



Statement of Management Responsibility

Year Ended March 31, 2026

The consolidated financial statements of the University of Lethbridge have been prepared by management in accordance with Canadian public sector accounting standards as described in Note 2 to the consolidated financial statements. The consolidated financial statements present fairly the financial position of the University of Lethbridge as at March 31, 2026 and the results of its operations, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that the University of Lethbridge's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

The Board of Governors is responsible for reviewing and approving the consolidated financial statements, and overseeing management's performance of its financial reporting responsibilities.

The Board of Governors carries out its responsibilities for review of the consolidated financial statements principally through its Audit and Finance Committees. All voting members of the Audit Committee are not employees of the University of Lethbridge. The Audit Committee meets with management and the external auditors and internal auditors to discuss the results of audit examinations and financial reporting matters. The external and internal auditors have full access to the Audit Committee, with and without the presence of management.

These consolidated financial statements have been reported on by the Auditor General of Alberta, the auditor appointed under *The Post-secondary Learning Act*. The Independent Auditor's Report outlines the scope of the audit and provides the audit opinion on the fairness of presentation of the information in the consolidated financial statements.

the original is signed

the original is signed

Digvir Jayas
President and Vice-Chancellor

Deborah Lucas
Vice-President, Finance and Administration

To the Board of Governors of the University of Lethbridge

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the University of Lethbridge (the Group), which comprise the consolidated statement of financial position as at March 31, 2026, and the consolidated statements of operations, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the consolidated financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. I am responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by Phillip D. Peters FCPA, FCA, KC]
Auditor General of Alberta

May 26, 2026
Edmonton, Alberta



Consolidated Statement of Financial Position

As At March 31, 2026
(thousands of dollars)

	2026	2025
Financial assets excluding portfolio investments restricted for endowments		
Cash and cash equivalents (Note 3)	\$ 19,090	\$ 22,467
Accounts receivable (Note 4)	9,660	5,119
Inventories held for sale	450	547
Portfolio investments - non-endowment (Note 5)	248,366	237,144
	<u>277,566</u>	<u>265,277</u>
Liabilities		
Accounts payable and accrued liabilities	13,906	17,765
Employee future benefit liabilities (Note 7)	19,217	25,176
Debt (Note 8)	4,060	4,420
Deferred revenue (Note 9)	73,282	76,627
Asset retirement obligations (Note 10)	5,578	5,685
	<u>116,043</u>	<u>129,673</u>
Net financial assets excluding portfolio investments restricted for endowments	161,523	135,604
Portfolio investments - restricted for endowments (Note 5)	112,816	109,910
Net financial assets	<u>274,339</u>	<u>245,514</u>
Non-financial assets		
Capital assets (Note 11)	468,595	476,973
Inventories of supplies	69	41
Prepaid expenses	1,627	2,318
	<u>470,291</u>	<u>479,332</u>
Net assets before spent deferred capital contributions	<u>744,630</u>	<u>724,846</u>
Spent deferred capital contributions (Note 12)	373,295	378,839
Net assets (Note 13)	<u>\$ 371,335</u>	<u>\$ 346,007</u>
Net assets are comprised of:		
Accumulated surplus	347,619	308,584
Accumulated remeasurement gains	23,716	37,423
	<u>\$ 371,335</u>	<u>\$ 346,007</u>
Contingent assets and contractual rights (Note 14 and Note 16)		
Contingent liabilities and contractual obligations (Note 15 and Note 17)		
Approved by Board of Governors (Note 25)		

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



Consolidated Statement of Operations

Year Ended March 31, 2026
(thousands of dollars)

	Budget (Note 24)	2026	2025
Revenues			
Government of Alberta grants (Note 20)	\$ 115,814	\$ 113,010	\$ 108,325
Student tuition and fees	72,654	72,783	74,633
Sales of services and products (Note 22)	19,514	20,594	19,267
Federal and other government grants (Note 20)	14,628	15,115	14,166
Investment income	11,983	26,420	26,324
Donations and other grants	5,076	11,665	8,504
	<u>239,669</u>	<u>259,587</u>	<u>251,219</u>
Expenses (Note 21)			
Academic costs and institutional support	160,576	150,831	146,813
Facility operations and maintenance	39,560	38,654	36,692
Sponsored research	15,818	15,910	15,181
Ancillary services	11,245	7,532	9,822
Special purpose and trust	13,143	14,712	12,223
	<u>240,342</u>	<u>227,639</u>	<u>220,731</u>
Annual operating surplus (deficit)	\$ (673)	\$ 31,948	\$ 30,488
Endowment contributions and capitalized investment income			
Endowment contributions (Note 13)	-	3,079	1,599
Endowment capitalized investment income (Note 13)	850	4,008	1,289
	<u>850</u>	<u>7,087</u>	<u>2,888</u>
Annual surplus	177	39,035	33,376
Accumulated surplus, beginning of year	308,584	308,584	275,208
Accumulated surplus, end of year (Note 13)	\$ 308,761	\$ 347,619	\$ 308,584

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



Consolidated Statement of Change in Net Financial Assets
Year Ended March 31, 2026
(thousands of dollars)

	Budget (Note 24)	2026	2025
Annual surplus	\$ 177	\$ 39,035	\$ 33,376
Acquisition of capital assets	(45,536)	(13,736)	(13,799)
Proceeds from sale of capital assets	-	176	99
Amortization of capital assets	20,069	20,136	19,558
Loss on disposal of capital assets	-	1,802	28
(Increase) decrease in inventories of supplies	-	(28)	35
Decrease (increase) in prepaid expenses	-	691	(359)
Decrease in spent deferred capital contributions	(13,500)	(5,544)	(5,832)
Decrease in accumulated remeasurement gains	-	(13,707)	(901)
(Decrease) increase in net financial assets	(38,790)	28,825	32,205
Net financial assets, beginning of year	245,514	245,514	213,309
Net financial assets, end of year	\$ 206,724	\$ 274,339	\$ 245,514

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



Consolidated Statement of Remeasurement Gains and Losses
Year Ended March 31, 2026
(thousands of dollars)

	2026	2025
Accumulated remeasurement gains, beginning of year	\$ 37,423	\$ 38,324
Unrealized gains/(losses) attributable to:		
Quoted in active market financial instruments		
Portfolio investments - non-endowment	25,318	31,717
Portfolio investments - restricted for endowments	(14,117)	(7,825)
Designated fair value financial instruments		
Portfolio investments - non-endowment	4,407	3,864
Portfolio investments - restricted for endowment	1,962	92
Foreign exchange	53	188
Amounts reclassified to Statement of Operations		
Quoted in active market financial instruments		
Portfolio investments - non-endowment	(35,650)	(33,993)
Portfolio investments - restricted for endowments	9,517	7,770
Designated fair value financial instruments		
Portfolio investments - non-endowment	(3,466)	(2,536)
Portfolio investments - restricted for endowment	(1,543)	(60)
Foreign exchange	(188)	(118)
Change in accumulated remeasurement gains	(13,707)	(901)
Accumulated remeasurement gains, end of year	\$ 23,716	\$ 37,423
 Accumulated remeasurement gains is comprised of:		
Portfolio investments - non-endowment	\$ 16,082	\$ 25,473
Portfolio investments - restricted for endowments	7,580	11,761
Foreign exchange	54	189
	\$ 23,716	\$ 37,423

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



Consolidated Statement of Cash Flows

For the Year Ended March 31, 2026

(thousands of dollars)

	2026	2025
Operating transactions		
Annual surplus	\$ 39,035	\$ 33,376
Add (deduct) non-cash items:		
Amortization of capital assets	20,136	19,558
Expended capital contributions recognized as revenue	(14,822)	(13,068)
Loss on disposal of capital assets	1,802	28
Gain on sale of portfolio investments	(31,746)	(28,819)
Capital gifts-in-kind received	(372)	(44)
Change in employee future benefit liabilities	(5,959)	(4,897)
Total non-cash items	(30,961)	(27,242)
Change in non-cash items:		
Increase in accounts receivable	(4,541)	(325)
Decrease in inventories for resale	97	1
Decrease in accounts payable and accrued liabilities	(3,859)	(4,917)
(Decrease) increase in deferred revenue	(3,345)	7,525
(Increase) decrease in inventories for supplies	(28)	35
Decrease (increase) in prepaid expenses	691	(359)
Decrease in asset retirement obligations	(107)	-
Cash provided by operating transactions	(3,018)	8,094
Investing transactions		
Purchase of portfolio investments	(31,823)	(43,990)
Proceeds on sale of portfolio investments	35,734	54,127
Cash (applied to) provided by investing transactions	3,911	10,137
Financing transactions		
Debt - repayments	(360)	(464)
Increase in spent deferred capital contributions, less expended capital contributions recognized as revenue	9,278	7,236
Cash provided by financing transactions	8,918	6,772
Capital transactions		
Acquisition of capital assets, less in-kind donations	(13,364)	(13,755)
Proceeds on disposition of capital assets	176	99
Cash applied to capital transactions	(13,188)	(13,656)
(Decrease) increase in cash and cash equivalents	(3,377)	11,347
Cash and cash equivalents at beginning of period	22,467	11,120
Cash and cash equivalents at end of period (Note 3)	\$ 19,090	\$ 22,467

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

University of Lethbridge

Year ended March 31, 2026

(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 Advanced Education, with the exception of the Chancellor and President, who are *ex officio* members. Under the *Post-secondary Learning Act*, the University is a comprehensive academic and research university 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 Summary of Significant Accounting Policies and Reporting Practices

These consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as recommended by the Chartered Professional Accountants of Canada (CPA Canada). Significant aspects of the accounting policies adopted by the University are as follows:

(a) Use of Estimates

The measurement of certain assets, liabilities, revenues and expenses is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. University management uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets, asset retirement obligations, and the revenue recognition for expended capital are the most significant items based on estimates. In management'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.

(b) Valuation of Financial Assets and Liabilities

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

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash and cash equivalents	Cost
Portfolio investments	Fair value
Inventories held for resale	Lower of cost or net realizable value
Accounts receivable	Lower of cost or net recoverable value
Accounts payable and accrued liabilities	Cost
Asset retirement obligations	Cost
Debt	Amortized cost

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the Consolidated Statement of Remeasurement Gains and Losses.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recognized in the Consolidated Statement of Operations. A write-down of a portfolio investment to reflect a loss in value that is other than temporary is not reversed for a subsequent increase in value.

For financial assets and liabilities measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of cash and cash equivalents and portfolio investments are accounted for using trade-date accounting.

The University does not use foreign currency contracts or any other type of derivative financial instrument for trading or speculative purposes.

Management 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. The University does not have any embedded derivatives.

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(c) 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 recognized as deferred revenue.

Government Grants, Non-Government Grants and Donations

Government transfers are referred to as government grants.

Restricted grants and donations are recognized as deferred revenue if the terms for the use, or the terms along with the University's actions and communications as to the use, create a liability. These grants and donations are recognized as revenue as the terms are met. If the grants and donations are used to acquire or construct capital assets or to purchase intangible assets, revenue will be recognized over the useful life of the capital assets or intangible assets.

Government grants without terms for the use of the grant are recorded as revenue when the University is eligible to receive the funds. Unrestricted non-government grants and donations 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.

In-kind donations of services, materials and capital assets are recognized at fair value when such value can reasonably be determined. Transfers of capital assets from related parties are recognized at the carrying value.

Grants and Donations Related To Land

Grants and donations to purchase land are recognized as deferred revenue when received, and recognized as revenue when the land is purchased. 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 recognizes such in-kind contributions at nominal value.

Investment Income

Investment income includes dividends, interest income, and realized gains or losses on the sale of portfolio investments. Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as investment income when the terms of the grant or donation are met.

Realized investment income allocated to endowment balances for the preservation of endowment capital purchasing power is recognized in the Consolidated Statement of Operations as a component of endowment contributions and capitalized investment income.

Endowment contributions

Endowment contributions are recognized as revenue in the Consolidated Statement of Operations in the year in which they are received, and are required by donors to be maintained intact in perpetuity.

Sales of Services and Products

Sales of services and products represent revenues from non-tuition related services and/or products such as parking fees, conferences, amenities fees, recreation program registration fees, membership fees, food services commissions, bookstore sales, rental income, fines and surcharges, and other administrative fees.

These revenues, with the exception of parking fines and surcharges, housing damage charges, damage deposits forfeited, and missed appointment charges, are considered revenues arising from exchange transactions. Revenue from these transactions is recognized when or as the University fulfills its performance obligation(s) and transfers control of the promised goods and services to the payor. If the performance obligation is outstanding at year end, the remaining revenue is deferred.

Revenue without performance obligations is a non-exchange transaction with a payor and is recognized when the University has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event that gives rise to an asset.

Student Tuition and Fees

Student tuition and fees are charged for the programs offered by the University and include application fees, tuition fees, and student administrative fees.

Tuition fees arise from exchange transactions with performance obligations. Revenues from tuition are recognized over the course of each academic period/semester as the institution fulfills its performance obligations by delivering the courses. If the performance obligation is outstanding at year end, the remaining revenue is deferred.

Cancellation fees, interest, and some administrative fees do not arise from exchange transactions and are recognized as revenue when the University has the authority to retain the inflow of economic resources and identifies a past transaction or event.

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(d) Endowments

Endowments consist of externally restricted donations received by the University and internal allocations by the University's Board of Governors, the principal of which is required to be maintained intact in perpetuity.

Investment income (excluding unrealized gains and losses) earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. 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.

Endowment contributions and associated investment income allocated for the preservation of endowment capital purchasing power are recognized in the Consolidated Statement of Operations in the period in which they are received.

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 accumulated capitalized investment income. However, for individual endowment funds without sufficient accumulated capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

In the event realized investment income is not sufficient to fund in-year spending allocation, any endowment expenses above realized income will result in a decrease to Annual Operating Surplus as there is not enough realized income to offset these expenses. Previously capitalized investment income cannot be used to permanently offset these expenses in the Consolidated Statement of Operations.

(e) Inventories

Inventories held for sale are valued at the lower of cost and net realizable value, with cost determined using a first-in, first-out basis. Inventories of supplies are valued at the lower of cost or replacement cost.

(f) Capital Assets

Tangible capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets, and costs associated with asset retirement obligations. Cost includes overhead directly attributable to construction and development as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Purchased intangibles are non-monetary economic resources without physical substance and recorded at cost less accumulated amortization. The cost, less any residual value, of any purchased intangible with a finite life is amortized on a straight-line basis over its estimated useful life in a manner appropriate to its nature and use, which is normally the shortest of the technological, commercial, and legal life. Purchased intangibles with an indefinite life are not amortized.

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

All leases are recorded in the financial statements as either a capital or operating lease. Any lease which transfers substantially all the benefits and risks of ownership associated with the leased asset are accounted for as leased tangible capital assets. Capital lease assets and liabilities are recognized at the lesser of the present value of the future minimum lease payments and the asset's fair market value at the inception of the lease, excluding executor costs.

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) Capital Assets (continued)

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

Asset Category	Estimated Useful Lives
Buildings, land improvements and leasehold improvements	
Land improvements	10-25 years
Buildings - exterior	50 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	8 years
Other	
Library materials	10 years

Capital asset write-downs are recognized when conditions indicate they no longer contribute to the University's ability to provide services, or when the value of future economic benefits associated with the capital assets are less than their net book value. Net write-downs are recognized as expenses.

Contributed capital assets are recorded as revenue at the 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.

Works of art, historical treasures and collections are expensed when acquired and not recognized as capital assets because a reasonable estimate of the future benefits associated with such property cannot be made (Note 11).

(g) Foreign Currency Translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at average weekly exchange rates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the Consolidated Statement of Financial Position date. Unrealized foreign exchange gains and losses are recognized in the Consolidated Statement of Remeasurement Gains and Losses.

In the period of settlement, foreign exchange gains and losses are reclassified to the Consolidated Statement of Operations, and the cumulative amount of remeasurement gains and losses is reversed in the Consolidated Statement of Remeasurement Gains and Losses.

(h) 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 calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

Supplementary Retirement Plan

Under the supplementary retirement plan the University provides non-contributory post-employment benefits. The expense for this defined benefit plan is actuarially determined using the projected unit credit method, a market interest rate, and management's best estimate of the retirement ages of employees. Actuarial gains or losses on the accrued benefit obligation are amortized over the remaining service period for the plan.

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 plans is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of these benefits 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. Actuarial gains

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(h) Employee Future Benefits (continued)

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.

Termination Benefits

Termination benefits due for employee voluntary and involuntary terminations are recognized as an expense when the event committing the University cannot realistically be withdrawn.

(i) Investment in Other Government Organizations

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by the University. The University of Lethbridge Business Corporation ("ULBC"), the sole trustee of University of Lethbridge Business Trust ("ULBT"), is consolidated in these financial statements. Inter-organizational transactions, balances, and activities have been eliminated upon consolidation.

(j) Liability for Contaminated Sites

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. It does not include airborne contaminants. The University recognizes a liability for remediation of contaminated sites when the following criteria have been met:

- an environmental standard exists;
- there is evidence that contamination exceeds an environmental standard;
- the University is directly responsible or accepts responsibility for the contamination;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

A liability for a contaminated site may arise from operations that are either considered in productive use or no longer in productive use when environmental standards are exceeded. It will also arise when an unexpected event occurs resulting in contamination that exceeds an environmental standard.

Where an environmental standard does not exist or contamination does not exceed an environmental standard, a liability for remediation of a site is recognized by the University when the following criteria have been met:

- the University has a duty or responsibility to others, leaving little or no discretion to avoid the obligation;
- the duty or responsibility to others entails settlement by future transfer or use of assets, or a provision of services at a specified or determinable date, or on demand; and
- the transaction or events obligating the University have already occurred.

As at March 31, 2026 there was no liability for remediation of contaminated sites (2025 - nil).

(k) Asset Retirement Obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. The tangible capital assets include assets in productive use and assets no longer in productive use. Asset retirement activities include all activities relating to an asset retirement obligation. These may include, but are not limited to:

- remediation of contamination of a tangible capital asset created by its normal use;
- decommissioning or dismantling a tangible capital asset that was acquired, constructed, or developed;
- post-retirement activities such as monitoring; and
- constructing other tangible capital assets to perform post-retirement activities.

A liability for an asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(k) Asset Retirement Obligations (continued)

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

The asset retirement obligation is measured at the current estimated cost to settle or otherwise extinguish the liability.

(l) Expense by Function

The University uses the following categories as functions on its Consolidated 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 institutional wide administrative services.

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, student residences, food, conference and parking.

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 amortization and major repairs and renovations.

Special purpose and trust

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

Sponsored research

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

(m) Internally Restricted Funds and Reserves

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

(n) Future Changes in Accounting Standards

The University will adopt the following new conceptual framework and accounting standards approved by the Public Sector Accounting Board:

- Effective April 1, 2026, *The Conceptual Framework for Financial Reporting in the Public Sector*. The Conceptual Framework is the foundation for public sector financial reporting standards. It replaces the conceptual aspects of Section PS 1000, *Financial Statement Concepts*, and Section PS 1100, *Financial Statement Objectives*. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.
- Effective April 1, 2026, PS 1202 *Financial Statement Presentation*. Section PS 1202 sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework.
- The Public Sector Accounting Board (PSAB) has approved PS 3251: *Employee Benefits* standard effective for fiscal years starting on or after April 1, 2029. This standard establishes requirements for the recognition, measurement, presentation and disclosure of employee benefits. It replaces PS 3250, *Retirement Benefits*, and PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits*.
- In May 2025, the Public Sector Accounting Board (PSAB) issued amendments to Section PS 3150, *Tangible Capital Assets*. The amendments are effective for fiscal years beginning on or after April 1, 2029. Key changes include revises definitions, new guidance on collections, contributed materials and labor costs, and enhanced disclosures. The University is currently assessing the impact of the amended PS 3150 on the financial statements.

The University is currently assessing the impact of the new conceptual framework, standard and amendment, and the extent of the impact of their adoption on the consolidated financial statements has not yet been determined.

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 3 Cash and Cash Equivalents

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

	2026	2025
Cash	\$ 15,389	\$ 22,437
Cash equivalents	3,701	30
	<u>\$ 19,090</u>	<u>\$ 22,467</u>

Note 4 Accounts Receivable

	2026	2025
Accounts receivable	\$ 10,013	\$ 5,392
Contributions receivable	32	42
Allowance for doubtful accounts receivable	(385)	(315)
	<u>\$ 9,660</u>	<u>\$ 5,119</u>

Accounts receivable includes research and other government grants totaling \$1,107 (2025 - \$1,079).

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. 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 \$9,275 (2025 - \$5,777) for capital projects, advancing academic programming and scholarships that have not been recorded in the financial statements as they do not meet the criteria for recognition.

Note 5 Portfolio Investments

	2026	2025
Portfolio investments - non-endowment	\$ 248,366	\$ 237,144
Portfolio investments - restricted for endowments	112,816	109,910
	<u>\$ 361,182</u>	<u>\$ 347,054</u>

The composition of portfolio investments measured at fair value is as follows:

	Level 1	Level 2	Level 3	2026	Level 1	Level 2	Level 3	2025
Pooled investment funds:								
Foreign equity	\$167,189	\$ -	\$ -	\$167,189	\$162,995	\$ -	\$ -	\$ 162,995
Canadian equity	82,237	-	-	82,237	75,272	-	-	75,272
Canadian bonds	-	76,282	-	76,282	-	70,017	-	70,017
Equities:								
Foreign equity	1,975	-	-	1,975	2,342	-	-	2,342
Canadian equity	3,003	-	-	3,003	2,414	-	-	2,414
Other investments	640	-	29,856	30,496	689	-	33,325	34,014
	<u>\$255,044</u>	<u>\$ 76,282</u>	<u>\$ 29,856</u>	<u>\$361,182</u>	<u>\$243,712</u>	<u>\$ 70,017</u>	<u>\$ 33,325</u>	<u>\$ 347,054</u>

The fair value measurements are those derived from:

Level 1 - Quoted prices in active markets for identical assets;

Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

The following table reconciles the changes in fair value of level 3 investments:

	2026	2025
Balance, beginning of year	\$ 33,325	\$ 28,209
Unrealized gain	318	5,512
Realized investment income	1,645	(96)
Redemption	(5,432)	(300)
	<u>\$ 29,856</u>	<u>\$ 33,325</u>

The Other investments category represents alternative investments which consists of opportunistic credit, secondary private equity, water entitlements and global transportation assets.

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 6 Financial Risk Management

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 Management Policy and to evaluate the continued appropriateness of the University's Investment Management Policy.

The University is exposed to a variety of financial risks, including market risks (price risk, currency risk and interest rate risk), credit risk, and liquidity risk. To manage these 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.

Market risk

The University 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 Management Policy with a target asset 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 University assesses its portfolio sensitivity to a percentage increase or decrease in the market prices. The sensitivity rate is determined using the historical annualized standard deviation for the total portfolio investments over a four year period as determined by a consulting report. At March 31, 2026, if market prices had a 9.48% (2025 - 10.59%) increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains and losses for the year would be \$34,002 (2025 - \$35,535).

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 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 of a change in value of the Canadian dollar against the foreign currency portfolio investments is as follows:

	Fair Value	2.5% decrease	1.0% decrease	1.0% increase	2.5% increase
Foreign currency equities	\$ 169,164	\$ 164,935	\$ 167,473	\$ 170,855	\$ 173,393

Credit risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the University. The University is exposed to credit risk on investments and has established an Investment Management Policy with required minimum credit quality standards and issuer limits to manage this risk. In accordance with the Investment Management Policy, the University reduces its credit risk by limiting the concentration of investments in entities rated below BBB to 40% of the total portfolio. The BBB score is based on the lowest of Dominion Bond Rating Service, Canadian Bond Rating Service, and/or Moody's and Standard and Poor's methodology score. The University also establishes limits on individual counterparty credit exposures by limiting maximum concentration in a single corporate issuer.

The credit risk from accounts receivable is low as the majority of balances are due from government agencies and corporate sponsors.

The credit risks on investments held are as follows:

Credit Rating	2026	2025
AAA	16.60 %	25.64 %
AA	23.40 %	20.69 %
A	9.30 %	10.39 %
BBB	27.80 %	24.99 %
Below BBB and not rated	22.90 %	18.29 %
	<u>100.00 %</u>	<u>100.00 %</u>

Liquidity risk

Liquidity risk is the risk that the University will encounter difficulty in meeting obligations associated with its financial liabilities. The University maintains a short-term line of credit with the Bank of Montreal of \$5,000 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, 2026 (2025 - \$nil).

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

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 6 Financial Risk Management (continued)

term to maturity of certain fixed income securities that the University holds. Interest rate risk on the University's debt is managed through fixed rate agreements with the Department of Treasury Board and Finance (Note 8). If interest rates changed by 1.0%, and all other variables are held constant, the \$76,282 (2025 - \$70,017) bond portfolio would result in a \$5,370 (2025 - \$5,020) impact on fair value.

The maturity and effective market yield of interest bearing investments are as follows:

	< 1 year	1 - 5 years	> 5 years	Average effective market yield
Cash and cash equivalents	\$ 15,379	\$ -	\$ -	3.45%
Portfolio investments, Canadian bonds	\$ 2,136	\$ 29,063	\$ 45,083	4.39%

Note 7 Employee Future Benefit Liabilities

	2026	2025
Universities Academic Pension Plan (UAPP)	\$ 5,028	\$ 11,297
Supplementary retirement plan	6,607	6,629
Senior administrative leaves	4,413	3,918
Long-term disability plan	2,374	2,353
Termination benefits	746	972
Other	49	7
	<u>\$ 19,217</u>	<u>\$ 25,176</u>

(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, 2024, extrapolated to the plan's year end of December 31, 2025 and further extrapolated to the University's year end of March 31, 2026 resulting in a UAPP surplus of \$612,697 (2025 - \$426,781 surplus) consisting of a pre-1992 deficit of \$816,020 (2025 - \$832,113) and a post-1991 surplus of \$1,428,717 (2025 - \$1,258,894). The University's portion of the UAPP surplus and deficit has been allocated based on its percentage of the plan's total employer contributions for the year.

The unfunded deficit for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2025 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 4.03% of salaries to eliminate the unfunded deficit by December 31, 2043. The Government of Alberta's obligation for future additional contributions was \$219,515 at March 31, 2026 (2025 - \$202,844).

Supplementary retirement 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 most recent actuarial valuation for these benefits was at March 31, 2026, and was prepared using the projected unit credit method, reflecting future salary increases. The next actuarial evaluation will be carried out for March 31, 2027.

Senior administrative leaves

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, 2026. The next actuarial evaluation will be carried out for March 31, 2027.

Long-term disability plan

The University provides long-term disability defined benefits to its employees. The most recent actuarial valuation for these benefits was at March 31, 2026. The long-term disability plan provides pension and non-pension benefits after employment, but before the employee's normal retirement date. The accrued benefit obligation began the year at \$2,353 (2025 - \$2,309), increased by current and past service costs of \$249 (2025 - \$249) and interest costs of \$73 (2025 - \$91) which were offset by amortization of net actuarial gain of \$76 (2025 - \$68) and benefits paid of \$225 (2025 - \$228) for an accrued benefit liability at the end of the year of \$2,374 (2025 - \$2,353). The long-term disability plan has an unamortized net actuarial gain of \$732 (2025 - \$607). The actuarial assumptions used to measure the accrued benefit obligation discount rate is 4.2% (2025 - 3.9%) and the annual rate of cost increase for benefits is 4.8% (2025 - 4.9%) and pension is 3.0% (2025 - 3.0%). The estimated average remaining service life of the plan is 8 years (2025 - 8 years). The University plans to use working capital to finance these future obligations. The next actuarial evaluation will be carried out for March 31, 2027.

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

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

	2026			2025		
	UAPP	Senior administrative leave ⁽²⁾	Supplementary retirement plan ⁽²⁾	UAPP	Senior administrative leave ⁽²⁾	Supplementary retirement plan ⁽²⁾
Expenses						
Current service cost	\$ 7,820	\$ 693	\$ 178	\$ 7,306	\$ 672	\$ 237
Interest cost ⁽¹⁾	(1,200)	181	259	(260)	220	313
Amortization of net actuarial (gain)/loss	(2,940)	147	15	(1,965)	80	10
Total expense	\$ 3,680	\$ 1,021	\$ 452	\$ 5,081	\$ 972	\$ 560
Financial position						
Accrued benefit obligation:						
Balance, beginning of year	\$ 240,832	\$ 4,212	\$ 6,704	\$ 228,555	\$ 4,621	\$ 6,460
Current service cost	7,820	693	178	7,306	672	237
Interest cost	14,783	181	259	14,262	220	313
Benefits paid	(12,623)	(526)	(474)	(11,658)	(1,436)	(352)
Actuarial (gain)/loss	(9,449)	(125)	94	2,367	135	46
Balance, end of year	241,363	4,435	6,761	240,832	4,212	6,704
Plan assets	(269,735)	-	-	(263,350)	-	-
Plan (surplus) deficit	(28,372)	4,435	6,761	(22,518)	4,212	6,704
Unamortized net actuarial gain/(loss)	33,400	(22)	(154)	33,815	(294)	(75)
Accrued benefit liability	\$ 5,028	\$ 4,413	\$ 6,607	\$ 11,297	\$ 3,918	\$ 6,629

⁽¹⁾UAPP interest cost is net of earnings

⁽²⁾The University plans to use its working capital to finance these future obligations.

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

	2026			2025		
	UAPP	Senior administrative leave	Supplementary retirement plan	UAPP	Senior administrative leave	Supplementary retirement plan
Accrued benefit obligation:						
Discount rate	5.9%	4.2%	4.2%	6.1%	3.9%	3.9%
Long-term average compensation increase	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Benefit cost:						
Discount rate	5.9%	4.2%	4.2%	5.1%	3.9%	3.9%
Long-term average compensation increase	3.0%	4.8%	4.8%	3.0%	4.9%	4.9%
Alberta inflation:						
2026	2.25%	n/a	n/a	2.5%	n/a	n/a
Thereafter	2.0%	n/a	n/a	2.0%	n/a	n/a
Estimated average remaining service life	11.5 yrs	2 yrs	4 yrs	11.5 yrs	2 yrs	5 yrs

(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 this defined benefit plan, it is accounted for on a defined contribution basis. The pension expense recorded in these financial statements is \$2,221 (2025 - \$2,210).

An actuarial valuation of the PSPP was carried out as at December 31, 2021 and was then extrapolated to December 31, 2025. At December 31, 2025, the PSPP reported an actuarial surplus of \$7,706,238 (2025 - actuarial surplus of \$6,473,956) which represents the excess of plan funding as a whole and not the University's share.

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 8 Debt

Debt is measured at amortized cost and is comprised of the following:

	Collateral	Maturity date	Interest rate	2026	2025
Department of Treasury Board and Finance					
Student housing debenture - Phase 3	(1)	March 15, 2037	3.26%	4,050	4,351
Other liabilities					
Equipment financing ⁽²⁾	n/a	up to May 5, 2026	4.84%	10	69
				<u>\$ 4,060</u>	<u>\$ 4,420</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 applicable student residences building.

(2) Equipment financing pertains to the purchase of computer equipment and fitness equipment.

Principal and interest repayments are as follows:

	Principal	Interest	Total
2027	\$ 322	\$ 130	\$ 452
2028	322	119	441
2029	332	109	441
2030	343	98	441
2031	355	87	442
Thereafter	2,386	261	2,647
	<u>\$ 4,060</u>	<u>\$ 804</u>	<u>\$ 4,864</u>

Interest expense on debt is \$141 (2025 - \$154) and is included in the Consolidated Statement of Operations.

Note 9 Deferred Revenue

	Restricted		Student tuition, fees, and other revenue	2026	2025
	Research and other restricted	Unspent capital contributions			
Balance, beginning of year	\$ 38,492	\$ 26,172	\$ 11,963	\$ 76,627	\$ 69,102
Grants, tuition, other donations received	23,866	12,212	11,274	47,352	51,932
Investment income	4,507	880	-	5,387	5,217
Transfers to spent deferred capital contributions	(1,184)	(8,094)	-	(9,278)	(7,236)
Recognized as revenue	(33,006)	(1,837)	(11,963)	(46,806)	(42,388)
Balance, end of year	<u>\$ 32,675</u>	<u>\$ 29,333</u>	<u>\$ 11,274</u>	<u>\$ 73,282</u>	<u>\$ 76,627</u>

As at March 31, 2026, 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.
- Other includes unearned tuition, student residences charges and other revenues received related to future fiscal periods.

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 10 Asset Retirement Obligations

	2026	2025
Asset retirement obligations, beginning of year	\$ 5,685	\$ 5,685
Liability settled	(107)	-
Asset retirement obligations, end of year	\$ 5,578	\$ 5,685

Tangible capital assets with associated retirement obligations include buildings (asbestos) and equipment (various harmful substances). The majority of University's asset retirement obligations relate to asbestos in buildings. The University estimated the nature and extent of hazardous materials in its buildings based on the potential square meters and the average costs per square meter to remove and dispose of the hazardous materials. Regulations require the University to handle and dispose of the asbestos in a prescribed manner when it is disturbed, such as when the building undergoes renovations or is demolished.

Asset retirement obligations are initially measured as of the date the legal obligation was incurred, based on management's best estimate of the amount required to retire tangible capital assets and subsequently re-measured annually taking into account any new information and the appropriateness of assumptions used. The estimate of the liability is based on third-party quotes and professional judgement.

The asset retirement obligation estimate is measured at the current expected cost to settle due to uncertainty about when hazardous materials would be removed. The present value technique is not used. The estimated recoveries are nil.

Note 11 Capital Assets

	Land	Building, land and leasehold improvements	Equipment	Other	2026	2025
Cost ^(a)						
Beginning of year	\$ 1,470	\$ 756,982	\$ 113,919	\$ 42,867	\$ 915,238	\$ 908,229
Additions ^(b)	-	9,081	3,396	1,259	13,736	13,799
Disposals and write downs	-	(4,861)	(3,397)	(313)	(8,571)	(6,790)
	1,470	761,202	113,918	43,813	920,403	915,238
Accumulated amortization						
Beginning of year	-	(303,972)	(97,427)	(36,866)	(438,265)	(425,370)
Amortization expense	-	(15,627)	(3,350)	(1,159)	(20,136)	(19,558)
Disposal and write down effect	-	3,179	3,100	314	6,593	6,663
	-	(316,420)	(97,677)	(37,711)	(451,808)	(438,265)
Net book value at March 31, 2026	\$ 1,470	\$ 444,782	\$ 16,241	\$ 6,102	\$ 468,595	\$ 476,973
Net book value at March 31, 2025	\$ 1,470	\$ 453,010	\$ 16,492	\$ 6,001	\$ 476,973	\$ 476,973

^(a) Cost includes work-in-progress for assets under construction of \$23,273 (2025 - \$18,233), which is not amortized as the assets are not yet available for use. No interest was capitalized by the University in 2026.

^(b) During the year, additions of in-kind contributions (such as library materials, equipment, and software) amounted to \$372 (2025 - \$44).

Other includes a net book value of purchased intangibles of \$3,076 (2025 - \$2,346). Additions include \$1,141 in purchased intangibles (2025 - \$1,355).

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 15,500 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 \$7 (2025 - \$49). At March 31, 2026, this collection had a book value of \$41,598 (2025 - \$41,591).

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 12 Spent Deferred Capital Contributions

Spent deferred capital contributions is comprised of externally restricted grants and donations spent on capital acquisitions (not yet recognized as revenue).

	2026	2025
Balance, beginning of year	\$ 378,839	\$ 384,671
Transfers from unspent deferred capital contributions	8,094	5,551
Transfers from deferred research and other restricted	1,184	1,685
Expended capital contributions recognized as revenue	(14,822)	(13,068)
Balance, end of the year	<u>\$ 373,295</u>	<u>\$ 378,839</u>

Note 13 Net Assets

	Accumulated surplus from operations	Investment in capital assets	Internally restricted funds and reserves	Endowments	Total
Net assets, as at March 31, 2024	\$ 77,739	\$ 87,619	\$ 43,873	\$ 104,301	\$ 313,532
Annual operating surplus	30,488	-	-	-	30,488
Endowments					
New contributions	-	-	-	1,599	1,599
Capitalized investment income	-	-	-	1,289	1,289
Transfer (from) to endowments ⁽¹⁾	(2,744)	-	-	2,744	-
Capital assets					
Amortization of capital assets	6,490	(6,490)	-	-	-
Net book value of capital asset disposals	127	(127)	-	-	-
Debt repayments	(464)	464	-	-	-
Acquisition of capital assets	11,542	6,563	(18,105)	-	-
Transfer (from) to internally restricted net of expenditures	(34,654)	-	34,654	-	-
Change in accumulated remeasurement gains	(878)	-	-	(23)	(901)
Net assets, beginning of year	\$ 87,646	\$ 88,029	\$ 60,422	\$ 109,910	\$ 346,007
Annual operating surplus	31,948	-	-	-	31,948
Endowments					
New contributions	-	-	-	3,079	3,079
Capitalized investment income	-	-	-	4,008	4,008
Transfer to (from) endowments	-	-	-	-	-
Capital assets					
Amortization of capital assets	5,314	(5,314)	-	-	-
Net book value of capital asset disposals	1,978	(1,978)	-	-	-
Debt repayments	(360)	360	-	-	-
Acquisition of capital assets	1,448	4,458	(5,906)	-	-
(Decrease) increase in asset retirement obligations	(107)	107	-	-	-
Transfer (from) to internally restricted net of expenditures	(12,452)	-	12,452	-	-
Change in accumulated remeasurement gains	(9,526)	-	-	(4,181)	(13,707)
Net assets, end of year as at March 31, 2026	\$ 105,889	\$ 85,662	\$ 66,968	\$ 112,816	\$ 371,335
Net assets is comprised of:					
Accumulated surplus	\$ 89,753	\$ 85,662	\$ 66,968	\$ 105,236	\$ 347,619
Accumulated remeasurement gains	16,136	-	-	7,580	23,716
	<u>\$ 105,889</u>	<u>\$ 85,662</u>	<u>\$ 66,968</u>	<u>\$ 112,816</u>	<u>\$ 371,335</u>

⁽¹⁾ In fiscal year 2024, the University incurred cumulative endowment expenditures of \$2,744 but did not earn sufficient endowment income to fund these expenditures. These expenditures were funded by a transfer from endowment net assets. This funding transfer flowed through unrestricted net assets. The recovery transfer occurred in 2025 and also flowed through unrestricted net assets to endowment net assets. Since the expenditures were funded by a transfer from endowment net assets at no time during those past two fiscal years was the University's unrestricted net assets position impacted.

⁽²⁾ The University's closing net assets invested in capital assets have been reduced by the University's asset retirement obligations of \$5,578 (2025 - \$5,685). A funding source for this obligation has not been determined.

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 13 Net Assets (continued)

Internally restricted funds and reserves

	2026	2025
Operating reserves		
Employee programs and initiatives	\$ 4,933	\$ 4,487
Utility provisions	2,798	2,798
Academic initiatives	3,158	2,948
Contracts	2,614	2,016
Support student potential	240	240
Enterprise resource planning	969	969
	<u>14,712</u>	<u>13,458</u>
Capital reserves		
Building, plant and equipment	12,344	13,294
Research investment	1,081	1,081
Campus planning	1,881	1,881
Self insurance	727	587
Enterprise resource planning	20,500	18,500
	<u>36,533</u>	<u>35,343</u>
Contractual reserves		
Professional supplement	2,086	2,109
Health care benefits	1,395	1,045
Community stadium	72	45
	<u>3,553</u>	<u>3,199</u>
Ancillary services reserves	<u>12,170</u>	<u>8,422</u>
Total	<u>\$ 66,968</u>	<u>\$ 60,422</u>

Note 14 Contingent Assets

As of March 31, 2026, the University, in the conduct of its normal activities, initiated legal matters and insurance claims where possible assets are being sought. These contingent assets are not recognized in the financial statements. While the outcomes of these matters cannot be reasonably estimated at this time, the University believes that any settlement will not have a material effect on the financial position or the results of operations of the University.

Note 15 Contingent Liabilities

As of March 31, 2026, the University was named as defendant in a number of legal proceedings arising in the normal course of business. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Management has concluded that none of the claims meet the criteria for recognizing a liability.

Note 16 Contractual Rights

Contractual rights are rights of the University to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	Operating Leases
2027	\$ 17,682
2028	17,533
2029	203
2030	193
2031	193
Thereafter	<u>3,762</u>
Total at March 31, 2026	<u>\$ 39,566</u>
Total at March 31, 2025	<u>\$ 39,618</u>

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 17 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. The estimated aggregate amount payable for the unexpired terms of these contractual obligations are as follows:

	Service Contracts	Capital Projects	Information Systems and Technology	Operating Leases	Total
2027	\$ 2,321	\$ 8,923	\$ 2,041	\$ 217	\$ 13,502
2028	216	-	1,194	162	1,572
2029	162	-	702	74	938
2030	128	-	172	75	375
2031	114	-	35	18	167
Thereafter	341	-	-	-	341
Total at March 31, 2026	\$ 3,282	\$ 8,923	\$ 4,144	\$ 546	\$ 16,895
Total at March 31, 2025	\$ 5,530	\$ 4,386	\$ 5,139	\$ 760	\$ 15,815

Service contracts include contractual obligations the University has entered into for services such as electricity, maintenance 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 term costs.

Included in service contracts are electricity contracts entered into to reduce 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 \$0.08 (2025 - \$0.08) per kilowatt hour.

The University is one of 78 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 or colleges. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. CURIE has eight different underwriting periods, of which the University participates in seven with an accumulated surplus of \$133,886 as of December 31, 2025 (2024 - \$130,336). The University's proportionate share of the surplus is approximately 1.50% (2024 - 1.50%) at December 31, 2025. This surplus is not recorded in the financial statements.

Note 18 Funds Held on Behalf of Others

The University holds funds on behalf of others over which the Board has no power of appropriation in the amount of \$50 (2025 - \$55). Accordingly, these funds are not included in the consolidated financial statements.

Note 19 Related Parties

The University is a related party with organizations within the Government of Alberta (GOA) reporting entity. Key management personnel of the University, including the Board of Governors and their close family members are also considered related parties. The University may enter into arm's length transactions with these entities and individuals in the normal course of operations and on normal terms.

The University has liabilities with the Department of Treasury Board and Finance as described in Note 8.

During the year, the University conducted business transactions with related parties, including Ministries of the Government of Alberta, school districts and other public Colleges and Universities. The revenues and expenses incurred for these business transactions have been included in the Consolidated Statement of Operations but have not been separately quantified. During the year, the University received the following services at nominal or reduced amounts:

- The University occupied space owned by Bow Valley College, an entity subject to common control, at a nominal cost. The cost differs from the estimated fair value of \$265 that would have been recorded if the parties were at arm's length.

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 20 Government Transfers

	2026	2025
Grants from Government of Alberta (GOA)		
Advanced Education		
Operating grants	\$ 90,310	\$ 88,286
Capital grants	11,590	8,240
Other	6,112	5,025
	<u>108,012</u>	<u>101,551</u>
Other GOA departments and agencies:		
Alberta Innovates Corporation	1,314	1,595
Other Provincial Institutions	593	1,076
Alberta Gambling Research Institute	610	332
Alberta Technology and Innovation	1,251	413
Alberta Health	171	187
Alberta Environment and Protected Areas	195	35
Alberta Agriculture and Irrigation	111	100
Alberta Culture and Status of Women	-	(17)
Alberta Education	(2)	14
Alberta Energy	55	25
	<u>4,298</u>	<u>3,760</u>
Total contributions received	112,310	105,311
Expended capital contributions recognized as revenue	10,873	10,165
Deferred revenue	(10,173)	(7,151)
	<u>\$ 113,010</u>	<u>\$ 108,325</u>
Federal and other government grants		
Contributions received	\$ 14,230	\$ 13,981
Deferred revenue	885	185
	<u>\$ 15,115</u>	<u>\$ 14,166</u>

Note 21 Expense by Object

	Budget (Note 24)	2026	2025
Salaries ⁽¹⁾	\$ 138,730	\$ 130,655	\$ 126,620
Employee benefits	27,244	18,506	19,539
Materials, supplies and services	35,028	39,562	35,743
Utilities	7,081	5,310	5,874
Maintenance and repairs	2,997	2,962	2,328
Scholarships and bursaries	8,075	9,199	9,491
Cost of goods sold	1,118	1,309	1,578
Amortization of capital assets	20,069	20,136	19,558
	<u>\$ 240,342</u>	<u>\$ 227,639</u>	<u>\$ 220,731</u>

⁽¹⁾ Salaries include termination costs of \$1,340 (2025 - \$1,997).

Note 22 Sales of Services and Products

Revenues that are not related to recurring activities were \$20 (2025 - \$23).

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 23 Salary and Employee Benefits

	2026			2025	
	Base Salary (1)	Other Cash Benefits (4)	Other Non- Cash Benefits (2, 6, 7)	Total	Total
Governance⁽³⁾					
Chair of the Board of Governors	\$ -	-	- \$	- \$	-
Members of the Board of Governors	\$ -	-	- \$	- \$	-
Executive					
President ⁽⁴⁾	\$ 409	6	239 \$	654 \$	623
Provost and Vice-President Academic	\$ 375	-	107 \$	482 \$	92
Vice-President Finance and Administration ^(5,8)					
Incumbent ^(5,8)	\$ 307	-	70 \$	377 \$	219
Past Incumbent ⁽⁵⁾	\$ -	-	- \$	- \$	252
Vice-President Research	\$ 354	-	200 \$	554 \$	523
Vice-President External Relations ⁽⁸⁾	\$ 301	-	70 \$	371 \$	356

(1) Base salary includes pensionable base pay. Bonuses were not paid.

(2) Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, dental coverage, flex health plan, extended health benefits, group life insurance, relocation allowance, research allowance, supplementary retirement plan (as per point 6 below), senior administrative leave (as per point 7 below) professional supplement allowance, fair market value of parking.

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

(4) Automobile allowance provided, included in other cash benefits.

(5) During 2025, the Vice-President Finance and Administration position was held by the past incumbent for six months and the current incumbent for six months.

(6) Under the terms of the supplementary retirement plan (SRP), senior administrators will receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are the period expense for rights to future compensation. The SRP is a defined benefit plan. The cost of these benefits is actuarially determined using the projected unit credit method, a discount rate based on market interest rates, and management's best estimate of future salary increases and retirement ages for employees. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the expected benefits accrued for the period. Prior service and other costs include the amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

(7) Senior administrative leave is accrued for certain senior administrators at a rate of one month for every five months served. If the leave is granted, all salaries and benefits are paid on a monthly basis for 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 upon completion of the senior administrative appointment. 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 term completion. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include the amortization of actuarial gains and losses and interest accruing on the actuarial liability. Following a change in legislation, the previously accumulated senior administrative leave for the Incumbent Provost and Vice-President Academic was reduced from 24 months to 12 months, leading to an actuarial reduction to the accrued obligation of \$379 in 2025.

(8) The position does not accrue senior administrative leave.

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 23 Salary and Employee Benefits (continued)

The cost for each executive under the Senior Administrative Leave Plan is outlined in the following table and included in non-cash benefits:

	2026			2025	
	Current Service Cost	Prior Service and Other Costs (benefits reduction)	Total	Total	
President	\$ 102	17 \$	119 \$	\$ 104	
Vice-Presidents:					
Provost and Vice-President Academic ⁽⁷⁾	\$ -	27 \$	27 \$	\$ (347)	
Vice-President Finance and Administration ^(5,8)					
Incumbent ^(5,8)	\$ -	- \$	- \$	\$ -	
Vice-President Research	\$ 74	24 \$	98 \$	\$ 84	
Vice-President External Relations ⁽⁸⁾	\$ -	- \$	- \$	\$ -	

The accrued obligation for each executive under the Senior Administrative Leave Plan is outlined in the following table:

	Accrued Obligation March 31, 2025	Changes in Accrued Obligation ^(7,9)	Accrued Obligation March 31, 2026
President	\$ 178	110	288
Vice-Presidents:			
Provost and Vice-President Academic	\$ 359	13 \$	372
Vice-President Finance and Administration ^(5,8)			
Incumbent ^(5,8)	\$ -	- \$	-
Vice-President Research	\$ 277	68 \$	345
Vice-President External Relations ⁽⁸⁾	\$ -	- \$	-

The cost for each executive under the Supplementary Retirement Plan is outlined in the following table and included in non-cash benefits:

	2026			2025	
	Current Service Cost	Prior Service and Other Costs	Total	Total	
President	\$ 25	4	29 \$	\$ 27	
Vice-Presidents:					
Provost and Vice-President Academic	\$ 11	4	15 \$	\$ 14	
Vice-President Finance and Administration ⁽⁵⁾					
Incumbent ⁽⁵⁾	\$ 13	1 \$	14 \$	\$ -	
Vice-President Research	\$ 19	3 \$	22 \$	\$ 21	
Vice-President External Relations	\$ 12	2 \$	14 \$	\$ 13	

University of Lethbridge

Year ended March 31, 2026

(thousands of dollars)

Note 23 Salary and Employee Benefits (continued)

The accrued obligation for each executive under the Supplementary Retirement Plan is outlined in the following table:

	Accrued Obligation March 31, 2025	Changes in Accrued Obligation	Accrued Obligation March 31, 2026
President	\$ 87	53	\$ 140
Vice-Presidents:			
Provost and Vice-President Academic	\$ 94	12	\$ 106
Vice-President Finance and Administration ⁽⁵⁾ Incumbent ⁽⁵⁾	\$ 6	12	\$ 18
Vice-President Research	\$ 70	18	\$ 88
Vice-President External Relations	\$ 45	12	\$ 57

The significant actuarial assumptions used to measure accrued benefit obligations are disclosed in Note 7.

Note 24 Budget Figures

The University's fiscal 2026 budget was approved by the Board of Governors and submitted to the Minister of Advanced Education.

Note 25 Approval of Financial Statements

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