

Lakehead University
Financial Statements
For the year ended April 30, 2008

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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, 2008 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, 2008 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

Thunder Bay, Ontario
August 12, 2008

Lakehead University Balance Sheet

April 30 (in thousands of dollars) **2008** **2007**

Assets

Cash	\$ 31,609	\$ 29,988
Accounts receivable (Note 3)	6,364	6,360
Inventories and prepaid expenses	749	2,833
Long-term investments (Note 4)	84,279	80,461
Deferred charge (Note 5)	4,390	4,507
Capital assets (Note 6)	97,941	105,221
	<u>\$ 225,332</u>	<u>\$ 229,370</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued charges (Note 7)	\$ 9,560	\$ 11,796
Faculty early retirement program costs (Note 8)	979	1,907
Deferred revenue (Note 9)	17,583	15,441
Deferred capital contributions (Note 10)	35,859	41,015
Long-term debt (Note 11)	103,410	104,614
	<u>167,391</u>	<u>174,773</u>

Net assets

Internally restricted (Note 12)	24,996	23,050
Investment in capital assets (Note 13)	1,416	2,934
Endowments (Note 14)	32,119	30,636
Unrestricted	(590)	(2,023)
	<u>57,941</u>	<u>54,597</u>
	<u>\$ 225,332</u>	<u>\$ 229,370</u>

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)	2008	2007
Revenue		
Government grants for general operations	\$ 56,592	\$ 54,514
Government and other grants for restricted purposes	14,301	9,763
Student fees	37,618	35,854
Sales of goods and services	14,903	14,924
Investment income	1,086	7,881
Donations	959	1,862
Contract research	1,568	3,072
Sundry	2,117	1,804
Amortization of deferred capital contributions	6,326	6,309
	<u>135,470</u>	<u>135,983</u>
Expenses		
Salaries and benefits	77,231	71,137
Operational supplies and expenses	5,825	4,862
Cost of sales and services	6,427	6,468
Amortization of capital assets	14,211	13,898
Amortization of deferred charges	117	117
Building and equipment maintenance	6,270	4,556
Municipal taxes	527	465
Scholarships, bursaries and awards	8,132	6,827
Utilities	3,498	3,658
Travel	2,724	2,789
Other	3,905	3,568
Interest on long term debt	5,743	5,666
	<u>134,610</u>	<u>124,011</u>
Excess of revenue over expenses for the year	\$ 860	\$ 11,972

Lakehead University Statement of Changes in Net Assets

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

2008

2007

	Internally Restricted	Investment in Capital Assets	Endowments	Unrestricted	Total	Total
	(Note 12)	(Note 13)	(Note 14)			
Balance, beginning of year	\$ 23,050	\$ 2,934	\$ 30,636	\$ (2,023)	\$ 54,597	\$ 32,369
Change in accounting policies (Note 2a)	1,013	-	-	-	1,013	-
Net assets, beginning of year, as restated	24,063	2,934	30,636	(2,023)	55,610	-
Excess of revenue over expenses for the year	-	-	-	860	860	11,972
Change in internally restricted net assets	933	-	-	(933)	-	-
Change in investment in capital assets	-	(1,518)	-	1,518	-	-
Transfer to endowments	-	-	12	(12)	-	-
Endowment contributions	-	-	1,247	-	1,247	9,301
Capital preservation of endowments	-	-	224	-	224	955
Balance, end of year	\$ 24,996	\$ 1,416	\$ 32,119	\$ (590)	\$ 57,941	\$ 54,597

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)	2008	2007
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 860	\$ 11,972
Items not involving cash		
Amortization of capital assets	14,211	13,898
Amortization of deferred charge	117	117
Amortization of deferred capital contributions	(6,326)	(6,309)
Change in accounting policies, long term investments (Note 2a)	1,013	-
	<u>9,875</u>	19,678
Net change in non-cash working capital balances related to operations (Note 20)	<u>(156)</u>	(1,616)
Cash provided by operating activities	<u>9,719</u>	18,062
Financing activities		
Increase in faculty early retirement program	-	16
Faculty early retirement program payments	(928)	(1,323)
Long term debt principal repayments	(1,204)	(1,141)
Proceeds from long term debt	-	235
Increase (decrease) in deferred revenue	2,142	(595)
Deferred capital contributions received	1,170	1,941
	<u>1,180</u>	(867)
Investing activities		
Endowment contributions	1,247	9,301
Capital preservation of endowments	224	955
Purchase of capital assets	(6,931)	(12,090)
Change in long term investments, net	(3,818)	(18,293)
	<u>(9,278)</u>	(20,127)
	<u>(8,098)</u>	(20,994)
Increase (decrease) in cash for the year	1,621	(2,932)
Cash, beginning of year	<u>29,988</u>	32,920
Cash, end of year	<u>\$ 31,609</u>	\$ 29,988

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

Lakehead University Notes to the Financial Statements

April 30, 2008 (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) Change in Accounting Policies

On May 1, 2007 the University adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These standards were: Comprehensive Income (handbook "Section 1530"), Financial Instruments – Recognition and Measurement (handbook "Section 3855"), Financial Instruments – Disclosure and Presentation (handbook "Section 3861"), and Hedges (handbook "Section 3865"). As a result of the change, as at May 1, 2007 investments were increased by \$1,013 and restricted net assets were increased by \$1,013. In accordance with the transitional requirements, the comparative amounts have not been restated.

Lakehead University Notes to Financial Statements

April 30, 2008 (in thousands of dollars)

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

b) Investments

Investments are carried at fair value except for the marketable securities consisting of stripped coupon bonds. The calculation of estimated fair value is based upon market conditions at a specific point in time and may not be reflective of future fair values. Changes in fair values from one year to the next are reflected in the statement of operations in investment income or in endowments.

The value of investments recorded in the financial statements is determined as follows:

1. Investments in pooled funds are valued at their reported net asset value per unit.
2. Publicly traded bonds are determined based on the latest bid prices.
3. Private investment interests, which consist of common shares in a Private Canadian Controlled 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.

c) 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.

d) 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.

Lakehead University Notes to Financial Statements

April 30, 2008 (in thousands of dollars)

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

e) 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.

f) 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.

g) 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.

Lakehead University Notes to Financial Statements

April 30, 2008 (in thousands of dollars)

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

h) Financial Instruments

Financial instruments consist of cash, accounts receivable, long-term investments, accounts payable and accrued charges 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 its financial instruments and the carrying amounts approximate fair values.

The University recognizes and measures financial assets and financial liabilities on the balance sheet when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a settlement date basis. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held for trading", "loans and receivables", "held to maturity", "available for sale" or "other financial liabilities".

"Held for trading" financial instruments are recognized initially at fair value and transaction costs are taken directly to the statements of earnings and equity. They are subsequently measured at fair value and gains and losses arising from changes in fair value of these instruments are recorded in the statements of earnings and equity. Long term investments and cash have been classified as "held for trading" by the University.

"Loans and receivables" are non-derivative financial assets with fixed or determinable repayment dates, usually with interest, that are not debt securities or instruments classified as "held for trading" on initial recognition. These instruments are initially recognized at fair value including direct and incremental transactions costs. They are subsequently valued at amortized cost using the effective interest method less any provision for impairment. Accounts receivable has been classified as "loans and receivables".

"Held to maturity" investments include financial assets with fixed or determinable payments that the University's management has the intention and ability to hold to maturity. They are initially recognized at fair value including direct and incremental transaction costs. They are subsequently valued at amortized cost using the effective interest method less any provision for impairment. Specific stripped coupon bonds have been classified as "held to maturity".

"Other financial liabilities" are non-derivative financial liabilities and include accounts payable and accrued charges and long-term debt. These instruments are initially recognized at fair value including direct and incremental transaction costs. They are subsequently measured at amortized cost using the effective interest method.

Lakehead University Notes to Financial Statements

April 30, 2008 (in thousands of dollars)

h) **Financial Instruments** (cont'd)

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices as appropriate, in the most advantageous active market for that instrument to which the University has immediate access.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discounted rates. In determining those assumptions, external readily observable market inputs including interest rate yield curves, currency rates and price and rate volatilities are considered, as applicable.

i) **Financial Accounting Changes**

The CICA has issued two new accounting standards, Handbook Section 3862, Financial Instruments – Disclosures and Handbook Section 3863, Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new accounting standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing net assets.

These new standards will be effective for the University starting May 1, 2008.

3. Accounts Receivable

Accounts receivable consist of the following:

	2008	2007
Tuition and residence fees	\$ 470	\$ 497
Interest and sundry accounts	2,155	2,851
Sponsored research monies	3,635	2,887
Capital grants from government	104	125
	<hr/>	
	\$ 6,364	\$ 6,360

Lakehead University Notes to Financial Statements

April 30, 2008 (in thousands of dollars)

4. Long-Term Investments

Long-term investments consist of the following:

	2008		2007
Pooled funds	\$ 75,595	\$	72,966
Marketable securities carried at fair value (2007 at cost)	5,486		4,439
Marketable securities carried at cost	3,198		3,056
	\$ 84,279	\$	80,461

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, 2008 was \$75,595 (2007 - \$72,966). The increase in the investment during the fiscal year of \$2,629 includes receipts of \$3,101 and investment loss of \$472. Included in the pooled funds are internally restricted amounts created from excess borrowings of the Series A unsecured debenture described in 11.7. The market value as at April 30, 2008 is \$38,488 representing an initial investment of \$32,912 and investment income of \$5,576; \$2,356 of the investment income has been allocated to the University operations ((\$116 - 2008, \$2,240 - 2007) (Note 12). Also included in the pooled funds is \$3,566 (2007 - \$2,147) of a debt repayment sinking fund for project loans being amortized over their initial terms.

Marketable securities carried at fair value consist of investments in government and corporate bonds of \$5,372 (2007 - \$4,426 carried at cost), life insurance policies of \$23 (2007 - \$12), and shares of \$91 (2007 - \$1). The market value of the marketable securities as at April 30, 2008 was \$5,486 (2007 - \$5,452). The bonds mature between 2007 and 2035 with annual yields ranging from 4.2% to 8.5%.

Included in the marketable securities carried at cost are Government of Canada and Ontario stripped coupon bonds originally purchased 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 11.1. Interest accrued from the original purchase date to April 30, 2008 amounting to \$2,587 has been added to the asset value resulting in a sinking fund balance of \$3,184 (2007 - \$2,886). Other securities carried at cost amount to \$14.

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 2008 is \$117 (2007 - \$117).

Lakehead University Notes to Financial Statements

April 30, 2008 (in thousands of dollars)

6. Capital Assets

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,747	\$ -	\$ 1,747	\$ 1,747	\$ -	\$ 1,747
Site development	7,965	5,683	2,282	7,524	5,403	2,121
Buildings	153,841	72,074	81,767	152,421	67,716	84,705
Furniture and equipment	101,101	93,305	7,796	98,014	85,949	12,065
Leasehold improvements	1,487	991	496	1,487	495	992
Library books	36,827	33,084	3,743	34,955	31,364	3,591
Construction in progress (Note 19a)	110	-	110	-	-	-
	\$ 303,078	\$ 205,137	\$ 97,941	\$ 296,148	\$ 190,927	\$ 105,221

7. Accounts Payable and Accrued Charges

The accounts payable and accrued charges consist of the following:

	2008	2007
Trade accounts	\$ 6,216	\$ 6,825
Payroll liabilities	808	1,208
Vacation pay liability	2,142	2,229
Capital projects	394	1,534
	\$ 9,560	\$ 11,796

Lakehead University Notes to Financial Statements

April 30, 2008 (in thousands of dollars)

8. 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:

	<u>2008</u>	<u>2007</u>
2008	\$ -	\$ 893
2009	501	536
2010	304	304
2011	141	141
2012	<u>33</u>	<u>33</u>
	<u>\$ 979</u>	<u>\$ 1,907</u>

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>2008</u>	<u>2007</u>
Research	\$ 10,908	\$ 9,750
Other restricted purposes	<u>6,675</u>	<u>5,691</u>
	<u>\$ 17,583</u>	<u>\$ 15,441</u>

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>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 41,015	\$ 45,383
Add: contributions received for capital asset purchases	1,170	1,941
Less: amortization of deferred capital contributions	<u>(6,326)</u>	<u>(6,309)</u>
Balance, end of year	<u>\$ 35,859</u>	<u>\$ 41,015</u>

Lakehead University Notes to Financial Statements

April 30, 2008 (in thousands of dollars)

11. Long-Term Debt

	<u>2008</u>	<u>2007</u>
11.1 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 \$2,587, the value of the sinking funds as of April 30, 2008 is \$3,184 (2007 - \$2,886) (Note 4).	3,600	3,600
11.2 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.	1,257	1,329
11.3 The Sisters of St. Joseph – Avila Centre		
Mortgage payable, interest at 6.00% per annum, payable over fifteen years through varying annual payments, including interest (2008 – \$264; 2007 – \$249), maturing May 21, 2008.	14	261
11.4 Sun Life Financial – 874 Tungsten St		
Mortgage payable, interest at 6.42% per annum, monthly payments, including interest, of \$4, maturing July 2009.	260	293
Carried forward	<u>\$ 5,131</u>	<u>\$ 5,483</u>

Lakehead University Notes to Financial Statements

April 30, 2008 (in thousands of dollars)

11. Long Term Debt (cont'd)

	<u>2008</u>	<u>2007</u>
Brought forward	\$ 5,131	\$ 5,483
11.5 Promissory Note – 874 Tungsten St.		
Promissory note, secured by second mortgage, non-interest bearing, monthly principal payments of \$1, maturing March 2010.	23	35
11.6 Promissory Note – Northwestern Ontario Innovation Centre Inc.		
Promissory note, unsecured, non-interest bearing, annual principal payments of \$23, maturing November 2015.	188	212
11.7 Debenture Payable		
On November 15, 2005, the University issued Series A unsecured debenture in the aggregated principal amount of \$100,000. The debenture bears interest at 5.301%. Principal and interest are payable semi-annually on May 15 and November 15 in installments of \$3,023 ending November 15, 2045. The proceeds of the issue were used to repay the debt to the Royal Bank of Canada including termination costs, to finance Phase 2 of the Heating, Refrigeration and Air Conditioning Retrofit and to establish a university "University Investment Portfolio" in the amount of \$32,912 (Note 4). Included in the pooled funds (Note 4) is \$3,566 (2007 – \$2,147) of a debt repayment sinking fund for project loans being amortized over their initial terms. The fair value of the debenture at April 30, 2008 was \$98,245 (2007 - \$100,271)	<u>98,068</u>	<u>98,884</u>
	<u>\$ 103,410</u>	<u>\$ 104,614</u>

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

Date	Amount
2009	\$ 1,021
2010	4,846
2011	1,064
2012	1,121
2013	1,181
Thereafter	<u>94,177</u>
	<u>\$ 103,410</u>

The University has available an operating line of credit of \$3,000, with interest at the bank's prime lending rate (4.75% per annum at year-end).

Lakehead University Notes to Financial Statements

April 30, 2008 (in thousands of dollars)

12. Internally Restricted Net Assets

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

	<u>2008</u>	<u>2007</u>
Operating Fund		
Repairs and replacements	\$ 5,428	\$ 3,340
Self-insurance	250	250
Unexpended budgets and departmental incomes	4,488	4,170
Future year's budget	536	4,260
Ancillary Enterprises		
Retail operations	485	160
Food services	59	62
Residence reserve for repairs and replacements	235	229
Other ancillary	299	112
Restricted Funds		
University general trust fund	3,855	4,310
Interest earned on investment from excess borrowings	3,220	3,171
Unexpended capital funds	1,079	221
Research funds	1,496	618
Bond sinking fund	3,566	2,147
	<u>\$ 24,996</u>	<u>\$ 23,050</u>

13. Investment in Capital Assets

The investment in capital assets consists of the following:

	<u>2008</u>	<u>2007</u>
Capital assets, net book value	\$ 97,941	\$ 105,221
Less amounts financed by:		
Long term debt (net of residence and bond sinking funds)	(61,147)	(62,109)
Deferred capital contributions	(35,378)	(40,178)
	<u>\$ 1,416</u>	<u>\$ 2,934</u>

Lakehead University Notes to Financial Statements

April 30, 2008 (in thousands of dollars)

13. Investment in Capital Assets (cont'd)

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

	<u>2008</u>	<u>2007</u>
Repayment of long-term debt	\$ 878	\$ 832
Increase in residence and bond sinking fund	298	270
Purchase of capital assets internally financed	<u>5,191</u>	<u>6,029</u>
	<u>6,367</u>	<u>7,131</u>
Amortization expense	14,211	13,898
Less: Amount of amortization expense related to capital assets purchased with restricted contributions	<u>(6,326)</u>	<u>(6,309)</u>
	<u>7,885</u>	<u>7,589</u>
Net decrease	<u><u>\$ (1,518)</u></u>	<u><u>\$ (458)</u></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 \$32,119 (2007 – \$30,636).

Lakehead University Notes to Financial Statements

April 30, 2008 (in thousands of dollars)

15. Ontario Student Trust Funds

Externally restricted endowments of \$32,119 (2007 - \$30,636) 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>2008</u>	<u>2007</u>
OSOTF endowment balance , beginning of year	\$ 6,943	\$ 6,776
Capitalized interest	26	167
OSOTF endowment balance , end of year	<u>\$ 6,969</u>	<u>\$ 6,943</u>
Expendable funds , beginning of year	\$ 1,070	\$ 578
Change in Accounting Policy (note 2a)	183	-
Expendable funds, beginning of year as restated	1,253	578
Realized investment income	(164)	790
Bursaries awarded	(316)	(298)
Expendable funds , end of year	<u>\$ 773</u>	<u>\$ 1,070</u>
Number of bursaries awarded	<u>293</u>	<u>422</u>
Market Value of Endowment	<u>\$ 7,004</u>	<u>\$ 7,264</u>

OSOTF (Phase II)

	<u>2008</u>	<u>2007</u>
OSOTF endowment balance , beginning of year	\$ 1,615	\$ 1,563
Capitalized interest	10	52
OSOTF endowment balance , end of year	<u>\$ 1,625</u>	<u>\$ 1,615</u>
Expendable funds , beginning of year	\$ 139	\$ 15
Realized investment income	(46)	181
Bursaries awarded	(69)	(57)
Expendable funds , end of year	<u>\$ 24</u>	<u>\$ 139</u>
Number of bursaries awarded	<u>64</u>	<u>36</u>
Market Value of Endowment	<u>\$ 1,613</u>	<u>\$ 1,725</u>

Lakehead University Notes to Financial Statements

April 30, 2008 (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, 2007 to March 31, 2008 (April 1, 2006 to March 31, 2007).

	<u>2008</u>	<u>2007</u>
Donations eligible for matching	\$ 513	\$ 890
Donations not yet eligible for matching	<u>2</u>	<u>75</u>
Total cash donations	\$ 515	\$ 965

The following is the schedule of changes in endowment fund balance for the period April 1, 2007 to March 31, 2008 (April 1, 2006 to March 31, 2007).

	<u>2008</u>	<u>2007</u>
Endowment balance, beginning of year	\$ 3,743	\$ 1,888
Cash donations received	515	965
Matching funds received / receivable	625	890
Preservation of capital	<u>160</u>	<u>-</u>
Endowment balance, end of year	\$ 5,043	\$ 3,743

The following is the schedule of changes in expendable funds available for awards for the period April 1, 2007 to March 31, 2008 (April 1, 2006 to March 31, 2007).

	<u>2008</u>	<u>2007</u>
Expendable funds, beginning of year	\$ 202	\$ -
Realized investment income	(101)	234
Bursaries awarded	<u>(151)</u>	<u>(32)</u>
Expendable funds, end of year	\$ (50)	\$ 202
Number of bursaries awarded	<u>66</u>	<u>16</u>

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April 30, 2008 (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, 2008 (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.

In the event that an actuarial valuation discloses a going concern unfunded liability or a solvency deficiency as defined by the Pension Benefits Act (1987), the University will be obligated to make additional contributions as required by the Act. The actuarial valuation of the Plan at December 31, 2006, reported that based on then current provisions, the Plan was fully funded with no solvency deficiency and no requirement for additional University contributions. The next valuation should be carried out no later than December 31, 2009.

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 \$2,420 (2007 - \$2,399) and faculty early retirement benefits of \$nil (2007 - \$18).

18. Contingent Liabilities

- a) At April 30, 2008, the University was guarantor of five (2007 - nine) housing loans for faculty and staff in the amount of \$49 (2007 - \$109).
- 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, 2008, 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, 2008 (in thousands of dollars)

19. Commitments

- a) The estimated cost to complete the Orillia Campus Building in progress at April 30, 2008 is \$40,000. The \$40,000 will be funded from donations, private sector contributions and borrowings. The ratio of borrowings to donations will depend on the success of the fundraising campaign.
- b) The following are the future minimum annual operating lease payments due over the next five years:

Date	Amount
2009	\$ 524
2010	318
2011	214
2012	122
2013	120

20. Statement of Cash Flows

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

	<u>2008</u>	<u>2007</u>
Accounts receivable	\$ (4)	\$ (807)
Inventories and prepaid expenses	2,084	(2,064)
Accounts payable and accrued charges	<u>(2,236)</u>	<u>1,255</u>
	<u>\$ (156)</u>	<u>\$ (1,616)</u>

21. Related Party Transactions

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

	<u>2008</u>	<u>2007</u>
Recoveries and charges for goods and services	<u>\$ 1,230</u>	<u>\$ 1,331</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.

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22. Subsequent Event

On July 14, 2008, the University experienced a fire on the east wing of the Braun Building. The amount of damages is estimated at \$2,500. With the exception of a deductible of \$40 for building and contents and a deductible for \$10 for computer equipment, the insurance coverage should reimburse the University for replacement costs.

23. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.