University of Lethbridge

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2010-11 Annual Report

For the year ended March 31, 2011

The University of Lethbridge 2010-11 Annual Report to Alberta Advanced Education and Technology

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University of Lethbridge

Accountability Statement

The University of Lethbridge Annual Report for the year ended March 31, 2011 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 Robert Turner

Mr. Robert Turner, Chair, Board of Governors

Date: June 24, 2011

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 Nancy Walker

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

Date: June 24, 2011

Annual Report 2010 – 2011

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Message from the Board of Governors

2010/11 was a year of changes at the University of Lethbridge. Under the leadership of a new President, Dr. Michael (Mike) Mahon, the University pushed ahead on the vision of our Strategic Plan. After close to a decade of unprecedented growth, the University community was faced with a shrinking budget and looming demographic challenges related to student enrolment. Despite these challenges, the U of L had a record year, with our largest ever Fall semester enrolment. In units across campus, we have seen exciting activities that promote the Strategic Plan and reflect our commitment to putting our students first.

The University of Lethbridge was a busy place in 2010/11: faculty and student research flourished; graduate education continued to evolve; and through it all our students continue to be at the centre of everything we do. Individual units worked both in their own operation and cooperatively with other units to put our students first. Both the Strategic Enrolment Management Committee and the Recruitment and Retention Project Teams brought together individuals from across campus to identify various factors that contribute to student recruitment, engagement, and success. With a new foundational document for enrolment planning (*Setting Enrolment Directions*) and eight topic-focused Recruitment and Retention project teams, these groups are committed to enhancing the student experience at the U of L. Related to this collaborative approach to serving our students, there were notable accomplishments in First Nations, Metis and Inuit (FNMI) education. The First Nations Transition Program recruited a full complement of students much earlier than in previous years and saw its first alumni go on to graduate with their Bachelor's degrees.

The Faculty of Management found new homes at both our Lethbridge and Calgary campuses. In 2010/11, our Calgary campus moved from its former location at SAIT into Bow Valley College and Rocky Mountain Plaza in downtown Calgary. The move to Bow Valley College demonstrates the U of L's commitment to programming in Calgary and to being a pan-Alberta institution, along with its campus in Edmonton, and an active partner in Campus Alberta. At our Lethbridge campus, the Faculty of Management along with the Faculty of Health Sciences moved into the new Markin Hall. After years of planning, this was an exciting culmination that transforms our campus and enhances the educational opportunities for our students.

Graduate education plays an increasing role at the University as the U of L evolves into a truly Comprehensive institution. In the past year, the number of applications for graduate education continued to rise. Under the leadership of a new Dean, our School of Graduate Studies in conjunction with the various Faculties has taken a serious look at the administration of graduate education to identify challenges such as equitable financial support for our graduate students, recognition of faculty supervision of graduate students, and the modernization of the graduate application process.

The University Library undertook a renovation project to provide nine new group workrooms. In addition to traditional workroom amenities such as white boards and tables, the new rooms include wall mounted LCD monitors in place of a standard data projector. The Library has started experimenting with various smart phone applications to capitalize on this trend in a practical, student-focused way. The Library launched a mobile version of its website in the fall semester, followed by an implementation of QR codes – scan-able bar codes that allow student to book group workrooms on the spot with their mobile phones as well as to access the library catalogue making it possible to capture citation information directly to a smart phone. The Library also launched the Peer-Assisted Technology Support Students (PATSS) – a pilot project group of student assistants trained in IT issues frequently encountered by students.

The upcoming year stands to be just as dynamic as this past year. With the first year of budget pressures behind us, the upcoming years will continue to present challenges for the University of Lethbridge, but we are confident that, like 2010/11, our institution will not only meet these challenges but continue to thrive.

2010 - 2011 Academic Year in Review

APRIL 2010

As part of an overall commitment to enhance the student experience at U of L, a **RECRUITMENT AND RETENTION PROJECT TEAM** was formed to enhance and ensure sustainability with University student recruitment; to identify and implement strategies designed to enhance student retention; and to ensure that system level barriers to student success and engagement are removed. This team began work in earnest as it gathered information and hosted focus groups, looking to identify projects that will enhance student retention across the institution.

MAY 2010

In May 2010, the Faculties of Management and Health Sciences prepared for their moves into the newest building at U of L – **MARKIN HALL**. This state-of-the art building includes a unique Finance Trading Floor, aimed at providing students with hands-on experience in trading and risk management and a Clinical Skills Lab to students with the opportunity to practice the skills that will be required of them as practicing nurses through patient simulators to provide a realistic and interactive learning environment.

JUNE 2010

The University of Lethbridge received the only **NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL (NSERC) CREATE** program award in Alberta this year – more than $1.6 million in funding over the next 6 years. The Collaborative Research and Training Experience (CREATE) Program supports the training of highly qualified students and post-doctoral fellows through the development of innovative training programs. The U of L program focuses on students who participate in satellite and other imaging programs, and is called the Advanced Methods, Education and Training in Hyperspectral Science and Technology (AMETHYST) program, with more than 80% of the funding going directly to students.

JULY 2010

The summer months are quiet on any University campus with most students gone. However, the University continued to be a hive of activity through its **SUMMER CAMPS**. From physical activity and sports camps to science camps to fine arts camps, the University campus is invaded by a different breed of students (and hopeful future U of L students). These camps also involve many of our current students as camp leaders. Kids are not our only community visitors over the summer months – in its first full year of operation, the **COMMUNITY STADIUM** was teaming with community sports groups taking advantage of the new 2,000-seat, multi-use facility.

AUGUST 2010

While many U of L students leave campus over the summer, there are a number who remain here to participate in one of the **UNDERGRADUATE RESEARCH OPPORTUNITIES**. The Chinook Summer Research Awards aim to encourage research and advance training of undergraduate students from all faculties. The program facilitates research advancement by providing students with a suitable research training experience with a University of Lethbridge faculty member who has an ongoing research program. The Alberta Innovates - Health Solutions (AI-HS) program provides an opportunity for diligent students with superior academic records to participate in medical or health research in Alberta during the summer time.

SEPTEMBER 2010

Fall 2010 welcomed **8472 STUDENTS** to the University of Lethbridge across all three campuses. This represented an increase of more than 200 students. Of these, 526 were graduate students, continuing to build our role as a Comprehensive Academic and Research Institution. New undergraduate students and their parents were welcomed to the U of L family through two days of New Student Orientation activities.

OCTOBER 2010

In October, the University of Lethbridge and our community officially welcomed new President Dr. Michael J. (Mike) Mahon. Dr. Mahon was installed as the **6TH U OF L PRESIDENT** on October 15, 2010 after joining the University in July. A number of events were organized to introduce Dr. Mahon to various groups on campus, culminating in the Installation ceremony and a celebratory dinner. The following day, the new President welcomed over 300 new alumni in our Fall Convocation ceremony.

NOVEMBER 2010

The U of L continued to prove itself nationally in 2010-11 on various **UNIVERSITY RANKINGS**. The U of L was identified as a top performer in the quality of health education and of business and commerce education, as well as being competitive with similar institutions on a variety of indicators in the Globe and Mail's Canadian University Report. In November, Macleans magazine released its annual rankings, identifying the University of Lethbridge as the #4 Primarily Undergraduate institution in the country, up from #6 in 2009.

DECEMBER 2010

The **UNIVERSITY BUDGET COMMITTEE** meets between the months of September to February to consider the allocation of resources for the next 3 fiscal years. This year saw the budget incorporated into the new Comprehensive Institutional Plan as submitted to Advanced Education and Technology. In December of each year this process brings together members from across campus to consider not just the funding requests from units, but presentations by these groups identify their challenges and how their actions can contribute to the strategic directions of the University.

JANUARY 2011

After a 15-year partnership with the Southern Alberta Institute of Technology, the U of L moved its **CALGARY CAMPUS** to Bow Valley College and Rocky Mountain Plaza located in downtown Calgary. As of January 2011, all courses are being taught at the Bow Valley College location. This move is part of an exciting partnership with Bow Valley College, Athabasca University, and Olds College to develop the Bow Valley College South Campus.

FEBRUARY 2011

A contingent of U of L alumni and their colleagues returned to campus for two days in February as part of the **SOUTHWEST ALBERTA TEACHERS' CONVENTION**. The Faculty of Education has very strong ties to the local teaching community. Having this professional development conference on campus is a natural extension of this relationship, and is an educational extension for many of the participants as former U of L students.

MARCH 2011

On March 15, 2011, the U of L officially welcomed our **12TH CHANCELLOR**. Shirley McClellan follows Richard Davidson, QC as the University's Chancellor. The former Alberta deputy premier and finance minister brings a wealth of experience to her new role, including as the parent of a U of L graduate.

Awards & Honours

Honourary Degree Recipients

Spring 2010
Dr. Vincent DiLollo
Ike Lanier
Shirley McClellan
Dr. Michael (Tom) Melling

Fall 2010
Dr. Hank A. Margolis

2010 President's Awards for Service Excellence

Calvin Toth
Kim Fowler
Major Building Construction Team

2010 Senate Volunteer Award

Elsa Cade
Dr. Robert (Bob) Hironaka

2010 Distinguished Teaching Award

Dr. Leah Fowler

2010 Board of Governors' Teaching Chair

Dr. Robin Bright

2010 Ingrid Speaker Medal for Distinguished Research, Scholarship, or Performance

Dr. Brian Titley

Alumnus of the Year

Dr. Blair McMurren

2010 Alumni Honour Society Inductees

Betty Jean Bastien
Belinda Crowson
Doug Hudson
Jill Kotkas
Jessie Snow
Clarence Taal

Progress to Our Future

In the University of Lethbridge *Strategic Plan, 2009-13*, the University community committed to a series of actions that will help us reach our preferred future. The following discussion documents the progress that the University made in 2010-11 to meeting our own Strategic Directions as well as our commitments found in the University's Mandate and in our role as a Comprehensive Academic and Research Institution.

The following table summarizes a few key indicators of our progress:

Table 1: University of Lethbridge Key Performance Indicators, 2008/09 – 2010/11

	2010/11	2009/10	2008/09
Enrolment			
Undergraduate FTE	8,000.0	7,879.3	7,756.3
Graduate FTE	631.0	586.0	450.7
TOTAL	8,631.0	8,465.3	8,207.0
Student Outcomes			
Degrees & Diplomas Awarded	1,917	1,932	1,960
Graduate Satisfaction Rate[1]	93%	-	93%
Graduate Participation Rate[1]	91%	-	91%
Graduate Employment Rate[1]	96%	-	99%
Research			
Research Council Grants ($ 000's)	$4,645	$4,492	$4,706
Research Intensity (3 year moving average)	2007-2009 18.3%	2006-2008 18.4%	2005-2007 19.7%
Research Impact (3 year moving average)	2007-2009 11.9%	2006-2008 13.0%	2005-2007 11.5%
Community			
Sports & Recreation Facility Visits	161,414	149,505	140,706
Music Conservatory Enrolments	1,144	1,004	1,246
Administration			
Faculty & Staff	1,131	1,155	1,165
Administrative Expenses as a Percentage of Total Expenditures	8.3%	8.6%	9.5%

[1] Note: These numbers are only collected every other year through Advanced Education and Technology's *Graduate Outcomes Survey*.

CONFIRM OUR PLACE AS A COMPREHENSIVE UNIVERSITY

The University of Lethbridge is committed to continuing our development as a Comprehensive Academic and Research Institution (as defined in the *Roles and Mandates Framework*) while maintaining the dedication to the quality undergraduate programming that we are built on.

Progress on our Goals

- The U of L continues to work with the Ministry and with Campus Alberta Quality Council on a proposal for a PhD in Education, building on the strengths of our existing M.Ed. cohort model and our PhD programs in other disciplines.
- As well, internal work continues on developing new PhD programs in: Chemistry; Knowledge, Culture, and Society; and Population and Health Studies. These programs will leverage faculty research strengths and provide a more comprehensive slate of PhD programs for prospective students. Additionally, a number of undergraduate programs are under development.
- The University of Lethbridge received the only Natural Sciences and Engineering Research Council (NSERC) CREATE program award in Alberta this year – more than $1.6 million in funding over the next 6 years. The Collaborative Research and Training Experience (CREATE) Program supports the training of highly qualified students and post-doctoral fellows through the development of innovative training programs. These programs:
    - Encourage collaborative and integrative approaches, and address significant scientific challenges associated with Canada's research priorities; and
    - Facilitate the transition of new researchers from trainees to productive employees in the Canadian workforce.

  These innovative programs include the acquisition and development of important professional skills among students and postdoctoral fellows that complement their qualifications and technical skills.[2]

  The U of L program focuses on students who participate in satellite and other imaging programs, and is called the Advanced Methods, Education and Training in Hyperspectral Science and Technology (AMETHYST) program, with more than 80% of the funding going directly to students.
- The Board of the University and the Graduate Student Association ratified a first agreement governing the employment of graduate students as graduate assistants.
- With the generous support of the Chartered Accountants Education Foundation of Alberta (CAEF), the University of Lethbridge will offer a CA Bridging program to enable students with four-year degrees in any discipline to complete all the business and accounting courses needed for admission to the CA School of Business through the U of L's Calgary and Edmonton campuses.

Under the leadership of a new Dean of Graduate Studies, the University of Lethbridge has seen graduate student enrolment grow by more than 200 students (64%) in the past 5 years.

Graduate students now represent over 6.5% of the University's student population.

This dedication to becoming a comprehensive, student-centred graduate institution is evidenced in the ratification of a first Graduate Student Agreement, the finalization of a program review of existing PhD programs, and the development of new programs.

[2] National Science and Engineering Research Council. *Collaborative Research and Training Experience Program*. Retrieved from http://www.nserc-crsng.gc.ca/Professors-Professeurs/grants-subs/CREATE-FONCER_eng.asp

Key Performance Indicators

Figure 1:

Fall FTE Enrolment, 2006/07 – 2010/11

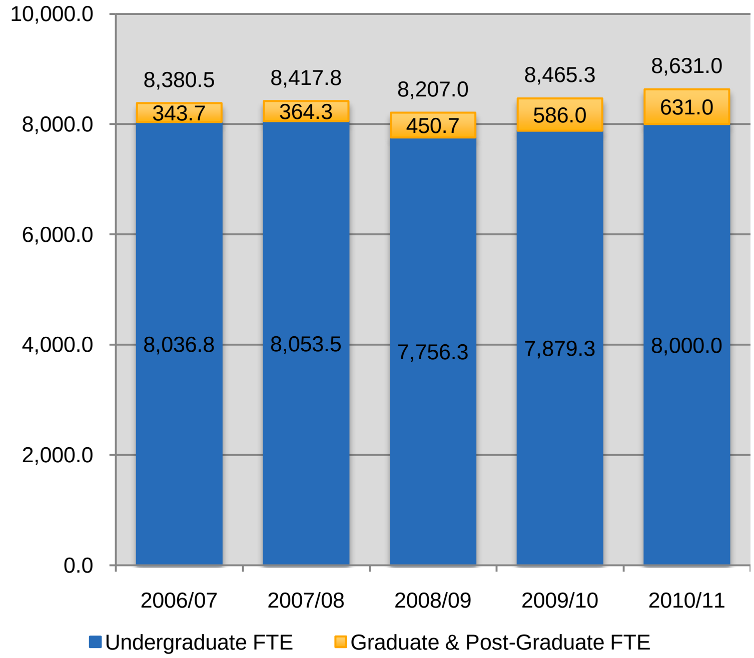


Figure 2:

Graduate Student Enrolment, Fall 2006 – Fall 2010

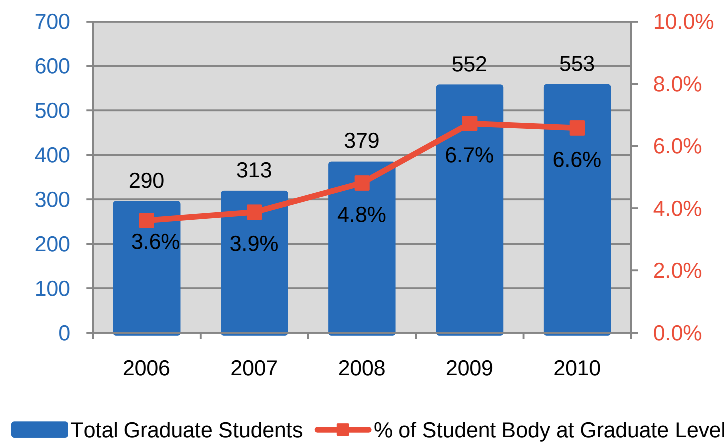


Figure 3:

International Student Enrolment, Fall 2006 – Fall 2010

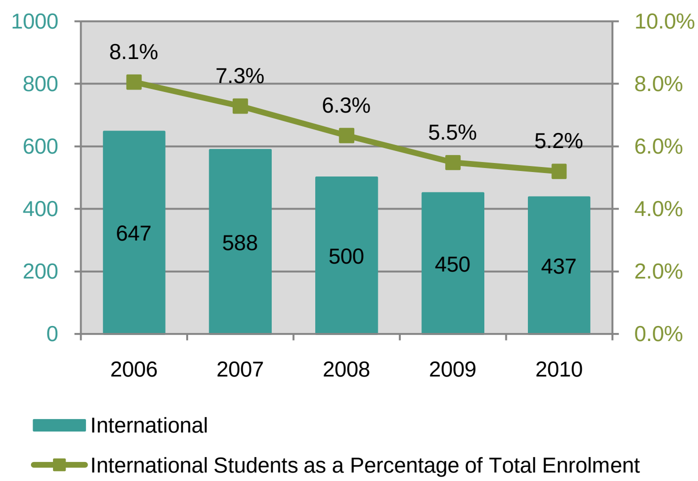
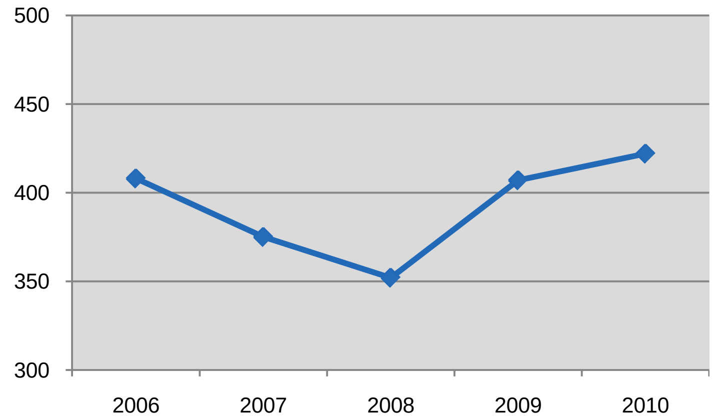


Figure 4:

Self-declared First Nations, Métis, and Inuit Student Enrolment, Fall 2006 – Fall 2010



ENHANCE THE STUDENT EXPERIENCE

The University strives to ensure that our students have a premium student experience. We continue to work at improving our services to our students to build a sense of community and belonging for all students.

Progress on our Goals

- As the Faculties of Management and Health Sciences made the move into their new home in Markin Hall, renovations began on the vacated spaces in University Hall and Anderson Hall. Much of the University Hall space is being converted into 62 additional student residence spaces. Likewise, the space vacated by the Faculty of Health Sciences in Anderson Hall is being converted, largely for student service space including new homes for Career & Employment Services and Student Awards & Financial Aid, as well as for the School of Graduate Studies.
- With team members from across campus, the Recruitment and Retention Project began in earnest over the past year. The project's objectives are to:
    - Increase learner success at the University of Lethbridge;
    - Enhance the focus of support services for learners;
    - Implement sustainable student enrolment strategies; and
    - Continue to improve the quality, reputation and perception of the University of Lethbridge among students, alumni and the general community.

  The Project identified a number of Subject Matter Teams to achieve this: Academic Support Achievement and Learning Resources; Academic Support - Student Success; Campus Housing Expansion; Campus Services Web Pages; Enhancing Community and School Spirit; Online Graduate Studies Application; Student Portal; and Traditions.
- The Strategic Enrolment Management Committee and Executive, working closely with the Offices of the Vice-President Academic and of the Registrar and Associate Vice-President Student Services, developed a document that would guide enrolment planning for the five Faculties and the School of Graduate Studies, as well as other units on campus. *Setting Enrolment Directions* and its accompanying background document were adopted by the Committee in April 2011.
- The Campus Daycare saw its first full academic year of operation. This has proved to be a highly demanded service for students and for faculty members.

In 2010, Pronghorns Athletics introduced THE HERD, a student-run fan club. In its first year, 230 students joined the club. In addition to THE HERD attendance, the Athletics office worked to increase opportunities for student groups to come to Pronghorn games, Rez nights, and Group of the Game. These initiatives saw 20 different student groups with over 400 students attend either a basketball or hockey game.

Our student athletes were getting involved too. In November, the Pronghorn men's hockey team raised $11,107 for Prostate Cancer Awareness during their Horns in Movember *event.*

Key Performance Indicators

Figure 5:

Undergraduate Program Completion Rate, 1997/98 – 2001/02

Note: The years in this figure reflect the cohort by year of entry. Completion rate is based on the program length plus 3 years.

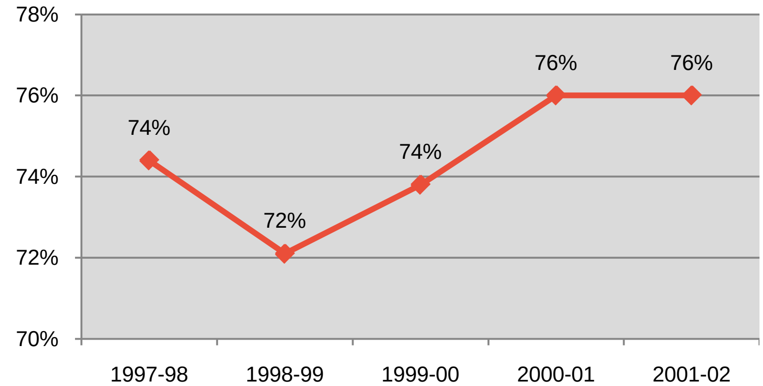


Figure 6:

Graduate Program Completion Rate, 2001/02 – 2005/06

Note: The years in this figure reflect the cohort by year of entry. Completion rate is based on the program length plus 3 years.

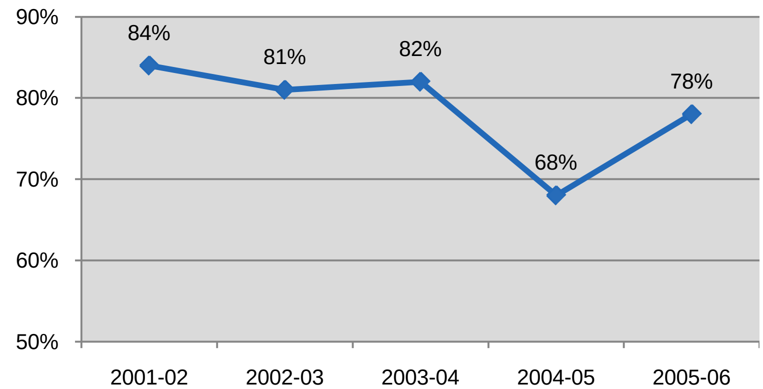


Figure 7:

Graduate Satisfaction Rates, 2002 – 2010

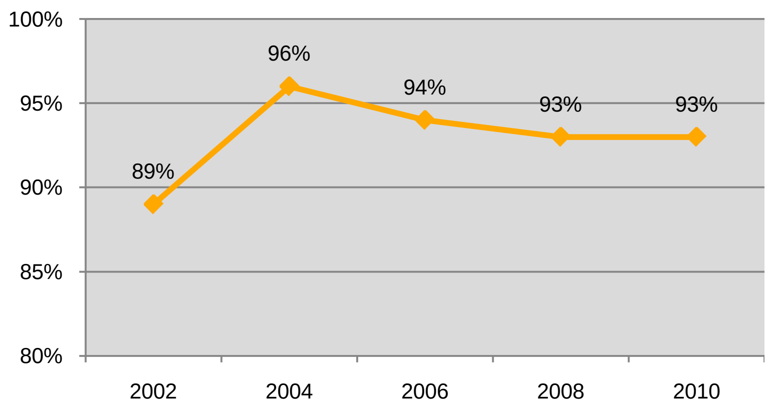
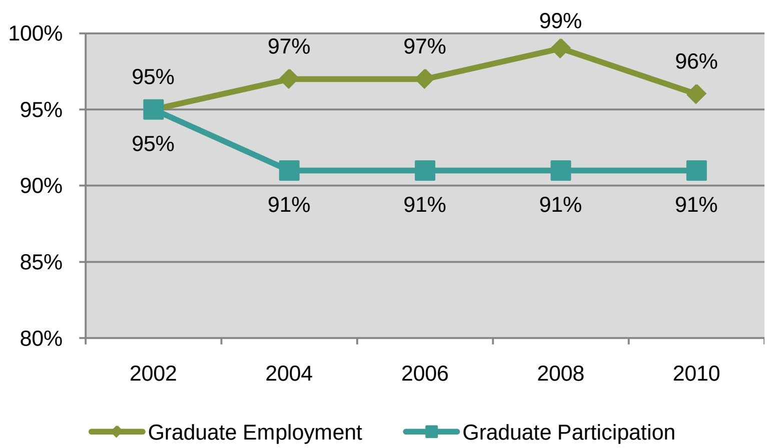


Figure 8:

Graduate Employment and Participation Rates, 2002 – 2010



BUILD INTERNAL COMMUNITY AND ENHANCE RELATIONSHIPS WITH EXTERNAL COMMUNITIES

The University recognizes that the University is not only a community of scholars, but part of a wider community. We maintain excellent working relationships with community partners, including the City of Lethbridge and Lethbridge College.

Progress on our Goals

- The downtown Dr. Foster James Penny building underwent renovations with part of the building reopened for programming. Space programming for the building will incorporate needs of the Faculty of Fine Arts, University Advancement, and the School of Graduate Studies, creating a downtown presence for the U of L.
- The University is collaborating with the City of Lethbridge and community arts groups to build a Community Arts Centre in downtown Lethbridge. Once complete, the Centre will accommodate the U of L Music Conservatory, offering music instruction to the Lethbridge community from Kindermusik to advanced instruction.

With more than 700 students, the U of L's Calgary Campus had outgrown its home of 15 years at SAIT. In 2010, the move began to new office space at Rocky Mountain Plaza with classrooms a mere block away on the campus of Bow Valley College. With this new location, the U of L is able to build partnerships with other post-secondary institutions and with community partners.

One such partnership is the new CA Bridging program, offered exclusively through our Calgary and Edmonton campuses. Working with the Chartered Accountants Education Foundation of Alberta, the U of L will provide students from varying degree-backgrounds with the preparation they need for admission to the CA School of Business.

PROMOTE ACCESS TO QUALITY POST-SECONDARY EDUCATION

The University aims to be accessible to as many qualified individuals as possible. We enable this through innovative, responsive, and collaborative programming, the strategic use of technology, and thinking strategically about program delivery, both traditional and non-traditional.

Progress on our Goals

- In the summer of 2010, our Calgary campus successfully moved from its previous location at the Southern Alberta Institute of Technology (SAIT) to its new locations at Bow Valley College and in Rocky Mountain Plaza. The University is actively working on a partnership with Bow Valley College, Olds College, and Athabasca University to form a new Campus Alberta facility in downtown Calgary. The new location and future plans will allow the U of L to increase access to the post-secondary learner through increased space, strategically consider the programs offered in Calgary, use appropriate delivery methods, and build partnerships within the Campus Alberta model.
- The U of L continues to receive a number of transfer applications from students at institutions across the province. We continue to work to develop collaborative programs with these institutions to develop complementary programs that best serve our students. For example, we are currently working with Lethbridge College to continue those programs that we offer jointly (e.g. Nursing Education in Southwestern Alberta) as well as to identify new collaborative programs.

Figure 9:

Geographic Source of Canadian Students, 2006 – 2010

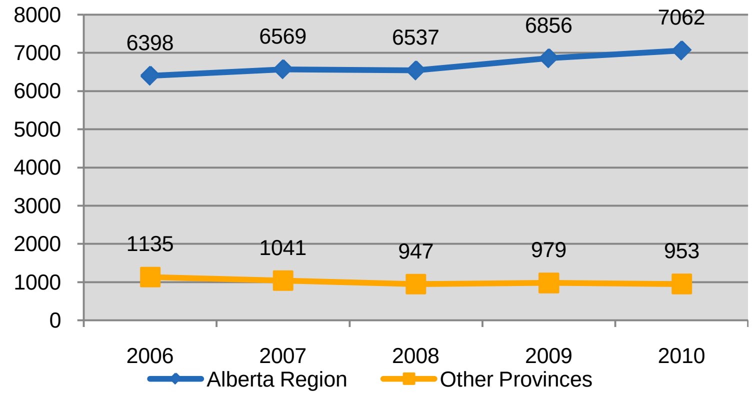
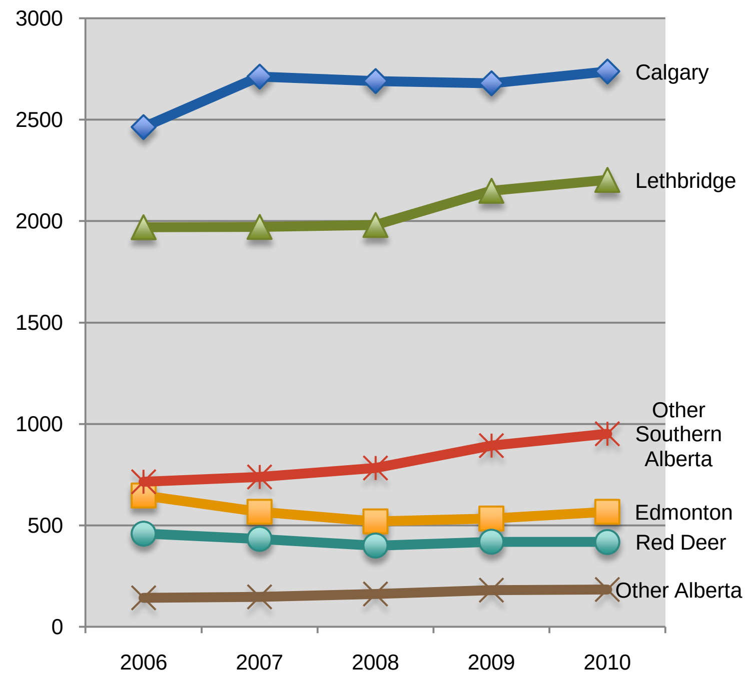


Figure 10:

Geographic Source of Alberta Students, 2006 – 2010



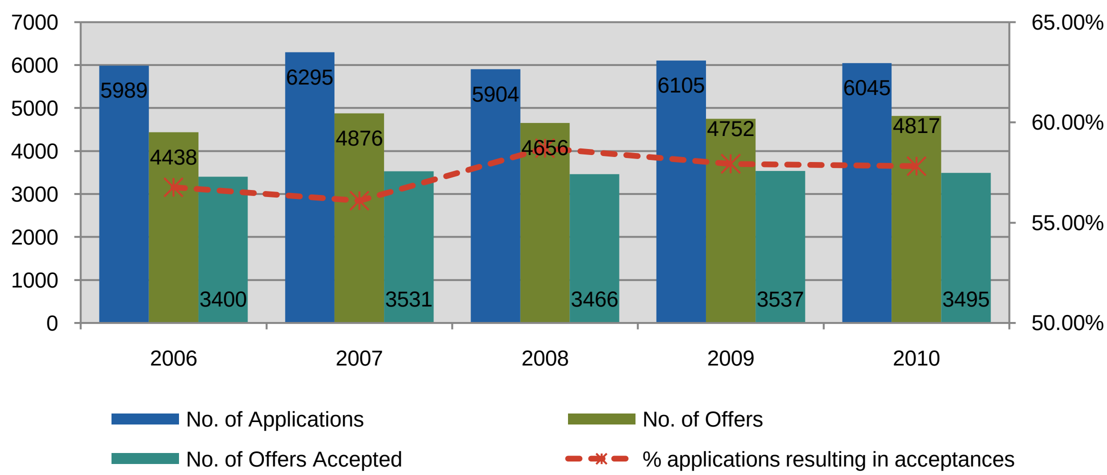


Figure 11: Applications, Offers, and Accepted Offers, 2006 – 2010

ENHANCE THE ENVIRONMENTAL SUSTAINABILITY OF THE UNIVERSITY

The University aims to be accessible to as many qualified individuals as possible. We enable this through innovative, responsive, and collaborative programming, the strategic use of technology, and thinking strategically about program delivery, both traditional and non-traditional.

Progress on Goals

- The University of Lethbridge officially opened Markin Hall, the new home to the Faculties of Management and of Health Sciences. Construction was completed to satisfy Leadership in Energy and Environmental Design (LEED) silver level requirements.

Markin Hall Facts:

- *Design and mechanical systems provide 56% energy savings, 44% indoor water savings, and 17% raw materials savings compared to a conventional building.*
- *First radiant cooling application in Alberta.*
- *First project in Lethbridge to recycle drywall waste.*
- *Triple-glazed energy efficient windows.*
- *Landscaping is designed to integrate storm water, hold it during heavy flows and release it slowly, taking undue pressure off city storm sewers and helping to prevent flooding.*

Management Discussion & Analysis

This Management Discussion and Analysis is a supplement to the information contained in the University's annual audited financial statements. As such, it should be read in conjunction with the 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, 2011.

FINANCIAL HIGHLIGHTS 2010/11

Financial Statement Presentation

The University of Lethbridge endeavours to present the audited financial statements in a manner that will lead to better understanding by its readers. The University's financial reporting conforms to Canadian generally accepted accounting principles and the Canadian Institute of Chartered Accountants' standards for not-for-profit organizations.

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 received and are recognized as income in the year(s) in which the related expenses are incurred. These appear as deferred items on the Statement of Financial Position until spent in accordance with the funding restrictions or when the capital assets purchased using these funds are amortized.

Another defining characteristic of university financial reporting is that the organization's equity is referred to as net assets on the Statement of Financial Position. Net assets are made up of the University's investment in capital assets and collections, endowment principal which remains intact in perpetuity, internally restricted reserves set aside for specific purposes by the Board of Governors, and unrestricted operating reserves.

Financial Management

The University's budget process is based on a three-year rolling budget model whereby budgets are estimated for three years into the future. In conjunction with the instructional tuition allocation model, which allocates instructional fees to the faculties based on credit hours taught, the budgeting process has been very successful. This has allowed the University to be in a position to respond to various budget scenarios and to achieve positive financial results year after year. While the current fiscal environment is unfavourable the University is committed to directing resources in a way that promotes the strategic priorities of the institution.

Statement of Operations

The University ended the 2011 fiscal year with a $17 million excess of revenue over expense (2010: $16 million).

Revenue

University revenue totaled $192 million in fiscal year 2011, an increase of 1% over the previous year.

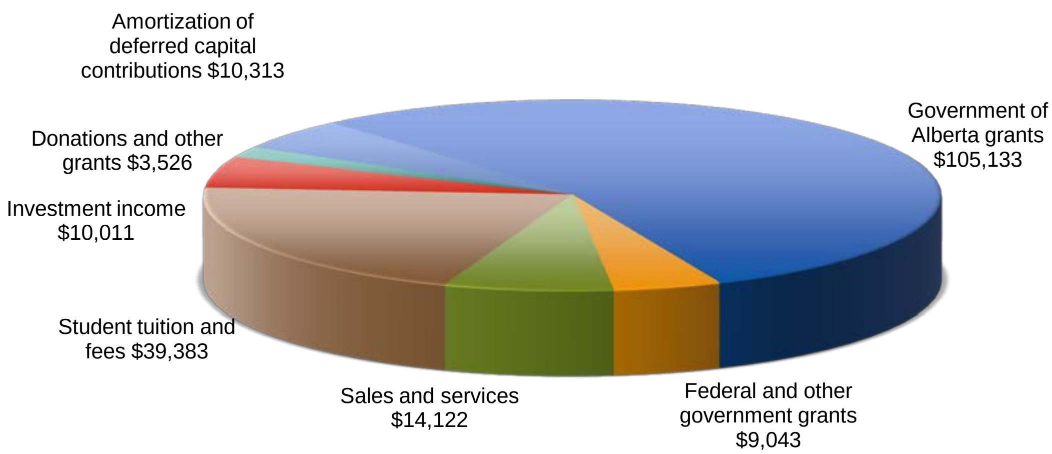


Figure 12: Revenue by Source, 2010/11 (thousands of dollars)

Government of Alberta Grant

Government grant revenue increased by $4.9 million or 4% over the previous year, due to an increase in provincial government grants of $4 million and an increase of $0.439 million in federal and other government grants. Grants represented 59% of total revenue (2010: 57%).

In 2010/11 the general operations grant was combined with the Enrolment Planning Envelope to create the Campus Alberta grant. Included in the Provincial grant were a $1 million one-time grant received for lights on funding for Markin Hall and Dr. Foster James Penny building and a $1.7 million one-time transition grant to address budget challenges and make strategic decisions.

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

Table 2: Provincial Grants to the U of L, 2010/11 and 2009/10

Provincial Grants	2010/11	2009/10
	(thousands of dollars)	
General operating	$97,363	$85,677
Enrolment Planning Envelope (operating)	-	9,755
Other unrestricted funding	746	444
Conditional funding	20,412	14,885
Deferred conditional funding	(12,898)	(9,398)
Transfers to endowments	(490)	(693)
Total	$105,133	$100,670

The conditional funding included $13.4 million from Advanced Education and Technology and $7 million from other ministries. The other ministry funding includes $6 million from Alberta Health Services to address the labour market priorities identified in the context of the Health Workforce Action Plan. The Advanced Education and Technology conditional grants include capital Infrastructure Maintenance Program ($3.3 million) and Knowledge Infrastructure Program ($0.5 million), support of the Polaris award ($3.4 million) and $3 million in Access to the Future Fund. The Access to the Future Fund is a grant program designed to provide matching payments to stimulate external donations to the advanced education system. In accordance with not-for-profit accounting principles, any conditional funding not spent by the end of the fiscal year is deferred and recognized in revenue in the year(s) in which the related expenditures are incurred.

Research Funding

Sponsored research revenue increased significantly in 2011 to $22.2 million, an increase of $6.7 million (42%) over the previous year. At the end of the year, $8 million of unspent research grant revenue was deferred (2010: $3.5 million). The significant increase in sponsored research funding is from Canadian Foundation for Innovation (CFI) $2.9 million and Advanced Education and Technology (AET) $1.3 million. In addition to this funding there was an increase in gifts-in-kind of $1.6 million recorded as matching funding for the CFI and AET grants. Gifts-in-kind is the donations of equipment and services provided by vendors.

Research continues to be funded primarily by federal and provincial government agencies.

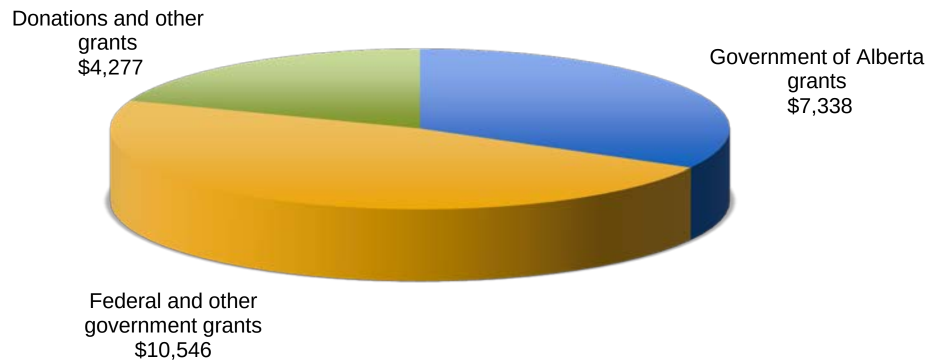


Figure 13: Source of Research Revenue, 2010/11 (thousands of dollars)

The University has a strong commitment to research, which is reflected by the significant ratio of research funding relative to operating grants.

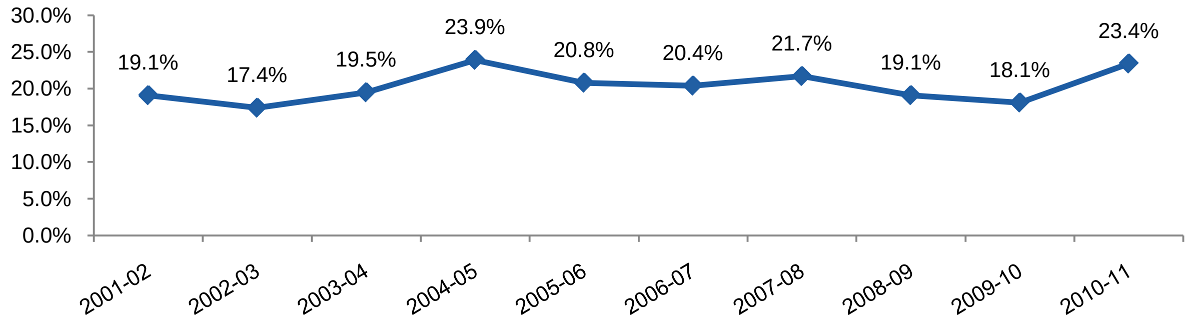


Figure 14: Research Grants as a Percentage of Operating Grants, 2001/02 to 2010/11

In 2011, the University also received $1.9 million (2010: $1.8 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 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 will enable the University to secure additional support for the indirect costs of conducting research so that the teaching and community services mandates of universities can continue to be met.

Student Tuition and Fees

Student tuition and fee revenue increased by approximately 2% ($0.895 million) due to an increase of 1.5% in undergraduate and graduate tuition fees and an increase in enrolment of 3.9% for undergraduate students. The Advanced Education and Technology tuition fee policy limits tuition increases to changes in the annual Alberta Consumer Price Index.

Sales of Services and Products

Sales and services revenue increased by 4% ($0.55 million) over the prior year. The major source of sales and services revenue are Ancillary Services ($8.2 million), Sport and Recreation Services programs and services ($1.7 million), and parking permits, meters and fines ($1.2 million). Ancillary Services units generate revenue through the sales of services and products and are full cost recovery units that consist of Bookstore, Printing, Housing, Catering and Food Services and Conference Services and Events.

Investment Income

The investment income, both realized and unrealized, for the year was $13.9 million (2010: $21 million). Of the $13.9 million in total investment income, $2.9 million (2010: $4.5 million) which was recorded as a direct increase to endowment principal and $0.936 million (2010: $1.6 million) was deferred for spending in future years. Realized investment earnings, as measured on a cash basis, was 4.31% in 2011 (2010: 3.6%).

Donations and Other Grants

Total donations and other grants received during the year were $9.7 million (2010: $7.4 million). Donations and other grants include charitable gifts from donors, gifts in kind, research grants from non-Canadian government agencies such as the U.S. National Institute of Health $1 million grant, as well as other contributions.

Of the $9.7 million in total donations and other grants, $2.1 million was added directly to endowment principal (2010: $1.5 million) and $4.1 million was deferred for spending in future years (2010: $2.1 million). There is an additional $2.6 million in pledges as of March 31, 2011 (2010: $3.3 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.

Amortization of Deferred Capital Contributions

Amortization of deferred capital contributions of $10.3 million (2010: $8.5 million) represents amounts brought into income for accounting purposes to match externally restricted contributions received for the purpose of purchasing capital assets with the amortization expense of those assets.

Expense

University expenses totaled $175 million in 2011, an increase of $1.5 million (0.8%) over the previous year.

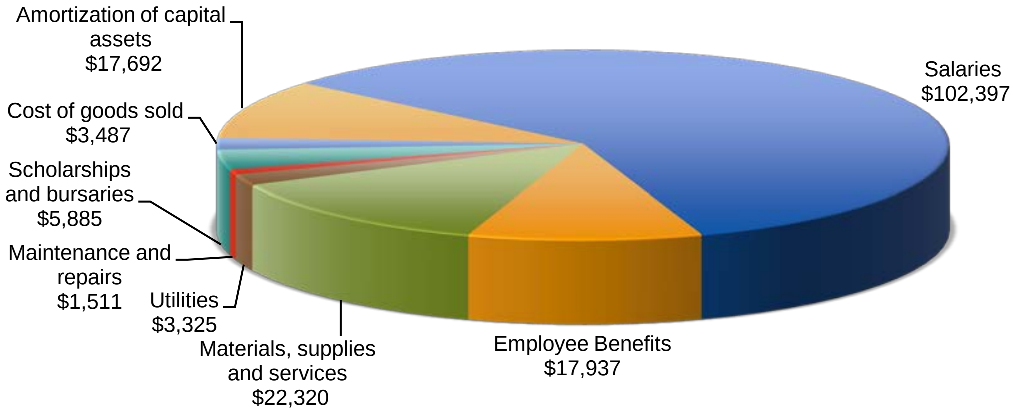


Figure 15: Expense by Type, 2010/11 (thousands of dollars)

Salaries & Benefits

Salaries and benefits continue to be the major component of the cost of operating the University. Salaries expense increased by 0.7% over the previous year. This increase resulted from a combination of salary increases due to merit and negotiated cost-of-living adjustments which are offset by a decrease in number of continuing positions. Benefits expense decreased by $2.9 million (14%) primarily due to a decrease in the Universities Academic Pension Plan (UAPP) of $8 million (2010: $11.7 million) which is calculated by an actuarial valuation and allocated among the participating institutions. 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 69% of total expense.

Scholarships

The amount of scholarships and bursaries in 2011 was $5.9 million (2010: $5.2 million). The majority of the increase was in the graduate programs. The Alberta Scholarship Program also awards $3 million in scholarships and bursaries to University of Lethbridge students which are not included in the financial statements.

Materials, Supplies & Services

Materials, supplies and services expense decreased by $0.5 million and the major contributing factor was the adjustments made by departments to improve efficiencies and reduce costs. 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.

Other Expenses

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

Budget to Actual

The 2011 surplus of $17 million resulted from the budget exceeding actual expenditures.

Actual revenue is $2.4 million below budget. Sales of services and products are lower than expected due to the inclusion of internal sales in the revenue budget which was reported as a combined $5.8 million net decrease to materials, supplies and services and cost of goods sold in the actual expenditure categories. This difference was offset by a higher than anticipated Government of Alberta one time grants of $2.7 million and higher than anticipated investment returns of $1.9 million. In addition, there were cumulative $1.2 million variances in other revenue categories.

Actual expenses are $21 million below budget due to vacant employee positions of $3.2 million, budgeting for internal sales of goods and services ($5.8 million), lower than anticipated expenditures in maintenance and repairs with $2.8 million in renovation expenditures being capitalized and recorded as capital assets rather than being expensed as budgeted.

The lower than expected materials, supplies and services expenditures are a result of department decisions to improve efficiencies and reduce costs and using contingency funds cover unforeseen expenses.

Statement of Financial Position

Assets

Total assets increased by $29.9 million during the 2011 fiscal year. This is due to a combination of an increase in cash and cash equivalents of $8.3 million, long-term investments of $8.7 million, and capital assets of $15.7 million which is offset by a decrease in accounts receivable of $3.6 million.

Cash flow requirements for construction projects have required that a higher balance be maintained in cash and short-term investments over the past five fiscal years.

The long-term investment portfolio was made up of the following balances at March 31:

Table 3: Composition of Investment Portfolio, 2010/11

Funding Source	**2010/11**
	(thousands of dollars)
Externally restricted balances:	
Endowments	$39,519
Sponsored research	8,605
Special purpose	17,708
Scholarships, bursaries & trust	918
Capital & infrastructure	29,688
Internally restricted net assets	35,691
Unrestricted net assets and operating cash flow	13,519
Total	**$145,648**

In accordance with the Board of Governors Finance Committee's Investment Management Policy, three external investment managers manage investments. The Finance Committee, through an external consultant, monitors investment performance and compliance to the Investment Management Policy.

Capital assets of $33 million were added during the year, including a significant contribution of $1.8 million in donations of land, building and plants for the Coutts Centre located near Nanton, Alberta. There were also additions from major capital projects (Markin Hall - $6.7 million, University Hall exterior rehabilitation - $3.8 million, and Knowledge Infrastructure Projects - $1.7 million). Library acquisitions totaled $2 million and computer, scientific and other equipment $7.8 million. Amortization expense totaled $17.7 million.

Art works donated in 2011 totaled $0.173 million. The University has an impressive art collection, which contains approximately 14,000 objects with a book value of $34 million. The collection is used for both educational and public exhibition purposes.

Liabilities and Net Assets

Current liabilities totaled $46 million in 2011 (2010: $37 million). Accounts payable and accrued liabilities decreased over the past year by $3.3 million. Deferred contributions of $27 million at March 31, 2011 (2010: $15 million) consisted of restricted balances in the research fund ($8 million) and trust funds for scholarships and bursaries and other specific purposes ($19 million). These contributions will be recognized in revenue as the spending restrictions are met.

Employee future benefit liabilities decreased by $0.4 million, of which $2.2 million is recorded as a current liability. The main contributor to this decrease was the payments of $0.5 million for the voluntary retirement program.

Long-term liabilities decreased by $0.6 million. Included in the long-term liabilities is the asset retirement obligation which represents the estimated fair value of the legal obligation associated with the removal of asbestos from University Hall.

The deferred capital contribution amounts, totaling $30 million at March 31, 2011 (2010: $48), represent the unspent portion of grants designated for capital construction and renovations. The deferred capital contributions balance represents externally restricted amounts received from grants and donations for capital projects including Life Safety Systems ($14 million), Infrastructure Maintenance Program ($9.8 million), and Markin Hall ($4.3 million).

Net assets increased by a total of $22.7 million during the year as a result of endowment principal increase of $4.9 million and an increase in internally restricted net assets of $20.2 million which was offset by a decrease in investment (equity) in capital assets of $0.9 million and a decrease in unrestricted net assets (operating reserves) of $1.5 million.

Endowment balances increased to a balance of $39.5 million at March 31, 2011. The $4.9 million increase in value is mainly due to significantly improved market conditions as well as external donor gifts 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. 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, 2011 the market value of the Endowment pool assets exceed the cumulative endowed contributions indexed by inflation.

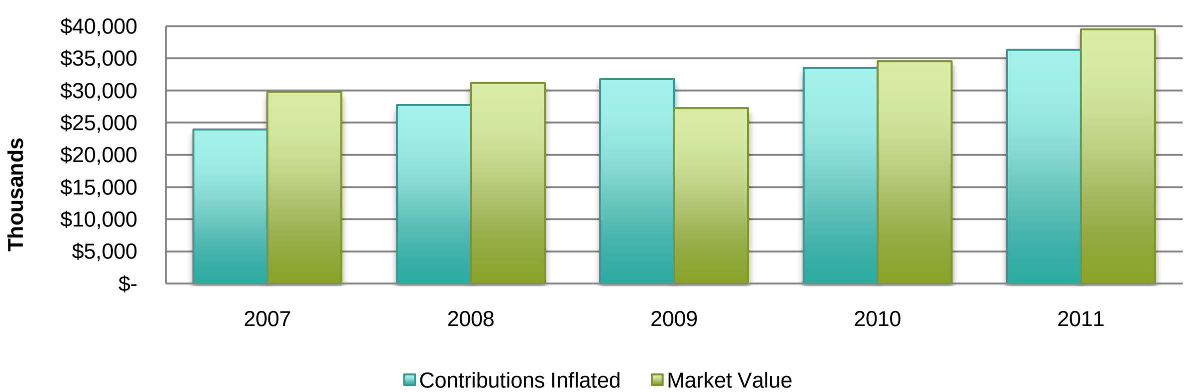


Figure 16: Endowment Market Value vs. Contributions Indexed by Inflation, 2007 – 2011

Internally restricted net assets totaled $35.7 million as of March 31, 2011. These represent operating surpluses from prior years that have been set aside by the Board of Governors to provide for capital and maintenance needs and to cover contingencies and one-time expenditures that support the University's Strategic Priorities.

Unrestricted net assets of $25 million (2010: $26.9 million) represent accumulated operating surpluses and the University expects to use these funds for capital asset additions and operating expenses required to maintain the programs and services available to our students. Note that in 2010/11 the fund balance for life cycle capital replacement is included in Internally Restricted Net Assets ($4,104).

Table 4: Unrestricted Net Assets, 2010/11

Unrestricted Net Assets	2010/11	2009/10
	(thousands of dollars)	
Enrolment planning envelope	$13,549	$11,640
General operating	3,948	4,249
Non-recurring (special projects)	4,833	5,565
Life cycle capital replacement	-	2,926
Research (internally funded)	2,000	1,747
Specific purpose	1,059	823
Total	**$25,389**	**$26,950**

Deferred Maintenance

Through concerted efforts in capital projects and utilizing conditional grants from the Provincial Government, the University has been able to reduce the deferred maintenance balance of its facilities. With these efforts combined with the new facilities on campus, our Facility Condition Index for academic buildings has been reduced from 15% to 10% over this period.

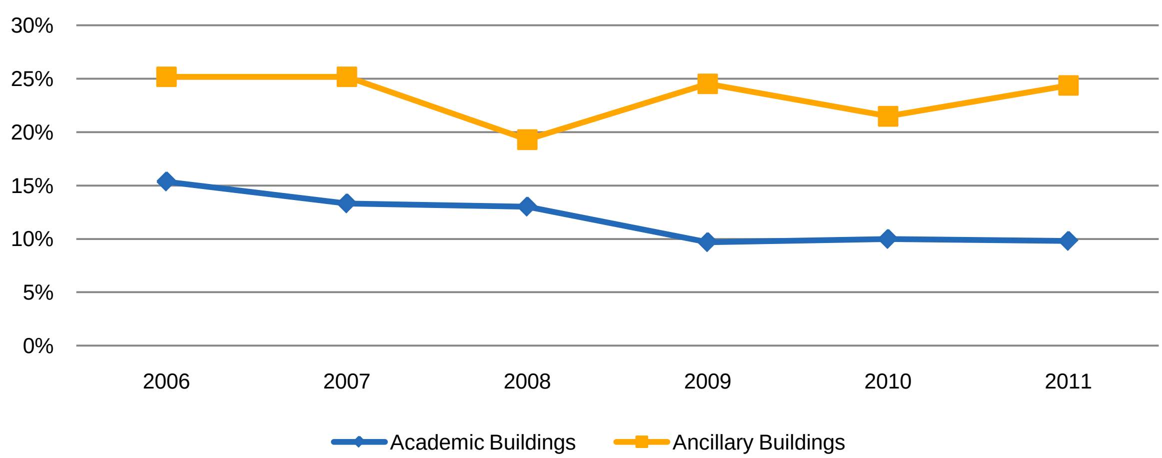


Figure 17: Facility Condition Index, 2006 – 2011

Deferred maintenance on University facilities is estimated at $101,749 based on a facility condition report completed by the University in 2010. In 2007/08, Advanced Education and Technology provided $25,915 in capital grants to address deferred maintenance projects and the unexpended grant funds to date is $15,408 which includes $1,045 in investment income. Deferred maintenance is not reflected in these financial statements since it is not a liability or a commitment for accounting purposes.

Independent Auditor's Report

To the Board of Governors of the University of Lethbridge

Report on the Financial Statements

I have audited the accompanying financial statements of the University of Lethbridge, which comprise the statement of financial position as at March 31, 2011 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit 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 audit 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, 2011, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

original signed by

Merwan N. Saher, CA

Auditor General

June 23, 2011

Edmonton, Alberta

University of Lethbridge

Statement of Financial Position

As at March 31, 2011
(thousands of dollars)

	2011	2010
Assets		
Current		
Cash and cash equivalents (Note 3)	$ 35,043	$ 26,742
Short-term investments (Note 4)	4,567	3,816
Accounts receivable	7,439	11,031
Inventories and prepaid expenses	2,258	2,042
	49,307	43,631
Long-term investments (Note 4)	145,648	136,958
Other long-term assets (Note 5)	2,748	2,915
Capital assets and collections (Note 6)	304,993	289,244
	$ 502,696	$ 472,748
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 11,302	$ 14,552
Current portion of employee future benefit liabilities (Note 7)	2,243	1,936
Current portion of long-term liabilities (Note 8)	398	750
Deferred contributions, research and other (Note 9)	27,231	15,179
Deferred revenue	4,809	4,487
	45,983	36,904
Employee future benefit liabilities (Note 7)	21,831	22,503
Long-term liabilities (Note 8)	3,083	3,330
Deferred contributions, capital (Note 9)	29,688	47,836
Unamortized deferred capital contributions (Note 10)	189,648	172,405
	290,233	282,978
Net Assets		
Endowments (Note 11)	39,519	34,581
Investment in capital assets and collections (Note 12)	111,864	112,759
Internally restricted (Note 13)	35,691	15,480
Unrestricted	25,389	26,950
	212,463	189,770
	$ 502,696	$ 472,748

Contingent liabilities and contractual obligations (Note 14 and Note 15)

Approved by the Board of Governors:

Chair, Board of Governors

President

The accompanying notes are part of these financial statements.

University of Lethbridge

Statement of Operations

Year ended March 31, 2011
(thousands of dollars)

	2011 Budget (unaudited) (Note 16)	2011	2010
Revenue			
Government of Alberta grants	$ 103,103	$ 105,133	$ 100,670
Federal and other government grants	10,936	9,043	8,604
Sales of services and products	18,328	14,122	13,571
Student tuition and fees	38,553	39,383	38,488
Donations and other grants	5,254	3,526	3,810
Investment income (Note 17)	8,064	10,011	15,501
Amortization of deferred capital contributions (Note 10)	9,700	10,313	8,512
	193,938	191,531	189,156
Expense			
Salaries	106,666	102,397	101,612
Employee benefits	19,676	17,937	20,854
Materials, supplies and services	35,207	22,320	22,834
Utilities	3,632	3,325	2,905
Maintenance and repairs	7,218	1,511	1,269
Scholarships and bursaries	4,358	5,885	5,176
Cost of goods sold	3,619	3,487	3,261
Amortization of capital assets	15,207	17,692	15,187
	195,583	174,554	173,098
Excess/(deficiency) of revenue over expense	$ (1,645)	$ 16,977	$ 16,058

The accompanying notes are part of these financial statements.

University of Lethbridge

Statement of Changes in Net Assets

Year ended March 31, 2011
(thousands of dollars)

	Endowments	Investment in Capital Assets and Collections	Internally Restricted Net Assets	Unrestricted Net Assets
Net Assets, March 31, 2009	$ 28,952	$ 107,880	$ 6,240	$ 24,509
Excess of revenue over expense	-	-	-	16,058
Investment income (Note 17)	4,520	-	-	-
Endowment contributions	1,484	-	-	-
Net transfers	(375)	-	2,596	(2,221)
Net change investment in capital assets (Note 12)	-	4,752	5,350	(10,102)
Contributions of assets not subject to amortization (Note 12)	-	127	-	-
Net expenditures of internally restricted net assets	-	-	1,294	(1,294)
Net Assets, March 31, 2010	**$ 34,581**	**$ 112,759**	**$ 15,480**	**$ 26,950**
Excess of revenue over expense	-	-	-	16,977
Investment income (Note 17)	2,861	-	-	-
Endowment contributions	2,090	-	-	-
Net transfers	(13)	-	24,074	(24,061)
Net change investment in capital assets (Note 12)	-	(1,660)	(844)	2,504
Contributions of assets not subject to amortization (Note 12)	-	765	-	-
Net expenditures of internally restricted net assets	-	-	(3,019)	3,019
Net Assets, March 31, 2011	**$ 39,519**	**$ 111,864**	**$ 35,691**	**$ 25,389**

The accompanying notes are part of these financial statements.

University of Lethbridge

Statement of Cash Flows

Year ended March 31, 2011
(thousands of dollars)

	2011	2010
Cash provided from (used in) operating activities:		
Excess of revenue over expense	$ 16,977	$ 16,058
Add (deduct) non-cash items:		
Amortization of capital assets	17,692	15,187
Amortization of deferred capital contributions	(10,313)	(8,512)
Gain /(Loss) on disposal of capital assets	6	(9)
Change in employee future benefit liabilities	(672)	5,739
Change in unrealized gain on investments	(5,671)	(12,707)
Total non-cash items	1,042	(302)
Net change in non-cash working capital (*)	12,056	(9,400)
	30,075	6,356
Cash provided from (used in) investing activities:		
Purchase of capital assets and collections, net of proceeds from disposals	(29,448)	(41,002)
Purchases of long-term investments, net of sales	(736)	1,018
Endowment investment earnings	576	36
	(29,608)	(39,948)
Cash provided from (used in) financing activities:		
Endowment contributions	2,090	1,484
Capital contributions	5,827	14,379
Long-term liabilities - new financing, net of repayments	(250)	(211)
Change in other long-term assets (Note 5)	167	206
	7,834	15,858
Increase / (Decrease) in cash	8,301	(17,734)
Cash and cash equivalents, beginning of year	26,742	44,476
Cash and cash equivalents, end of year (Note 3)	$ 35,043	$ 26,742

	2011	2010
(*) Net change in non-cash working capital:		
Increase in short-term investments	$ (751)	$ (3,816)
Decrease / (Increase) in accounts receivable	3,592	(3,287)
Decrease / (Increase) in inventories and prepaid expenses	(216)	35
Decrease in accounts payable and accrued liabilities	(3,250)	(771)
Increase in current portion of employee future benefits liabilities	307	563
Increase / (Decrease) in deferred contributions, research and other	12,052	(2,088)
Increase / (Decrease) in deferred revenue	322	(36)
	$ 12,056	$ (9,400)

The accompanying notes are part of these financial statements.

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 and Technology, 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 Summary of Significant Accounting Policies and Reporting Practices

(a) General - GAAP and Use of Estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. 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, amortization of capital assets, amortization of deferred capital contributions and asset retirement obligations 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.

(b) Consolidated Financial Statements and Interest in Joint Ventures

Currently, the University is not involved with any joint ventures. Organizations subject to significant influence where the University does not maintain control are disclosed in Note 18.

(c) Financial Instruments

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

Financial Statement Component	Classification	Measurement
Cash and cash equivalents	Held for Trading	Fair Value
Short-term Investments	Held for Trading	Fair Value
Long-term Investments	Held for Trading	Fair Value
Accounts Receivable	Loans and Receivables	Cost or Amortized Cost
Other Long-term Assets	Loans and Receivables	Cost or Amortized Cost
Accounts Payable and Accrued Liabilities	Other Liabilities	Cost or Amortized Cost
Long-term Liabilities	Other Liabilities	Cost or Amortized Cost

The University's financial instruments are recognized on their trade date and transaction costs related to all financial instruments are expensed as incurred. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the statement of financial position date.

The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. Forward contracts are marked to market at the end of each reporting period with any changes in the market value recorded in the statement of operations when the changes occur. As permitted for not-for-profit organizations, the University has elected to not apply the standards on derivatives embedded in non-financial contracts and the University has elected to continue to follow CICA 3861: *Disclosure and Presentation*.

The University is exposed to market risk, liquidity risk, credit risk, interest rate risk, and commodity price risk.

Market Risk
The University is subject to market risk, foreign currency risk and interest rate risk with respect to its investment portfolio. To manage these risks, the University has established a target mix of investment types designed to achieve the optimal returns within reasonable risk tolerances.

(thousands of dollars)

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

(c) Financial Instruments (continued)

Liquidity Risk

The University maintains a short-term line of credit with the Bank of Montreal that is designed to ensure sufficient available funds to meet current and forecasted financial requirements as cost effectively as possible. As at March 31, 2011 the University had committed borrowing facilities of $5 million, none of which has been drawn.

Credit Risk

The credit risk for accounts receivable 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 with delinquent balances and maintaining standard collection procedures.

Interest Rate Risk

Interest rate risk is the risk to the University's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates. The risk is managed by contractually setting interest rates with banking institutions.

Commodity Price Risk

The University is exposed to commodity price risk as a result of substantial electricity and natural gas usage required to operate the institution's facilities. To mitigate these risks, the University has entered into contracts to fix the price for electricity.

(d) Inventories

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

(e) Capital Assets and Collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair value when a fair value can be reasonably determined. Permanent collections are not amortized and include works of art held for education, research and public exhibition purposes.

Construction in progress includes costs directly attributable to the construction including engineering, legal fees, and interest on specific debt attributed to the construction of capital assets.

Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Asset Category	Estimated Useful Lives
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
Furnishings and Equipment	
Furnishings and equipment	5-10 years
Computer equipment	3-5 years
Electrical equipment	20 years
Software	3-5 years
Vehicles	6 years
Library Materials	10 years

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

(f) Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized in the period incurred, if a reasonable estimate of fair value based on the present value of estimated future cash flows can be made. The associated asset retirement costs are capitalized as part of the net book value of the asset and amortized over its estimated useful life.

(g) Revenue Recognition

The financial statements record the following items as revenue - at the following times:

- Unrestricted contributions - when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Unrestricted investment income - when earned; this includes interest, dividends, realized and unrealized gains and losses.
- Pledges - are recorded if they can be reasonably estimated and collection is reasonably assured. Pledges receivable are recorded as an asset with the corresponding amount being recorded as gifts and donations revenue, deferred contributions, deferred capital contributions or endowment as applicable.
- Revenues received for services and products - when the services or products are substantially provided and collection is reasonably assured.
- Tuition fees - when the instruction is delivered.
- Donations of materials - are recorded at fair value when a fair value can be reasonably determined and when materials would otherwise have been purchased.
- Restricted contributions - based on the deferral method.

Deferral Method
Contributions, including investment income on the contributions, which are restricted for purposes other than endowment or capital asset acquisitions, are deferred and recognized as revenue when the conditions of the contribution are met.

Contributions, including in-kind contributions, to acquire capital assets with limited lives are first recorded as deferred contributions, capital when received, and when expended they are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-Secondary Learning Act* allocated to endowment principal, are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are recognized as revenue when the conditions of the endowment are met.

Contributions restricted for the acquisition of land and permanent collections are first recorded as deferred contributions when received, and when expended, they are recognized as direct increases in investment in capital assets and collections.

(h) Foreign Currency Translation

Financial assets and liabilties 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. Gains or losses from these transactions are included in investment income.

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

(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 calculated based on 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.

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 benefits.

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. Actuarial gains and losses on the accrued benefit obligation which exceed 10% of the long-term disability accrued benefit obligation are amortized over the average remaining service lifetime and are recognized in the benefit cost.

Senior Administration Leaves

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's senior administrative leaves 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 recognized immediately.

(j) Capital Disclosures

The University defines its capital as the amounts included in deferred contributions (Note 9), endowment net assets (Note 11) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded by Alberta Advanced Education and Technology, other government funding agencies, donations and the University's entrepreneurial activities. The University has investment policies (Note 4), spending policies and cash management procedures to ensure the University can meet its capital obligations.

Under the *Post-Secondary Learning Act*, the University must receive ministerial or Lieutenant Governor in Council approval for a deficit budget, mortgage and debenture borrowing, and the sale of any land, other than donated land, that is being held and being used for the purposes of the University.

(thousands of dollars)

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

(k) Contributed Services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in these financial statements.

(l) Future Accounting Changes

The Public Sector Accounting Board (PSAB) has issued a framework for financial reporting by government not-for-profit organizations. The framework includes CICA 4400: *Not-For-Profit Organizations*, which has been incorporated into the Public Sector Accounting (PSA) handbook as the PS 4200 series of standards. This framework will be effective for fiscal years beginning on or after January 1, 2012. Government not-for-profit organizations have been given the choice to apply either PS 4200 series of standards plus the PSA Handbook; or PSA handbook without the PS 4200 series of standards. The Government of Alberta has not yet made a decision on which option Alberta Public Post-Secondary Institutions, as government not-for-profit entities, will adopt. Therefore the University cannot determine the impact of this change on its financial statements. When the decision is made the University will identify the differences in the standards that will impact the financial statements and quantify the differences. The University will also determine whether any specific exemptions and exceptions applicable to the first time adoption of PSA standards by government not-for-profit organizations will be applicable to the University.

Note 3 Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposit, money market funds and short-term notes, with a maximum maturity of 90 days at March 31.

	2011	2010
Cash	$ 29,339	$ 20,311
Money market funds and short-term notes	5,704	6,431
	$ 35,043	$ 26,742

Note 4 Investments

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

	2011 Market Value	2010 Market Value
Money market funds and short-term notes	$ 15,104	$ 20,000
Canadian bonds	46,624	43,999
Canadian equity	58,439	49,954
Foreign equity	29,880	26,682
Other	168	139
	$ 150,215	$ 140,774
Short-term investments	$ 4,567	$ 3,816
Long-term investments	145,648	136,958
	$ 150,215	$ 140,774

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

- Money market funds and short-term notes: 1.32% (2010 - 1.03%); terms to maturity: November 15, 2013.
- Canadian government and corporate bond funds: 5.10% (2010 - 5.60%); terms to maturity: range from less than one year to more than 40 years.

(thousands of dollars)

Note 4 Investments (continued)

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.

Note 5 Other Long-term Assets

	2011	2010
University of Lethbridge undergraduate students	$ 1,496	$ 1,630
1st Choice Savings and Credit Union Ltd.	1,407	1,609
University of Lethbridge graduate students	40	42
University of Lethbridge Faculty Association	146	150
Deposits	17	-
Current portion in Accounts Receivable	(358)	(516)
	$ 2,748	$ 2,915

The 1st Choice Savings and Credit Union Ltd. is the naming sponsor for the 1st Choice Savings Centre for Sport and Wellness and are contributing a total 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 $2,593 (2010 - $3,327) for capital projects and scholarships that have not been recorded in the financial statements as they do not meet the criteria for recognition.

Note 6 Capital Assets and Collections

	2011			2010		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings, land and leasehold improvements	$ 343,667	$ 105,902	$ 237,765	$ 323,942	$ 96,199	$ 227,743
Furnishings and equipment	75,709	53,888	21,821	66,176	49,147	17,029
Library materials	34,395	24,480	9,915	32,622	22,877	9,745
Land	1,501	-	1,501	913	-	913
Permanent collections	33,991	-	33,991	33,814	-	33,814
	$ 489,263	$ 184,270	$ 304,993	$ 457,467	$ 168,223	$ 289,244

Included in buildings, land and leasehold improvements is $825 (2010 - $43,116) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions during the year includes in-kind contributions (such as library materials, equipment, software, permanent collections, buildings and land) in the amount of $3,998 (2010 - $963).

(thousands of dollars)

Note 7 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2011	2010
Universities Academic Pension Plan (UAPP)	$ 14,793	$ 14,413
Long-term disability	669	471
Early retirement	1,068	1,576
Senior administration leaves	4,913	5,712
Supplementary benefit plan (SBP)	2,481	2,113
Other	150	154
	24,074	24,439
Less current portion	(2,243)	(1,936)
Long-term portion	$ 21,831	$ 22,503

(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, 2008. This was then extrapolated to the plan's year end of December 31, 2010 and further extrapolated to the University's year end of March 31, 2011. 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, 2010 and will be performed subsequent to March 31, 2011.

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2010 - 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.03% (2010 - 2.03%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The Government of Alberta's obligation for the future additional contributions was $285,053 at March 31,2011. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 5.09% (2010 - 4.64%) of pensionable earnings shared equally between employees and employers until December 31, 2023.

Early retirement

The University provides early retirement defined benefits to its employees (academic and support staff). The most recent actuarial valuation for these benefits was as at March 31, 2011. The early retirement plan pays a fixed amount annually based on the salary and benefits in effect for each member at the date of retirement. The plan is closed to new members and no future service benefits are being accrued. The next actuarial evaluation will be carried out for March 31, 2012.

Senior administration 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, 2011. The next actuarial evaluation will be carried out for March 31, 2012.

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, 2011. 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 $718, increased by current service costs of $244, interest costs of $42 and amortization of net actuarial losses of $4, which were offset by benefits paid of $113 for an accrued benefit obligation at the end of the year of $887. The long-term disability plan has unamortized net actuarial losses of $218. The next actuarial evaluation will be carried out for March 31, 2012.

(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

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

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

	2011				2010			
	UAPP	Early retirement plan[1]	Senior administrative leave	Supplementary benefit plan	UAPP	Early retirement plan[1]	Senior administrative leave	Supplementary benefit plan
Expenses								
Current service cost	$ 4,978	$ (479)	$ 856	$ 334	$ 5,509	$ 1,389	$ 783	$ 304
Interest cost	1,909	8	261	57	3,119	11	343	63
Amortization of net actuarial losses (gains)	1,068	(3)	(127)	-	3,094	(6)	6	-
Total expense	$ 7,955	$ (474)	$ 990	$ 391	$ 11,722	$ 1,394	$ 1,132	$ 367
Financial position								
Accrued benefit obligation, beginning of year	$ 107,877	$ 1,576	$ 5,712	$ 2,113	$ 118,606	$ 216	$ 5,897	$ 1,814
Current service cost	4,978	(479)	856	334	5,509	1,389	783	304
Interest cost	7,613	8	261	57	8,135	11	343	63
Benefits paid	(5,032)	(34)	(1,789)	(23)	(5,400)	(34)	(1,317)	(68)
Actuarial (gain) loss	5,091	(3)	(127)	-	(18,973)	(6)	6	-
Balance, end of year	120,527	1,068	4,913	2,481	107,877	1,576	5,712	2,113
Plan Assets	(92,066)	-	-	-	(81,395)	-	-	-
Plan deficit	28,461	1,068	4,913	2,481	26,482	1,576	5,712	2,113
Unamortized net actuarial gain (loss)	(13,668)	-	-	-	(12,069)	-	-	-
Accrued benefit liability	$ 14,793	$ 1,068	$ 4,913	$ 2,481	$ 14,413	$ 1,576	$ 5,712	$ 2,113

[1] 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:

	2011				2010			
	UAPP	Early retirement plan	Senior administration leaves	Supplementary benefit plan	UAPP	Early retirement plan	Senior administration leaves[1]	Supplementary benefit plan
Accrued benefit obligation:								
Discount rate	6.50%	4.20%	4.20%	n/a	6.90%	4.60%	4.60%	n/a
Long-term average compensation increase	3.50%	n/a	4.00%	n/a	3.50%	n/a	0.00%	n/a
Benefit cost:								
Discount rate	6.50%	4.20%	4.20%	n/a	6.90%	4.60%	4.60%	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%	n/a	0.00%	n/a	2.25%	n/a	0.00%	n/a
Estimated average remaining service life	11.3 yrs	2 yrs	5 yrs	5 yrs	11.3 yrs	3 yrs	5 yrs	5 yrs

[1] The compensation increase assumption was 0% for 2011 and 6% thereafter.

(b) Defined Contribution

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 $23 (2010 - $68).

(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

(b) Defined Contribution (continued)

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 $1,841 (2010 - $1,414).

An actuarial valuation of the PSPP was carried out as at December 31, 2008 and was then extrapolated to December 31, 2010. At December 31, 2010, the PSPP reported an actuarial deficiency of $2,067,151 (2009 - $1,729,196) which represents the unfunded position of the plan as a whole and not the University's share.

Note 8 Long-term Liabilities

	Collateral	Maturity date	Interest rate	2011	2010
Alberta Capital Finance Authority payable:					
Student housing debenture	(1)	April 15, 2023	6.0%	$ 3,087	$ 3,241
Other liabilities					
Capital lease	n/a	Sept. 30, 2012	5.0%	175	281
Asset retirement obligation	n/a	n/a	n/a	219	558
				3,481	4,080
Less current portion				(398)	(750)
				$ 3,083	$ 3,330

[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 long-term liability repayments, excluding the asset retirement obligation is as follows:

2012 - $273; 2013 - $238; 2014 - $184; 2015 - $195; 2016 - $206; 2017 and thereafter - $2,166

Interest expense on long-term obligations is $202 (2010 - $214).

The asset retirement obligation represents the estimated present value of the legal obligation associated with the planned removal of asbestos from University Hall. Estimating the liability requires judgment by University administration related to the amount of work required to remove the asbestos, the cost of the work and inflationary increases over the term of the obligation. Costs are expected to be incurred over the next two fiscal years, with an undiscounted value of approximately $225. The credit-adjusted risk-free rate used for discounting the liability was 1.77%. The asset retirement obligation will reduce as the asbestos is removed from the building and amortized through the statement of operations. Further costs of removing asbestos cannot be reasonably estimated at this time, but will be recorded in the period in which there is sufficient information to estimate fair value. Reconciliation of the asset retirement obligation is as follows:

	2011	2010
Asset retirement obligation, beginning of the year	$ 558	$ 1,427
Liabilities settled during the period	(346)	(135)
Accretion expense	10	37
Decrease in obligation	(3)	(771)
Asset retirement obligation, end of the year	$ 219	$ 558

(thousands of dollars)

Note 9 Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2011		2010	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	$ 47,836	$ 15,179	$ 67,303	$ 13,214
Grants and donations received	5,550	32,126	9,026	18,580
Investment income	319	759	1,129	563
Recognized as revenue	(4,947)	(12,347)	(532)	(14,731)
Transferred to unamortized deferred capital contributions (Note 10)	(19,070)	(8,486)	(29,090)	(2,447)
Balance, end of the year	$ 29,688	$ 27,231	$ 47,836	$ 15,179

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the unamortized grants and donations spent to fund capital acquisitions. The amortization of unamortized deferred capital contributions is recorded as revenue in the statement of operations. The changes in the unamortized deferred capital contributions balance are as follows:

	2011	2010
Balance, beginning of the year	$ 172,405	$ 149,380
Additions from deferred contributions (Note 9)	27,556	31,537
Amortization of deferred capital contributions to revenue	(10,313)	(8,512)
Balance, end of the year	$ 189,648	$ 172,405

Note 11 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 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.

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.

(thousands of dollars)

Note 11 Endowments (continued)

The composition of endowments is as follows:

	2011	2010		
	Externally restricted	Externally restricted	Internally restricted	Total
Balance, beginning of the year	$ 34,581	$ 25,347	$ 3,605	$ 28,952
Endowment contributions	2,090	1,484	-	1,484
Transfers from endowments	(13)	(575)	200	(375)
Investment gain (Note 17)	2,861	4,520	-	4,520
Balance, end of the year	$ 39,519	$ 30,776	$ 3,805	$ 34,581
Cumulative contributions	$ 29,668	$ 24,328	$ 3,263	$ 27,591
Cumulative capitalized income	9,851	6,448	542	6,990
	$ 39,519	$ 30,776	$ 3,805	$ 34,581

During the 2011 year, investment income of $2,861 (2010 - $4,520) was recorded directly to net assets for endowments. The Board of Governors approved the funding of endowment deficits and transferred $nil (2010 - $318) from unrestricted net assets to externally restricted endowments. Repayments of $13 (2010 - $893) were made to unrestricted net assets from externally restricted endowments.

The Board of Governors transferred $3,805 from internally restricted funds to permanent endowments based on receiving legal advice.

Note 12 Investment in Capital Assets and Collections

Net assets invested in capital assets and collections represent the carrying amount (net book value) of capital assets and collections less unamortized deferred capital contributions and any related debt.

	2011	2010
Capital assets and collections at net book value (Note 6)	$ 304,993	$ 289,244
Less amounts financed by:		
Unamortized deferred capital contributions (Note 10)	(189,648)	(172,405)
Long-term liabilities related to capital expenditures (Note 8)	(3,481)	(4,080)
Investment in capital assets and collections	$ 111,864	$ 112,759

The changes during the year are as follows:

	2011	2010
Investment in capital assets and collections, beginning of the year	$ 112,759	$ 107,880
Acquisition of capital assets and collections	5,507	11,325
Long-term liabilities - repayment	260	248
Net book value of asset disposals	(28)	(105)
Amortization of investment in capital assets	(7,399)	(6,716)
Net investment in capital assets	(1,660)	4,752
Contributions of assets not subject to amortization	765	127
Increase for the year	(895)	4,879
Investment in capital assets and collections, end of the year	$ 111,864	$ 112,759

(thousands of dollars)

Note 13 Internally Restricted Net 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. Internally restricted net assets are summarized as follows:

	Balance, beginning of year	Appropriations from (returned to) unrestricted net assets	Disbursements during the year	Balances, end of year
Capital activities				
Housing	$ 4,103	$ 11,796	$ 2,566	$ 13,333
Ancillary	4,180	526	283	4,423
Capital replacement	-	4,104	-	4,104
Parking	1,092	396	300	1,188
Utility conservation	158	1,296	-	1,454
IT systems	92	920	111	901
Facility enhancement	2,150	(1,226)	53	871
Service vehicles and equipment	412	42	-	454
Telecommunication equipment	(90)	446	-	356
Support units equipment	533	56	400	189
Self insurance	41	56	15	82
	12,671	18,412	3,728	27,355
Operating activities				
Strategic initiatives	2,500	5,147	107	7,540
Staff replacement	-	444	-	444
Short-term disability	236	3	23	216
Academic development	18	50	5	63
Utilities	55	-	-	55
IT framework	-	18	-	18
	2,809	5,662	135	8,336
Total	$ 15,480	$ 24,074	$ 3,863	$ 35,691

Note 14 Contingent Liabilities

- The University, in the conduct of its normal activities, is a defendant in a legal proceeding. While the ultimate outcome and liability of this proceeding 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 the claim does not meet the criteria for being recorded under GAAP.

- The University may be required to pay a retroactive charge to Access Copyright for a potential change in rate during the Interim Tariff Agreement starting January 1, 2011, if approved by the Copyright Board of Canada. Currently, it is uncertain if approval for a retroactive charge will occur and the value of that change, which could be up to $41.62 more per student.

- 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. Where the University has a legal obligation to remove the asbestos the asset retirement obligation for these assets is recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation (Note 8).

(thousands of dollars)

Note 15 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.

	2011	2010
Service contracts	$ 7,286	$ 8,651
Capital projects	5,432	6,974
Information systems and technology	989	1,245
Long-term leases	1,149	892
	$ 14,856	$ 17,762

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 Leases	Total
2012	$ 1,936	$ 5,366	$ 233	$ 363	$ 7,898
2013	1,936	66	202	206	2,410
2014	1,936	-	191	139	2,266
2015	1,470	-	161	139	1,770
2016	8	-	126	94	228
Thereafter	-	-	76	208	284
	$ 7,286	$ 5,432	$ 989	$ 1,149	$ 14,856

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 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 CURIE, the Canadian Universities Reciprocal Insurance Exchange, 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, 2010 CURIE had a surplus of $43,288 (2009 - $32,032). 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 $39,737 as of December 31, 2010 (2009 - $28,647) of which the University's proportionate share is approximately 1.12% (2009 - 1.09%) at December 31, 2010. 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 (2010 - $55) per megawatt hour. The two (2010 - three) contracts totaling $7,970 (2010 - $13,007) expire in December 2014 and May 2016.

Note 16 Budget Comparison

The University's 2010 - 2011 budget was approved by the Board of Governors as was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2010 - 2014 Business Plan. Certain budget figures from the University's 2010 - 2014 Business Plan have been reclassified to conform to the presentation adopted in the 2011 financial statements.

Note 17 Investment Income

	2011	2010
Income on investments held for endowments	$ 3,678	$ 5,459
Income on other investments	10,131	16,148
	13,809	21,607
Less deferred contributions	(937)	(1,586)
Less transfer to endowments (Note 11)	(2,861)	(4,520)
Investment income	$ 10,011	$ 15,501

(thousands of dollars)

Note 18 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:

	2011	2010
Revenue from GOA		
Advanced Education and Technology:		
Operating grants	$ 97,363	$ 85,677
Enrolment planning envelope	-	9,755
Capital grants	3,772	4,692
Access to the Future Fund (matching grants)	3,000	3,000
Research grants	2,287	984
Alberta Innovates - Health Solutions	2,238	1,794
Alberta Innovates - Energy & Environment	985	726
Alberta Innovates - Technology Futures	819	925
Alberta Innovates - Bio Solutions	150	110
Other	236	233
	110,850	107,896
Other GOA departments and agencies:		
Alberta Health and Wellness	6,000	-
Alberta Gaming and Liquor Commission	387	583
Alberta Employment Immigration	378	39
Alberta Health Services	212	172
Alberta Livestock and Meat Agency	124	-
Alberta Education	90	188
Alberta Agriculture and Rural Development	50	-
Alberta Culture and Community Spirit	25	1,371
Other	405	512
	7,671	2,865
Total contributions received	118,521	110,761
Less deferred contributions	(12,898)	(9,398)
Less transfer to endowments	(490)	(693)
	$ 105,133	$ 100,670
Accounts receivable		
Advanced Education and Technology	$ 412	$ 5,933
Other GOA departments and agencies	45	35
	$ 457	$ 5,968
Accounts payable		
Other GOA departments and agencies	$ 164	$ 154

The University has a long-term liability with Alberta Capital Finance Authority as described in Note 8.

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.

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. At March 31, 2011 the University had a loan receivable from ATIC of $ 392 (2010 - $ 434) resulting from paying certain operating expenses on ATIC's behalf. These amounts are included in the University's statement of financial position as accounts receivable. In 2011, ATIC operations have moved to the University of Lethbridge campus.

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, 2011 the University submitted $ 124 (2010 - $ 117) in expenses to be funded by CSEE grants.

(thousands of dollars)

Note 18 Related Party Transactions (continued)

The University has significant influence in the Alberta Gaming Research Institute (AGRI), a consortium formed in partnership with the Unviersity 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, 2011 the Unviersity received $295 (2010 - $295) in grants of which there were $304 (2010 - $325) in expenses.

Note 19 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.

	2011				2010
	Base salary (1)	Other cash benefits (2)	Other non-cash benefits (3) (6)	Total	Total
Governance (4)					
Chair of the Board of Governors	$ -	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President (5)	337	100	142	579	531
Vice-Presidents					
Vice-President Academic and Provost	260	32	50	342	337
Vice-President Finance and Administration	273	-	55	328	322
Vice-President Research	210	30	42	282	275
Vice-President Advancement	191	-	41	232	227
Administrative leave benefit (7)					
President(5)	-	-	-	133	89
Vice-President Academic and Provost	-	-	-	47	57
Vice-President Finance and Administration	-	-	-	49	76
Vice-President Research	-	-	-	47	29

(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 Chair and Members of the Board of Governors receive no remuneration for participation on the Board.

(5) Two individuals held the position in the current year.

(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 2.57% in 2011 (2010 – 3.36%).

(7) Administrative leaves are 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.

(thousands of dollars)

Note 19 Salary and Employee Benefits (continued)

The current service cost and accrued obligation for each senior administrator under the SBP is outlined in the following table:

	Accrued Obligation March 31, 2010	Service cost	Interest cost	Actuarial loss (gain)	Accrued Obligation March 31, 2011
President[5]	$ 363	$ 80	$ 10	$ -	$ 453
Vice Presidents:					
Provost and Vice-President Academic	37	14	1	-	52
Vice-President Finance and Administration	95	15	3	-	113
Vice-President Research	6	8	-	-	14
Vice-President University Advancement	19	6	1	-	26

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

Note 20 Knowledge Infrastructure Program

Canada - Alberta Knowledge Infrastructure Program

The Canada - Alberta Knowledge Infrastructure Program (KIP) was established to provide funding in support of capital projects at post secondary institutions in order to offset the impact of the global economic recession by providing employment opportunities. Eligible KIP projects can receive up to 50% of its funding from Government of Canada contributions through direct payments made by the Province. The remaining portion of funding for KIP projects is made up of internal resources, provincial contributions and research grants. The KIP program supports eligible costs incurred from February 24, 2009 to May 31, 2011. Amounts received from the Province of Alberta representing Government of Canada contributions and total eligible costs incurred on KIP projects are as follows:

	2011	2010	February 24, 2009 to March 31, 2009	Total
Contributions	$ 459	$ 1,378	$ -	$ 1,837
Total Eligible Costs	1,692	-	-	1,692

The remaining contractual obligation to complete the projects at March 31, 2011 is $145. This amount is included in Note 15.

Note 21 Scholarships and Bursaries

In addition to the amount recognized, scholarships and bursaries totaling $3,112 (2010 - $2,708) were awarded to 2,175 (2010 - 2,003) University of Lethbridge students through the Alberta Scholarship Program. These amounts are not included in the financial statements.

Note 22 Comparative Figures

Certain 2010 figures have been reclassified to conform to the presentation adopted in the 2011 financial statements.