

The background of the cover is a photograph of a window with a grid pattern. The window is divided into several panes by dark frames. The view through the window shows a building with a light-colored facade and a dark roof, and a landscape with a body of water and some trees. The lighting is soft, suggesting an overcast day or early morning/late afternoon. The text is overlaid on the upper right portion of the image.

University of Lethbridge

Annual Report

2012-13

ACCOUNTABILITY STATEMENT

The University of Lethbridge Annual Report for the year ended March 31, 2013 was prepared under the Board's direction in accordance with the Government Accountability Act and ministerial guidelines established pursuant to the Government Accountability Act. All material economic, environmental, or fiscal implications of which we are aware have been considered in preparing this report.

Original signed by Mr. Gordon E. Jong

Mr. Gordon E. Jong, FCA
Chair, Board of Governors

Date: June 13, 2013

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

University of Lethbridge's management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the Annual Report including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained by management to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Annual Report has been developed under the oversight of the Board of Governors Finance Committee, as well as approved by the Board of Governors and is prepared in accordance with the Government Accountability Act and the Post-secondary Learning Act.

The Auditor General of the Province of Alberta, the institution's external auditor appointed under the Auditor General Act, performs an annual independent audit of the consolidated financial statements in accordance to generally accepted auditing standards.

Original signed by Ms. Nancy Walker

Ms. Nancy Walker, FCA
Vice-President (Finance & Administration)

Date: June 13, 2013

CONTENTS

Accountability Statement	i
Management’s Responsibility for Reporting.....	i
Message From the Board of Governors.....	1
University Context	1
Vision	1
Mandate	1
Year in Review	1
University of Lethbridge At a Glance	1
Awards and Honours	1
Our University in 2012-13.....	2
Progress on Strategic Goals.....	6
Confirm our Place as a Comprehensive University.....	6
Enhance the Student Experience.....	8
Build Internal Community and Enhance Relationships with External Communities	8
Promote Access to Quality Post-Secondary Education.....	10
Enhance the Sustainability of the University	11
Management Discussion and Analysis	12
Financial Highlights	12
Statements of Financial Position	13
Statement of Operations	16
Expense.....	19
Areas of Significant Financial Risk.....	20
Audited Financial Statements.....	24

MESSAGE FROM THE BOARD OF GOVERNORS

This Annual Report for 2012-13 highlights the University's current state and achievements over the year. We are proud of the progress that has been made towards the priorities found in the University of Lethbridge Strategic Plan, 2009-2013. As we near the end of the life of this Plan, activities across campus continue to push us towards our goal: to be the institution of choice for those seeking an intimate and supportive environment, excellence in research and creative activity, an engaging and challenging learning experience, and respect for diversity.

The March 7, 2013 Provincial Budget is a significant challenge to the University's ability to realize our full potential within Campus Alberta. It does not, however, change our long-range goals and priorities. We continue to plan for the Destination Project, the University's highest capital priority, with financial support from the Province of Alberta, and remain committed to providing a comprehensive and diverse array of undergraduate, graduate, and postgraduate programs, as evidenced by the new offering of the Master of Education (Counselling Psychology) program. We also continue to develop new programs that take advantage of institutional strengths and that address labour market and learner demand, keeping in mind that serving the labour market is "much more than producing employees for industry [but is also] about producing critical thinkers, artists, entrepreneurs and global citizens."¹ Balancing between institutional strength and outside demand ensures that we are making the best use of our resources to meet our mandate.

We strive to create a more accessible post-secondary system, considering not only what programs we offer, but also ensuring that they are offered in the right place and in the right way. We continue to work to enhance the targeted programming that we offer through our Calgary and Edmonton campuses, serving the needs of the working learner. As well, an increasing focus on distance delivery and effective use of emerging technologies allows us to offer in-demand programs to learners where they live and work. Our newly relocated Calgary and Edmonton campuses also highlight our efforts to build partnerships with other Campus Alberta institutions, as we share space and enhance opportunities and services for students.

At the University of Lethbridge we recognize the extensive impact and value of research on our students and society. The University of Lethbridge fosters an environment that emphasizes student engagement in learning and research in all disciplines and levels of instruction, from undergraduate to graduate. The end result is a personalized and interactive learning environment combined with engagement in creative activities and research. Last year, we were recognized as one of the country's leading research-intensive universities, earning recognition as the 2012 Research University of the Year (undergraduate category) from Research Infosource.

Over the past several years, the University has revised its budget processes to ensure that the institution is in a position to make resource allocation decisions that will advance the University's strategic directions. Especially in challenging financial times, we need to be able to quickly adapt to the situation without losing sight of the priorities that have been established through our academic, research, and strategic plans.

To point out every accomplishment we have had over the past year would be a very long list. In this Annual Report, we hope you get a glimpse of the great things that are happening at the University and a sense of our well-founded pride in the University of Lethbridge.

¹ *Campus Alberta Planning Resource 2012, v*

UNIVERSITY CONTEXT

VISION

The University of Lethbridge will continue to build a comprehensive university that advances its sense of community, engagement, diversity, and connection.

The University of Lethbridge will be the institution of choice for those seeking an intimate and supportive environment, excellence in research and creative activity, an engaging and challenging learning experience, and respect for diversity. We will continue to broaden the scope of our programs and research while staying committed to our founding principles of liberal education and retaining the intimate academic experiences on which we have established a tradition of excellence.

We will welcome our students to a community of scholars that offers relevant and academically challenging programs. Opportunities for engagement in learning and research will exist across all disciplines and levels of program, from undergraduate to graduate. Rigorous research and creative work will continue to form the basis for inquiry and teaching across the learning contexts we provide.

Our University will continue to increase the diversity of its scholarly activity and contributions. In achieving this we will be defined by collegiality.

The University of Lethbridge community – which includes all students, faculty, staff, and alumni who contribute to its operation and success – will extend beyond the walls of our institution. We will remain an integral part of our communities while fostering scholarly contributions of international excellence. We will support and enrich the diverse communities we serve with fresh insights and new directions.

MANDATE

The University of Lethbridge is a public, board-governed university operating as a Comprehensive Academic and Research Institution under the authority of the Post-secondary Learning Act of Alberta.

Founded on the principles of liberal education, the University of Lethbridge provides undergraduate and graduate programs in education, fine arts, health sciences, humanities, management, nursing, science, and social sciences, leading to bachelor's, master's, and doctoral degrees. The institution also provides certificate programs, post-baccalaureate certificate programs, post-graduate certificate programs, post-masters certificate programs, programs and degrees that lead to professional specialization, and open studies for lifelong learners.

The University of Lethbridge conducts pure and applied research and establishes and sustains facilities for pursuing original research. The University develops centres of research excellence in areas in which it has special expertise or that have particular relevance to the region or province. Programs of research, scholarship, and creative activity include the study of fundamental issues for their intrinsic intellectual, aesthetic, or philosophical interest, and of practical challenges of direct importance for social, cultural, economic, or environmental well-being. The University of Lethbridge protects free inquiry and scholarship, facilitates access to scholarly resources, and supports artistic expression and the free and open scholarly discussion of issues.

In support of Campus Alberta, the University of Lethbridge collaborates with other institutions to ensure transferability within the province's postsecondary education system and deliver seamless learning opportunities. As part of this commitment, the University works with other institutions to provide degree completion opportunities for university transfer students and diploma graduates.

Across the spectrum of intellectual pursuit, the University of Lethbridge continually develops innovative programs and research collections in existing and emerging disciplines to meet the needs of students, society, and the economy. This includes collaborating with First Nations, Métis, and Inuit peoples to develop programs and collections that are relevant and accessible to them.

The University of Lethbridge serves a variety of student groups: undergraduate and graduate students; transfer students; high school graduates; First Nations, Métis, and Inuit students; adult learners; international students; and immigrants. It also serves students on campuses in Edmonton and Calgary and, through distance learning technology, students across the province, the country, and the world. The University of Lethbridge strives to make university-level education available to all Albertans, including those living outside major urban centres and those who have traditionally not sought university education.

The University of Lethbridge fosters a learning community that meets the educational and personal growth needs of its students. This learning community emphasizes teaching excellence, exposure to research, information literacy, interaction with professors and instructors, effective academic advising and personal counselling, and a spectrum of cultural, recreational and extracurricular opportunities. The University of Lethbridge values a high quality of teaching and emphasizes the mutually beneficial relationship between teaching and research. Other facilities and services, such as the Library, student residences, health services, theatres and other performance spaces, and sports and recreation facilities support and enrich the student experience and the lives of community members while respecting environmental sustainability. The University strives to enhance its educational environment through innovation and creativity.

The University of Lethbridge builds mutually supportive relationships and partnerships, addresses the cultural and societal needs of the communities it touches, and advocates the critical role that education plays in the growth and well-being of an informed society. The University further contributes to society by discovering, preserving, synthesizing, and disseminating knowledge for the benefit of all.

*Approved by the Deputy Premier and Minister, Alberta Advanced Education and Technology
June 24, 2010*

YEAR IN REVIEW

UNIVERSITY OF LETHBRIDGE AT A GLANCE

	2012-13	2011-12	2010-11
STUDENTS (Headcount)			
Undergraduate	7,767	7,826	7,823
Graduate	486	533	551
Total	8,253	8,359	8,374
FACULTY & STAFF			
Faculty	490	505	503
Academic & Support Staff	641	617	606
Administration	26	23	22
DEGREES & DIPLOMAS			
Undergraduate	1,638	1,658	1,607
Graduate	139	214	162
Total	1,777	1,872	1,769
SPONSORED RESEARCH REVENUE			
Total Externally Sponsored (\$000's)	15,272	17,144	22,161

AWARDS AND HONOURS

HONORARY DEGREE RECIPIENTS

Spring 2012

Dr. Jim Coutts
 Dr. Richard Davidson
 Dr. Patrick O'Farrell
 Dr. Pete Standing Alone

Fall 2012

Dr. William H. Cade

2012 PRESIDENT'S AWARDS FOR SERVICE EXCELLENCE

Kathleen Schrage (Manager, School of Graduate Studies)
 Linda Sebastian (Timetable & Convocation, Associate Registrar)

2012 SENATE VOLUNTEER AWARD

Lottie Austin
 Dr. George Evelyn

2012 DISTINGUISHED TEACHING AWARD

Dr. David Hay (Faculty, History)

2012 BOARD OF GOVERNORS' TEACHING CHAIR

Dr. Lance Grigg (Faculty, Education)

2012 INGRID SPEAKER MEDAL FOR DISTINGUISHED RESEARCH, SCHOLARSHIP, OR PERFORMANCE

Dr. Joseph Rasmussen (Faculty, Biology)

ALUMNUS OF THE YEAR

Dr. Kathryn Preuss

2012 ALUMNI HONOUR SOCIETY INDUCTEES

Dr. René Barendregt

Viola Cassis

Marilyn Smith

Gayle Strikes With A Gun

Bruce Thurston

Keith Walker

OUR UNIVERSITY IN 2012-13

AWARDS

Top Research University. The University of Lethbridge continues to evolve as one of the country's leading research-intensive universities, earning recognition as the 2012 Research University of the Year (undergraduate category) from Research Infosource.

Canada Research Chairs. Dr. Louise Barrett was named as a Tier 1 Canada Research Chair in Psychology, Dr. Locke Spencer was named as a Tier 2 Canada Research Chair in Experimental Astrophysics, and Dr. Stacey Whetmore was named as Tier 2 Canada Research Chair in Chemistry & Biochemistry.

Campus Alberta Innovates (CAIP) Chairs. Dr. Chris Hopkinson (Geography) and Dr. Greg Pyle (Biological Sciences) were named as CAIP Chairs, two of four new research Chairs being added to the University this year as part of the Government of Alberta's Campus Alberta Innovation Program Chairs plan.

Wendy Lipinski Memorial Scholarship for Advanced Education. Em Pijl Zieber, a researcher in the Faculty of Health Sciences, is one of two local registered nurses who have been named the inaugural recipients of the Wendy Lipinski Memorial Scholarship for Advanced Education. The award was established this year by Alberta Registered Nurses Educational Trust (ARNET).

Influencing Alberta. President Emeritus Dr. Howard Tennant, and U of L alumnus Ryan Johnson, CEO of BlackBridgE Geomatics, are among Alberta Venture Magazine's 50 Most Influential People in the province for 2012.

Wellness Honour. The University of Lethbridge was recognized for its commitment to improving the health of its employees at the fourth annual Premier's Award for Healthy Workplaces. The University received an Award of Merit in the 1000+ employee category for a number of workplace health initiatives.

GIFTS AND DEVELOPMENT

Donor Support. The University of Lethbridge achieved recognition from a number of national ranking agencies in 2012, thanks in no small part to the support of more than 2,000 donors who contributed nearly \$10 million in support of the institution.

Mental Health Support. The University of Lethbridge will receive \$3 million over three years as part of the first stage of implementing Alberta's Addiction and Mental Health Strategy. These funds will be used to expand mental health, addiction and counseling services at the Edmonton, Calgary and Lethbridge campuses.

BMO Financial Group Art Donation. BMO Financial Group donated 67 original pastel portraits by Nicholas de Grandmaison (1892-1978) from its art collection to the University of Lethbridge Art Gallery. The collection is valued at more than \$1.66 million.

CCBN Memorial Fund. In 2012 Dr. Harley Hotchkiss left a \$1 million bequest to support brain research conducted by the University of Lethbridge CCBN's world-leading researchers.

Music in the Making. The Music in the Making fundraising campaign, launched to support the Music Conservatory's move to the new community arts centre CASA, surpassed \$650,000, exceeding its goal of \$500,000.

FNMI Gathering Space. The Native American Students' Lounge and Ceremonial Room have become a reality thanks in part to a \$30,000 gift from ATCO Gas. Designed to enhance the campus experience of the University's 400-plus FNMI (First Nations, Métis and Inuit) students, the lounge serves not only as a gathering space, but fosters a sense of community amongst the FNMI student population that is essential in achieving educational success.

PEOPLE

Chair of the Board of Governors. Gordon E. Jong, FCA, a Lethbridge-based chartered accountant with a long-standing relationship with the University of Lethbridge, was appointed by the Lieutenant Governor of Alberta as the ninth Chair of the University of Lethbridge Board of Governors.

Appointment of New Deans. The Faculty of Fine Arts will be under the stewardship of a new Dean after the University of Lethbridge appointed Dr. Ed Jurkowski to the role, succeeding Dr. Desmond Rochfort. The University of Lethbridge was also excited to announce the appointment of Dr. Craig Cooper as the new Dean of the Faculty of Arts & Science, succeeding Dr. Chris Nicol. Additionally, after a national/international search, the Board of Governors confirmed the appointment of Dr. Craig Loewen as Dean of the Faculty of Education.

FACILITIES & INFRASTRUCTURE

University of Lethbridge Calgary Campus. The University of Lethbridge celebrated the new location of its Calgary Campus at Bow Valley College's South Campus in downtown Calgary. The new location forms a partnership between Bow Valley College, Olds College, Athabasca University, and the University of Lethbridge.

University of Lethbridge Edmonton Campus. The University of Lethbridge officially opened its new Edmonton campus location at Concordia University College of Alberta. The move creates opportunities for both the University of Lethbridge and Concordia to work together to meet the needs of Edmonton students in new and innovative ways.

Student Residences. Currently in its third phase of construction, the new Aperture Park student residence will significantly increase the amount of beds available for returning students on campus. The 259-bed, 11,589 sq. metre housing facility features nine study lounges, a games room, an exercise room, on-site laundry, and multi-purpose room. The new residence is set to open in August 2013.

Campus Master Plan. The University Campus Master Plan update was completed. The proposed 25-year Campus Plan for the University of Lethbridge considers and builds upon the University's previous master plans, while identifying immediate programming needs and establishing a long-term vision for the campus.

CASA. The University of Lethbridge is a major partner with the Allied Arts Council and the City of Lethbridge in the new community arts centre in Lethbridge, named CASA. The U of L Conservatory of Music will be operating out of the new building.

Research Centres. The General Faculties Council approved the creation of three new collaborative and diverse research centres: The Centre for Oral History and Tradition, the Centre for Culture and Community, and The Canadian Centre for Research in Advanced Fluorine Technologies. The centres will focus on the creation of oral history, develop community-based collaborations and bring together chemistry and biochemistry researchers from around the world to further their expertise in fluorine technologies.

Sports Medicine Clinic. The University of Lethbridge is poised to become a hub for the delivery of orthopedic medicine and sports medicine to the southern Alberta area with the introduction of a new sports medicine clinic and Rebound Health Centre, operated by Dr. Stephen Kwan and his group through a lease agreement.

Food Services. Aramark Higher Education officially joined the University of Lethbridge community on May 1, 2013, marking the most transformative food services change at the University in 30 years.

Dr. Foster James Penny Building. Renovations are nearly complete in the Dr. Foster James Penny Building in downtown Lethbridge. The building houses a Student Art Gallery, the Alumni Relations Office within University Advancement, the University Call Centre, research office space, and meeting spaces that are available for rent to external users. The building has become a face for the University within the community beyond our campus.

Other Capital Projects. Construction highlights included the design of the redevelopment of the campus's west parking lots; creation of the University Prairie Quad north of Markin Hall; improvements on the University Centre for the Arts heating, ventilation, and air conditioning; and Physical Education Building renovations. Planning work continued for the Destination Project, the University's top capital priority, which is supported by the announcement of an additional \$10 million for planning from the Province of Alberta. The proposed science facility will house the science faculties under one roof, creating more opportunities for collaborative research and drawing the best and brightest students and faculty to Lethbridge. The Destination project also includes the repurposing of University Hall to accommodate the social sciences and humanities future needs.

EVENTS

University's 45th Anniversary. The University of Lethbridge celebrated its 45th anniversary in 2012. Various events throughout the year celebrated this milestone.

Canada-Wide Science Fair. The University of Lethbridge proudly welcomed the country's top young scientists to campus from May 11 – 18, 2013, as the University hosted the 52nd annual Canada-Wide Science Fair. Approximately 1,100 students, chaperones, judges, sponsors, and dignitaries attended.

Community/University Research Exchange. The Office of Research & Innovation Services hosted its first Community/University Research Exchange event, which encouraged relationship building between community groups and the University of Lethbridge researchers.

Business Case Competition. The University of Lethbridge and Lethbridge College co-hosted the seventh annual Alberta Deans of Business Case Competition. The event saw the brightest minds in business come to Lethbridge's two post-secondary institutions to discuss the future of business education and solve some real world problems.

Play Day. The University of Lethbridge, together with 1st Choice Savings and Credit Union, hosted its second annual - and free - Play Day event on Family Day. The event promotes the positive aspects of play and its influence on creating healthy individuals and healthy communities.

PROGRESS ON STRATEGIC GOALS

The University of Lethbridge 2009-13 Strategic Plan identifies five broad strategic directions for the institution:

- Confirm our Place as a Comprehensive University
- Enhance the Student Experience
- Build Internal Community and Enhance Relationships with External Communities
- Promote Access to Quality Post-Secondary Education
- Enhance the Environmental Sustainability of the University

CONFIRM OUR PLACE AS A COMPREHENSIVE UNIVERSITY

- The **University Research and Academic Plan 2012-17** continues to guide the University's actions in working towards the goals of the Strategic Plan.
- The University of Lethbridge continues to evolve as one of the country's leading research-intensive universities, earning recognition as the **2012 Research University of the Year (undergraduate category)** from Research Infosource.
- The General Faculties Council approved the creation of three new collaborative and diverse **research centres**: The Centre for Oral History and Tradition, the Centre for Culture and Community, and The Canadian Centre for Research in Advanced Fluorine Technologies.
- The total number of applications for Masters and PhD programs in Fall and Summer 2013 was approximately 16% higher than the same period in 2012.
- Planning for the **Destination Project**, a new academic facility, an associated central plant facility and the repurposing of University Hall, continues with an additional \$5 million of funding to support from the Government of Alberta for each of the next two fiscal years.
- The University continued to provide funding for First Year Faculty teaching load reduction, Research Enhancement awards, Community of Research Excellence Development Opportunities, and matching grant for Canada Foundation for Innovation.

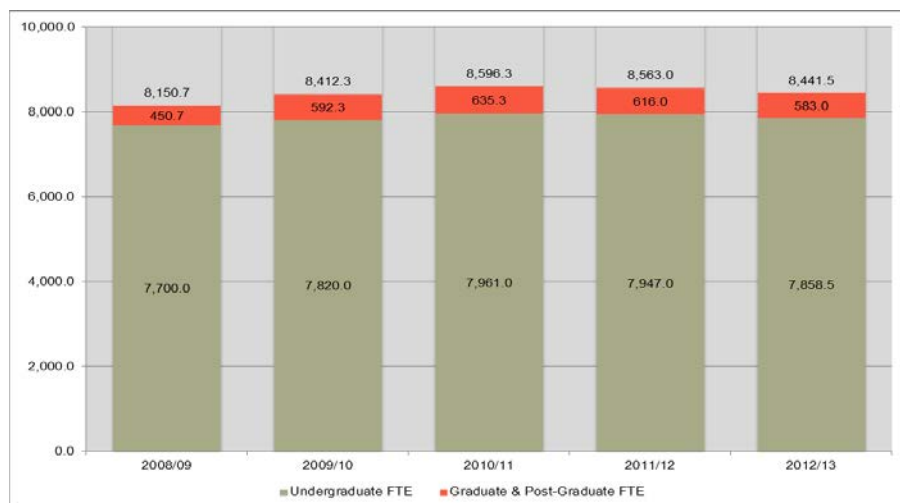


Figure 1: Fall FTE (Full Time Equivalent) Enrolment, 2008/09 - 2012/13

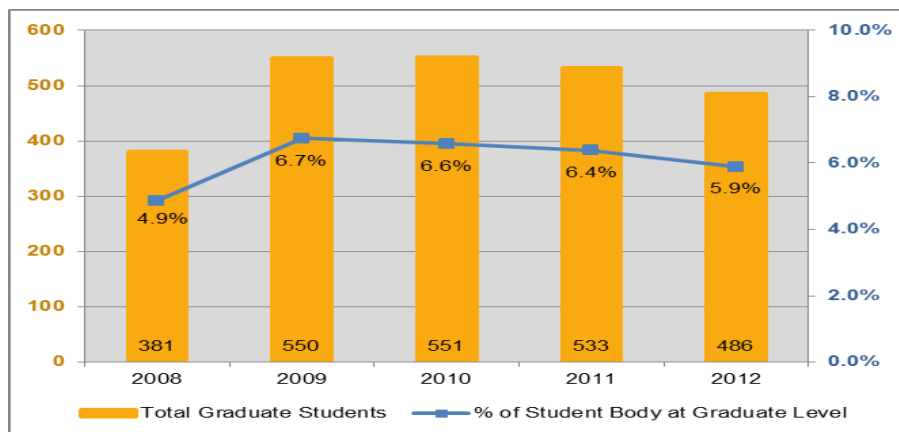


Figure 2: Graduate Student Enrolment, Fall 2008 - Fall 2012

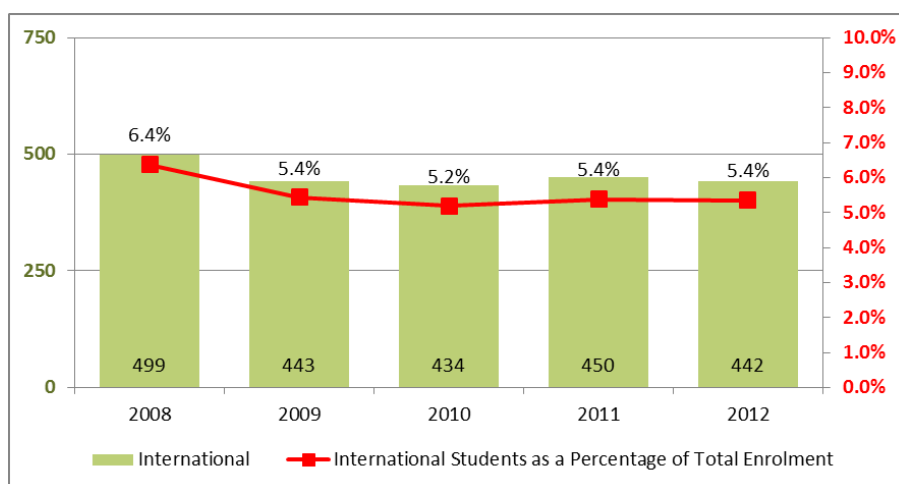


Figure 3: International Student Enrolment, Fall 2008 - Fall 2012

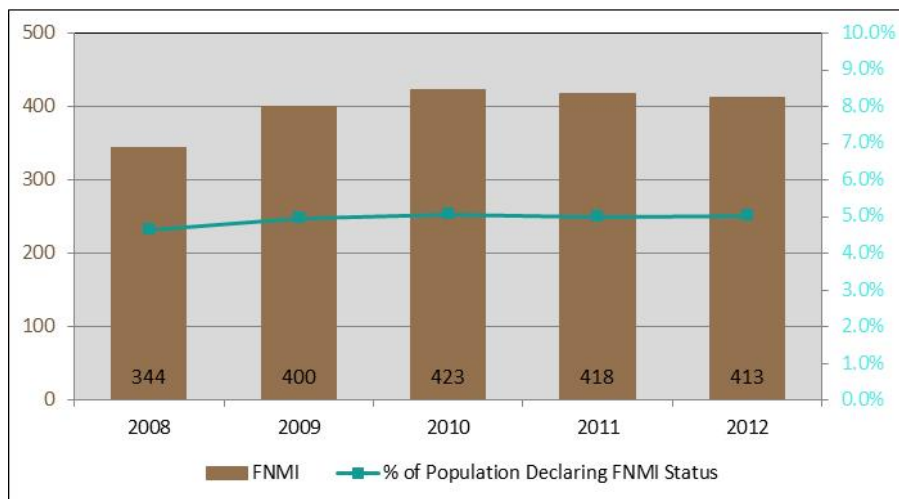


Figure 4: Self-Declared First Nations, Metis, and Inuit (FNMI) Student Enrolment, Fall 2008 - Fall 2012

ENHANCE THE STUDENT EXPERIENCE

- A new **student residence** in Aperture Park will open its doors and welcome student residents in Fall 2013. The 259-bed, 11,589 sq. metre housing facility will offer a variety of amenities and greatly increase the amount of beds available for returning students on campus.
- The **Recruitment and Retention Project** continues to develop strategies to improve the overall retention of first year students to second year status.
- The **Strategic Enrolment Management** committee coordinates recruitment and retention efforts across the campuses, and approved a Setting Enrolment Directions document.
- A cross-campus team is working on a new 'one-stop-shop' **Portal system** to unify the University's online systems, giving students one electronic gateway to the University and making the web experience much more personal and engaging.
- An **online application system** for graduate students is being implemented to improve the experience of students applying to the School of Graduate Studies.

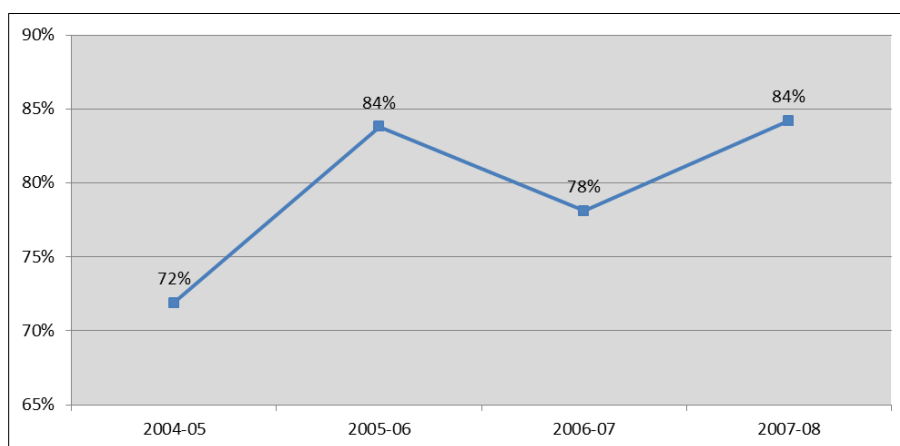


Figure 5: Graduate Program Completion Rate, 2004/05 - 2007/08

Note: The years in this figure represent the cohort by year of entry. Completion rate is based on the program length plus three years.

BUILD INTERNAL COMMUNITY AND ENHANCE RELATIONSHIPS WITH EXTERNAL COMMUNITIES

- The **Dr. Foster James Penny Building**, located in downtown Lethbridge, is home to a Student Art Gallery, the Alumni Relations Office within University Advancement, the University Call Centre, research office space, and meeting spaces that are available for internal and external use. Plans also include the creation of a University kiosk to promote University events and sell University merchandise. The building has become a face for the University within the community beyond our campus.
- The second annual **Fiat Lux Address** was given by the Provost and Vice-President (Academic) as a way to increase connection and communication with the campus community.
- A **People Plan** is under development. The Plan will complement the Research and Academic Plan in supporting the University Strategic Plan, and is intended to link all employees to the University's chosen direction, regardless of the focus of their work.
- The University of Lethbridge was recognized for its commitment to improving the health of its employees at the fourth annual Premier's Award for Healthy Workplaces.

- The University of Lethbridge is a major partner with the Allied Arts Council in the new **community arts centre** in Lethbridge, named CASA. The University of Lethbridge Conservatory of Music will be operating out of the new building.
- The **Community/University Research Exchange** and the Family Day **Play Day** events invited community members and groups to the main University campus to connect with researchers and build relationships between the University and the larger community.

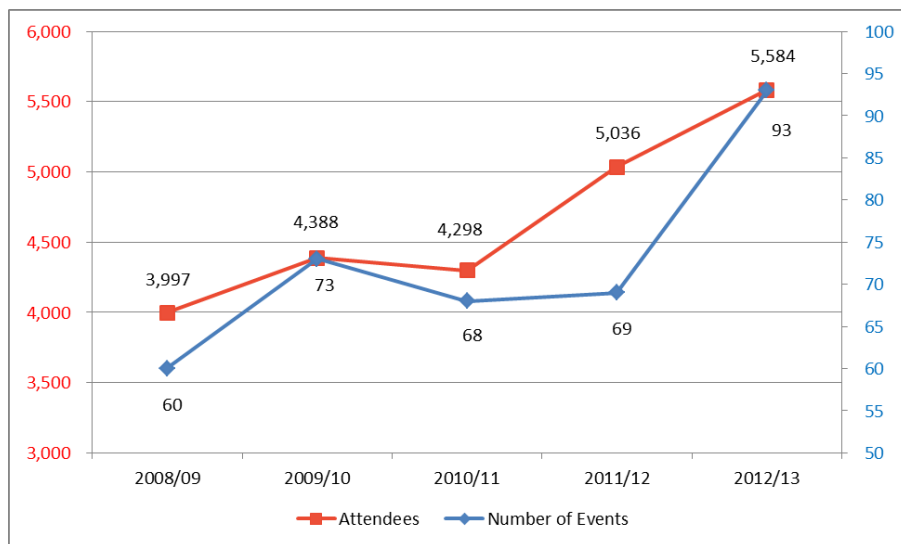


Figure 6: Event Attendance, 2008/09 - 2012/13

Note: Events include conferences, programs, and other events booked through Conference & Event Services

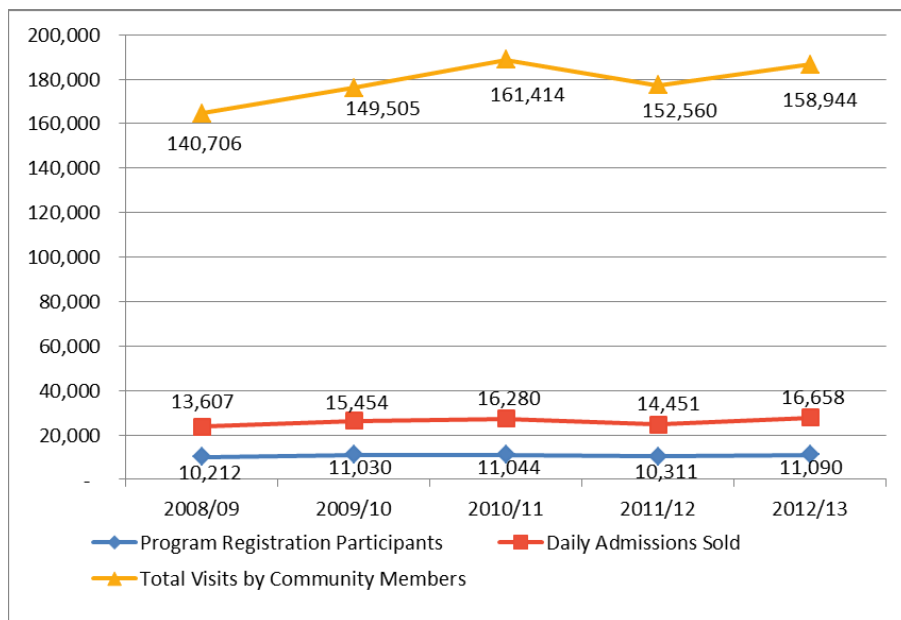


Figure 7: Community Use of Sport & Recreation Services Facilities, 2008/09 - 2012/13

PROMOTE ACCESS TO QUALITY POST-SECONDARY EDUCATION

- Providing accessible post-secondary education opportunities for Blackfoot and other **First Nations, Métis, and Inuit (FNMI)** students continues to be a priority for the University. 5% (Fall 2012) of our enrolment self-identified as FNMI. Initiatives such as the **FNMI Gathering Space** continue to support these students.
- **International students** comprise 5.4% (Fall 2012) of our enrolment. In the 2012-13 academic year, over 90 countries were represented amongst students at the University of Lethbridge. The University continues to provide access to students from around the world.
- Our commitment to quality programs was confirmed, as **quality assurance reviews** of seven academic programs or units were closed in 2012. Currently, 13 quality assurance reviews are in process.
- University of Lethbridge campuses in **Calgary** and **Edmonton** relocated to Bow Valley College South Campus in downtown Calgary and Concordia University College of Alberta in Edmonton. These new locations represent evolving partnerships within the Campus Alberta framework, and provide unique opportunities for access to our students across the province.
- The Master of Education (Counselling Psychology) cohort-based program of 16 students began in Summer 2012. It is a three-year, part-time program that will prepare graduates to become registered psychologists.

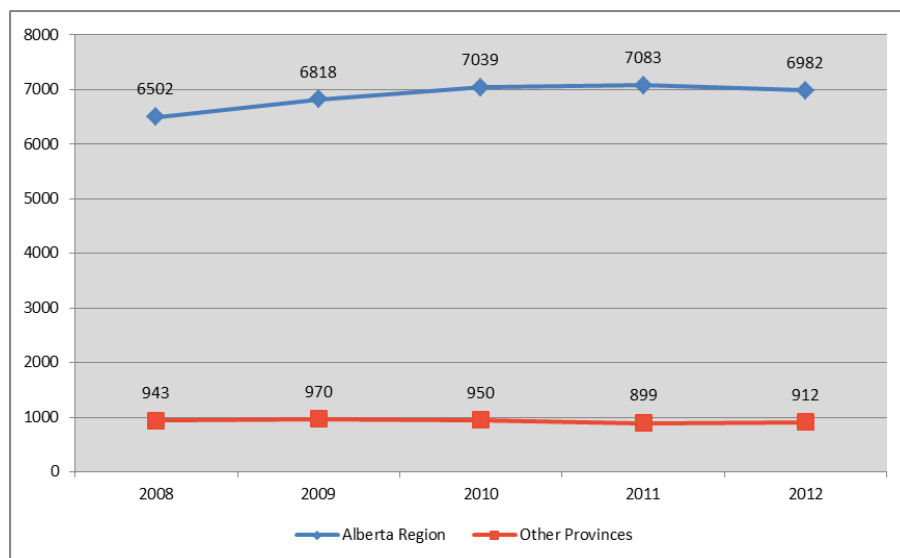


Figure 8: Geographic Source of Canadian Students, 2008 – 2012

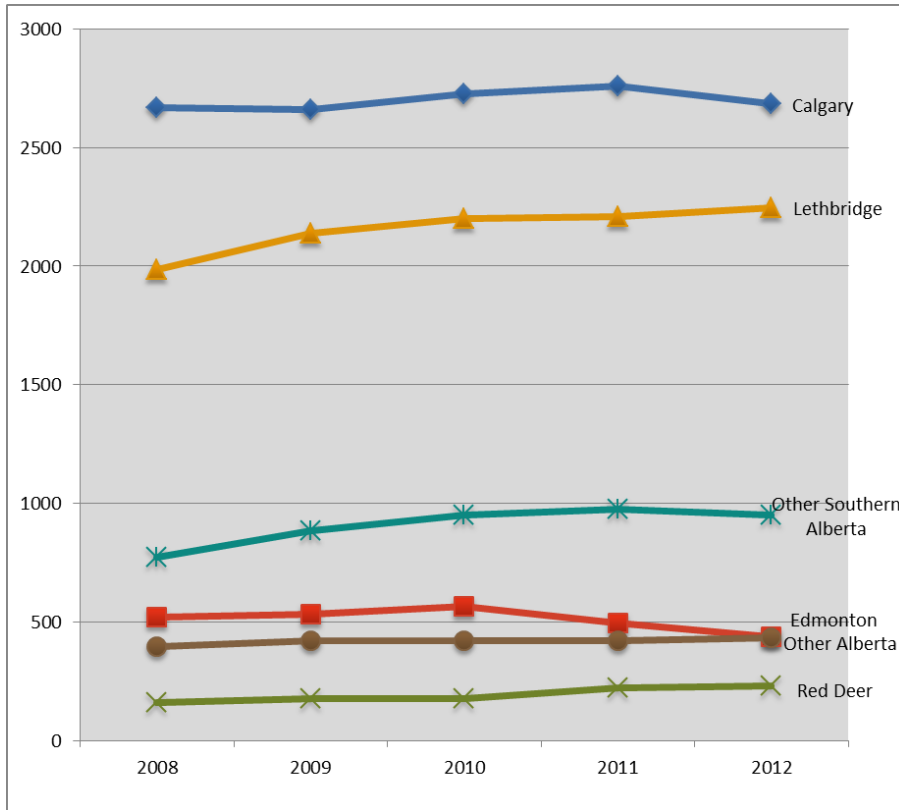


Figure 9: Geographic Source of Alberta Students, 2008 – 2012

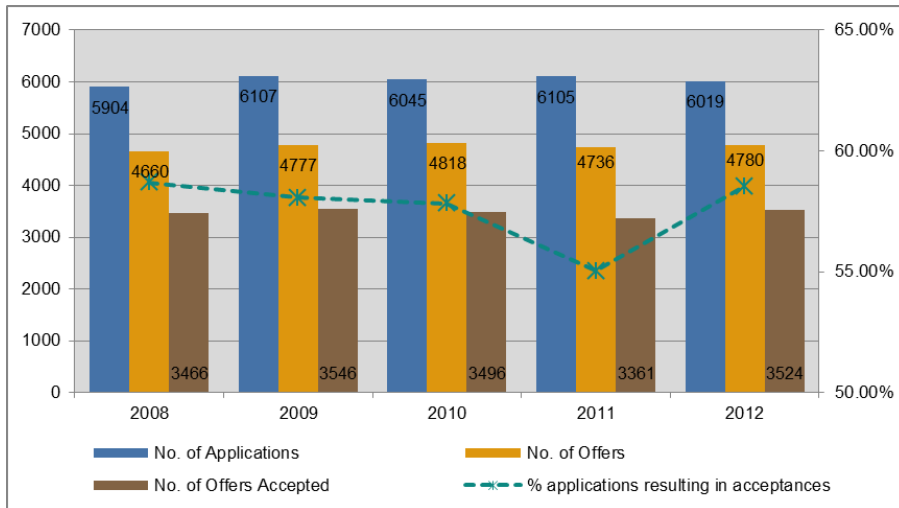


Figure 10: Applications, Offers, and Accepted Offers, 2008 - 2012

ENHANCE THE SUSTAINABILITY OF THE UNIVERSITY

- A student-initiated **cooperative garden** on campus makes use of water from the irrigation pond and utilizes on-site composting.

- As part of the **PE Building renovation project**, new benches were installed that are made from the salvaged wood from the old hand rails that used to adorn the wall along the Max Bell pool corridor and PE stairwell.
- The **Parking Lot Redevelopment Project** includes the installation of a storm water management and drainage system. This project was recently recognized by the City of Lethbridge for its environmentally friendly and sustainable design with a City Green List Award.
- Our updated **Campus Master Plan** incorporates sustainable features into new buildings to continue to decrease our carbon footprint, demonstrated by an overall decrease in the deferred maintenance of our campus buildings.
- The University implemented a revised **Budget Process** for the 2013/14 fiscal year that reflects sustainable financial and resource management; is fully integrated with the University's plans and priorities; is transparent and understandable; is consultative, documented, and timely; cultivates institutional trust and confidence; and is iterative.
- The development of a **People Plan** will provide the foundation for satisfaction and a culture of community for its employees. The objectives of the plan are to foster and promote respect, communication and collegiality; to define us as a community and set expectations on how we work together; be mindful of the University's Strategic Plan; and to foster a positive, healthy and inclusive work environment.

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis is a supplement to the information contained in the University's audited financial statements and as such, it should be read in conjunction with the 2012-13 audited financial statements. These financial highlights provide management's analysis of the University's financial performance and other relevant information for the fiscal year ended March 31, 2013.

FINANCIAL HIGHLIGHTS

The University of Lethbridge endeavours to present the audited financial statements in a manner that will help the reader understand our operations, financial position, financial risks and other factors for the year ended March 31, 2013. These financial highlights should be read in conjunction with our audited March 31, 2013 Financial Statements and Notes to the Financial Statements (Notes).

TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (PSAS)

Comparative figures, which were previously presented in accordance with Canadian generally accepted accounting principles (as defined in Part V of the Canadian Institute of Chartered Accountants Handbook), have been adjusted as necessary to be compliant with PSAS as issued by the Public Sector Accounting Board (PSAB) and directed to be used by the Government of Alberta effective April 1, 2011. These standards have been implemented retroactively with restatement, except where the standards specifically prohibit retroactive application or by our use of a first time adoption election. Significant differences include:

Presentation of Statements of Financial Position

1. Inclusion of opening Statements of Financial Position for April 1, 2011.
2. Removal of distinction between current and long term assets and liabilities.

3. Deferred revenue combines general deferred revenue, deferred contributions from research and other restricted funds, unspent capital contributions, and spent capital contributions (formally known as unamortized deferred capital contributions).
4. Accumulated surplus combines unrestricted surplus, investment in capital assets and internally restricted surplus.
5. Addition of accumulated remeasurement gains and losses category, a new concept whereby unrestricted unrealized gains and losses no longer flow through investment income, are reported on the Statement of Remeasurement Gains and Losses and are disclosed as net assets.
6. Refer to Schedule 1 for transition adjustments applied to the 2011 and 2012 balances.

Presentation of the Statement of Operations

7. Revenue allocation of amortization of deferred capital contributions among other revenue categories. Amortization of deferred capital contributions represents the amount of externally restricted deferred revenue used to acquire capital assets, and is recognized as revenue over the life of the asset consistent with its amortization.
8. Expenses are reported by function (expense centre) instead of by object (type of expense). A description of functions and expenses presented by object are disclosed in the Notes to the Financial Statements.
9. Inclusion of a reconciliation of the opening and closing accumulated operating surplus.

Adjustments

10. Remove works of art and historical treasures from tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made.
11. Remove mineral rights from investments because mineral rights and other intangibles are excluded from the standards.

STATEMENTS OF FINANCIAL POSITION

ASSETS

Total assets increased by \$7.6 million during the 2013 fiscal year. This is mainly due to an increase in the fair value of portfolio investments of \$16 million and tangible capital asset additions for \$22 million, offset by a decrease in cash and cash equivalents of \$31 million.

Cash and Cash Equivalents – Cash and cash equivalents were used to fund the \$30 million in capital renovations and building projects.

Portfolio Investments – The investment portfolio consisted of the following fund balances at March 31:

Funding Source	2012/13 (thousands of dollars)
<hr/>	
Externally restricted fund balances:	
Endowments	\$45,595
Sponsored research	9,758
Special purpose	12,399
Scholarships, bursaries & trust	527
Capital & infrastructure	20,672
Internally restricted surplus	22,958
Unrestricted surplus ⁽¹⁾	48,289
Total investments	<hr/> \$160,198

Table 1

- ⁽¹⁾ The difference in unrestricted surplus noted above of \$48,289 and the \$10,840 recorded in the Statements of Financial Position relates to non-cash adjustments to accumulated surplus, mainly University Academic Pension Plan liability.

In accordance with the Board of Governors Finance Committee's Investment Management Policy, three external investment managers hold mandates to share in the management of our investments. Through an external consultant the Finance Committee monitors investment performance, compliance with the Investment Management Policy and the environment's impact to our policy and objectives.

Tangible Capital Assets – There were additions of \$41.4 million for 2013. The most significant building additions included \$18.3 million for the construction of new student residences that will open in the fall 2013 and \$4.2 million for Physical Education building upgrade, library acquisitions totaled \$2.6 million, and computer, scientific and other equipment increased by \$4.7 million offset by amortization expense of \$19.1 million.

Under Public Sector Accounting Standards, works of art and historical treasures are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. The University art collection is recognized as one of the finest in Canada, with over 14,000 works of art with an estimated value of \$36,281 (2012: \$34,574). The financial statements were retroactively restated to remove the works of art as of April 1, 2011.

LIABILITIES

A significant characteristic of university financial statement presentation is the method of revenue recognition. While operating grants and other types of unrestricted income are recognized as revenue when they are received or receivable, externally restricted grants, donations and contributions are deferred when we are eligible to receive them and are recognized as income in the year(s) their stipulations are met or we extinguish any liability associated with the funding.

Liabilities decreased by \$4.0 million (2012: increased by \$6.8 million). Accounts payable and accrued liabilities increased over the past year by \$1.3 million. Employee future benefit liabilities increased by \$5.1 million, of which \$4 million is from the liability associated with the academic staff voluntary retirement program. Deferred revenue decreased to \$0.24 million (2012: \$0.25 million) due to receiving one-time grants in 2012 from Enterprise and Advanced Education (EAE) for Physical Education upgrades (\$5.3 million) and Destination Project planning (\$2.2 million) which were unspent as of March 31, 2012 offset by a decrease in the Infrastructure Maintenance Program (IMP) from \$3.8 million in 2012 to \$1.8 million in 2013. The unspent balance in IMP decreased by \$1.5 million.

NET ASSETS

A defining characteristic of university financial reporting is that the organization's equity is referred to as net assets on the Statements of Financial Position. Net assets are made up of the university's investment in capital assets, endowment principal which remains intact in perpetuity, accumulated remeasurement gains and losses, internally restricted surplus set aside for specific purposes by the Board of Governors, and unrestricted operating surpluses.

Net assets increased by a total of \$11.6 million during the year as a result of endowment principal increase of \$4.3 million and \$6.0 million of remeasurement gains and losses. Overall the accumulated surplus remained consistent from 2012 to 2013 but the significant change was a reallocation between unrestricted surplus and internally restricted surplus to investment in capital assets for the construction of the new student residences (\$18.3 million) and parking lot upgrades (\$1.8 million).

The Endowment balance increased to \$45.6 million (2012: \$41.2 million) due to the improvement in the fair value of the endowment investments and \$0.57 million (2012: \$1.8 million) donations received.

Endowment principal is required by law to be maintained intact in perpetuity. The investment income generated from endowments must be used in accordance with the purposes specified by the donors or the Board of Governors. University policy has been established with the objective of protecting the real value of the endowments by limiting the amount of income expended and reinvesting unexpended income. The majority of the University's endowments were created to fund student scholarships and visiting speakers. While capitalized investment earnings on endowment principal and University contributions have been a factor in the growth of the endowment balances, the University continues to seek donations for new and existing scholarships to help students fund a portion of their education.

At March 31, 2013 the fair value of the Endowment pool assets exceed the cumulative endowed contributions indexed by inflation by \$4.2 million (2012: \$0.9 million).

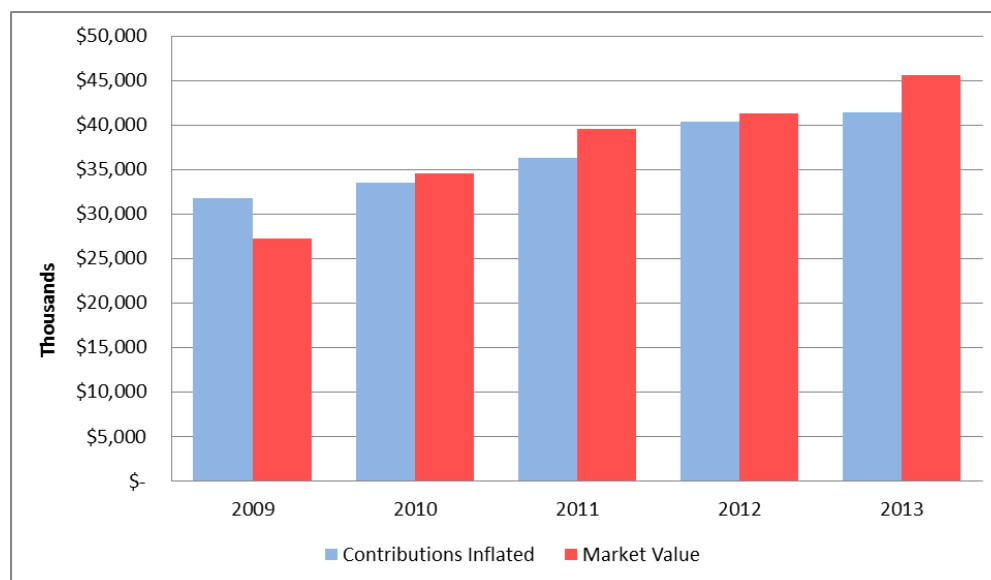


Figure 11: University of Lethbridge Endowment Growth vs. Inflation

Unrestricted Surplus

Unrestricted surplus consists of:

Unrestricted Net Assets	2012/13	2011/12
	(thousands of dollars)	
Unexpended funds:		
General operating	\$15,598	\$42,364
Non-recurring (special projects)	20,306	3,259
Research (internally funded)	2,350	2,143
Specific purpose	800	762
Universities Academic Pension Plan unfunded liability	(28,214)	(28,120)
Total	\$10,840	\$20,408

Table 2

STATEMENT OF OPERATIONS

The University ended the 2013 fiscal year with a \$1.3 million excess of revenue over expense (2012: \$6.2 million).

REVENUE

University revenue totaled \$198 million in fiscal year 2013 (2012: \$189 million), an increase of 5% over the previous year.

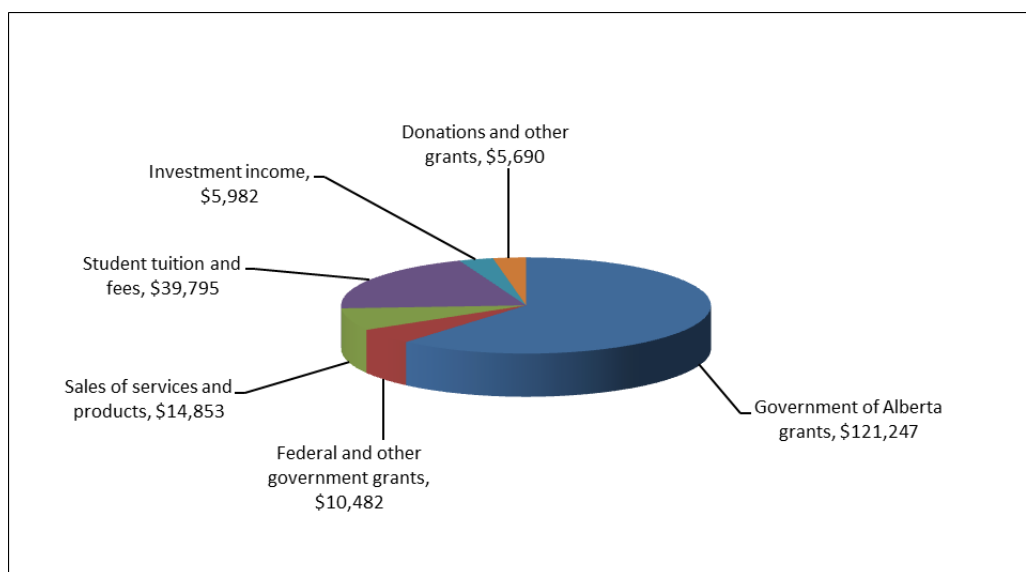


Figure 12: Revenue By Source, 2012/13 (thousands of dollars)

GOVERNMENT OF ALBERTA GRANTS

Government of Alberta grant revenue increased by \$3 million or 2% over the previous year, representing 61% of total revenue (2012: 62%). The Government of Alberta grant includes the Campus Alberta operating grant and a \$1.7 million one-time grant to support the costs associated with University's academic staff voluntary retirement program.

The University received the following grants from the Province of Alberta, including Enterprise and Advanced Education and other provincial ministries, departments and agencies:

	2012/13	2011/12
	(thousands of dollars)	
Campus Alberta general operating	\$100,880	\$98,473
Other unrestricted funding	891	641
Conditional funding	8,676	19,420
Deferred conditional funding	10,800	(649)
Total	\$121,247	\$117,885

Table 3

The conditional funding included \$6.7 million from Enterprise and Advanced Education and \$2 million from other ministries. Significant conditional grants were received for the following purposes: Infrastructure Maintenance Program funding (\$1.8 million), voluntary academic staff retirement program (\$1.7 million), Campus Alberta Innovation Program (\$1 million) and funding from Alberta Health for expanding mental health and addiction services (\$1 million). Any conditional funding not spent by the end of the fiscal year is deferred and recognized as revenue in the year(s) in which the stipulations are met.

Student Tuition and Fees

Student tuition and fee revenue decreased by approximately 1% (\$0.3 million) due to an decrease of 1.71% in undergraduate credit hours which is offset by the undergraduate tuition rate increase of 1.45%. Enterprise and Advanced Education's tuition fee policy limits tuition increases to changes in the annual Alberta Consumer Price Index.

Sales of Services and Products

Sales of services and products revenue increased by 6% (\$0.8 million). The major source of sales of services and products revenue is Ancillary Services (\$10.2 million) and Sport and Recreation Services programs and services (\$1.8 million).

Investment Income

The comparison between the 2012 and 2013 investment income is not recommended since the transition to PSAS was applied prospectively (as of April 1, 2012) resulting in an inconsistency in recording of unrealized investment income. The \$1.7 million investment income in 2012 included realized earnings of \$6.4 million offset by unrealized investment losses of \$4.7 million. The \$6.0 million investment income in 2013 consisted only of realized earnings and the \$6.0 million of unrealized investment gains were recorded on the Statement of Remeasurement Gains and Losses.

Realized investment earnings were 4.95% during the year (2012: 3.01%).

Donations and Other Grants

Total donations and other grants received during the year was \$7.5 million (2012: \$8.2 million). Donations and other grants include charitable gifts from donors, gifts in kind, research grants from non-Canadian government agencies such as the European Commission, as well as other contributions.

Of the \$7.5 million in total donations and other grants, \$0.6 million was added directly to endowment principal (2012: \$1.8 million) and \$1.2 million was deferred for spending in future years (2012: \$1.5 million) and therefore

\$5.7 million (2012: \$4.9 million) was recognized as revenue. There is an additional \$2.8 million in identifiable pledges as of March 31, 2013 (2012: \$3.5 million) for capital projects and scholarships that have not been recorded in the financial statements as they do not meet the criteria for revenue recognition.

Significant donations in 2013 include \$0.6 million in land located in the County of Rocky View near Cochrane and \$1.7 million (2012: \$0.6 million) in artwork.

EXPENSE

University expenses totaled \$197 million in 2013, an increase of \$14 million (7%) over 2012.

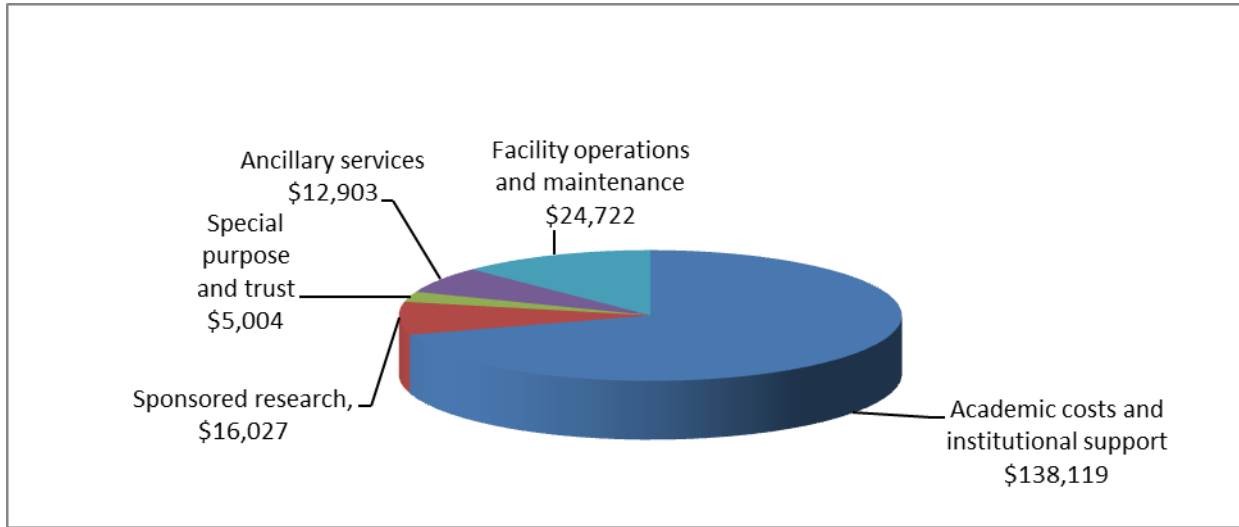


Figure 13: Expense by Function, 2012/13 (thousands of dollars)

Reporting the Statement of Operations expenses by function is one of the significant differences in the adoption of PSAS. The intended purpose is to provide a summary of the major areas of spending as a proportion of the total expenses. The expenses are also reported by type of expense in the Notes to the Financial Statements.

Year over year, the most significant variance is in the Academic costs and institutional support that increased by \$10 million. The increase is mainly attributable to the accrual for the Academic staff voluntary retirement of \$4.2 million, a combination of salary increases due to career progress, merit and negotiated cost-of-living adjustments and increase in pension benefit expense.

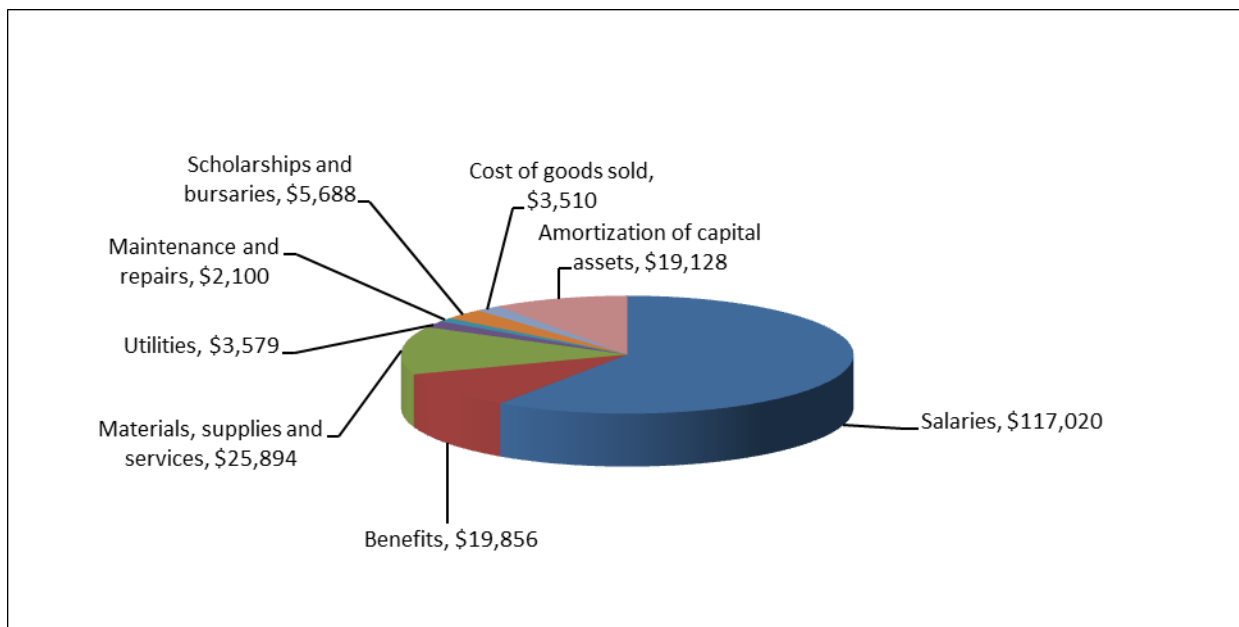


Figure 14: Expense by Type, 2012/13 (thousands of dollars)

Salaries and Employee Benefits

Salaries and benefits continue to be the major component of the cost of operating the University. Salaries expense increased by 8.3% over the previous year. The most significant component of this increase is the \$4.2 million accrual for academic staff voluntary retirement program payments. The balance of this increase resulted from a combination of salary increases due to career progress, merit and negotiated cost-of-living adjustments and a slight increase in the number of continuing positions. Benefits expense increased by \$1.8 million (9.6%) primarily due to a \$1 million increase in the Universities Academic Pension Plan (UAPP) contributions. Despite the pressure to remain competitive in labour markets and the increasing cost of benefits, the University's salaries and benefits expense ratio has been fairly consistent over the past five years at around 70% of total expense.

Scholarships and Bursaries

The amount of scholarships and bursaries in 2013 was \$5.7 million (2012: \$5.4 million). The Alberta Scholarship Program also awards \$3 million (2012: \$3 million) in scholarships and bursaries to 2,162 (2012: 2,165) University of Lethbridge students which are not included in the financial statements.

Materials, Supplies and Services

Materials, supplies and services increased by \$1.5 million. This category includes supplies and services, travel, external contracted services, expendable equipment, professional fees, insurance, interest on long-term liabilities, property taxes and loss (gain) on disposal of capital assets. The most significant component of this increase is due to the recording of artwork which is now expensed instead of recorded as tangible capital assets. Donated artwork expense of \$1.7 million for 2013 and \$0.6 million for 2012 is offset by donation revenue.

Other Expenses

Amounts recorded in other expense categories were comparable to the prior year's expenses.

Budget to Actual

The 2013 surplus of \$1.3 million resulted in a \$2.2 million positive variance between budget to actual.

Actual revenue was \$9.9 million above budget. Some of the contributing factors to this variance were Government of Alberta grants higher than budget, \$1.7 million in Enterprise and Advanced Education funding for a one-time grant, and \$1.3 million excess in amortization of deferred capital contribution which has been allocated between Government of Alberta, Federal and other Government grants and Donations and other grants.

Actual expenses were \$7.7 million above budget. The most significant component of this increase is the \$4.2 million accrual for academic staff voluntary retirement program payments and a budget shortfall in the amortization of tangible capital assets of \$7.9 million which is offset by a budget surplus in materials, supplies and services.

AREAS OF SIGNIFICANT FINANCIAL RISK

FINANCIAL SUSTAINABILITY

The University's budget process is based on a three-year rolling budget model whereby budgets are estimated for three years into the future. Over the past several years, the University has revised its budget processes to ensure that the institution is in a position to make resource allocation decisions that will advance the University's strategic directions. Especially in challenging financial times, the University will need to be able to quickly adapt to the situation without losing sight of the priorities that have been established through our academic, research and strategic plans.

The March 7, 2013 Provincial Budget is a significant barrier to the U of L's ability to realize our full potential within Campus Alberta. It does not, however, change the University's long-range goals and priorities; what has changed is the timing. This budget has not caused the U of L to retrench, but to reaffirm the University's values and to reprioritize its actions and activities.

DEFERRED MAINTENANCE

Through concerted efforts in capital projects and utilizing conditional grants from the Provincial Government, the University has been able to maintain the deferred maintenance balance of its academic facilities at 11% (2012: 8%). One of the contributing factors in the increase in deferred maintenance in academic buildings is due to a reduction in the Infrastructure Maintenance Program grant from \$3.8 million in 2012 to \$1.8 million in 2013.

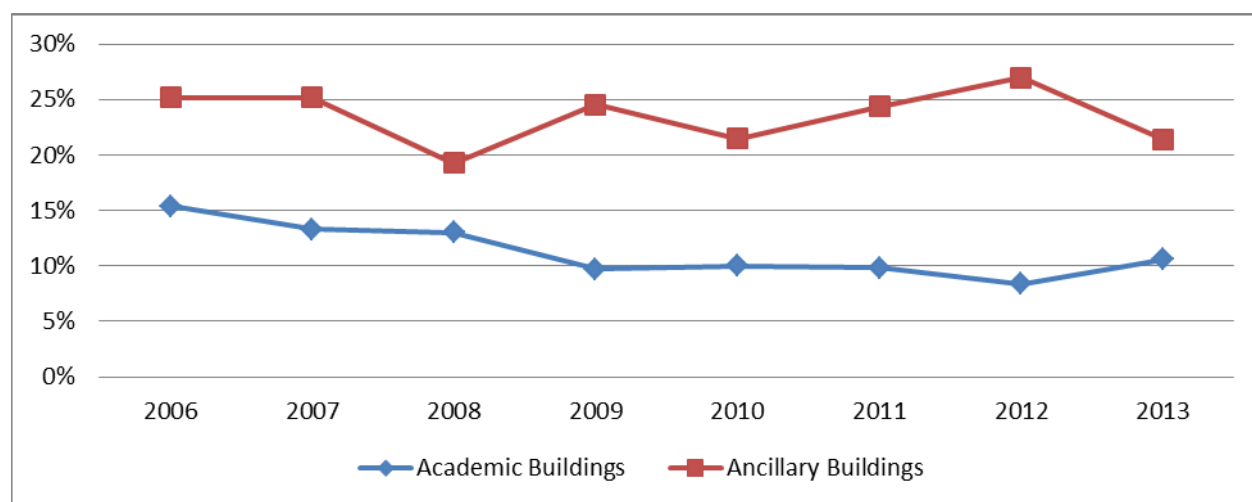


Figure 15: University of Lethbridge Deferred Maintenance - Facility Condition Index

Deferred maintenance on University facilities is estimated at \$116 million (2012: \$96 million) based on a facility condition report completed by the University in 2012. In 2007/08 Advanced Education and Technology provided \$25 million in capital grants to address deferred maintenance projects in University Hall and the unexpended grant funds to date is \$12 million, which includes \$2 million in investment income. Deferred maintenance is not reflected in these financial statements since it is not a liability or a commitment for accounting purposes, and the balance of funding received for this purpose is recorded as deferred revenue.

UNFUNDED PENSION LIABILITY

Since 1978 the university has participated with other Alberta post-secondary institutions in the Universities Academic Pension Plan (UAPP) to provide pensions for participating faculty, Administrative Professional Officers and senior administrators. Until December 2000, the UAPP was established through a separate provincial statute, and the Provincial Treasurer was the trustee of the Plan. Effective January 2001, the UAPP became a non-statutory pension plan subject to the *Employment Pension Plans Act* of Alberta. The extrapolated actuarial deficiency for the pension plan at March 31, 2013 was \$1,149.2 million of which the University of Lethbridge's portion is \$35 million. The unfunded deficiency is currently being funded by the Government of Alberta and employee and employer contributions.

The University also participates in a multi-employer Public Service Pension Plan for support staff members. The total unfunded deficiency in this plan as of December 31, 2012 is \$1,645 million which represents the unfunded position of the plan and not the University's share.

RESEARCH FUNDING

Sponsored research revenue was \$15.3 million (2012: \$17.1 million) which was a 10% decrease over the previous year. At the end of the year, \$1.8 million of unspent research grant revenue was deferred (2012: \$3 million). The variance in sponsored research funding is comprised mainly due to a decrease of \$2 million in provincial grants. Research continues to be funded primarily by federal and provincial government agencies.

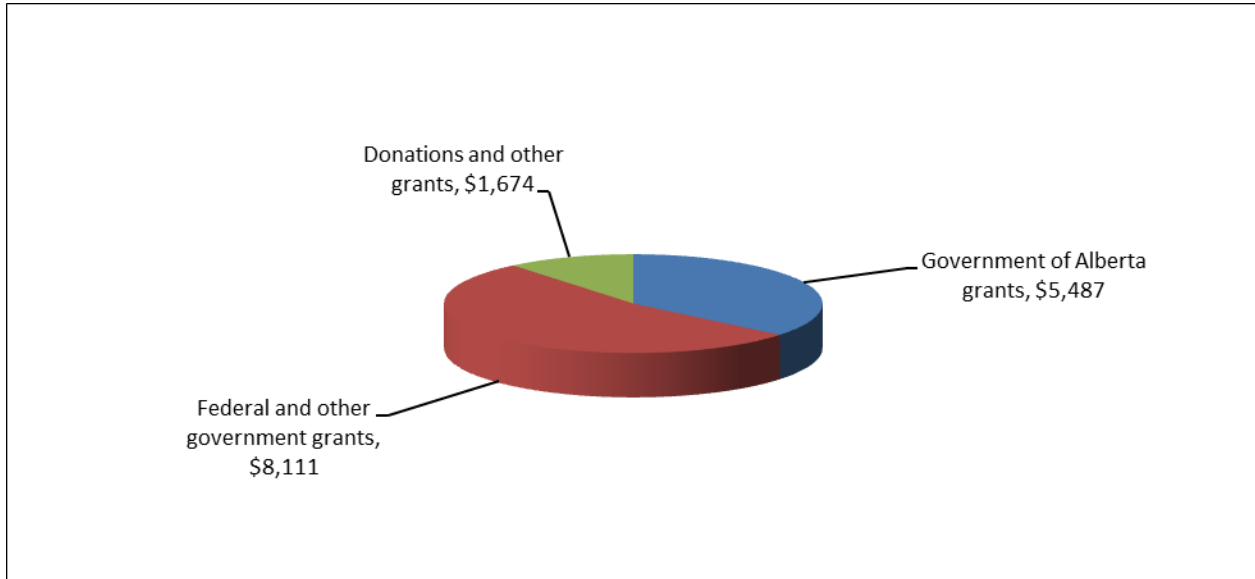


Figure 16: Source of Research Revenue, 2012/13 (thousands of dollars)

The University has a strong commitment to research, which is reflected by the significant ratio of research funding relative to operating grants. Part of the reduction of the percentage of research funding relative to operating grants is due to the increase of 2% in the Campus Alberta grant.

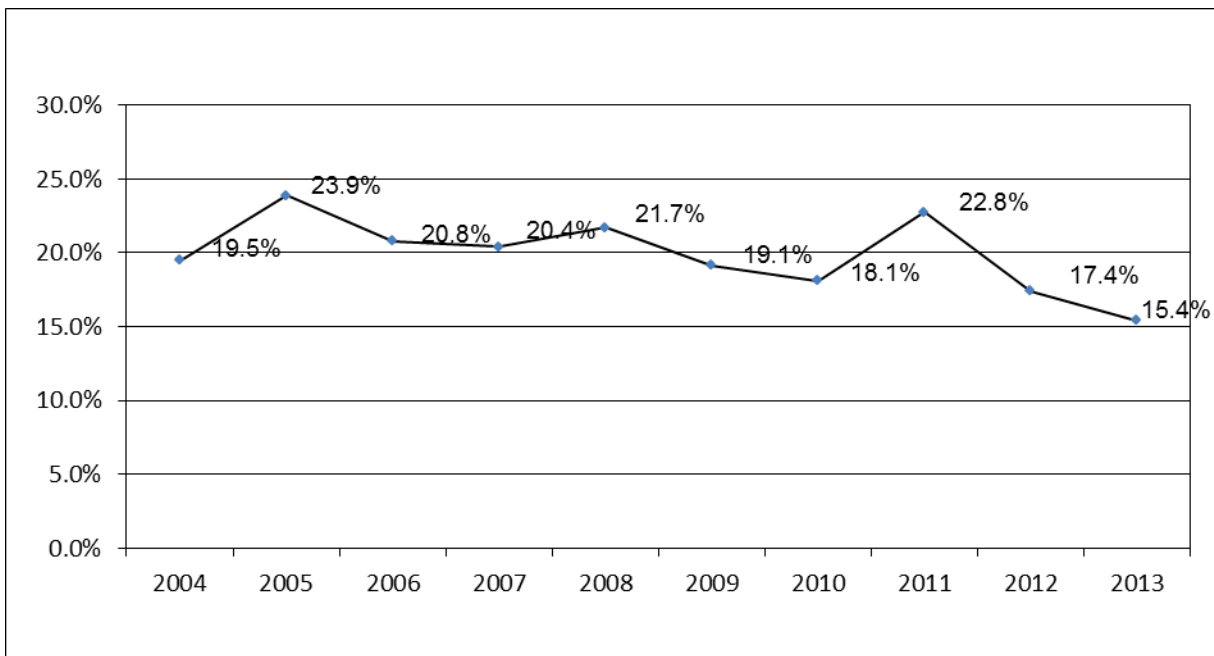


Figure 17: Research Grants as a % of Operating Grants

In 2013, the University received \$2 million (2012: \$2 million) from the federal Canada Research Chairs Indirect Costs Program based on the funding received by researchers from Natural Sciences and Engineering Research Council, Social Sciences and Humanities Research Council and the Canadian Institutes of Health Research. The Indirect Costs Program was established in recognition of the growing indirect costs of conducting publicly funded academic research, and the resulting grants enable the University to secure additional support for the indirect costs of conducting research so the teaching and community services mandates of universities can continue to be met. Increased funding is still required to create the environment needed to develop and recruit top quality researchers and graduate students.

STUDENT RECRUITMENT AND RETENTION

The Campus Alberta Planning Resource (CAPR) anticipates a shift in the age distribution for Alberta over the next ten years; while overall population growth is anticipated to be close to 20%, projected growth of 18-34 year olds is much lower at 6.3%. While this group is expected to grow overall, the growth is largely accounted for in the 25-34 year old population, with the 18-24 year old cohort declining. The latter cohort remains the primary age group at the University. In a financial context, constraints of operating grant and tuition caps highlight the significance of our enrolment in both undergraduate and graduate programs.



Independent Auditor's Report

To the Board of Governors

Report on the Financial Statements

I have audited the accompanying financial statements of the University of Lethbridge, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations and cash flows for the years ended March 31, 2013 and March 31, 2012, and the statement of remeasurement gains and losses for the year ended March 31, 2013, 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 public sector accounting standards, 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the University of Lethbridge as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012, and its remeasurement gains and losses for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 4, 2013

Edmonton, Alberta



Management's Responsibility for Reporting

For the Year Ended March 31, 2013

University of Lethbridge's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the University's financial position as at March 31, 2013 and the results of its operations for the year then ended.

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Financial statements are not precise, since they include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintained a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Board of Governors carries out its responsibilities for review of the financial statements principally through its Audit Committee. The members of the Committee are not officers or employees of the University. This committee meets regularly with management, and internal and external auditors to discuss the results of audit examinations and financial reporting matters. The external and internal auditors have full access to the Board Audit Committee with and without the presence of management. The Board of Governors of the University of Lethbridge has approved the financial statements.

The financial statements for the year ended March 31, 2013 have been reported on by the Auditor General of the Province of Alberta, the auditor appointed under *The Post-secondary Learning Act*. The independent Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation of the information in the financial statements.

A handwritten signature in black ink, appearing to read "Nancy Walker", written over a horizontal line.

Nancy Walker
Vice-President, Finance and Administration

A handwritten signature in black ink, appearing to read "Mike Mahon", written over a horizontal line.

Mike Mahon
President



Statements of Financial Position

As At March 31,
(thousands of dollars)

	2013	2012 (Note 2)	2011 Opening Balance (Note 2)
Assets			
Cash and cash equivalents (Note 5)	\$ 18,662	\$ 49,666	\$ 40,043
Accounts receivable (Note 8)	8,692	8,768	10,265
Inventories and prepaid expenses	2,560	2,062	2,273
Portfolio investments (Note 6)	160,198	143,790	145,047
Tangible capital assets (Note 9)	301,736	279,965	271,003
	\$ 491,848	\$ 484,251	\$ 468,631
Liabilities			
Accounts payable and accrued liabilities	\$ 13,708	\$ 12,439	\$ 11,302
Employee future benefit liabilities (Note 10)	42,120	37,050	37,943
Debt (Note 11)	10,052	10,489	3,481
Deferred revenue (Note 12)	241,109	250,964	251,376
	306,989	310,942	304,102
Net Assets			
Accumulated surplus * (Note 14)			
Accumulated rereasurement gains and losses	5,958	-	-
Accumulated operating surplus	133,306	132,032	125,083
Endowment (Note 13)	45,595	41,277	39,446
	184,859	173,309	164,529
	\$ 491,848	\$ 484,251	\$ 468,631
* Accumulated surplus			
Unrestricted surplus	\$ 10,840	\$ 20,408	\$ 11,519
Investment in capital assets (Note 14)	99,508	78,353	77,873
Internally restricted surplus (Note 14)	22,958	33,271	35,691
	\$ 133,306	\$ 132,032	\$ 125,083

Contingent liabilities and contractual obligations (Note 15 and Note 16)

Approved by the Board of Governors:

Chair, Board of Governors

President

The accompanying notes are part of these financial statements.



Statements of Operations

For the Year Ended March 31,
(thousands of dollars)

	2013 Budget (Unaudited) (Note 21)	2013	2012 (Note 2)
Revenue			
Government of Alberta grants (Note 19)	\$ 115,842	\$ 121,247	\$ 117,885
Federal and other government grants	8,331	10,482	10,667
Student tuition and fees	40,040	39,795	40,134
Sales of services and products	15,757	14,853	14,070
Donations and other grants	3,618	5,690	4,972
Investment income	4,605	5,982	1,748
	<u>188,193</u>	<u>198,049</u>	<u>189,476</u>
Expense (Note 18)			
Academic costs and institutional support	133,056	138,119	128,260
Sponsored research	13,779	16,027	16,725
Special purpose and trust	3,582	5,004	4,844
Ancillary services	13,395	12,903	12,277
Facility operations and maintenance	25,292	24,722	21,161
	<u>189,104</u>	<u>196,775</u>	<u>183,267</u>
Excess (deficiency) of revenue over expense	(911)	1,274	6,209
Transfers to endowment	-	-	740
Change in accumulated surplus	(911)	1,274	6,949
Accumulated surplus from operations, beginning of year	132,032	132,032	125,083
Accumulated surplus from operations, end of year	<u>\$ 131,121</u>	<u>\$ 133,306</u>	<u>\$ 132,032</u>

The accompanying notes are part of these financial statements.



Statement of Remeasurement Gains and Losses

For the Year Ended March 31,
(thousands of dollars)

	<u>2013</u>	<u>2012</u> <u>(Note 2)</u>
Accumulated remeasurement gains (losses), beginning of year	\$ -	\$ -
Unrealized gains (losses) attributable to:		
Portfolio investments (Note 6)	5,958	-
Accumulated remeasurement gains (losses), end of year	<u>\$ 5,958</u>	<u>\$ -</u>

The accompanying notes are part of these financial statements.



Statements of Cash Flows

Year ended March 31,
(thousands of dollars)

	2013	2012
Operating activities:		
Excess (deficiency) of revenue over expense	\$ 1,274	\$ 6,209
Add (deduct) non-cash items:		
Amortization of tangible capital assets	19,128	19,105
Other non-cash adjustments	(559)	4,421
(Gain) /Loss on disposal of tangible capital assets	415	75
Change in employee future benefit liabilities	5,070	(893)
Loss (gain) on investments	(1,465)	558
Total non-cash items	22,589	23,266
Decrease (increase) in accounts receivable	76	1,497
Decrease (increase) in inventory and prepaid expenses	(500)	211
Increase (decrease) in accounts payable and accrued liabilities	1,270	1,137
Increase (decrease) in deferred revenue	(10,360)	(825)
	14,349	31,495
Investing activities:		
Purchases of investments, net of sales	(6,399)	(3,962)
Endowment investment earnings	1,167	1,031
	(5,232)	(2,931)
Financing activities:		
Endowment contributions	565	1,790
Debt - new financing	-	7,500
Debt repayments	(437)	(270)
	128	9,020
Capital activities:		
Acquisition of tangible capital assets - internally funded	(28,021)	(14,521)
Acquisition of tangible capital assets - externally funded	(12,359)	(13,484)
Proceeds on disposition of tangible capital assets	131	44
	(40,249)	(27,961)
Increase / (Decrease) in cash	(31,004)	9,623
Cash and cash equivalents, beginning of year	49,666	40,043
Cash and cash equivalents, end of year (Note 5)	\$ 18,662	\$ 49,666

The accompanying notes are part of these financial statements.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 1 Authority and Purpose

The Governors of The University of Lethbridge is a corporation which manages and operates The University of Lethbridge ("the University") under the *Post-Secondary Learning Act* (Alberta). All members of the Board of Governors are appointed by either the Lieutenant Governor in Council or the Minister of Enterprise and Advanced Education, with the exception of the Chancellor and President, who are *ex officio* members. Under the *Post-Secondary Learning Act*, Campus Alberta Sector Regulation, the University is a comprehensive academic and research institution offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

Note 2 Conversion to Public Sector Accounting Standards

Commencing April 1, 2012, the University adopted Canadian Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board. In accordance with PSA Handbook Section 2125 (First-time Adoption), the date of transition to PSAS is April 1, 2011 and the University has prepared and presented an opening statement of financial position at the date of transition. These financial statements are the first financial statements for which the University has applied Canadian PSAS. The impact of the conversion to PSAS is presented in Schedule 1.

In accordance with the requirements of PSAS Handbook Section 2125, the accounting policies set out in note 4 have been consistently applied to all years presented. Adjustments resulting from the adoption of PSAS have been applied retrospectively excluding cases where optional exemptions available under Section 2125 have been applied and as required by Section 2601 Foreign Currency Translation and Section 3450 Financial Instruments as these standards specifically prohibit retroactive application. The University has elected to adopt the exemptions available under Section 2125 as follows:

- to retroactively recognize retirement and post-employment liability accumulated gains and losses to accumulated surplus
- to apply the exemption for prospective application of the capital asset impairment rules

Note 3 Adoption of new accounting standards

(a) Financial instruments

As of April 1, 2012, the University adopted PSAS Handbook Section 3450, Financial Instruments. This new standard provides guidance for recognition, measurement and disclosure of financial instruments. The transitional provisions in the standard state that when a government organization applies this standard in the same year it adopts PSAS for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the University immediately preceding its adoption of PSAS, whereby financial instruments were recognized on their trade date and transaction costs related to all financial instruments were expensed as incurred.

The University had previously disclosed risks related to financial instruments in note 2(c) of the March 31, 2012 GAAP financial statements, now found in Note 7, Financial risk management.

(b) Investments, foreign currency, and financial statement presentation

As of April 1, 2012, the University adopted PSAS Handbook Sections 3041 Portfolio Investments, 2601 Foreign Currency Translation, and 1201 Financial Statement Presentation. These standards establish how to account for and report on investments, transactions denominated in foreign currencies and the disclosure of information in financial statements.

The transitional provisions in Section 2601 state that when a government applies this standard in the same year it adopts PSAS for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the University immediately preceding its adoption of PSAS, whereby financial assets and liabilities denominated in foreign currencies were translated to Canadian dollars at the year-end exchange rate.

(c) Government transfers

As of April 1, 2012, the University retroactively applied PSAS Handbook Section 3410, Government Transfers. This revised standard establishes standards on how to account for and report government transfers to individuals, organizations, and other governments from both the transferring government and a recipient government perspectives. The University has elected to apply the requirements of this revised standard on a retroactive basis.

Note 4 Summary of Significant Accounting Policies and Reporting Practices

(a) General - PSAS and Use of Estimates

These financial statements have been prepared in accordance with Canadian PSAS. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. University administration uses judgment to determine such estimates. Employee future benefit liabilities, deferring revenue for contributions and amortization of tangible capital assets are the most significant items based on estimates. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 4 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Non-use of Net Debt Model Format

PSAS requires a net debt presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and financial liabilities as net debt or net financial assets as an indicator of the future revenues required to pay for past transactions and events. The University operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

(c) Valuation of Financial Assets and Liabilities

The University's financial assets and liabilities are categorized and measured as follows:

Financial Statement Component	Measurement
Cash and cash equivalents	Amortized Cost
Portfolio investments	Fair Value and Amortized Cost
Accounts receivable	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Debt	Amortized Cost

Cash and cash equivalents include short term highly liquid investments held for the purpose of meeting short term commitments.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the Statement of Remeasurement Gains and Losses except for the restricted portions which would be recognized as a liability under deferred revenue or as endowment. Upon settlement, the cumulative gain or loss is reclassified from the Statement of Remeasurement Gains and Losses and recognized in the Statement of Operations.

Realized interest and dividends attributable to financial instruments are reported in the Statement of Operations.

All financial assets are assessed annually for impairment. Impairment losses are recognized as a decrease in revenue, except for the restricted amount which is recognized as a decrease in deferred revenue or a decrease in endowment net assets. A write-down to reflect a loss in value is not reversed for a subsequent increase in value for assets measured at amortized cost. A reversal of a write-down to reflect a loss in value for assets measured at fair value are recorded in the Statement of Remeasurement Gains and Losses.

For financial instruments measured at amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial assets and financial liabilities that are measured at amortized cost and expense when measured at fair value.

Administration evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the University's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities. Prior to the adoption of Section 3450, the University elected to not apply the standards on derivatives embedded in non-financial contracts.

(d) Revenue Recognition

All revenues are recorded on an accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue. The University recognizes government grants, donations and other contributions as follows:

Government transfers

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms of use of the transfer, or the terms along with the University's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the university complies with its communicated use of the transfer.

Government transfers without terms for the use of the transfer are recorded as revenue when the University is eligible to receive the funds.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 4 Summary of Significant Accounting Policies and Reporting Practices (continued)

(d) Revenue Recognition (continued)

Donations and non-government contributions

Donations and non-government contributions are received from individuals, corporations, and private sector not-for-profit organizations. Donations and non-government contributions may be unrestricted or externally restricted for operating or capital or research purposes.

Unrestricted donations and non-government contributions are recorded as revenue in the year received or in the year the funds are committed to the University if the amount can be reasonably estimated and collection is reasonably assured.

Restricted donations, non-government contributions, and realized and unrealized gains and losses for the associated externally restricted investment income are recorded as deferred revenue if the terms for their use, or the terms along with the University's actions and communications as to the use, create a liability. These resources are recognized as revenue as the terms are met and, when applicable, the University complies with its communicated use.

In-kind donations of services and materials are recorded at fair value when such value can reasonably be determined. While volunteers contribute a significant amount of time each year to assist the University the value of their services are not recognized as revenue and expenses in the consolidated financial statements because fair value cannot be reasonably determined.

Grants and donations related to land

The University recognizes transfers and donations to buy land as a liability when received, and as revenue when the University buys the land. The University recognizes in-kind contributions of land as revenue at the fair value of the land when a fair value can be reasonably determined. When the University cannot determine the fair value, it records such in-kind contributions at nominal value.

Endowments

Donations, government transfers and non-government contributions that must be maintained in perpetuity are recognized as a direct increase in endowment net assets when received or receivable. Realized and unrealized gains and losses attributable to portfolio investments that also must be maintained in perpetuity are recognized as a direct increase in endowment net assets when received or receivable.

Investment income

Investment income includes dividend and interest income, and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments from unrestricted grants and donations are recognized in accumulated remeasurement gains and losses until the related investments are sold. Once realized, these gains and losses are recognized as revenue. Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as revenue when the terms of the grant or donation are met.

(e) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at cost. Cost is determined using a first-in, first-out method.

(f) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead to construction and development that are directly attributable to the acquisition or construction of the asset.

Work in progress, which includes facilities and improvement projects and development of information systems, is not amortized until after the project is complete and the asset is in service.

Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs such as insurance and maintenance costs. The discount rate used to determine the present value of the lease payments is the lower of the University's rate for incremental borrowing or the interest rate implicit in the lease.

The cost, less residual value, of the tangible capital assets, excluding land is amortized on a straight-line basis over the estimated useful lives as follows:

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 4 Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) Tangible Capital Assets (continued)

<u>Asset Category</u>	<u>Estimated Useful Lives</u>
Buildings, land and leasehold improvements	
Land improvements	10-25 years
Buildings - exterior	40 years
Buildings - interior	20 years
Building improvements	15 years
Leasehold improvements	lease term
Equipment	
Furnishings and equipment	5-10 years
Computer equipment	3-5 years
Electrical equipment	20 years
Software	3-5 years
Vehicles	6 years
Other	
Library materials	10 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the University's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as an expense.

Contributed capital assets are recorded as revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recognized at the carrying value.

Works of art, historical treasures and collections are not recognized in the financial statements but are disclosed in Note 9.

(g) Asset Retirement Obligations

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operations of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting cost is capitalized into the carrying value of the related assets. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in the Statement of Operations.

(h) Foreign Currency Translation

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate. Revenues and expenses are translated at average weekly exchange rates. In the period of settlement realized gains or losses from these translations are included in investment income. Unrealized gains and losses are recognized in the Statement of Remeasurement Gains and Losses. Comparative amounts are presented in accordance with the accounting policies applied by the University immediately preceding its adoption of PSAS, whereby financial assets and liabilities denominated in foreign currencies were translated to Canadian dollars at the year-end exchange rate.

(i) Employee Future Benefits

Pension

The University participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of pensionable earnings. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The University does not have sufficient plan information on the PSPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year which are actuarially pre-determined amounts that are expected to provide the plan's future benefits.

Supplementary Benefit Plan

The cost of providing non-contributory post employment benefits under the University's supplementary benefit plan is charged to pension expense annually based on the employer's current contributions, adjusted annually by the realized rate of return on the University's long-term investments.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 4 Summary of Significant Accounting Policies and Reporting Practices (continued)

(i) Employee Future Benefits (continued)

Early Retirement Plan

The cost of providing accumulating post employment benefits under the University's early retirement plan is actuarially determined using the projected benefit method. Actuarial gains or losses on the accrued benefit obligation are recognized immediately.

During the 2010 fiscal year, the University added a one time voluntary retirement program to allow employees meeting the plan criteria to retire early and be provided a defined benefit upon retirement between the 2010 and 2014 calendar years. The cost of these benefits is determined by management based on years of service and salary as of July 2009. The costs of providing this benefit is recognized as expense in full when the event occurs which obligates the University to provide the benefit.

During the 2013 fiscal year, members of the University's Faculty Association were offered a time limited incentive to voluntarily retire from their position at the University. The program participants will be provided a defined benefit over a negotiated period. The cost of providing this benefit is recognized as a liability and expense in full when the event occurs which obligates the University to provide the benefit.

Long-Term Disability Plan

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plan is actuarially determined using the accumulated benefit method, a market interest rate and management's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Unamortized actuarial gains or losses on the accrued benefit obligation are amortized over the remaining service period for the plan.

Senior Administrative Leave

The cost of providing non-vesting, accumulating employee future benefits for compensated absences under the University's senior administrative leave is actuarially determined using the projected benefit method prorated on service, including salary increases where applicable, and are based on the plan's benefit formula. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected remaining service life.

(j) Funds and Reserves

Certain amounts, as approved by the Board of Governors, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from Funds and Reserves are an adjustment to the respective fund when approved.

Note 5 Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposit, and short term highly liquid investments held for the purpose of meeting short term commitments.

	2013	2012	April 1, 2011
Cash	\$ 16,083	\$ 34,666	\$ 30,043
Cash equivalents	2,579	15,000	10,000
	<u>\$ 18,662</u>	<u>\$ 49,666</u>	<u>\$ 40,043</u>

Note 6 Portfolio Investments

The composition, fair value and annual market yields on portfolio investments are as follows:

	Level 1	2013 Total
Amortized cost		
Guaranteed income certificate	\$ 10,000	\$ 10,000
	<u>10,000</u>	<u>10,000</u>
Fair value		
Equities listed in active markets		
Canadian equity	53,530	53,530
Foreign equity	43,270	43,270
Others designated to fair value category		
Bonds	<u>53,398</u>	<u>53,398</u>
	<u>150,198</u>	<u>150,198</u>
	<u>\$ 160,198</u>	<u>\$ 160,198</u>

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 6 Portfolio Investments (continued)

	Level 1	2012 Total
Amortized cost		
Guaranteed income certificate	\$ 10,095	\$ 10,095
	10,095	10,095
Fair value		
Equities listed in active markets		
Canadian equity	46,649	46,649
Foreign equity	35,964	35,964
Others designated to fair value category		
Bonds	51,082	51,082
	133,695	133,695
	<u>\$ 143,790</u>	<u>\$ 143,790</u>

	Level 1	2011 Total
Amortized cost		
Guaranteed income certificate	\$ 15,000	\$ 15,000
	15,000	15,000
Fair value		
Equities listed in active markets		
Canadian equity	45,298	45,298
Foreign equity	38,125	38,125
Others designated to fair value category		
Bonds	46,624	46,624
	130,047	130,047
	<u>\$ 145,047</u>	<u>\$ 145,047</u>

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

The average effective yields and the terms to maturity are as follows:

- Money market funds and short-term notes: 1.50% (2012 - 1.58%); terms to maturity: June 27, 2014.
- Canadian government and corporate bond funds: 5.03% (2012 - 3.61%); terms to maturity: range from less than one year to more than 40 years.

The University has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The University's Finance Committee, a subcommittee of the Board of Governors, has delegated authority for oversight of the University's investments. The Finance Committee meets regularly to monitor investments, to review investment manager performance, to ensure compliance with the University's investment policy and to evaluate the continued appropriateness of the University's investment policy.

Bond investments must have a rating of BBB-plus or better and the short-term portfolio must be rated at least R-1, mid (or equivalent) as per the Dominion Bond Rating Service. The long-term investment portfolio includes endowment assets as well as the portion of non-endowment assets that will not be required for spending in the short-term. The primary objective of this portfolio is a rate of return that, in real terms, exceeds the endowment spending allocation at an acceptable risk level.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 6 Portfolio Investments (continued)

Unrealized gains/losses on restricted funds

	2013	2012
Unrealized gains (losses), beginning of year	\$ -	\$ -
Unrealized gains (losses) attributable to:		
Portfolio investments	2,586	-
Amounts reclassified to statement of operations		
Portfolio investments	-	-
Unrealized gains (losses), end of year	\$ 2,586	\$ -
Amounts related to:		
Endowment	\$ 2,586	\$ -
Deferred revenue	-	-
Restricted unrealized gains (losses), end of year	\$ 2,586	\$ -

Note 7 Financial Risk Management

To manage our risks, the University invests in a diversified portfolio of investments that is guided by established investment policies that outline risk and return objectives. The long-term objective of the University's investment policies is to achieve a long-term real rate of return in excess of fees and expenses and maintain the real value of the fund.

The institution is exposed to the following risks:

Market risk

The institution is exposed to market risk - the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage these risks, the University has established an investment policy with a target mix that is diversified by asset class with individual issuer limits and is designed to achieve a long-term rate of return that in real terms equals or exceeds total endowment expenditures with an acceptable level of risk.

The following details the University's portfolio sensitivity to a 2.5% increase or decrease in the market prices. At March 31, 2013 if market prices had a 2.5% (2012 - 2.5%; 2011 - 2.5%) increase or decrease with all other variables held constant, the increase or decrease in remeasurement gains and losses and endowment net assets - externally restricted contributions for the year would have been a total of \$3,762 (2012 - \$3,375; 2011 - \$3,269).

Foreign currency risk

The University is exposed to foreign exchange risk on investments that are denominated in foreign currencies. The University does not use foreign currency forward contracts or any other type of derivative financial instrument for trading or speculative purposes.

The impact on excess revenue over expense of a change in the value of various foreign currencies is shown below:

	Fair Value	Decrease 2.5%	Decrease 1.0%	Increase 1.0%	Increase 2.5%
United States dollar	\$ 19,700	\$ (493)	\$ (197)	\$ 492	\$ (197)
Euro	7,907	(198)	(79)	79	198
British pound	\$ 1,423	\$ (36)	\$ (14)	\$ 14	\$ 36

Liquidity risk

The University maintains a short-term line of credit with the Bank of Montreal of \$5 million that is designed to ensure sufficient funds are available to meet current and forecasted financial requirements in the most cost effective manner. There are no amounts outstanding on the line of credit at March 31, 2013 (2012 - \$nil); 2011 - \$nil)

Credit risk

The University is exposed to credit risk for accounts receivable that is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricted enrolment activities for students

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 7 Financial Risk Management (continued)

with delinquent balances and maintaining standard collection procedures. Credit risk on investments is mitigated by placing investments with high credit quality counterparties, limiting exposure through any one counterparty and debt instruments are with a minimum of BBB-plus rating issuers.

Interest rate risk

Interest rate risk is the risk to the University's earnings that arise from the fluctuation in interest rates and the degree of volatility of these rates. The risk is managed by contractually setting interest rates with banking institutions and investment policies that limit the term to maturity of certain fixed income securities that the University holds. Interest risk on the University's debt is managed through fixed risk agreements with Alberta Capital Finance Authority (Note 11).

The impact on excess revenue over expense of a change in interest rates for various instruments is shown below:

	Fair Value	Decrease 2.5%	Decrease 1.0%	Increase 1.0%	Increase 2.5%
GIC	\$ 12,579	\$ (1)	\$ -	\$ -	\$ 1
Bonds	\$ 53,398	\$ (50)	\$ (20)	\$ 20	\$ 50

Note 8 Accounts Receivable

	2013	2012
Accounts receivable	\$ 6,047	\$ 5,913
Contributions receivable	2,727	2,978
Allowance for doubtful accounts receivable	(82)	(123)
	<u>\$ 8,692</u>	<u>\$ 8,768</u>

Contributions receivable consist of amounts from external groups contractually obligated to the University and do not arise from the direct provision of goods or services. Included in contributions receivable is a contract with 1st Choice Savings and Credit Union Ltd. to be the naming sponsor for the 1st Choice Savings Centre for Sport and Wellness for a total contribution of \$2,250 over a 15-year period beginning in 2007. University of Lethbridge undergraduate students are contributing \$2,500 towards the 1st Choice Savings Centre for Sport and Wellness, to be collected over a period of approximately 13 years beginning in 2007. Graduate students of the University of Lethbridge are contributing \$60 towards the construction of the daycare facility, to be collected over a period of approximately 9 years beginning in 2009. The University of Lethbridge Faculty Association is contributing \$205 toward the construction of the daycare facility, to be collected over a period of approximately 19 years beginning in 2010. These contributions have been discounted to their present value using market interest rates.

In addition to the contributions above, there are pledges of \$2,810 (2012 - \$3,512) for capital projects and scholarships that have not been recorded in the financial statements as they do not meet the criteria for recognition.

Note 9 Tangible Capital Assets

	Land	Building, land and leasehold improvements	Equipment	Other	2013	2012
Cost (a)						
Beginning of year	\$ 1,470	\$ 364,966	\$ 78,595	\$ 36,734	\$ 481,765	\$ 455,272
Additions (b)	559	33,582	4,664	2,640	41,445	28,187
Disposals and write downs	-	(1,985)	(1,558)	(290)	(3,833)	(1,693)
	<u>2,029</u>	<u>396,563</u>	<u>81,701</u>	<u>39,084</u>	<u>519,377</u>	<u>481,766</u>
Accumulated amortization						
Beginning of year	-	(116,062)	(59,527)	(26,211)	(201,800)	(184,269)
Amortization expense	-	(10,473)	(6,646)	(2,009)	(19,128)	(19,105)
Disposal and write down effect	-	1,534	1,463	290	3,287	1,573
	<u>-</u>	<u>(125,001)</u>	<u>(64,710)</u>	<u>(27,930)</u>	<u>(217,641)</u>	<u>(201,801)</u>
Net book value, end of year	<u>\$ 2,029</u>	<u>\$ 271,562</u>	<u>\$ 16,991</u>	<u>\$ 11,154</u>	<u>\$ 301,736</u>	<u>\$ 279,965</u>

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 9 Tangible Capital Assets (continued)

	Building, land and leasehold improvements				2012	April 1, 2011
	Land		Equipment	Other		
Cost (a)						
Beginning of year	\$ 1,501	\$ 343,667	\$ 75,709	\$ 34,395	\$ 455,272	\$ 423,961
Additions (b)	-	21,390	4,184	2,613	28,187	33,007
Disposals and write downs	(31)	(90)	(1,298)	(274)	(1,693)	(1,696)
	1,470	364,967	78,595	36,734	481,766	455,272
Accumulated amortization						
Beginning of year	-	(105,901)	(53,888)	(24,480)	(184,269)	(168,222)
Amortization expense	-	(10,220)	(6,880)	(2,005)	(19,105)	(17,692)
Disposal and write down effect	-	59	1,241	273	1,573	1,645
	-	(116,062)	(59,527)	(26,212)	(201,801)	(184,269)
Net book value, end of year	\$ 1,470	\$ 248,905	\$ 19,068	\$ 10,522	\$ 279,965	\$ 271,003

(a) Historic cost includes work in progress for buildings, land, leasehold improvements, and development of info systems of \$25,492 (2012 - \$4,941), which is not amortized as the assets are not yet available for use.

(b) During the year, additions of in-kind contributions (such as library materials, equipment, software, buildings and land) amounted of \$1,065 (2012 - \$182).

The University holds a collection including works of art, cultural and historical properties and treasures that are not recorded in these statements as a reasonable estimate of the future benefits associated with such assets cannot be made. Numbering over 14,000 paintings, sculptures, drawings, photographs and prints, the holdings include works from Canada, America and Europe, span the 19th and 20th centuries and continue to grow with 21st century additions. Through exhibitions, first-hand study of works from the University's renowned art collection, and hands-on activities, the collection supports research, learning and community engagement at the University. During the year, the University purchased and received in-kind contributions and donations of collection assets in the amount of \$1,707 (2012 - \$565). At March 31, 2013, this collection has an estimated value of \$36,281 (2012 - \$34,574).

Note 10 Employee Future Benefit Liabilities

	2013	2012
Universities Academic Pension Plan (UAPP)	\$ 28,214	\$ 28,120
Long-term disability	1,034	968
Early retirement plan	4,372	164
Senior administrative leaves	5,277	4,988
Supplementary benefit plan	3,049	2,624
Other	174	186
	\$ 42,120	\$ 37,050

(a) Defined benefit plans accounted for on a defined benefit basis

UAPP

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members and other eligible employees. An actuarial valuation of the UAPP was carried out as at December 31, 2010, extrapolated to the plan's year end of December 31, 2012 and further extrapolated to the University's year end of March 31, 2013 resulting in a UAPP deficit of \$1,149,175 (2012 - \$1,153,334) consisting of a pre-1992 deficit (\$766,644) and a post-1991 deficit (\$382,531). The University's portion of the UAPP deficiency has been allocated based on its percentage of the plan's total employer contributions for the year. The next actuarial valuation will be December 31, 2013.

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2012 - 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.34% (2012 - 2.34%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The Government of Alberta's obligation for the future additional contributions was \$308,900 at March 31, 2013. The unfunded deficiency for service after December 31, 1991 is financed by special payments on pensionable earnings of 5.54% (2012 - 5.54%) until December 31, 2021, 1.46% (2012 - 1.46%) for

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 10 Employee Future Benefit Liabilities (continued)

(a) Defined benefit plans accounted for on a defined benefit basis (continued)

2022 and 2023, and 0.45% (2012 - 0.45%) for 2024 and 2025, all shared equally between employees and employers.

Early retirement plan

The University has provided multiple one-time early retirement defined benefits to certain employee groups consisting of three plans with retirement payouts and one plan with ongoing benefits. The most recent actuarial valuation for these benefits was as at March 31, 2013. During 2013, the university offered an incentive to members of the Lethbridge Faculty Association to voluntarily retire from their positions, providing a defined benefit over a negotiated number of years. The early retirement plan pays a fixed amount annually based on the benefits in effect for each member at the date of retirement. The plans are closed to new members and no future service benefits are being accrued.

Senior administrative leave

The University provides for certain senior administrators to accrue time in the form of a leave of absence for the purpose of professional development. The most recent actuarial valuation for these benefits was at March 31, 2013. The next actuarial evaluation will be carried out for March 31, 2014.

Long-term disability plan

The University provides long-term disability defined benefits to its employees (academic and support staff). The most recent actuarial valuation for these benefits was as at March 31, 2013. The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date. The accrued benefit obligation began the year at \$915, increased by current service costs of \$162 and interest costs of \$33 which were offset by amortization of net actuarial gain of \$98 and benefits paid of \$121 for an accrued benefit obligation at the end of the year of \$891. The long-term disability plan has unamortized net actuarial gain of \$143. The next actuarial evaluation will be carried out for March 31, 2014.

Supplementary benefit plan

The University provides non-contributory defined supplementary benefits to current and past senior administrators above the benefits provided by the Universities Academic Pension Plan. The University's total defined benefit supplementary benefit expense was \$36 (2012 - \$274).

The expense and financial position of these defined benefit plans are as follows:

	2013				2012			
	UAPP	Early retirement plan	Senior administrative leave	Supplementary benefit plan	UAPP	Early retirement plan	Senior administrative leave	Supplementary benefit plan
Expenses								
Current service cost	\$ 5,735	\$ -	\$ 949	\$ 365	\$ 5,685	\$ (874)	\$ 913	\$ 365
Interest cost	2,352	4	197	96	1,960	6	222	52
Amortization of net actuarial losses (gains)	652	(1)	116	-	-	(2)	-	-
Total expense	\$ 8,739	\$ 3	\$ 1,262	\$ 461	\$ 7,645	\$ (870)	\$ 1,135	\$ 417
Financial position								
Accrued benefit obligation, beginning of year	\$ 131,780	\$ 164	\$ 4,988	\$ 2,624	\$ 120,527	\$ 1,068	\$ 4,913	\$ 2,481
Current service cost	5,735	4,254	949	365	5,685	(874)	913	365
Interest cost	8,746	4	197	96	8,027	6	222	52
Benefits paid	(5,926)	(49)	(973)	(36)	(5,432)	(34)	(1,060)	(274)
Actuarial (gain) loss	8,041	(1)	444	-	2,973	(2)	693	-
Balance, end of year	148,376	4,372	5,605	3,049	131,780	164	5,681	2,624
Plan Assets	(113,348)	-	-	-	(97,008)	-	-	-
Plan deficit	35,028	4,372	5,605	3,049	34,772	164	5,681	2,624
Unamortized net actuarial gain (loss)	(6,814)	-	(328)	-	(6,652)	-	(693)	-
Accrued benefit liability	\$ 28,214	\$ 4,372	\$ 5,277	\$ 3,049	\$ 28,120	\$ 164	\$ 4,988	\$ 2,624

The University plans to use its working capital to finance these future obligations.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 10 Employee Future Benefit Liabilities (continued)

The significant actuarial assumptions used to measure the accrued benefit obligation are as follows:

	2013				2012			
	UAPP	Early retirement plan	Senior administrative leave	Supplementary benefit plan	UAPP	Early retirement plan	Senior administrative leave	Supplementary benefit plan
Accrued benefit obligation:								
Discount rate	6.20%	2.80%	2.80%	n/a	6.50%	3.20%	3.20%	n/a
Long-term average compensation increase	3.50%	n/a	0.00%	n/a	3.50%	n/a	6.50%	n/a
Benefit cost:								
Discount rate	6.20%	2.80%	2.80%	n/a	6.50%	3.20%	3.20%	n/a
Long-term average compensation increase	3.50%	n/a	4.50%	n/a	3.50%	n/a	4.50%	n/a
Alberta inflation:								
Next 3 years	2.25%	n/a	0.00%	n/a	2.25%	n/a	0.00%	n/a
Thereafter	2.25%	0	0	0	2.25%	n/a	0.00%	n/a
Estimated average remaining service life	10.2 yrs	1 yr	6 yrs	n/a	10.2 yrs	1 yr	5 yrs	n/a

(b) Defined Benefit Plan accounted for on a Defined Contribution Basis

Public Service Pension Plan (PSPP)

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members. As the University does not have sufficient information to follow the accounting standards for defined benefits plans, it is accounted for on a defined contribution basis. The pension expense recorded in these financial statements is \$2,238 (2012 - \$1,950).

An actuarial valuation of the PSPP was carried out as at December 31, 2010 and was then extrapolated to December 31, 2012. At December 31, 2012, the PSPP reported an actuarial deficiency of \$1,645,141 (2011 - \$1,790,383) which represents the unfunded position of the plan as a whole and not the University's share. This deficiency is being discharged through additional contributions from both employees and employers until 2026 (2012-2025). Other than the requirement to make all additional contributions, the University does not bear any risk related to the PSPP deficiency.

Note 11 Debt

	Collateral	Maturity date	Interest rate	2013		2012	
				\$		\$	
Alberta Capital Finance Authority:							
Student housing debenture	(1)	April 15, 2023	6.0%	\$ 2,750	\$	2,924	
Student housing debenture - Phase 3	(1)	March 15, 2037	3.263%	\$ 7,302	\$	7,500	
Other liabilities							
Capital lease	n/a	Sept. 30, 2012	5.0%	-		65	
				<u>\$ 10,052</u>	<u>\$</u>	<u>10,489</u>	

(1) Collateral consists of a security interest in present and acquired intangibles, accounts, monies, book debts, instruments, claims or rights, rentals, or insurance proceeds directly or indirectly associated from the operations of the said student housing building.

The principal portion of debt repayments, excluding the asset retirement obligation is as follows: 2014 - \$388; 2015 - \$406; 2016 - \$425; 2017 - \$444; 2018 - \$465; 2019 and thereafter - \$7,924.

Interest expense on debt is \$409 (2012 - \$189) and is included in the Statement of Operations.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 12 Deferred revenue

	Restricted				2013	2012
	Research and other restricted	Unspent capital contributions	Spent capital contributions	Other		
Balance, beginning of year	\$ 24,210	\$ 30,694	\$ 191,123	\$ 4,936	\$ 250,963	\$ 251,376
Grants, tuition, donations received	18,353	2,053	-	5,621	26,027	38,596
Investment income	971	210	-	-	1,181	(1,349)
Unearned capital acquisition transfer	(2,255)	(11,169)	13,424	-	-	-
Recognized as revenue	(18,596)	(1,116)	(12,414)	(4,936)	(37,062)	(36,489)
Other	-	-	-	-	-	(1,170)
Balance, end of year	\$ 22,683	\$ 20,672	\$ 192,133	\$ 5,621	\$ 241,109	\$ 250,964

	Restricted				2012	April 1, 2011
	Research and other restricted	Unspent capital funding	Spent capital contributions	Other		
Balance, beginning of year	\$ 27,231	\$ 29,688	\$ 189,648	\$ 4,809	\$ 251,376	\$ 239,907
Grants, tuition, donations received	20,124	13,535	-	4,937	38,596	42,485
Investment income	(1,377)	28	-	-	(1,349)	1,078
Unearned capital acquisition transfer	(2,325)	(11,560)	13,885	-	-	-
Recognized as revenue	(18,273)	(997)	(12,410)	(4,809)	(36,489)	(32,094)
Other	(1,170)	-	-	-	(1,170)	-
Balance, end of year	\$ 24,210	\$ 30,694	\$ 191,123	\$ 4,937	\$ 250,964	\$ 251,376

As at March 31, 2013, the following deferred revenue categories exist:

- Research and other restricted are amounts where external stipulations outlined by agreement have not been met.
- Unspent capital contributions relates to funding with capital purchase stipulations that have not been met.
- Spent capital contributions represent the grants and donations spent to fund capital acquisitions. These amounts are recorded as revenue in the Statement of Operations as the liability is discharged.
- Other includes unearned tuition, housing charges and other amounts related to future fiscal periods.

Note 13 Endowments

Endowments consist of externally restricted donations received by the University and other charitable purpose trusts, the principal of which is required to be maintained intact in perpetuity.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the charitable purpose trust. Benefactors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. However, for individual endowment funds without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 13 Endowments (continued)

The composition of endowments is as follows:

	2013	2012
Balance, beginning of the year	\$ 41,277	\$ 39,446
Endowment contributions	565	1,790
Encroachment	-	(740)
Transfer from deferred contributions (Note 12)	-	1,171
Investment gain (loss)	3,753	(390)
Balance, end of the year	<u>\$ 45,595</u>	<u>\$ 41,277</u>
Cumulative contributions	\$ 33,131	\$ 32,566
Cumulative capitalized income	12,464	8,711
	<u>\$ 45,595</u>	<u>\$ 41,277</u>

As at March 31, 2013, cumulative capitalized income of \$nil (2012- \$740) was required to cover the spending allocation.

Note 14 Accumulated Surplus

The University's accumulated surplus balance contains amounts already spent, amounts allocated to specific purpose and amounts not allocated. Investment in capital assets represents the amount of funding that has been spent on tangible capital assets offset by debt related to those assets. Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. Those amounts are not available for other purposes without the approval of the Board. Unrestricted surplus includes an accumulated balance of excess revenue over expense since inception of the University.

	2013	2012
Investment in tangible capital assets	\$ 99,508	\$ 78,353
Internally restricted surplus	22,958	33,271
Unrestricted surplus	10,840	20,408
	<u>\$ 133,306</u>	<u>\$ 132,032</u>

Investment in tangible capital assets

The changes during the year are as follows:

	2013	2012
Investment in tangible capital assets, beginning of the year	\$ 78,353	\$ 77,873
Acquisition of tangible capital assets	27,978	14,522
Long-term liabilities - repayment	437	273
Proceeds of long-term debt	-	(7,500)
Net book value of asset disposals	(162)	(49)
Disposal of land	-	(31)
Amortization of investment in tangible capital assets	(7,098)	(6,735)
Net investment in tangible capital assets	<u>21,155</u>	<u>480</u>
Investment in tangible capital assets, end of the year	<u>\$ 99,508</u>	<u>\$ 78,353</u>

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 14 Accumulated Surplus (continued)

Internally Restricted Surplus

Internally restricted net assets are summarized as follows:

	Balance, beginning of year	Appropriations from (returned to) unrestricted net assets	Disbursements during the year	Balance, end of year
Capital Activities				
Housing	\$ 6,742	\$ (3,194)	\$ 252	\$ 3,296
Ancillary	5,148	796	109	5,835
Capital replacement	5,734	(246)	300	5,188
Facility enhancement	3,953	(2,131)	1,000	822
Self insurance	169	3	17	155
Stadium	-	141	-	141
Utility conservation	61	-	-	61
	21,807	(4,631)	1,678	15,498
Operating activities				
Strategic initiatives	8,644	(4,949)	-	3,695
Academic investment	1,635	(297)	1	1,337
Staff replacement	697	1,520	51	2,166
Enrolment management	200	-	150	50
Staff training and development	176	-	2	174
Legal liability	80	100	180	-
Stadium	-	6	-	6
Faculty mediation	32	-	-	32
	11,464	(3,620)	384	7,460
Total	\$ 33,271	\$ (8,251)	\$ 2,062	\$ 22,958

Note 15 Contingent Liabilities

- The University has identified potential asset retirement obligations related to the existence of asbestos in its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedures to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the full obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal.

Note 16 Contractual Obligations

The University has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met.

	2013	2012
Service contracts	\$ 3,433	\$ 5,379
Capital projects	12,004	14,875
Information systems and technology	5,237	835
Long-term operating leases	820	1,191
	\$ 21,494	\$ 22,280

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 16 Contractual Obligations (continued)

The estimated aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Service Contracts	Capital Projects	Information systems and Technology	Long-term operating Leases	Total
2014	\$ 1,947	\$ 12,004	\$ 668	\$ 259	\$ 14,878
2015	1,477	-	668	203	2,348
2016	9	-	590	98	697
2017	-	-	590	52	642
2018	-	-	590	52	642
Thereafter	-	-	2,131	156	2,287
	<u>\$ 3,433</u>	<u>\$ 12,004</u>	<u>\$ 5,237</u>	<u>\$ 820</u>	<u>\$ 21,494</u>

Service contracts include contractual obligations the University has entered into for services such as electricity, insurance and consulting services. Capital projects include contractual obligations for the construction or purchase of capital items. Information systems and technology include contractual obligations for technology maintenance and services. Long-term operating leases are contractual obligations the University has entered into for the use of additional facilities and include fixed costs.

The University is one of 58 members of the Canadian Universities Reciprocal Insurance Exchange (CURIE), a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2012 CURIE had a surplus of \$60,500 (2011 - \$48,586). This surplus is an accumulation of five different underwriting periods. The University participates in four of the underwriting periods, which have an accumulated surplus of \$60,500 as of December 31, 2012 (2011 - \$44,984) of which the University's proportionate share is approximately 1.18% (2011 - 1.15%) at December 31, 2012. This surplus is not recorded in the financial statements.

Included in service contracts are electricity contracts in order to manage its exposure to the volatility in the electrical industry. The University has entered into contracts to fix a portion of its electrical cost at an average of \$73 (2012 - \$73) per megawatt hour. The two (2012 - two) contracts totaling \$7,970 (2012 - \$7,970) expire in December 2014 and May 2016.

Note 17 Expense by function

The University uses the following categories as functions on its statement of operations:

Academic costs and institutional support

Expenses relating to support for the academic functions of the University both directly and indirectly. The function includes expenses incurred by faculties for their scholarly and non-sponsored research activities and by institutional wide administrative services.

Sponsored research

Expenses for all sponsored research activities specifically funded by restricted grants and donations.

Facility operations and maintenance

Expenses relating to maintenance and renewal of facilities that house teaching, research, administrative and common areas within the University. These include utilities, facilities administration, building maintenance, custodial services, groundskeeping as well as major repairs and renovations.

Special purpose and trust

Expenses for the scholarships, bursary programs, and other programs involving teaching and community service specifically funded by restricted grants and donations.

Ancillary services

Expenses relating to the University's business enterprises that provide services and products to the University community and to external individuals and organizations. This function includes the bookstore, printing, housing, food, conference and parking.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 18 Expense by Object

	Budget	2013	2012
Salaries	\$ 110,714	\$ 117,020	\$ 107,980
Employee benefits	21,955	19,856	18,104
Materials, supplies and services	30,393	25,894	24,366
Utilities	3,462	3,579	3,549
Maintenance and repairs	2,382	2,100	1,559
Scholarships and bursaries	5,310	5,688	5,396
Cost of goods sold	3,640	3,510	3,208
Amortization of tangible capital assets	11,248	19,128	19,105
	\$ 189,104	\$ 196,775	\$ 183,267

Note 19 Related Party Transactions

The University operates under the authority and statutes of the Province of Alberta. Transactions and balances between the University and the Government of Alberta (GOA) are measured at the exchange amount and summarized below:

	2013	2012
Revenue from GOA		
Enterprise and Advanced Education:		
Operating grants	\$ 99,183	\$ 97,240
Capital grants	3,520	11,547
Alberta Innovates - Health Solutions	2,676	2,792
Alberta Innovates - Technology Futures	1,035	724
Research grants	997	2,278
Alberta Innovates - Bio Solutions	62	187
Alberta Innovates - Energy & Environment Solutions	21	819
Other	507	1,428
	108,001	117,015
Other GOA departments and agencies:		
Alberta Health Services	1,046	274
Alberta Gaming and Liquor Commission	560	355
Alberta Education	100	90
Alberta Foundation for the Arts	72	49
Alberta Environment	55	41
Alberta Rural Development Network	53	32
Alberta Cancer Foundation	49	-
Alberta Human Services	37	296
Alberta Culture and Community Spirit	25	62
Alberta Livestock and Meat Agency	7	16
Other Provincial Institutes	322	282
Alberta Sustainable Resource Development	-	40
Alberta Sport, Rec, Parks, Wildlife Foundation	-	(18)
	2,326	1,519
Total contributions received	110,327	118,534
Deferred revenue	10,920	(649)
	\$ 121,247	\$ 117,885
Accounts receivable		
Enterprise and Advanced Education	\$ 84	\$ 438
Other GOA departments and agencies	1,026	115
	\$ 1,110	\$ 553
Accounts payable		
Enterprise and Advanced Education	\$ 6	-

The University has a long-term liability with Alberta Capital Finance Authority as described in Note 11.

During the year, the University conducted business transactions with other public Colleges and Universities. The revenues and expenses incurred for these business transactions have been included in the Statement of Operations but have not been separately quantified. These transactions were entered into on the same business terms as those with non-related parties and are recorded at fair values.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 19 Related Party Transactions (continued)

The University owns 90% of the common shares in Alberta Terrestrial Imaging Corp. (ATIC), a not-for-profit company formed in June 2005 to provide satellite imagery to Canadian academic markets. The University has one-third of the voting control of ATIC, a company not part of the Public Sector. ATIC is in the process of completing its final contracts prior to winding up its operations. At March 31, 2013 the University has recorded accounts receivable of \$16 (2012 - \$24) that is estimated to be collectable.

The University has significant influence in the Canada School of Energy and Environment (CSEE), a not-for-profit corporation formed in partnership with the University of Calgary and University of Alberta to facilitate the integration of research discoveries in energy and environmental research across various institutions through receipt of grant funding. The University holds one-third of the Board member seats with the ultimate control being held by the other two partners. At March 31, 2013 the University submitted \$217 (2012 - \$110) in expenses to be funded by CSEE grants.

The University has significant influence in the Alberta Gambling Research Institute (AGRI), a consortium formed in partnership with the University of Calgary and University of Alberta to support and promote research into gaming and gambling in the province through annual grants to each institution. The University holds 2 of the seven board member seats. At March 31, 2013 the University received \$560 (2012 - \$226) in grants of which there were \$493 (2012 - \$288) in expenses.

Note 20 Salary and Employee Benefits

Treasury Board Directive 12-98 under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	Base salary ⁽¹⁾	Other cash benefits ⁽²⁾	2013		Total	2012
			Senior Admin Leave (SAL) Non Cash ⁽⁷⁾	Other non-cash benefits ^{(3) (5) (6)}		Total
Governance ⁽⁴⁾						
Executive						
President	365	55	83	86	589	555
Provost and Vice-President Academic	322	32	79	64	497	432
Vice-President Finance and Administration	302	-	274	64	640	448
Vice-President Research	262	27	53	54	396	347
Vice-President University Advancement ⁽⁸⁾	212	-	-	47	259	242

⁽¹⁾ Base salary includes pensionable base pay.

⁽²⁾ Other cash benefits include housing allowances and research grants.

⁽³⁾ Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, extended health benefits, group life insurance, long-term disability plan, professional memberships, supplementary benefit plan (as per point 6 below) and professional supplement allowance.

⁽⁴⁾ The Chairman and members of the Board of Governors receive no remuneration for participation on the Board.

⁽⁵⁾ Automobile provided, no dollar amount included in other non-cash benefit figures.

⁽⁶⁾ Under the terms of the supplementary benefit plan (SBP), senior administrators will receive supplemental retirement payments. The costs detailed below are not cash payments in the period but are period expenses for rights to future compensation. Costs shown reflect the total estimated cost to provide a payment at termination of employment with the University. The SBP is a defined contribution plan. The University contributes annually to the SBP based on the employee's salary and this benefit earns interest at the annual realized rate of return on the University's long-term investments. Current service costs is the notional value of the benefits earned in the fiscal year. The interest accrued on benefit obligations is equal to the realized earnings rate on the University's long-term investments of 3.45% in 2013 (2012- 2.20%).

⁽⁷⁾ Senior administrative leave is accrued for certain executive officers at a rate of one month for every five months served. If the leave is granted, all salaries and benefits excluding any housing allowances are paid on a monthly basis over the duration of the leave. Cash payments in lieu of administrative leave are not permitted, nor is it possible under Board policy to work for another institution or organization while on leave. Normally, administrative leave is taken immediately after leaving office. The cost of these benefits is actuarially determined using the projected benefit method prorated on service, a discount rate based on market interest rates and management's best estimates of salary and benefit increases to the assumed retirement or termination date. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. The amounts shown include current and prior service costs.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2013

(thousands of dollars)

Note 20 Salary and Employee Benefits (continued)

The current service cost and accrued obligation for each executive under the Senior Administrative Leave is as follows:

	Accrued Obligation March 31, 2012	Service cost	Interest cost	Actuarial loss (gain)	Accrued Obligation, March 31, 2013
President	\$ 134	\$ 75	\$ 7	\$ (21)	\$ 195
Vice-Presidents:					
Provost and Vice-President Academic	364	54	13	(4)	427
Vice-President Finance and Administration	866	81	30	16	993
Vice-President Research	140	25	5	23	193
Vice-President University Advancement ⁽⁶⁾	-	-	-	-	-

⁽⁶⁾ This position does not accrue senior administrative leave.

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 10.

The current service cost and accrued obligation for each executive under the Supplementary Benefit Plan is as follows:

	Accrued Obligation March 31, 2012	Service cost	Interest cost	Actuarial loss (gain)	Accrued Obligation March 31, 2013
President	\$ 67	\$ 41	\$ 3	-	\$ 111
Vice-Presidents:					
Provost and Vice-President Academic	70	22	3	-	95
Vice-President Finance and Administration	134	19	5	-	158
Vice-President Research	24	15	1	-	40
Vice-President University Advancement	34	8	1	-	43

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 10.

Note 21 Budget Comparison

The University's 2012/13 budget was approved by the Board of Governors and was presented to the Minister of Enterprise and Advanced Education as part of the University's submission of its 2012/13 to 2014/15 Comprehensive Institutional Plan. Certain budget figures from the University's 2012/13 to 2014/15 Comprehensive Institutional Plan have been reclassified to conform to the presentation adopted in the 2013 financial statements.

Note 22 Subsequent Events

On June 5, 2013, University property was damaged as a result of a water-main break at the construction site adjacent to the Students' Union Building. As a result, significant flooding occurred in the Library and the University Centre for the Arts. The University is in the process of assessing the overall impact of this event.

Note 23 Approval of Financial Statements

The financial statements were approved by the Board of the University of Lethbridge.



Schedule 1 - Transition to Public Sector Accounting Standards

Reconciliation of Opening Consolidated Statement of Financial Position

March 31, 2013

(thousands of dollars)

	March 31, 2011 CGAAP	Accounts receivable (presentation)	Deferred revenue (presentation)	Accumulated surplus (presentation)	Cash and equivalents (GIC held for short term needs)	Employee future benefits (actuarial gains and losses)	Disallowed amounts (collections, mineral rights)	Other presentation (deposits, life insurance policies)	Total Adjustments	April 1, 2011 PSAS
		(1)	(2)	(3)	(4)	(5)	(6)	(7)		
Assets										
Cash and cash equivalents	\$ 35,043				\$ 5,000				\$ 5,000	\$ 40,043
Investments	150,215				(5,000)		(73)	(95)	(5,168)	145,047
Other long-term assets	2,748	(2,748)							(2,748)	-
Accounts receivable	7,439	2,748						78	2,826	10,265
Inventories and prepaid expenses	2,257							17	17	2,273
Tangible Capital assets	304,993						(33,990)		(33,990)	271,003
	502,695	-	-	-	-	-	(34,063)	-	(34,063)	468,631
Liabilities										
Accounts payable and accrued liabilities	11,302								-	11,302
Employee future benefit liabilities	24,074					13,869			13,869	37,943
Debt	3,480								-	3,481
Deferred contributions	56,919		(56,919)						(56,919)	-
Unamortized deferred capital contributions	189,648		(189,648)						(189,648)	-
Deferred revenue	4,809		246,567						246,567	251,376
	290,232	-	-	-	-	13,869	-	-	13,869	304,102
Net Assets										
Endowments	39,519						(73)		(73)	39,446
Investment in capital assets	111,864			(111,864)					(111,864)	-
Internally restricted	35,691			(35,691)					(35,691)	-
Unrestricted	25,389			(25,389)					(25,389)	-
Accumulated surplus	-			172,944		(13,869)	(33,990)		125,085	125,083
	\$ 502,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (34,063)	\$ -	\$ (34,063)	\$ 468,631

- (1) Reclassify long term asset category for long term receivables - presented with accounts receivable in PSAS
- (2) Reclassify deferred contributions and unamortized deferred capital contributions to deferred revenue
- (3) Reclassify investment in capital assets, internally restricted and unrestricted net assets into new Accumulated Surplus category
- (4) Reclassify GIC's to cash equivalent if held for the purpose of short term needs resulting from account policy change for defining cash equivalents.
- (5) Transition election to recognized cumulative actuarial gains (losses) in net assets at the date of transition; change in discount rate from market rate to a rate based on cost of borrowing (UAPP- \$13,668; LTD-\$201).
- (6) Remove art and collection assets (\$33,990), and donated mineral rights (\$73) as they are not recognized as assets under PSAS
- (7) Reclassify donated life insurance policies to accounts receivable (\$95), reclassify deposits to prepaid expense (\$17)



Schedule 1 - Transition to Public Sector Accounting Standards
Reconciliation of Consolidated Statement of Financial Position
March 31, 2013
(thousands of dollars)

	March 31, 2012 CGAAP	Accounts receivable (presentation)	Deferred revenue (presentation)	Accumulated surplus (presentation)	Cash and equivalents (GIC held for short term needs)	Employee future benefits (actuarial gains and losses)	Disallowed amounts (collections, mineral rights)	Other presentation (deposits, life insurance policies)	Total Adjustments	March 31, 2012 PSAS
		(1)	(2)	(3)	(4)	(5)	(6)	(7)		
Assets										
Cash and cash equivalents	\$ 34,666				\$ 15,000				\$ 15,000	\$ 49,666
Investments	158,908				(15,000)		(73)	(45)	(15,118)	\$ 143,790
Other long-term assets	2,638	(2,638)							(2,638)	\$ -
Accounts receivable	6,102	2,638						28	2,666	\$ 8,768
Inventories and prepaid expenses	2,045							17	17	\$ 2,062
Tangible Capital assets	314,539						(34,574)		(34,574)	\$ 279,965
	518,898	-	-	-	-	-	(34,647)	-	(34,647)	484,251
Liabilities										
Accounts payable and accrued liabilities	12,439								-	12,439
Employee future benefit liabilities	25,214					11,836			11,836	37,050
Debt	10,489								-	10,489
Deferred contributions	54,903		(54,903)						(54,903)	-
Unamortized deferred capital contributions	191,123		(191,123)						(191,123)	-
Deferred revenue	4,938		246,026						246,026	250,964
	299,106	-	-	-	-	11,836	-	-	11,836	310,942
Net Assets										
Endowments	41,350						(73)		(73)	41,277
Investment in capital assets	112,926			(112,926)					(112,926)	-
Internally restricted	33,271			(33,271)					(33,271)	-
Unrestricted	32,245			(32,245)					(32,245)	-
Accumulated surplus	-			178,442		(11,836)	(34,574)		132,032	132,032
	\$ 518,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (34,647)	\$ -	\$ (34,647)	\$ 484,251

- (1) Reclassify long term asset category for long term receivables - presented with accounts receivable in PSAS
- (2) Reclassify deferred contributions and unamortized deferred capital contributions to deferred revenue
- (3) Reclassify investment in capital assets, internally restricted and unrestricted net assets into new Accumulated Surplus category
- (4) Reclassify GIC's to cash equivalent if held for the purpose of short term needs resulting from account policy change for defining cash equivalents.
- (5) Transition election to recognized cumulative actuarial gains (losses) in net assets at the date of transition; change in discount rate from market rate to a rate based on cost of borrowing, (UAPP- \$12,328; LTD-\$201). Change from immediate recognition of actuarial gains (losses) to amortizing over the expected remaining service life (SAL - (\$693)).
- (6) Remove art and collection assets (\$33,990), and donated mineral rights (\$73) as they are not recognized as assets under PSAS
- (7) Reclassify donated life insurance policies to accounts receivable (\$45), reclassify deposits to prepaid expense (\$17)



Schedule 1 - Transition to Public Sector Accounting Standards

Reconciliation of Consolidated Statement of Operations

For the year ended March 31, 2012

(thousands of dollars)

	March 31, 2012 CGAAP	Amortization of deferred capital contributions (presentation)	Tangible capital asset (presentation)	Other presentation (student fees)	Employee future benefits (actuarial gains and losses)	Total Adjustments	March 31, 2012 PSAS
		(1)	(2)	(3)	(4)		
Revenue							
Government of Alberta grants	\$ 107,597	\$ 10,415		\$ (127)		\$ 10,288	\$ 117,885
Federal and other government grants	9,463	1,077		127		1,204	10,667
Student tuition and fees	40,046			88		88	40,134
Sales of services and products	14,070					-	14,070
Donations and other grants	3,489	918	565			1,483	4,972
Investment income	1,836			(88)		(88)	1,748
Amortization of deferred capital contributions	12,410	(12,410)				(12,410)	-
	188,911	-	565	-	-	565	189,476
Expense							
Instruction and institutional support	129,710		583		(2,033)	(1,450)	128,260
Sponsored research	16,725					-	16,725
Facility operations and maintenance	21,161					-	21,161
Special purpose	4,844					-	4,844
Ancillary services	12,277					-	12,277
	184,717	-	583	-	(2,033)	(1,450)	183,267
Excess revenue over expense	4,194	-	(18)	-	2,033	2,015	6,209
Transfer (to) from endowments	740					-	740
Change in operating surplus	4,934	-	(18)	-	2,033	2,015	6,949
Accumulated operating surplus, beginning of year	125,083					-	125,083
Accumulated operating surplus, end of year	\$ 130,017	\$ -	\$ (18)	\$ -	\$ 2,033	\$ 2,015	\$ 132,032

- (1) Reallocate amortization of deferred capital contributions to Government of Alberta grants, Federal , and donations and other grants
- (2) Record revenue of \$565 related to collection donations as these were previously recorded as direct increases in net assets. Record expense related to donated (\$565) and purchased (\$17) collections as these cannot be recorded as tangible capital assets under PSAS.
- (3) Reclassify student interest fees from investment income
Reclassify certain government grants from Government of Alberta to Federal and other government.
- (4) Reverse amortization of actuarial gains (losses) for employee future benefit liabilities on transition (UAPP - \$1,340; SAL - \$693). Transition election to recognize cumulative actuarial gains (losses) in net assets at the date of transition (April 1, 2011).



Schedule 1 - Transition to Public Sector Accounting Standards

Reconciliation of Consolidated Statement of Cash Flow
For the year ended March 31, 2012
(thousands of dollars)

	March 31, 2012 CGAAP	Tangible Capital asset (1)	Deferred Revenue (2)	Portfolio Investments (3)	Employee future benefits (4)	Other (5)	Total Adjustments	March 31, 2012 PSAS
Cash provided from (used in) operating activities								
Excess revenue over expense	\$ 4,193	\$ (18)			\$ 2,033	\$ 1	\$ 2,016	\$ 6,209
Add (deduct) non cash items:								
Amortization of capital assets	19,105						0	19,105
Amortization of deferred capital contributions	(12,410)		12,410				12,410	-
(Gain) Loss on disposal of capital assets	75						0	75
Change in employee future benefit liabilities	2,189				(3,082)		(3,082)	(893)
Change in other non cash items			1,181	3,240	-		4,421	4,421
Gain on investments	3,240			(2,682)			(2,682)	558
Total non-cash items	12,199	-	13,591	558	(3,082)	-	11,067	23,266
Increase in short term investments	(10,748)			10,748			10,748	-
Decrease in accounts receivable	1,337			53		107	160	1,497
Decrease (increase) in inventory and prepaid expenses	211						0	211
(Decrease) increase in accounts payable and accrued liabilities	1,137						0	1,137
(Decrease) increase in current portion of employee future benefit li	(1,049)				1,049		1,049	-
(Decrease) increase in deferred contributions	(1,840)		1,840				1,840	-
Increase in deferred revenue	128		(954)				1	(825)
	(10,824)	-	886	10,801	1,049	108	12,844	2,020
	5,568	(18)	14,477	11,359	-	109	25,927	31,495
Cash provided from (used in) investing activities:								
Purchase of capital assets, net of proceeds from disposal	(27,980)	27,980					27,980	-
Purchase of long-term investments, net of sales	(2,603)			(1,359)			(1,359)	(3,962)
Endowment investment earnings	1,031						0	1,031
	(29,552)	27,980	-	(1,359)	-	-	26,621	(2,931)
Cash provided from (used in) financing activities:								
Endowment contributions	1,790						0	1,790
Capital contributions	14,477		(14,477)				(14,477)	-
Debt - new financing	7,230	270					270	7,500
Debt repayments	-	(270)					(270)	(270)
Change in other long-term assets	110					(110)	(110)	-
	23,607	-	(14,477)	-	-	(110)	(14,587)	9,020
Cash provided from (used in) capital activities:								
Acquisition of tangible capital assets -internally funded	-	(14,522)				1	(14,521)	(14,521)
Acquisition of tangible capital assets -externally funded	-	(13,484)					(13,484)	(13,484)
Proceeds on disposition of tangible capital assets	-	44					44	44
	-	(27,962)	-	-	-	1	(27,961)	(27,961)
Increase (decrease) in cash and cash equivalents	(377)			10,000			10,000	9,623
Cash and cash equivalents, beginning of year	35,043	-	-	5,000	-		5,000	40,043
Cash and cash equivalents, end of year	\$ 34,666	\$ -	\$ -	\$ 15,000	\$ -	\$ -	\$ 15,000	\$ 49,666

(1) Expense art and collection assets (\$18), and separately present capital activity, and separating debt repayments.

(2) Presentation of deferred revenue to include capital contributions and remove short term classification.

(3) Change in presentation of portfolio investments (\$558), reclassify GIC's to cash equivalent if held for the purpose of short term needs resulting from account policy change for defining cash equivalents (\$10,000) and remove short term classification.

(4) Change in method of accounting for actuarial gains and losses (UAPP - \$1,340; SAL - \$693) and remove short term classification.

(5) Reclassify other long term assets to accounts receivable and rounding adjustments.