Also included in the pooled funds is \$2,147 (2006 - \$627) of a debt repayment sinking fund for project loans being amortized over their initial terms.

Marketable securities consist of investments in government and corporate bonds of \$7,482 (2006 - \$7,123), life insurance policies of \$12 (2006 - \$3), and shares of \$1 (2006 - \$1). The market value of the marketable securities as at April 30, 2007 was \$8,712 (2006 - \$8,436). The bonds mature between 2007 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 11.2. Interest accrued from the original purchase date to April 30, 2007 amounting to \$2,289 has been added to the asset value resulting in a sinking fund balance of \$2,886 (2006 - \$2,616).

5. Deferred Charge

The deferred charge represents refinancing costs incurred in connection with the \$100 million Series A unsecured debenture issue and is being amortized over the term of the debt (40 years). Amortization cost recognized in fiscal 2007 is \$117 (2006 - \$59).

Lakehead University Notes to Financial Statements

April 30, 2007 (in thousands of dollars)

6. Capital Assets

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,747	\$ -	\$ 1,747	\$ 1,283	\$ -	\$ 1,283
Site development	7,524	5,403	2,121	5,167	5,167	-
Buildings	152,421	67,716	84,705	143,196	63,387	79,809
Furniture and equipment	98,014	85,949	12,065	94,172	78,739	15,433
Leasehold improve- ments	1,487	495	992	-	-	-
Library books	34,955	31,364	3,591	32,791	29,737	3,054
Construction in progress	-	-	-	7,450	-	7,450
	\$ 296,148	\$ 190,927	\$ 105,221	\$ 284,059	\$ 177,030	\$ 107,029

7. Accounts Payable and Accrued Charges

The accounts payable and accrued charges consist of the following:

	2007	2006
Trade accounts	\$ 6,825	\$ 5,728
Payroll liabilities	1,208	1,277
Vacation pay liability	2,229	1,884
Capital projects	1,534	1,652
	\$ 11,796	\$ 10,541

Lakehead University Notes to Financial Statements

April 30, 2007 (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 cost of contractual payments and benefits owed to participating faculty members. These retirement costs will be paid out approximately as follows:

	<u>2007</u>	<u>2006</u>
2007	\$ -	\$ 1,307
2008	893	893
2009	536	536
2010	304	304
2011	141	141
2012	<u>33</u>	<u>33</u>
	\$ 1,907	\$ 3,214

9. 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:

	<u>2007</u>	<u>2006</u>
Research	\$ 9,750	\$ 8,324
Other restricted purposes	<u>5,691</u>	<u>7,712</u>
	\$ 15,441	\$ 16,036

Lakehead University Notes to Financial Statements

April 30, 2007 (in thousands of dollars)

10. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of 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:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 45,383	\$ 47,949
Add: contributions received for capital asset purchases	1,941	5,015
Less: amortization of deferred capital contributions	<u>(6,309)</u>	<u>(7,581)</u>
Balance, end of year	<u>\$ 41,015</u>	<u>\$ 45,383</u>

11. Long-Term Debt

	<u>2007</u>	<u>2006</u>
11.1 Canada Mortgage and Housing Corporation – Residence Addition	\$ -	\$ 9
11.2 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 \$2,289, the value of the sinking funds as of April 30, 2007 is \$2,886 (2006 - \$2,616) (Note 4).	<u>3,600</u>	<u>3,600</u>
Carried forward	<u>\$ 3,600</u>	<u>\$ 3,609</u>

Lakehead University Notes to Financial Statements

April 30, 2007 (in thousands of dollars)

11. Long-Term Debt (cont'd)

	<u>2007</u>	<u>2006</u>
Brought forward	\$ 3,600	\$ 3,609
11.3 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.	1,329	1,401
11.4 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 (2007 – \$249; 2006 – \$234) ending May 21, 2008.	261	480
11.5 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.	<u>293</u>	<u>325</u>
Carried forward	<u>\$ 5,483</u>	<u>\$ 5,815</u>

11. 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:

The University has available an operating line of credit of \$3,000, with interest at the bank's prime lending rate (5.75% per annum at year-end). The University's credit facilities also include a Standby letter of Guarantee in favour of the City of Thunder Bay in the amount of \$605.

Lakehead University Notes to Financial Statements

April 30, 2007 (in thousands of dollars)

12. Internally Restricted Net Assets

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

	<u>2007</u>	<u>2006</u>
Operating Fund:		
Repairs and replacements	\$ 3,340	\$ 3,131
Self-insurance	250	250
Unexpended budgets and departmental incomes	4,170	3,685
Future year's budget	4,260	-
Ancillary Enterprises		
Retail operations	160	338
Food services	62	154
Residence reserve for repairs and replacements	229	223
Other ancillary	112	95
Restricted Funds		
University general trust fund	4,310	2,943
Interest earned on investment from excess borrowings (Note 4)	3,171	1,018
Unexpended capital funds	221	174
Research funds	618	460
Bond sinking fund	2,147	627
	<u>\$ 23,050</u>	<u>\$ 13,098</u>

At April 30, 2007, unrestricted year end grants of \$4,260, which were unbudgeted and unallocated, are included in internally restricted net assets as "Future year's budget".

13. Investment in Capital Assets

The investment in capital assets consists of the following:

	<u>2007</u>	<u>2006</u>
Capital assets, net book value	\$ 105,221	\$ 107,029
Less amounts financed by:		
Long term debt (net of residence and bond sinking funds)	(62,109)	(59,051)
Deferred capital contributions	(40,178)	(44,586)
	<u>\$ 2,934</u>	<u>\$3,392</u>

Lakehead University Notes to Financial Statements

April 30, 2007 (in thousands of dollars)

13. Investment in Capital Assets (cont'd)

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

	<u>2007</u>	<u>2006</u>
Repayment of long-term debt	\$ 832	\$ 1,152
Increase in residence and bond sinking fund	270	873
Purchase of capital assets internally financed	<u>6,029</u>	<u>3,577</u>
	<u>7,131</u>	<u>5,602</u>
Amortization expense	13,898	13,643
Less: Amount of amortization expense related to capital assets purchased with restricted contributions	<u>(6,309)</u>	<u>(7,581)</u>
	<u>7,589</u>	<u>6,062</u>
Net (decrease)	<u>\$ (458)</u>	<u>\$ (460)</u>

14. 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 \$30,636 (2006 – \$20,367).

Lakehead University Notes to Financial Statements

April 30, 2007 (in thousands of dollars)

15. Ontario Student Trust Funds

Externally restricted endowments of \$30,636 (2006 - \$20,367) 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)

	<u>2007</u>	<u>2006</u>
OSOTF endowment balance , beginning of year	\$ 6,776	\$ 6,747
Capitalized interest	167	29
OSOTF endowment balance , end of year	<u>\$ 6,943</u>	<u>\$ 6,776</u>
Expendable funds , beginning of year	\$ 578	\$ 335
Realized investment income	790	479
Bursaries awarded	<u>(298)</u>	<u>(236)</u>
Expendable funds , end of year	<u>\$ 1,070</u>	<u>\$ 578</u>
Number of bursaries awarded	<u>422</u>	<u>380</u>
Market Value of Endowment	<u>\$ 8,759</u>	<u>\$ 8,126</u>

OSOTF (Phase II)

	<u>2007</u>	<u>2006</u>
OSOTF endowment balance , beginning of year	\$ 1,563	\$ 1,539
Transfers to OTSS program	-	(6)
Capitalized interest	<u>52</u>	<u>30</u>
OSOTF endowment balance , end of year	<u>\$ 1,615</u>	<u>\$ 1,563</u>
Expendable funds , beginning of year	\$ 15	\$ 1
Realized investment income	181	68
Bursaries awarded	<u>(57)</u>	<u>(54)</u>
Expendable funds , end of year	<u>\$ 139</u>	<u>\$ 15</u>
Number of bursaries awarded	<u>36</u>	<u>89</u>
Market Value of Endowment	<u>\$ 1,844</u>	<u>\$ 1,689</u>

Lakehead University Notes to Financial Statements

April 30, 2007 (in thousands of dollars)

15. Ontario Student Trust Funds (cont'd)

OTSS

The Ontario Trust for Student Support (OTSS) program requires separate reporting of the balances as at March 31 and the details of the changes in the balances.

The following is the schedule of donations received for the period from April 1, 2006 to March 31, 2007 (April 1, 2005 to March 31, 2006).

	<u>2007</u>	<u>2006</u>
Donations eligible for matching	\$ 890	\$ 919
Donations not yet eligible for matching	75	44
Total cash donations	\$ 965	\$ 963

The following is the schedule of changes in endowment fund balance for the period April 1, 2006 to March 31, 2007 (April 1, 2005 to March 31, 2006).

	<u>2007</u>	<u>2006</u>
Endowment balance, beginning of year	\$ 1,888	\$ -
Cash donations received	965	957
Transfers from OSOTF program	-	6
Matching funds received / receivable	890	919
Preservation of capital	-	6
Endowment balance, end of year	\$ 3,743	\$ 1,888

The following is the schedule of changes in expendable funds available for awards for the period April 1, 2006 to March 31, 2007 (April 1, 2005 to March 31, 2006).

	<u>2007</u>	<u>2006</u>
Expendable funds, beginning of year	\$ -	\$ -
Realized investment income	234	1
Bursaries awarded	(32)	(1)
Expendable funds, end of year	\$ 202	\$ -
Number of bursaries awarded	16	1

Lakehead University Notes to Financial Statements

April 30, 2007 (in thousands of dollars)

16. 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.

17. Pension Plan

The University has two separate pension plans.

17.1 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, 2007 is as follows based on an actuarial valuation prepared on a going concern basis at December 31, 2006.

Pension plan assets	\$ 202,637
Pension plan liabilities	<u>199,671</u>
Estimated pension plan surplus	<u>\$ 2,966</u>

Lakehead University Notes to Financial Statements

April 30, 2007 (in thousands of dollars)

17. Pension Plan (cont'd)

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, 2006 discloses that there is no longer a solvency deficiency as defined in the Pension Benefit's Act (1987). Beginning in 2007, the additional annual contributions of \$612, which were being made to fund the solvency deficiency revealed at the previous valuation, are no longer required. The university may elect to apply the balance in the Pension Solvency Account (\$1,248 at December 31, 2006) to offset its regular contributions to the plan.

17.2 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 \$2,399 (2006 - \$2,248) and faculty early retirement benefits of \$18 (2006 - \$21).

18. Contingent Liabilities

- a) At April 30, 2007 the University was guarantor of nine (2006 - ten) housing loans for faculty and staff in the amount of \$109 (2006 - \$143).
- 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, 2007, 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.

Lakehead University Notes to Financial Statements

April 30, 2007 (in thousands of dollars)

19. Commitments

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

Date	Amount
2008	\$ 469
2009	287
2010	227
2011	227
2012	135

20. Statement of Cash Flows

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

	<u>2007</u>	<u>2006</u>
Accounts receivable	\$ (807)	\$ 1,590
Inventory and prepaid expenses	(2,064)	1
Accounts payable and accrued charges	<u>1,255</u>	<u>600</u>
	<u>\$ (1,616)</u>	<u>\$ 2,191</u>

21. Related Party Transactions

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

	<u>2007</u>	<u>2006</u>
Recoveries and charges for goods and services	<u>\$ 1,331</u>	<u>\$ 806</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.