

**Lakehead University**  
**Financial Statements**  
For the year ended April 30, 2011

**Contents**

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BDO Canada LLP  
1095 Barton Street  
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## Independent Auditor's Report

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

We have audited the accompanying financial statements of Lakehead University, which comprise the balance sheet as at April 30, 2011, and the statements of revenue and expenses, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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## Independent Auditor's Report

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### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

Thunder Bay, Ontario  
September 30, 2011

## Lakehead University Balance Sheet

**April 30** **2011**      **2010**  
(in thousands of dollars)

### Assets

Cash	\$	37,486	\$	42,305
Accounts receivable (Note 3)		10,346		8,636
Inventories and prepaid expenses		1,021		1,046
Long-term investments (Note 4)		69,222		85,415
Capital assets (Note 5)		<u>150,282</u>		<u>124,509</u>
	\$	<b>268,357</b>	\$	<b>261,911</b>

### Liabilities and Net Assets

#### Liabilities

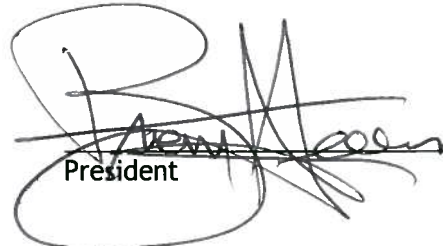
Demand loan (Note 6)	\$	-	\$	13,000
Accounts payable and accrued charges (Note 7)		16,196		18,921
Deferred revenue (Note 8)		14,931		18,273
Deferred capital contributions (Note 9)		50,530		45,990
Long-term debt (Note 10)		102,065		95,688
Interest rate swaps (Note 10.6)		2,623		643
Pension benefit obligation (Note 11)		<u>218</u>		<u>-</u>
		<b>186,563</b>		<b>192,515</b>

#### Net assets

Internally restricted (Note 12)		46,365		36,420
Endowments (Note 13)		37,000		33,854
Unrestricted		<u>(1,571)</u>		<u>(878)</u>
		<b>81,794</b>		<b>69,396</b>
	\$	<b>268,357</b>	\$	<b>261,911</b>

On behalf of the Board of Governors:

  
\_\_\_\_\_  
Chair

  
\_\_\_\_\_  
President

## Lakehead University Statement of Revenue and Expenses

For the year ended April 30	2011	2010
	(in thousands of dollars)	
<b>Revenue</b>		
Government grants for general operations	\$ 64,261	\$ 62,089
Government and other grants for restricted purposes	24,657	18,929
Student fees	46,763	43,409
Sales of goods and services	15,784	15,127
Investment income (Note 4)	4,690	10,855
Donations	844	884
Contract research	1,116	1,473
Sundry	6,553	2,033
Amortization of deferred capital contributions (Note 9)	3,704	3,259
	<b>168,372</b>	<b>158,058</b>
<b>Expenses</b>		
Salaries and benefits	92,669	86,567
Operational supplies and expenses	5,316	5,712
Cost of sales and services	6,395	6,247
Amortization of capital assets	11,799	10,111
Amortization of debenture issuance costs	117	117
Building and equipment maintenance	14,673	8,034
Municipal taxes	550	521
Scholarships, bursaries and awards	8,891	7,992
Utilities	4,041	3,887
Travel	3,063	2,765
Other	4,211	5,284
Interest on long term debt	7,246	6,064
	<b>158,971</b>	<b>143,301</b>
<b>Excess of revenue over expenses for the year</b>	<b>\$ 9,401</b>	<b>\$ 14,757</b>

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

**Lakehead University**  
**Statement of Changes in Net Assets**

For the year ended April 30 2011 2010  
(in thousands of dollars)

	Internally Restricted	Endowments	Unrestricted	Total	Total
	(Note 12)	(Note 13)			
Balance, beginning of year	\$ 36,420	\$ 33,854	\$ (878)	\$ 69,396	\$ 51,959
Excess of revenue over expenses for the year	-	-	9,401	9,401	14,757
Change in internally restricted net assets	9,945	-	(9,945)	-	-
Transfer to endowments	-	149	(149)	-	-
Endowment contributions	-	1,996	-	1,996	1,096
Capitalization of investment income in endowments	-	1,001	-	1,001	1,584
<b>Balance, end of year</b>	<b>\$ 46,365</b>	<b>\$ 37,000</b>	<b>\$ (1,571)</b>	<b>\$ 81,794</b>	<b>\$ 69,396</b>

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

## Lakehead University Statement of Cash Flows

<b>For the year ended April 30</b>	<b>2011</b>	<b>2010</b>
	(in thousands of dollars)	
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses for the year	\$ 9,401	\$ 14,757
Items not involving cash		
Amortization of capital assets	11,799	10,111
Amortization of debenture issuance costs	117	117
Amortization of deferred capital contributions	(3,704)	(3,259)
Interest rate swap	1,980	643
Pension benefit obligation	218	-
	<b>19,811</b>	<b>22,369</b>
Net change in non-cash working capital balances related to operations (Note 18)	<b>(7,752)</b>	<b>3,170</b>
Cash provided by operating activities	<b>12,059</b>	<b>25,539</b>
<b>Financing activities</b>		
Demand loan	(13,000)	13,000
Long term debt principal repayments	(1,140)	(4,846)
Long-term debt proceeds	7,400	2,300
Deferred capital contributions received	8,244	15,769
	<b>1,504</b>	<b>26,223</b>
<b>Investing activities</b>		
Endowment contributions	1,996	1,096
Capitalization of investment income in endowments	1,001	1,584
Purchase of capital assets	(37,572)	(32,004)
Change in long term investments, net	16,193	(10,973)
	<b>(18,382)</b>	<b>(40,297)</b>
<b>Increase (decrease) in cash for the year</b>	<b>(4,819)</b>	<b>11,465</b>
Cash, beginning of year	<b>42,305</b>	<b>30,840</b>
Cash, end of year	<b>\$ 37,486</b>	<b>\$ 42,305</b>

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

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# Lakehead University

## Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

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### 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 12). The Lakehead University Pension Investment Fund is audited separately.

The Northern Ontario School of Medicine ("School") is incorporated under the Ontario Business Corporations Act and is a not for profit organization. The School was created in order to provide medical education in Northern Ontario. The University, along with Laurentian University, 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 registered charity, and as such, is exempt from income taxes under the Income Tax Act (Canada).

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### 2. Summary of Significant Accounting Policies

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 are carried at fair value. 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.



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## Lakehead University Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

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

#### a) Investments (cont'd)

3. Private investment interests, which consist of common shares in a Canadian Controlled Private Company, life insurance policies and other shares, are valued at cost. The university believes the carrying value of these financial instruments is a reasonable estimate of fair value.

#### b) Inventories

Inventories, which consist of goods held for resale, are recorded at the lower of cost and net realizable value. Cost is generally determined on a first in, first out basis.

#### c) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives, which are:

Site development	-	10 years
Buildings	-	20 and 40 years
Furniture and equipment	-	5 years
Leasehold improvements	-	3 years
Library books	-	5 years

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

#### 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.

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# Lakehead University

## Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

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### 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

As permitted under the CICA Handbook, the University has chosen to apply CICA 3861: Financial Instruments - Disclosure and Presentation in place of CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation.

Under Section 3855: Financial Instruments - Recognition and Measurement, financial assets and liabilities are initially recognized and subsequently measured based on their classification. The University has designated its cash and long term investments as held-for-trading and, as such, these financial assets are measured at fair value and changes in fair value are recognized in the statement of revenue and expenses as investment income (loss). Accounts receivable have been classified as loans and receivables, accounts payable have been classified as other liabilities, and long term debt and specific coupon bonds have been classified as held-to-maturity, all of which are measured at amortized cost using the effective interest rate method.

#### h) Derivative Financial Instruments

Derivative financial instruments related to interest rate swaps on a term loan are used by the University in the management of its exposure to changes in interest rates. The University does not enter into derivative financial instrument transactions for trading or speculative purposes. The University records financial instruments related to swaps on the Balance Sheet at fair value with subsequent changes in fair value recognized in the Statement of Revenue and Expenses.

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## Lakehead University Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

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

#### i) Employee Future Benefits:

The University accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. For the defined benefit component of the pension plan for professional staff, the cost of post employment benefits earned by employees is actuarially determined using the projected benefit method prorated on service and administration's best estimates and assumptions. The most recent actuarial valuation of the pension plan for funding purposes has been conducted as of December 31, 2009, and the next required valuation will be as of December 31, 2012.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10% of the greater of the accrued defined benefit obligation and the fair value of related plan assets is amortized over the average remaining life expectancy of participating members.

#### j) Future Accounting Policy Changes:

In November 2010, the Accounting Standards Board of the CICA issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The University is currently evaluating the impact of these standards.

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### 3. Accounts Receivable

Accounts receivable consist of the following:

	2011	2010
Tuition and residence fees	\$ 705	\$ 593
Interest and sundry accounts	3,897	2,937
Insurance claims	892	964
Sponsored research monies	3,384	3,774
Capital grants from government	1,468	368
	<hr/>	<hr/>
	\$ 10,346	\$ 8,636

## Lakehead University Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

### 4. Long-Term Investments and Investment Income

Long-term investments consist of the following:

	2011	2010
Pooled funds	\$ 63,799	\$ 80,057
Marketable securities carried at fair value	5,423	5,358
	\$ 69,222	\$ 85,415

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, 2011 was \$63,799 (2010 - \$80,057). The decrease in the investment during the fiscal year of \$16,258 includes receipts of \$3,605, withdrawal of \$24,750 to fund the construction of the Orillia Academic Building and investment gains of \$4,887. Included in the pooled funds are internally restricted amounts created from excess borrowings of the Series A unsecured debenture described in Note 10.5; the market value as at April 30, 2011 is \$13,892. Also included in the pooled funds is \$8,803 (2010 - \$6,750) 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 \$5,278 (2010 - \$5,223), life insurance policies of \$54 (2010 - \$44), and shares of \$91 (2010 - \$91). The market value of the marketable securities as at April 30, 2011 was \$5,423 (2010 - \$5,358). The bonds mature between 2010 and 2035 with annual yields ranging from 4.2% to 8.5%.

Investment income included in the Statement of Revenue and Expenses is calculated as follows:

	2011	2010
Net investment income	\$ 5,691	\$ 12,439
Amount attributed to endowment capital preservations	(1,001)	-
Amount attributed to endowment unrealized (gain) loss	-	(1,584)
Investment income recognized during the year	\$ 4,690	\$ 10,855

## Lakehead University Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

### 5. Capital Assets

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 6,809	\$ -	\$ 6,809	\$ 6,809	\$ -	\$ 6,809
Site development	8,091	6,535	1,556	7,965	6,242	1,723
Buildings	203,237	85,774	117,463	159,496	80,933	78,563
Furniture and equipment	116,428	105,702	10,726	108,793	101,228	7,565
Leasehold improvements	1,487	1,487	-	1,487	1,487	-
Library books	41,749	38,456	3,293	40,167	36,665	3,502
Construction in progress (Note 17)	10,435	-	10,435	26,347	-	26,347
	<b>\$ 388,236</b>	<b>\$ 237,954</b>	<b>\$ 150,282</b>	<b>\$ 351,064</b>	<b>\$ 226,555</b>	<b>\$ 124,509</b>

### 6. Demand Loan

The demand loan was incurred to finance the construction of the Orillia Campus Academic Building and was at the bank's prime lending rate minus 0.75% per annum plus an acceptance fee of 0.40%. The loan was repaid prior to April 30, 2011.

### 7. Accounts Payable and Accrued Charges

The accounts payable and accrued charges consist of the following:

	2011	2010
Trade accounts	\$ 7,694	\$ 9,586
Payroll liabilities	3,072	1,025
Vacation pay liability	2,100	2,200
Capital projects	3,330	6,110
	<b>\$ 16,196</b>	<b>\$ 18,921</b>

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**Lakehead University**  
**Notes to Financial Statements**

April 30, 2011 (in thousands of dollars)

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**8. 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:

	2011	2010
Research	\$ 10,266	\$ 11,651
Other restricted purposes	4,665	6,622
	\$ 14,931	\$ 18,273

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**9. 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:

	2011	2010
Balance, beginning of year	\$ 45,990	\$ 33,480
Add: contributions received for capital asset purchases	8,244	15,769
Less: amortization of deferred capital contributions	(3,704)	(3,259)
	\$ 50,530	\$ 45,990

## Lakehead University Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

	2011	2010
<b>10. Long-Term Debt</b>		
<b>10.1 Ontario Housing Corporation Long-Term Lease Obligation - 480 Bed Student Residence</b>		
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.	\$ 1,014	\$ 1,100
<b>10.2 Royal Bank of Canada Non-Revolving Term Facility - C J Saunders Renovations</b>		
Loan payable, unsecured, interest at 4.6%, monthly payments including interest of \$15, maturing March 2030.	2,224	2,300
<b>10.3 Royal Bank of Canada - Orillia Residence and Cafeteria</b>		
The University entered into a credit facility agreement on June 10, 2010 with the Royal Bank of Canada in the amount of \$23,500 for a term of 25 years with the initial drawdown in January 2011 and the final drawdown in November 2011. The loan is repayable interest only until December 2011, at which time monthly interest and principal repayments of \$140 commence, with interest at an effective interest rate of 5.06% (note 10.6). The loan is unsecured and matures October 2036.	7,400	-
<b>10.4 Promissory Note - Northwestern Ontario Innovation Centre Inc.</b>		
Promissory note, unsecured, non-interest bearing, annual principal payments of \$23, maturing November 2015	117	141
<b>Carried forward</b>	\$ 10,755	\$ 3,541

## Lakehead University Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

### 10. Long Term Debt (cont'd)

	2011	2010
Brought forward	\$ 10,755	\$ 3,541

#### 10.5 Debenture Payable

On November 15, 2005, the University issued Series A unsecured debenture in the aggregated principal amount of \$100,000. The debenture bears interest at 5.301%. Principal and interest are payable semi-annually on May 15 and November 15 in installments of \$3,023 ending November 15, 2045. Included in the pooled funds (Note 4) is \$8,803 (2010 - \$6,750) of a debt repayment sinking fund for project loans being amortized over their initial terms. The fair value of the debenture at April 30, 2011 was \$89,671 (2010 - \$92,329)

	91,310	92,147
	\$ 102,065	\$ 95,688

**10.6** The University has entered into interest rate derivative agreements to manage the volatility of interest rates on the loan described in Note 10.3. The University converted floating rate debt for fixed rate debt of 5.09%. The change in the fair value of the interest rate swap of \$1,980 (2010 - 643) is recorded in the Statement of Revenue and Expenses. The Interest Rate Swap Agreement will expire on October 1, 2036.

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

<u>Date</u>	<u>Amount</u>
2012	\$ 1,325
2013	1,652
2014	1,744
2015	1,840
2016	1,943
Thereafter	93,561
	\$ 102,065

The University has available an operating line of credit of \$3,000, with interest at the bank's prime lending rate less 0.50% per annum (2.50% per annum at year-end).



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## Lakehead University Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

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### 11. Pension Benefit Obligation

The University has two separate pension plans.

#### 11.1 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, while the University contributes 8.05% on their behalf. Non-faculty members contribute 8.05%, and the University matches these contributions.

The Plan provides for a defined benefit guarantee for service prior to January 1, 1997 and removes the minimum pension based on a formula for future pensions commencing in 1997. Information about the defined benefit guarantee portion of this pension plan at April 30, 2011 is as follows based on an interim valuation prepared on a going concern basis at April 30, 2011.

Pension plan assets	\$ 115,560
Pension plan liabilities	131,288
	<hr/>
Estimated pension plan shortfall	\$ (15,728)
Balance of unamortized actuarial loss	15,510
	<hr/>
Accrued pension asset (liability)	\$ (218)
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The significant actuarial assumptions in calculating the going concern liability at April 30, 2011, were a discount rate of 4.50% (2010 - 5.50%), a general salary increase assumption of 3.5% (2010 - 3.5%) per annum and mortality tables equal to 85% of UP94@2020.

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, 2009, reported that based on the current provisions, the Plan had a going concern deficit of \$14,486 and a solvency deficit of \$17,354. As a result, under current regulations special monthly payments commencing in June, 2011 are required with a total annual cost of \$1,519.

#### 11.2 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.

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## Lakehead University Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

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### 11. Pension Plan (cont'd)

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 \$3,432 (2010 - \$2,965).

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### 12. Internally Restricted Net Assets

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

	2011	2010
Operating Fund		
Repairs and replacements	\$ 5,285	\$ 5,506
Self-insurance	250	250
Unexpended budgets and departmental incomes	6,012	4,941
Future year's budget	2,332	3,317
Ancillary Enterprises		
Retail operations	701	446
Food services	223	226
Residence operations	319	-
Residence reserves for repairs and replacements	256	249
Other ancillary	497	434
Restricted Funds		
University general trust fund	7,173	5,105
Interest earned on investment from excess borrowings	3,417	1,875
Unexpended capital funds	-	252
Research funds	1,254	1,177
Bond sinking fund	8,803	6,750
Investment in Capital Assets	9,843	5,892
	\$ 46,365	\$ 36,420

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### 13. Endowments

Endowments consist of externally restricted donations received by the University. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided. The value of the investment portfolio for endowed funds included in the total investments disclosed in Note 4 is equal to \$37,000 (2010 - \$33,854).

## Lakehead University Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

### 14. Ontario Student Trust Funds

Externally restricted endowments of \$37,000 (2010 - \$33,854) 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)

	2011	2010
OSOTF endowment balance, beginning of year	\$ 6,963	\$ 6,583
Unrealized investment income	-	380
	\$ 6,963	\$ 6,963
Expendable funds, beginning of year	\$ 724	\$ -
Unrealized investment income	765	727
Bursaries awarded	(117)	(3)
	\$ 1,372	\$ 724
Number of bursaries awarded	367	3
Market Value of Endowment	\$ 8,335	\$ 7,687

#### OSOTF (Phase II)

	2011	2010
OSOTF endowment balance, beginning of year	\$ 1,625	\$ 1,391
Unrealized investment income	-	234
	\$ 1,625	\$ 1,625
Expendable funds (deficit), beginning of year	\$ (100)	\$ (45)
Unrealized investment income (losses)	203	(56)
Bursaries awarded	(29)	-
	\$ 74	\$ (100)
Number of bursaries awarded	36	-
Market Value of Endowment	\$ 1,699	\$ 1,524

## Lakehead University Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

### 14. 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, 2010 to March 31, 2011 (April 1, 2009 to March 31, 2010).

	<u>2011</u>	<u>2010</u>
Donations eligible for matching	\$ 430	\$ 358
Donations not yet eligible for matching	<u>256</u>	<u>2</u>
<b>Total cash donations</b>	<b><u>\$ 686</u></b>	<b><u>\$ 360</u></b>

The following is the schedule of changes in endowment fund balance for the period April 1, 2010 to March 31, 2011 (April 1, 2009 to March 31, 2010).

	<u>2011</u>	<u>2010</u>
Endowment balance, beginning of year	\$ 6,210	\$ 4,865
Cash donations received	686	360
Matching funds received / receivable	694	358
Unrealized investment income (losses)	<u>-</u>	<u>627</u>
<b>Endowment balance, end of year</b>	<b><u>\$ 7,590</u></b>	<b><u>\$ 6,210</u></b>

The following is the schedule of changes in expendable funds available for awards for the period April 1, 2010 to March 31, 2011 (April 1, 2009 to March 31, 2010).

	<u>2011</u>	<u>2010</u>
Expendable funds (deficit), beginning of year	\$ (331)	\$ (236)
Unrealized investment income (losses)	455	(95)
Bursaries awarded	<u>(115)</u>	<u>-</u>
<b>Expendable funds (deficit), end of year</b>	<b><u>\$ 9</u></b>	<b><u>\$ (331)</u></b>
<b>Number of bursaries awarded</b>	<b><u>115</u></b>	<b><u>-</u></b>
<b>Market Value of Endowment</b>	<b><u>\$ 7,599</u></b>	<b><u>\$ 5,879</u></b>

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## Lakehead University Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

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### 15. Property and Liability Insurance

The University participates in a reciprocal exchange of insurance risks in association with forty-five other Canadian universities. This self-insurance cooperative involves a contractual agreement to share the property insurance and liability risks of member universities.

The projected cost of settled claims will be funded through members' premiums based on actuarial projections. It is anticipated that a surplus will be created over time as a cushion against unexpected losses. In addition, the reciprocal has obtained substantial reinsurance with commercial insurers to cover major claims in excess of \$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.

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### 16. Contingent Liabilities

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, 2011, 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.

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### 17. Commitments

- a) The estimated cost to complete the construction of a residence and cafeteria/bookstore on the Orillia campus in progress at April 30, 2011 is \$13,347. The total project cost of \$23,500 is being funded from external financing (Note 10.3).
- b) The following are the future minimum annual operating lease payments due over the next four years:

<u>Date</u>	<u>Amount</u>
2012	\$ 585
2013	178
2014	5
2015	5

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## Lakehead University Notes to Financial Statements

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### 18. Statement of Cash Flows

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

	<u>2011</u>	<u>2010</u>
Accounts receivable	\$ (1,710)	\$ (952)
Inventories and prepaid expenses	25	(273)
Accounts payable and accrued charges	(2,725)	5,534
Deferred revenue	<u>(3,342)</u>	<u>(1,139)</u>
	<u>\$ (7,752)</u>	<u>\$ 3,170</u>

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### 19. Related Party Transactions

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

	<u>2011</u>	<u>2010</u>
Recoveries and charges for goods and services	<u>\$ 1,387</u>	<u>\$ 2,843</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.

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### 20. Capital Management

In managing capital, the University focuses on liquid resources available for operations. The University's objective is to have sufficient liquid resources to continue operating even if adverse financial events were to occur. The University's mandate is to prepare an annual balanced budget and the levels of liquid resources are considered in the annual budget process. Cash flows are monitored on a daily basis and cash forecasts are produced monthly. The University attempts to minimize the use of its line of credit of \$3,000 (Note 10) which can be used in the event that sufficient cash flow is not available to cover operating and capital expenditures. The University manages its capital expenditures in accordance with its Capital Debt Policy. As at April 30, 2011, the University has met its objective of having sufficient liquid resources to meet its current obligations.

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### 21. Comparative Figures

The comparative figures presented in the financial statements have been reclassified to conform to current year presentation.

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## Lakehead University Notes to Financial Statements

April 30, 2011 (in thousands of dollars)

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### 22. Financial Instruments

The University's financial instruments consist of cash, accounts receivable, long-term investments, accounts payable and accrued charges, and long-term debt and interest rate swaps. Financial instruments are subject to a variety of risks.

Credit risk is the risk of financial loss to the University if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the University's accounts receivable and long-term investments. The University mitigates its potential credit risk from accounts receivable through credit evaluation, approval, and monitoring processes. Furthermore, it evaluates the collectability of accounts receivable and records an allowance for doubtful accounts, which reduces the receivables to the amount management reasonably believes will be collected. Credit risk with respect to long-term investments is managed through the University's investment policies.

Interest rate risk refers to the adverse consequences of interest rate changes. The University holds fixed rate bonds issued by the federal and certain provincial governments. The bonds have annual yields between 4.2% and 8.5%. The value of fixed rate instruments will generally rise if interest rates fall and fall if interest rates rise. The value of the instruments will vary with developments within the specific governments which issue the instruments.

Foreign currency risk refers to the extent to which instruments denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to other currencies.

Market volatility risk arises from the University's investment portfolio, which contains various pooled funds and, fixed income, and equity instruments. It is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of general economic and other market factors affecting equity prices.

Interest rate, foreign currency and market volatility risk arise principally from the University's long-term investments, which the University manages through investment policies governing asset mixes, equity and fixed income allocations and diversification among fund managers.