

2003 – 2004 Annual Report to Alberta Advanced Education



For the period April 1,
to March 31,

Approved by the Board of Governors December 16, 2004

University of
Lethbridge





The University of Lethbridge 2003 – 2004 Annual Report to Alberta Advanced Education

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Accountability Statement

The University of Lethbridge Annual Report for the year ended March 31, 2004 was prepared under the Board's direction in accordance with the Government Accountability Act and ministerial guidelines established pursuant to the Accountability Act. All material economic, environmental, or fiscal implications of which we are aware have been considered in preparing this report.

Terrance E. Royer, Chair, Board of Governors

Date: December 16, 2004

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1. Summary

- ▶ There were four major **opportunities** for The University of Lethbridge in 2003-04:
 - (1) Expanding the institution's position as one of the leading smaller research institutions in Canada.
 - (2) Maintaining and growing the U of L's leadership in the effective use of technology to support learning.
 - (3) Establishing provincial and national leadership in involving First Nations people in the University community.
 - (4) Capitalizing on the opportunities offered by enrolment growth, which include: new or expanded programs; improved attraction and retention of faculty and students; infusion of new talent and ideas; increased reputation and profile; an increase in research, scholarship, and creativity; an enhancement of graduate studies; and a growth in the University's contributions to the community.
- ▶ The U of L faced six major **challenges** in 2003-04:
 - (1) Pressure on resources from enrolment growth.
 - (2) Increasing competition for students among post-secondary institutions in Canada.
 - (3) A drain on resources from the indirect costs of research.
 - (4) The ongoing challenge to excel in faculty attraction and retention.
 - (5) An urgent and ongoing need for teaching, laboratory, and general campus space.
 - (6) Maintaining the high level of student satisfaction with technology on campus, given the cost and effort required to stay at the forefront of technology.
- ▶ The University of Lethbridge made some significant progress on each of the six **goals** in its 2002-2006 Business Plan:
 - (1) **Accessibility**—Enrolment grew by 3.6% over the previous year. Collaborations with institutions in Alberta, Canada, and around the world expanded. International student enrolment rose by 1.8% over fall 2002.
 - (2) **Academic Excellence**—Excellent faculty were recruited (attracted in part by competitive salaries), resulting in a 4.8% increase in academic staff FTEs. In the 2003 Maclean's Magazine Annual Ranking of Canadian Universities, the U of L jumped one spot in the overall ranking to place 12th out of 21 primarily undergraduate universities. Several major new programs were introduced: B.Mgt. in First Nations Governance; Niitsitapi teacher education program; and four Ph.D. programs in the sciences. The U of L placed 9th out of 38 institutions under Quality of Education in the Globe and Mail University Report Card. The University Review Committee began developing an Academic Quality Assurance policy and process.

- (3) **Research Excellence**—The value of research grants to the U of L increased by 13%. The U of L was selected as the administrative centre for the tri-university Alberta Ingenuity Centre for Water Research.
 - (4) **Community and Public Relations**—The U of L continued to offer educational, recreational, and fine arts programs to the community. Redevelopment of the University web site as a key communications tool persisted. University Advancement continued to build relationships with government, community, and alumni. The U of L collaborated with the City of Lethbridge in the development of its forthcoming Regional Health and Wellness Centre.
 - (5) **Student Services**—Students had exceptional access to information technology and resources. Co-operative education programs provided outstanding work experience opportunities. In the 2003 Maclean’s Magazine Annual Ranking of Canadian Universities, the U of L ranked second among primarily undergraduate universities in the percentage of its budget devoted to student services.
 - (6) **Facilities and Equipment Renewal**—The U of L began the planning process for the multi-purpose Regional Health and Wellness Centre. Supported in part by the Canadian Space Agency, the SPIRE laboratory opened on campus. Various capital projects to address essential infrastructure and building renewal needs were initiated or completed.
 - (7) **Operate Responsively and Responsibly**—The successful three-year rolling budget model allowed the U of L to respond effectively to budget scenarios. University Advancement persisted in meeting its fundraising objectives.
- ▶ The U of L also made notable progress in relation to its eight **performance measures**:
 - (1) **Enrolment** rose by 3.6%.
 - (2) **Graduate satisfaction** with U of L education increased from 89% to 96%.
 - (3) **Graduate participation** in the workforce was 92%, and the **graduate employment** rate was 97%.
 - (4) A measure of administration efficiency, **administration expenditures as a percentage of total expenditures less ancillary expenditures** was 7.6%, the lowest in five years and a decrease of 0.3% over the previous year.
 - (5) **Research intensity** (value of sponsored research divided by the value of provincial operating grants) dropped slightly in 2000-02, but still represents an increase of almost 70% over 1996-99 and 20% over 1998-2001.
 - (6) A measure of how well the U of L attracts research money from industry and the community, **research impact** decreased by 1.9%, but has still risen by over 25% since 1996-98.
 - (7) For **research council grants**, average NSERC funding increased 9.3% over the previous reporting period, average SSHRC funding rose 12.7%, and average CIHR funding grew by 7.4%.
 - ▶ There were three major new **academic programs**: (1) B. Mgt. in First Nations Governance; (2) Niitsitapi teacher education program; and (3) four new Ph.D. science programs.

- ▶ The U of L's **research programs** continued to grow. Sponsored research grants totalled \$8.9 million in 2003-04, an increase of 13% over 2002-03. Over the past five years, research grants have increased by 164%. In 2003 the U of L received its first three Canada Research Chairs, which will bring about \$700,000 per year in ongoing research funding to the U of L from federal granting agencies.
- ▶ In the realm of **campus technology**, the U of L introduced web-based registration, continued its participation in a \$30 million research grid called WestGrid, and received nearly \$1 million from the Canada Foundation for Innovation to build a magnetic resonance imaging lab.
- ▶ Estimated at \$141 million, the **economic impact** of the U of L in 2003-04 is more than double the total impact in 1993.
- ▶ The three largest sources of **revenue** are: (1) grants; (2) student fees; and (3) sales and services. The three biggest classes of **expenses** are: (1) salaries and benefits; (2) supplies and services; and (3) amortization.

2. Opportunities and Challenges

Opportunities

Leadership in Research

The University of Lethbridge is committed to being a leader in research. Guided by its Strategic Research Plan, and driven by its success in research funding, the U of L will expand its research in areas of special expertise and of relevance to the province or region.

To capitalize on expertise across disciplinary boundaries, the U of L will strive to develop centres of research excellence that span a wide range of disciplines. One example of this is the University's founding role in the Water Institute for Semi-Arid Ecosystems.

The University of Lethbridge has the opportunity to reinforce its position as one of the leading smaller research institutions in Canada.

Leadership in Technology

The University of Lethbridge continues to be a leader in the effective use of technology to support learning. The U of L may be the best-networked institution in Canada, providing high bandwidth Internet access for all students, faculty, and staff. State-of-the-art classrooms are the norm, as is the use of appropriate technologies across the institution's programs.

The U of L will persist in technology leadership, which brings tremendous opportunities to expand the institution's tradition of excellence.

Leadership in First Nations Participation

With its ongoing positive relationships with and proximity to First Nations communities, The University of Lethbridge has the opportunity to be a leader in encouraging and supporting the participation of First Nations people in university education.

Enrolment Growth

Growth in U of L enrolment provides several opportunities:

New or Expanded Programs—With increasing student enrolment, the U of L has the opportunity to consider expanding existing programs and developing new ones.

Attraction and Retention—Potential students and faculty may view a growing university as a more dynamic and desirable environment in which to study and work.

New Talent and Ideas—A growing student and faculty body infuses new talent and ideas into the U of L.

Increased Reputation and Profile—As the U of L grows, attracts more high-quality students, instructors, and researchers, and increases its reputation, it will gain a higher profile.

Research, Scholarship, and Creativity—With more high-quality faculty there will likely be an increase in research, scholarship, and creative activity. Moreover, an expanded U of L may be more able to build further national and international research initiatives.

Enhancement of Graduate Studies—A growth in student population will likely result in more graduate students, urgently needed in Alberta and across Canada.

Community—As the U of L grows, so will its financial and cultural contribution to the community.

Challenges

The University of Lethbridge continues to face challenges related to enrolment, unfunded students, competition, research growth, attraction and retention, space, and technology.

Enrolment Growth

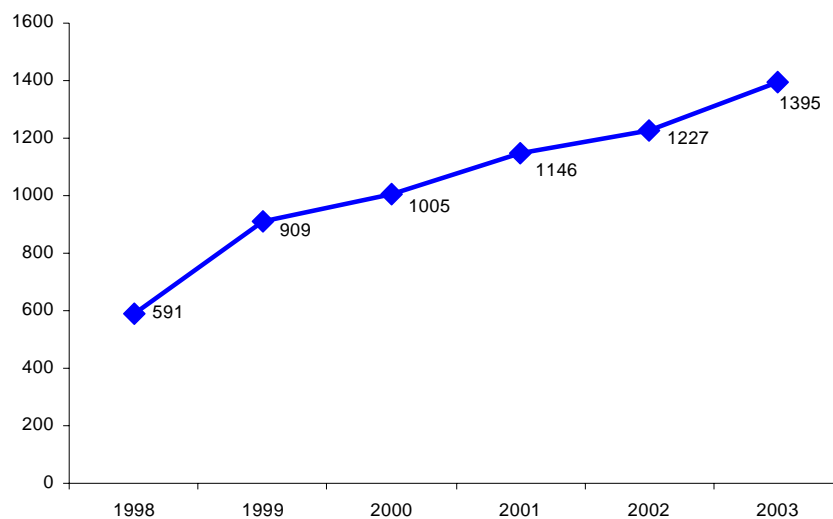
Over the past five years, enrolment has increased by about 30%. Enrolment growth presents four key challenges:

- (1) Attracting faculty when teaching assignments may be higher than other institutions.
- (2) Finding additional instructional and office space.
- (3) Ensuring library resources are adequate.
- (4) Establishing administrative structures to support additional students.

Unfunded Students

Since 1994, our resources have been stretched by a growing number of unfunded students (Figure 1). These unfunded students pay a maximum of 30% towards their education, with no corresponding increase in grant revenue in the U of L's base operating budget.

Figure 1: Unfunded Student FLEs, 1998-2003



Increased Competition

There is increasing competition for students among post-secondary institutions in Canada, making it more of a challenge to maintain our market share. However, students value smaller classes, a sense of community, more access to faculty, national and international opportunities, state-of-the-art teaching space and laboratories, and access to cutting-edge computer technology, all of which the U of L offers. We believe that quality will prevail when it comes to attracting students and the U of L offers top quality programs and services.

Research Facilities and Indirect Costs

The U of L's continuing success in research funding and programs (see "Research Funding", page 19) leads to an ongoing challenge to: (1) provide the office and laboratory space necessary to conduct new and expanded research programs; and (2) fund the indirect costs of such research.

It is estimated that indirect research costs to the institution are 40 cents for each dollar spent on research. For a small institution, this is a significant drain on resources. The indirect costs funding from Industry Canada (see page 21) will help significantly in meeting this challenge.

Faculty Attraction & Retention

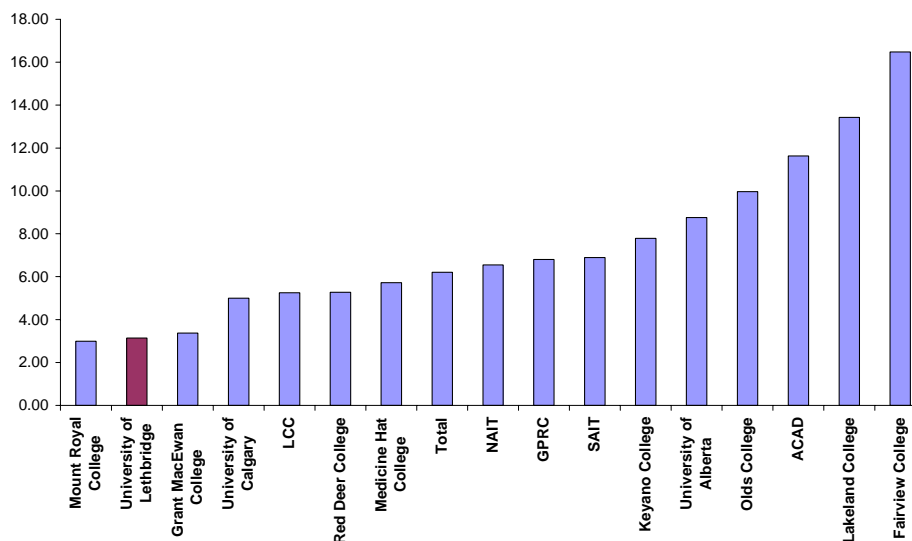
Attracting and retaining faculty members is an ongoing challenge. The specific challenges that the institution faces are threefold:

- (1) Hiring new faculty to meet emerging needs.
- (2) Retaining faculty who are still relatively early in their careers.
- (3) Retaining mid and late-career faculty with strong academic records, who are urgently needed to guide the development of junior faculty.

Space

The University has the lowest amount of teaching space per student among public postsecondary institutions in the province, and the least assignable space per students among Alberta universities (see Figure 2).

Figure 2: Classroom and Laboratory Space Per FLE in Alberta Postsecondary Institutions, 1997-98



Applicable Technology

The U of L is very progressive in providing technology to its students. A recent student survey showed that 85% of our students think access to computer technology on campus is exceptional. Our challenge will be to maintain this level of satisfaction, and to keep the U of L at the forefront of applicable technology. This can be difficult, in terms of both effort and cost.

3. Goals and Performance Measures

The 2002-2006 Business Plan presented the U of L’s goals and performance measures that would help guide and track institutional success. During the past year, The University of Lethbridge has continued striving to achieve the goals and make progress on the performance measures.

This section discusses the U of L’s progress related to its goals and performance measures during 2003-04.

Progress Related to Goals

The text in italics in this section is quoted from the 2002-2006 Business Plan, and describes each goal.

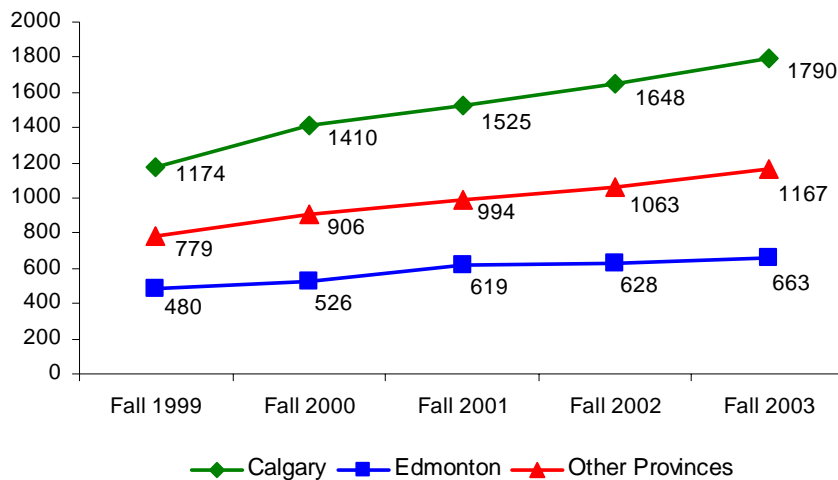
Goal: Accessibility

The University of Lethbridge is committed to providing access to quality academic programs for as many qualified students from the secondary school system and college transfer programs as we can accommodate.

The U of L continued its commitment to accessibility in 2003-04. Enrolment grew to 7,402 students (6,749 FTE), which is an increase of 3.6% over the previous year, 23% since the beginning of the decade, and 102% since 1990.

Since 1996, the U of L has been increasingly the institution of choice for students from Calgary, Edmonton, and elsewhere in Canada (Figure 3). The growing reputation of our researchers, small class sizes, and access to the latest computer technology are three major features that attract students to our university.

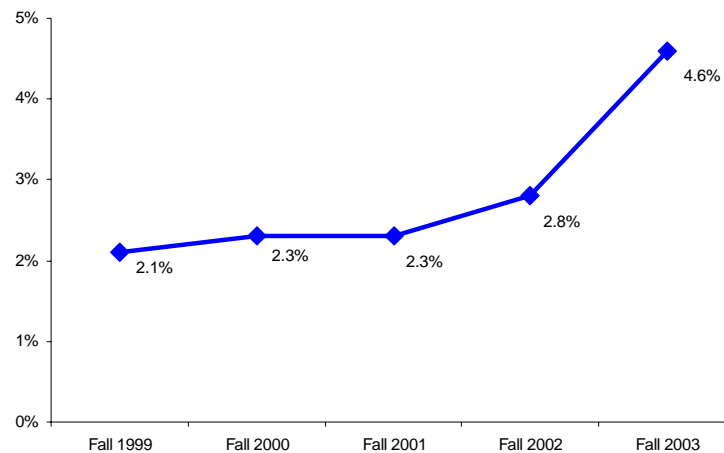
Figure 3: Enrolment by Students from Calgary, Edmonton, and Other Provinces



By maintaining and expanding collaborative arrangements with colleges in Alberta, Canada, and around the globe, the institution has also remained accessible to students who begin their education at another institution.

International student enrolment rose in fall 2003 (see Figure 4), and the U of L is actively recruiting in selected international markets to increase the number of students from overseas.

Figure 4: Percentage of International Students, 1999 – 2003



Goal: Academic Excellence

The University of Lethbridge is known nationally as an outstanding primarily undergraduate university. We will continue to be a student-centered institution, committed to offering the best possible programs and services.

The U of L continued its tradition of academic excellence, maintaining its commitment to a liberal education that best prepares students for the global marketplace.

The institution persisted in recruiting excellent faculty to deliver its programs, increasing academic staff FTEs by 4.8% over the previous year. One way to attract and retain high-quality faculty is to offer competitive salaries. In 2003-04, median academic salaries increased by 6.4% over 2002-03.

To ensure academic excellence, the University Review Committee began developing policy and procedures that will guide the systematic quality assurance of all academic programs at the U of L.

In the 2003 Maclean's Magazine Annual Ranking of Canadian Universities, for more than half of the categories the U of L maintained or increased its position. In the overall ranking, The University of Lethbridge jumped one place over 2002 to place 12th out of 21 institutions. See "Maclean's Survey" (page 29) for more details.

In 2003-04, the U of L developed several major new programs to continue its tradition of academic excellence. The Faculty of Management and the Department of Native American Studies launched the province's first Bachelor of Management in First Nations Governance. The Faculty of Education and Red Crow Community College introduced the Niitsitapi

teacher education program. And the Faculty of Arts and Science inaugurated four new multidisciplinary PhD programs in the sciences.

See page 18 for more details on these new programs.

Goal: Research Excellence

The University of Lethbridge is committed to excellence in research for students and faculty. We take great pride in being ranked at the top of the primarily undergraduate institutions in the Medical/Science grants category. We will develop a more balanced funding approach, and will increase research support in the social sciences and humanities.

The U of L pursued research funding through NSERC, SSHRC, CIHR, AHFMR, and other agencies. This pursuit was successful, with the value of research grants received at the U of L increasing 13% over 2002-03. Moreover, the ratio of research funding relative to operating grants rose by almost 2% in 2003-04. For more details, see “Research Funding” (page 19).

Goal: Community and Public Relations

Building and enhancing a strong university presence in the local and provincial community has always been an important part of The University of Lethbridge philosophy. We will continue to build a strong presence in southern Alberta, and the province as a whole.

During the 2003-04 fiscal year, the U of L maintained and grew its strong ties to the local and provincial communities. The institution continued to offer educational, recreational and fine arts programs and speaker events to the community.

With the web site being a key channel for public relations, the U of L continued a reimagining of the institution’s home page.

The Department of University Advancement persisted in its efforts to build relationships with the local government, the community, and the alumni.

In collaboration with the City of Lethbridge, the U of L began planning the Regional Health and Wellness Centre. This Centre will house a variety of top-quality fitness and physical activity facilities for the benefit of the U of L and surrounding communities, and will provide better space for academic and research programs in Kinesiology.

Goal: Student Services

The University of Lethbridge will identify the needs of students and employers when developing student services, and respond to student and community concerns and requirements whenever possible.

The U of L continued to provide students with exceptional access to information technology and resources in 2003-04. All residence students have high-speed Internet access. Each of the 850 individual study spaces and 78 study spaces in LINC is wired with fibre optic cable for access to information technology.

The U of L's co-operative programs, which combine work experience with academic studies, continue to be successful. The Faculty of Management and the Faculty of Arts and Science Co-operative Education offices match employers who want quality employees with students seeking job opportunities relevant to their education. Each year, staff members in the two offices direct hundreds of students to local, regional, and national job placements. Students have also self-directed their co-op terms and worked internationally in countries as diverse as the United States, England, and Israel.

The University ranked second among primarily undergraduate universities on percentage of budget devoted to student services in the 2003 Maclean's magazine Annual Survey of Canadian Universities (see "Maclean's Survey," page 29).

In its ongoing efforts to improve student services, the U of L continued to conduct surveys of graduates that include rating student satisfaction with student services.

Goal: Facilities and Equipment Renewal

Expand and upgrade academic, research, and support facilities to sustain enrolment growth. Address essential infrastructure and building renewal needs, based on available opportunities and resources.

After the City of Lethbridge approved \$5.3 million in funding for the facility, the U of L began the planning process for the multi-purpose Regional Health and Wellness Centre. Scheduled for completion in late 2006, the Centre will include a 2000-seat triple gymnasium, fitness centre, sports medicine clinic, running track, labs, classrooms, and other facilities. (See "Regional Health and Wellness Centre," page 25.)

In June 2003, the U of L-Canadian Space Agency SPIRE (Spectral and Photometric Imaging Receiver) laboratory opened on campus. Dr. David Naylor operates the facility.

Highlights of the capital projects completed in 2003-04 to address essential infrastructure and building renewal needs include:

- University Centre for the Arts roof replacement.
- Renovation of A735 for University Advancement offices.
- Student housing expansion.
- Various, ongoing improvements and repairs to classrooms and faculty offices.
- Numerous lab renovations.
- Northeast lot parking expansion.
- Installation of additional fire protection system in University Hall.
- Numerous security camera and card access system improvements
- Ongoing repairs to the University Hall building envelope.

Goal: Operate Responsively and Responsibly

The University of Lethbridge will operate in a manner that is fiscally responsible, forward thinking, and responsive to the needs of students, faculty, government, society, and the economy.

The U of L’s budgeting process is based on a three year rolling budget model, in which 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 and allows the University to be in a position to respond to various budget scenarios. The U of L is dedicated to cost containment, continuous quality improvement, and fiscal responsibility.

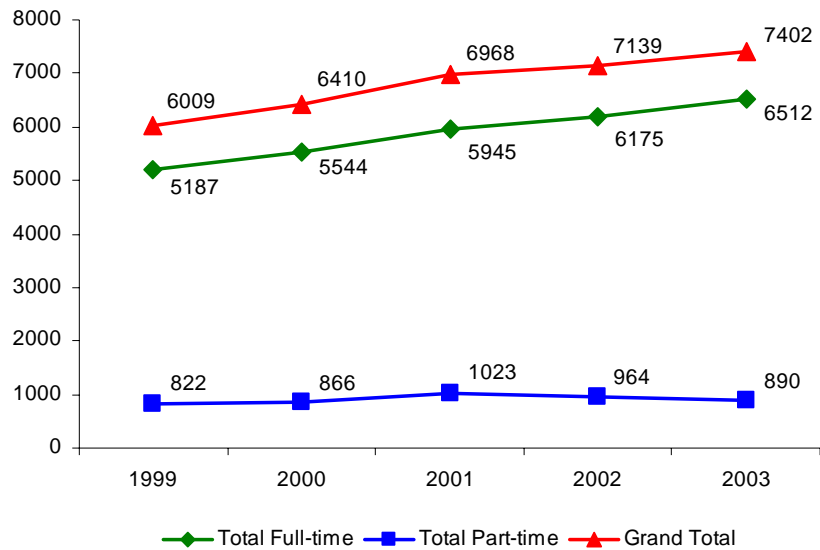
Progress Related to Performance Measures

In its 2002-2006 Business Plan, the U of L presented eight performance measures. This section provides current data for these performance measures, where it is available.

Enrolment

Enrolment at the U of L continues to increase, with 7,402 students in the fall 2003 semester, an increase of 3.6% over the previous year.

Figure 5: Fall Enrolment, 1998-2003



Graduate Satisfaction

In conjunction with other Alberta universities and university colleges, we conduct surveys of graduates, which include rating how satisfied graduates are with the education they received at The University of Lethbridge. Satisfaction levels climbed to 96% for the 2004 graduate survey.

Table 1: Student Satisfaction with Overall Quality of Educational Experience, 2000-04

	2000	2002	2004
Students Satisfied	86%	89%	96%

Graduate Participation and Employment Rates

This performance measure tracks how well U of L graduates fare in the workforce. The participation rate is the proportion of graduates who are active in the workforce. The employment rate shows the proportion of these active participants that are currently employed.

For U of L graduates, both participation and employment rates have remained very high from 2000 to 2004.

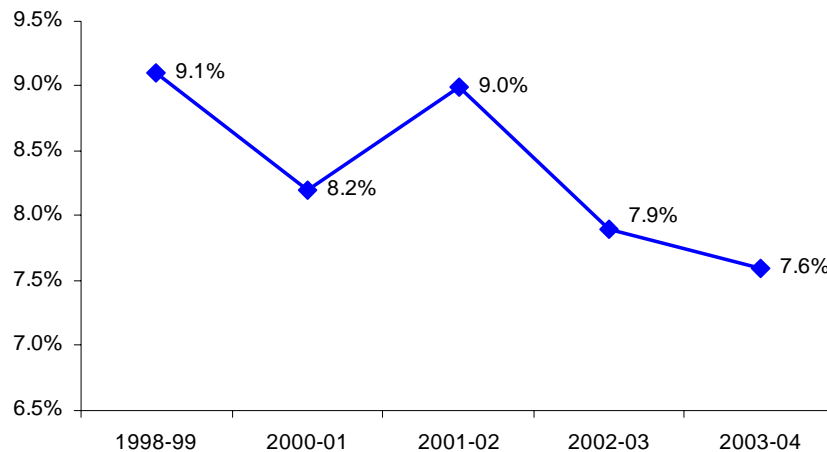
Table 2: Graduate Participation and Employment Rates, 2000-04

	2000	2002	2004
Participation Rate	96%	97%	92%
Employment Rate	95%	95%	97%

Administration Expenditures

Administration expenditures as a percentage of total expenditures less ancillary expenditures measures the efficiency of U of L administration. The figure for 2003-04 (7.6%) is the lowest in five years.

Figure 6: Administration Expenditures as a Percentage of Total Expenditures Less Ancillary Expenditures, 1998-99 to 2003-04



Citation Index

The citation index shows the number of times U of L research studies are referenced in publications. For this performance measure, current data was unavailable, as the citation index is no longer collected for KPI purposes. The table below shows the most recent data.

Table 3: Citation Index

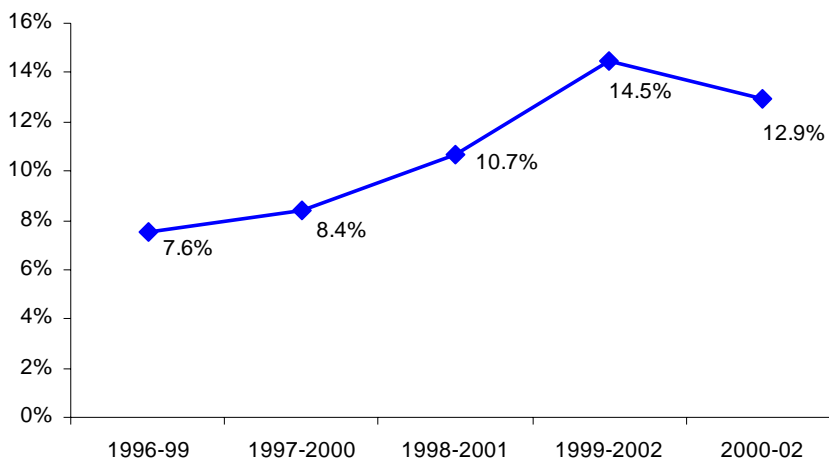
	1993-97	1994-98	1995-99	1996-2000
No. Citations Received	1003	1231	1455	1727
Citation Impact*	2.61	3.10	3.41	3.65

*Citation impact = the average number of times a U of L publication was cited.

Research Intensity

Research intensity data are produced by calculating the value of sponsored research divided by the value of provincial operating grants. The graph below shows a three-year moving average from 1996-99 to 2000-02. Though research intensity dropped in 2000-02, it is still an increase of almost 70% over 1996-99 and 20% over 1998-2001.

Figure 7: Research Intensity, 1996-99 to 2000-02

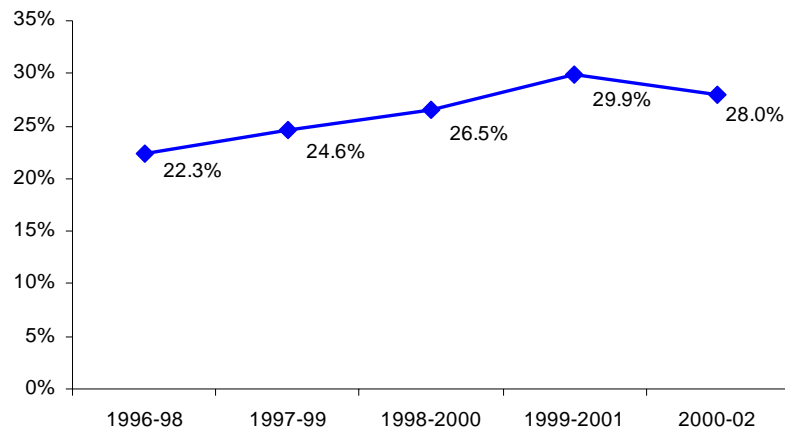


Research Impact

This measure shows how well the U of L attracts research money from community and industry sources. Research impact is calculated by dividing the value of community and industry sponsored research by the value of total sponsored research.

The graph below shows the three-year moving average from 1996-98 to 2000-02. The U of L research impact has risen by over 25% since 1996-98.

Figure 8: Research Impact, 1996-98 to 2000-02



Research Council Grants

This measure tracks the grant monies that the U of L receives from the Natural Sciences and Engineering Research Council (NSERC), Social Sciences and Humanities Research Council (SSHRC), and Canadian Institute of Health Research (CIHR). The charts below show recent data. This data is for new grants only, and does not include ongoing grant monies.

Figure 9: Value of NSERC and SSHRC Grants, 98-00 to 01-03 (moving average, in thousands of \$)

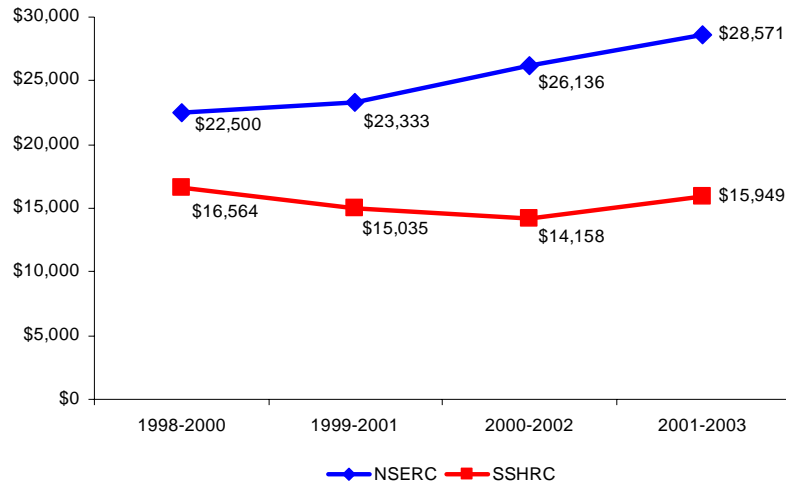
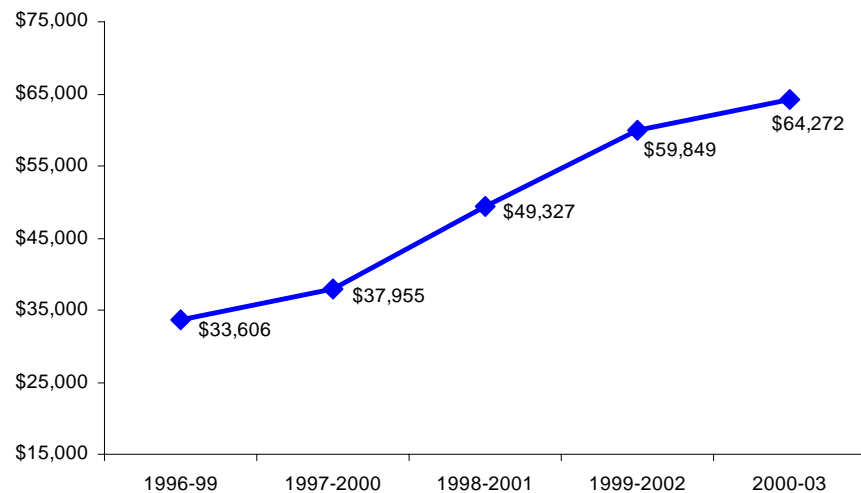


Figure 10: Value of CIHR Grants, 96-99 to 00-03 (moving average, in thousands of \$)



4. The Year in Review

Student Achievement

CAFCE Co-op Student of the Year

In March 2004, the Canadian Association For Cooperative Education (CAFCE) announced that Marc Slingerland, a B.Sc. and B.Ed. student at the U of L, was named CAFCE Co-op Student of the Year (2003). Slingerland is the only Albertan to be selected from an applicant pool of hundreds of co-operative education students across the country.

This is the second time a U of L student has received the prestigious national award. Slingerland joins University of Lethbridge Alumnus Russell Goodman, who received his Co-op award in 2001 and is currently studying at Oxford University as a Rhodes Scholar.

Colleen Klein Scholarship

U of L B.A. student Sheila Robert was the 2003 recipient of the Colleen Klein Scholarship for Native American Students. This scholarship is awarded annually to a student who is enrolled in full-time studies in any of the university's faculties or schools. Robert, presently a fourth-year student, is enrolled in the B.A. program with a major in Native American Studies - Co-op.

National Invitational Student Art Competition

U of L Fine Arts graduate Dillison Malinsky was the Alberta winner in the BMO Financial Group's "1st Art! Invitational Student Art Competition." Malinsky, a printmaker who graduated in May 2003 with a B.F.A. (Art) degree with Great Distinction, was chosen from an estimated 150 entrants across Canada.

The 1st Art! Competition was started by BMO Financial Group as a vehicle to celebrate the work of student artists from more than 80 Canadian post-secondary institutions. Entries into the competition were determined by deans and administrators of studio art programs, who were invited to nominate the work of up to three of their graduating students. The judging committee chose 13 winning pieces, one from every province and territory.

Queens Intercollegiate Business Competition

For the third consecutive year, a group of U of L Management students took home awards at a prestigious international business school competition, besting competitors from some of Canada's largest business schools.

The students—Misha Wilkin, Luke Barber, Adam Murnaghan, and Tonya Thacker—and faculty advisor Dan Kazakoff participated in the 26th annual Queens Intercollegiate Business Competition, held January 2004 at Queens University. This event, the premier business case competition in Canada, attracted more than 500 students from 31 universities in Canada and around the world.

Two of the four U of L teams made it through a pre-qualification round to the finals, where they placed fourth in the Accounting and Management Information Systems categories.

Academic Program Development and Growth

Bachelor of Management in First Nations Governance

The Faculty of Management and Department of Native American Studies launched Alberta's first Bachelor of Management in First Nations Governance in April 2003.

The result of a unique partnership, the degree will offer a multidisciplinary approach to First Nations issues and provide students with a strong foundation in Management, leadership, and Native American Studies. The program reflects the renewed priority the University places on education for people from First Nations communities, as identified in the U of L Strategic Plan (see "Appendix One: About The University of Lethbridge," page 30). The Bachelor of Management in First Nations Governance prepares graduates for careers in leadership, government, business, tribal administration, and self-government.

Niitsitapi

In August 2003, the Faculty of Education and Red Crow Community College launched the Niitsitapi Program to offer First Nations students an excellent teacher education program that integrates Blackfoot culture, traditions, and knowledge.

The objective of the Niitsitapi Program is to graduate teachers proficient in teaching, disciplinary content, and First Nations culture. Many years of discussion, negotiation, development, and planning went into the successful launching of this initiative. The Faculty of Education developed the program through a partnership with Red Crow Community College, located on the nearby Kainai First Nation.

Ph.D. Science Programs

In March 2004, Alberta Learning approved a significant expansion of the U of L's Special Case Ph.D. program to take effect in September 2004. This expansion allows doctoral degrees to be granted in five new multi-disciplinary areas of study: Bio-molecular Science; Biosystems and Biodiversity; Earth, Space and Physical Science; Evolution and Behaviour; and Theoretical and Computational Science. Up to 60 students could join the program over the course of a four-year implementation process.

Expanding the U of L's successful Ph.D. program will boost student and faculty recruitment and research funding, and will further enhance research capacity. Additional research funding may flow to the University on the strength of additional programming undertaken by Ph.D. students.

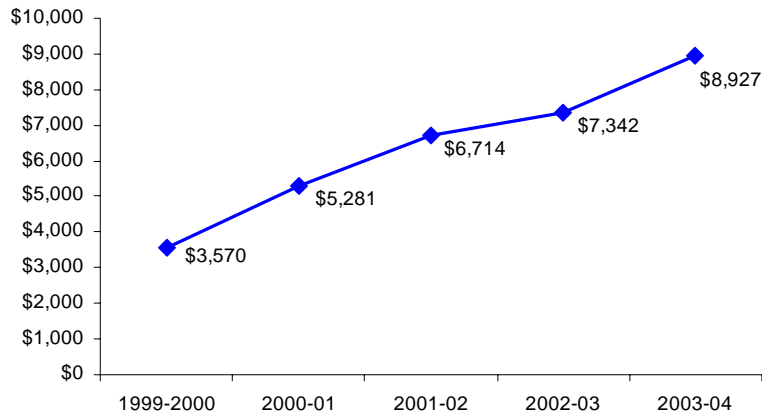
The new degree programs complement a Ph.D. program in Cognitive and Behavioural Neuroscience that was approved in 2000. Currently, 13 students are enrolled in that program, with the majority of students coming from outside southern Alberta.

Research Funding

Overview

The University of Lethbridge has a mandate to do research in the areas in which it offers instruction, and to do applied research in areas of special relevance to the region. A strong commitment to research and involving undergraduate students in research are two of the institution’s hallmarks.

Figure 11: Value of Research Grants Received, 1997-98 to 2002-03 (in thousands of \$)



Over the past five years, research grants have increased 164%, or over 1½ times. This increase is due largely to new sources of international, federal, and provincial research funding:

- **International research funding**—National Institutes of Health (USA).
- **Federal research funding**—Canadian Foundation for Innovation; Canadian Stroke Network; Canada Research Chairs program; and Canadian Space Agency.
- **Provincial research funding**—Alberta Gaming Research Institute; Alberta Innovation and Science; Alberta Ingenuity Fund; and Alberta Science Research Institute.

The U of L’s strong commitment to research is also reflected by the increasing ratio of research funding relative to operating grants. This ratio rose by almost 2% in 2003-04 (Figure 12). Research continues to be funded primarily by federal and provincial agencies (Figure 13).

Figure 12: Research Grants as a Percentage of Operating Grants, 1998-99 to 2003-04

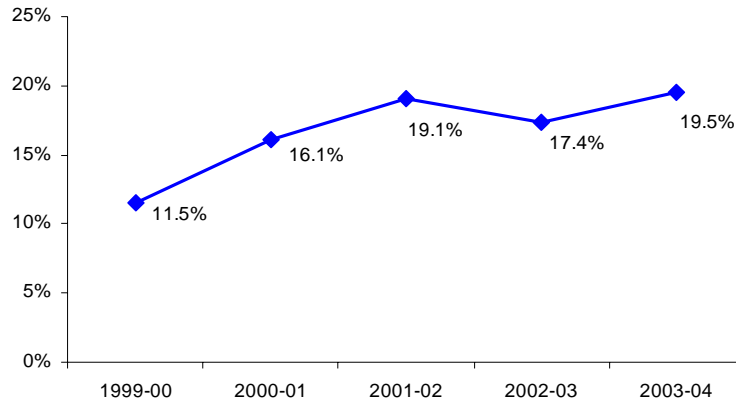
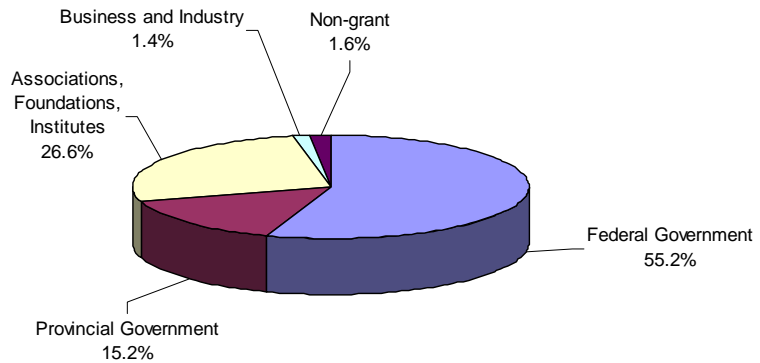


Figure 13: Source of Research Revenue, 2003-04



AHFMR Funding

Dr. Kleim, a researcher in Psychology and Neuroscience, is one of 40 researchers around the province who was successful in the Alberta Heritage Foundation for Medical Research (AHFMR) 2004 award offers. Kleim's AHFMR funding exceeds \$500,000 over five years.

Kleim's research at the U of L's Canadian Centre for Behavioural Neuroscience focuses on how the brain recovers from a stroke and on identifying therapies to aid recovery. It is of considerable interest to the research and medical communities.

NSERC Funding

In June 2003, 2,752 new grants worth over \$325 million over five years were awarded to university professors at 67 of Canada's post-secondary schools. This year, U of L received \$1,588,483 in NSERC Grants.

SSHRC Funding

In 2003, three U of L researchers succeeded in rigorous national peer-review competitions to be awarded over \$229,000 in new funding from Social Sciences and Humanities Research Council (SSHRC). Kinesiology researcher Steven Bray, sociologist Abdie Kazemipur, and political scientist Alan Siaroff will receive a total of \$229,176 over the next three years for three projects. Six researchers received \$86,150 in SSHRC funding to continue approved research projects.

Additionally, U of L political scientist Peter McCormick and Ian Greene from York University received \$71,786 over three years to study the impact of social science evidence in Canadian Courts.

Alberta Ingenuity Funding

Three University of Lethbridge researchers and researchers-in-training shared \$325,000 in new research funding awarded by Alberta Ingenuity through its 2003 Alberta Ingenuity Fellowship Awards and Alberta Ingenuity Studentship Awards competition.

Dr. Rui Zhu (Chemistry and Biochemistry) was awarded \$110,000 in funding for up to two years. The Fellowship consists of a \$48,000 annual stipend and a research allowance of up to \$7,000 per year.

Graduate students Christine Reinhart (Psychology and Neuroscience) and Brent Sorenson (Chemistry and Biochemistry) shared \$215,000 in funding for up to five years to help them gain full-time research training experience. Each Studentship consists of a \$20,000 annual stipend and a research allowance of \$1,500 per year, and can be held for up to five years.

Alberta Ingenuity supports a long-term program of science and engineering research at Alberta universities, public colleges, technical institutes, and industry.

Indirect Costs of Research

In November 2003, Senator Joyce Fairbairn (on behalf of Allan Rock, Minister of Industry) announced that The University of Lethbridge would receive a total of \$911,517 to help cover indirect costs associated with federally-sponsored research.

The Indirect Costs program addresses a key need identified by the university/college and medical research communities. It supports the research efforts of universities by providing funding for indirect costs like information management systems, technology transfer and commercialization services, and operating and maintaining equipment and facilities.

Under the Indirect Costs program, the distribution of funds to universities will be based on their past research awards from the federal research granting agencies. The program is a key element of Canada's Innovation Strategy, which outlines specific actions designed to move Canada to the front ranks of innovative countries.

Canada Research Chairs

Research at The University of Lethbridge got a significant boost with the June 2003 announcement of the institution's first three Canada Research Chairs, in Ecotoxicology, Aquatic Ecosystems, and Behavioural Neuroscience. These positions were part of an announcement made by the Hon. Allan Rock, Minister of Industry, that will create 80 new Canada Research Chairs at universities across the country.

Dr. Joseph Rasmussen (Aquatic Ecosystems), Dr. Alice Hontela (Ecotoxicology), and Dr. Robert McDonald (Behavioural Neuroscience) joined the University from McGill University, the University of Quebec at Montreal, and the University of Toronto, respectively. Drs. Rasmussen and Hontela will work within the WISE research program, while Dr. McDonald will join the Canadian Centre for Behavioural Neuroscience. Their appointments are supported by an annual grant of \$400,000 from the Canada Research Chairs program and, when matched by provincial government sources, will provide \$1 million in new research infrastructure.

Board of Governors Research Chairs

In May 2003 four Board of Governors Research Chair positions were created. Agricultural economist Kurt Klein, animal behaviourist Gail Michener, astrophysicist David Naylor, and climate change researcher Larry Flanagan are the most recent appointees to the Board of Governors Research Chair positions. The Board of Governors Research Chairs were established in 2001 to recognize and promote excellence in research, teaching, scholarship, and performance.

Alberta Ingenuity Centre for Water Research

The University of Lethbridge was selected as the administrative centre for a tri-university water research partnership announced by the Alberta Ingenuity Fund. Known as the Alberta Ingenuity Centre for Water Research, this partnership will deliver fundamental knowledge acquired through research into the interrelation of water quality and quantity in four areas: watersheds; water ecology and the safety of water; wastewater; and socioeconomic issues.

The Centre involves The University of Lethbridge, the University of Calgary, and the University of Alberta. It will receive \$1.5 million in the first year of a five-year award, and may receive \$7.5 million over the term of the award.

The Alberta Ingenuity Centre for Water Research will provide an excellent investment in Alberta's future economic prosperity and environmental sustainability.

Faculty Achievement

ASTech Award Nominees

Two University of Lethbridge researchers—Dr. Bryan Kolb (Psychology and Neuroscience) and Dr. David Naylor (Physics)—were among the 2003 Alberta Science and Technology (ASTech) Leadership Foundation’s nominees for outstanding achievements in science, technology, and research.

Kolb, described as a founding father of behavioural neuroscience, was nominated for an “Outstanding Leadership in Alberta Science” award along with the Glycobiology Research Group and Dr. Brian D. Sykes. Recognized as one of the most influential neuroscientists in the world, Dr. Kolb has made enormous contributions to understanding brain and behaviour and the ability of the brain to recover from injury or disease.

Naylor, one of the world’s foremost experts in Fourier Transform Spectroscopy, was nominated for an “Outstanding Leadership in Alberta Technology” Award alongside Dr. Michael Brett and the Mariah Energy Team.

Ingrid Speaker Medal

Dr. Gail Michener and Dr. Margret Winzer were the two winners of the Ingrid Speaker Medal for Distinguished Research, Scholarship, or Performance for 2003. Established in 1995, the Ingrid Speaker Medal recognizes the importance of research, scholarship, and performance at The University of Lethbridge.

Animal behaviour researcher and award-winning teacher Dr. Gail Michener investigates the reproductive and behavioural ecology of the Richardson’s Ground Squirrel, a common animal in southern Alberta. Her meticulous long-term studies have provided significant insights into the social structure of mammals. She exemplifies the professorial duty of linking research activities with teaching and service contributions.

Dr. Margret Winzer’s groundbreaking research in special education has advanced the field both nationally and internationally. Her work incorporates multicultural themes, early childhood special education, and international comparative perspectives. It is also lauded for addressing the policy, practice, and paradigm changes in special education.

Distinguished Teaching Medal

Established to recognize the central importance of teaching to the U of L, the 2003 Distinguished Teaching Medal was awarded to Dr. Hiroshi Shimazaki, professor of International Management in the Faculty of Management.

Shimazaki’s teaching skill combined with his curiosity, energy, integrity, and good nature have endeared him to many people in the countries where he has been a visiting professor or researcher, including Japan, Germany, and Mexico.

NeuroScience Canada/Alberta Heritage Foundation for Medical Research Post-doctoral Fellowship

Dr. Nicole Sherren is the U of L's first recipient of the NeuroScience Canada/Alberta Heritage Foundation for Medical Research Post-doctoral Fellowship, which is valued at \$52,000. Her research will focus on the functional recovery and cerebral organization after focal and restricted perinatal injuries in rats. This work could eventually contribute to rehabilitation strategies for a wide variety of neurological problems.

Technology and Facilities

Web-Based Registration

A new web-based registration system, first implemented for Master of Education students in March 2003, was expanded in 2004 to include the 800 students at the U of L's Calgary and Edmonton campuses.

The project, which incorporates the latest in web security features, was developed with the Information Technology department, and included student input from system testing. Additional features of the new system will include the ability for students to check their grades and see their entire academic histories, and a feature that allows faculty members to enter grades and view their class lists in real time.

These new services will be available through the University's Web Information System, which currently enables students to access their account summaries and tuition tax receipts and allows them to pay their fees online.

WestGrid

In March 2004, the WestGrid resources became available for general use by the research community. This innovative "grid" of computational resources will allow researchers to push the frontiers of grid computing and e-science, a new form of research that involves shared resources. WestGrid unites three major supercomputing installations at the University of British Columbia, the University of Alberta, and the University of Calgary, with a large storage facility at Simon Fraser University. The University of Lethbridge is a research partner in the project.

WestGrid is one of the world's most advanced computing environments for research. The grid-enabled infrastructure includes major collaborative facilities known as Access Grid nodes, with a total of eight institutions interconnected over dedicated research "lightpaths" on existing provincial and national research networks.

The new resources are expected to support research in several disciplines that involve large amounts of data, such as medical research, astronomy, subatomic physics, pharmaceutical research, and chemistry.

MRI Lab

March 2004 brought an announcement that the Canadian Centre for Behavioural Neuroscience will receive nearly \$1 million from the Canada Foundation for Innovation (CFI) to build a magnetic resonance imaging lab and install related support equipment.

This state-of-the-art imaging facility will provide researchers with a highly accurate way of examining the brain. The U of L is seeking matching funds from other provincial and federal agencies. The estimated cost of the expansion is \$3 million, and is expected to create five research and technical jobs. The CFI funding is directed toward constructing a facility to house the equipment.

Regional Health and Wellness Centre

With the December 2003 approval of \$5.3 million in funding from the City of Lethbridge, The University of Lethbridge began the process of planning the long awaited, multi-purpose Regional Health and Wellness Centre.

City Council approved a long-range Capital Improvement Program that included \$5.3 million to be paid to The University of Lethbridge and directed toward the building of the multi-use facility. The total cost for the Regional Health and Wellness Centre is expected to be \$20.6 million. Through a combination of University and private funding, the U of L will contribute more than 75% of the cost.

Construction of the new building will start in February 2005 and will take 14 months to complete. The project is expected to be finished in late 2006.

To be attached to the west side of the Physical Education Building, the Regional Health and Wellness Centre will combine over 6,500 sq.m. of new space and 5,100 sq.m. of renovated space. It will house: a highly-flexible triple gym with seating for 2000 people; a martial arts studio; a fitness centre; space for a sports medicine clinic; a climbing wall; an indoor running track; sprint track space; and other amenities. In renovated space in the existing Physical Education building, Kinesiology researchers will get more labs, classrooms, and additional work spaces.

SPIRE Laboratory

The University of Lethbridge-Canadian Space Agency SPIRE (Spectral and Photometric Imaging Receiver) Laboratory opened in June 2003. A unique-to-Canada facility, the SPIRE Laboratory is operated by physics researcher Dr. David Naylor and housed at The University of Lethbridge. Dr. David Naylor, of the U of L's Department of Physics and Astronomy, is the Canadian principal investigator for the SPIRE project.

SPIRE is a very sensitive device on the Herschel Space Observatory, a billion-dollar project scheduled for launch in 2007. The device detects and measures infrared sources at a level of accuracy not found on ground-based instruments. It is one of three instruments being built for Herschel.

Staffing

From 2002-3 to 2003-04, the budgeted FTEs of academic staff increased by 4.7%, while the budgeted FTEs of support staff grew by 5.1%.

Table 4: Budgeted FTE Positions, 99-00 to 02-03

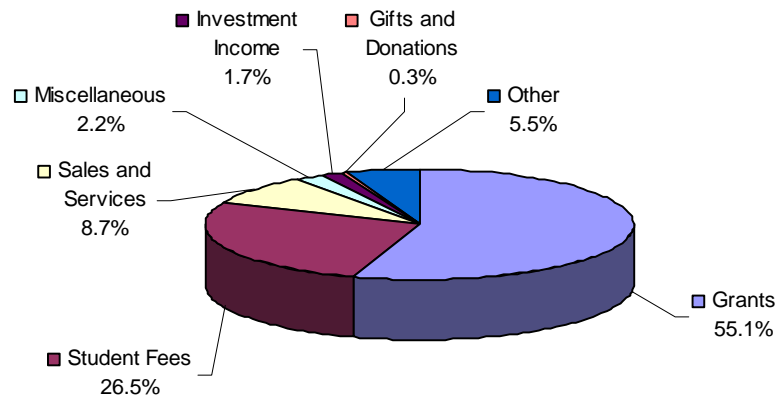
	99-00	00-01	01-02	02-03	03-04
Academic	352.1	361.8	380.8	391.9	410.6
Support	385.6	399.5	415.1	440.6	463.2

Financial Highlights

Revenue and Expense

In 2003-04, the excess of revenue over expense increased by \$3.9 million over the previous year. The primary reason for this difference was a significant write-down of investment value in the 2003 fiscal year of \$2.8 million. University revenue totalled \$113.7 million in 2004, an increase of \$9.2 million (9%) over 2003. Grants, student fees, and sales and services were the top three sources of income, together accounting for 90% of 2003-04 revenue.

Figure 14: Revenue by Source, 2003-04



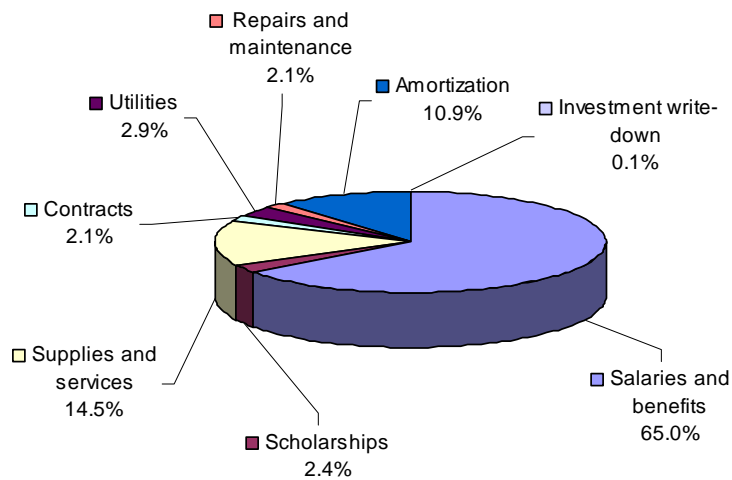
Due to increases in provincial government grants (Table 5) and research grants, total grant revenue increased by \$5.7 million (10%) over the previous year. As students pay a greater share of their education, and as revenue from other sources (particularly sponsored research) continues to grow, the percentage of University revenue provided by the provincial government has decreased, from 68% in 1990-91 to 49% in 2003-04.

Table 5: Provincial Grants, 2001-02 to 2003-04

	2002-03	2003-04
General operating	\$42,554	\$45,380
One-time operations and maintenance	-	1,383
Performance funding envelope	-	487
Access (operating)	7,000	6,388
Conditional funding	4,601	4,601
Deferred conditional funding	(1,744)	(1,344)
	\$52,411	\$56,431

In 2004, University expenses totalled \$105.7 million, which was an increase of \$5.4 million (5%) over the previous year.

Figure 15: Expense by Type, 2003-04



Salaries and benefits continue to be the major component of the operating cost of the U of L. In 2003-04 salaries and benefits increased by 10% over the previous year, due mainly to about 80 new faculty and staff positions. In spite of the pressure to remain competitive in labour markets and the increasing costs of benefits, the U of L has kept its salaries and benefits expense ratio consistent over the past five years.

Budgeting

The budgeting process is based on a three-year rolling budget model, in which 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 and allows the University to be in a position to respond to various budget scenarios and to achieve consistently positive financial results.

Tuition Fee Policy Compliance

Table 6 shows the ratio of institution tuition fee revenue to net operating expenditures, and demonstrates institution performance with respect to the 30% tuition fee ceiling. The U of L prepared this information in accordance with Section 3 of the *Tuition Fee Regulation*. It has been submitted to Alberta Learning and verified by Ministry staff.

Table 6: Tuition Fee Policy Compliance Information

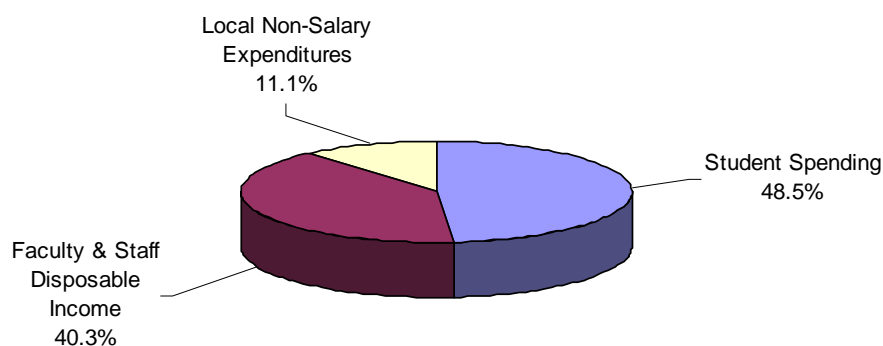
	2003-04
Tuition Fees Subject to Policy:	\$25,250,416
Net Operating Expenditures:	\$86,469,149
Ratio of Tuition Fees Subject to Policy to Net Operating Expenditures:	29.20%

In 2003-04, tuition and related fees revenue increased by about \$3 million (11%), due to two factors: a 3.7% increase in fall 2003 enrolment; and Board of Governors-approved increases of 7.5% in undergraduate fees and 6.6% in graduate fees that became effective May 1, 2003.

Economic Impact

A study of the economic impact of The University of Lethbridge showed the institution generated 1,800 jobs and injected \$141 million into the local economy in 2003. The total economic impact is more than double the total impact in 1993 (\$62.4 million).

Figure 16: Economic Impact, 2003-04



Rankings

Maclean’s Survey

In the 2003 Maclean’s Magazine Annual Ranking of Canadian Universities, The University of Lethbridge moved up one rank, recorded 10 top-ten placements, and was included in the “Leaders of Tomorrow” category. This latter category was based on a survey of business leaders, community members, and representatives from other Canadian universities.

The University placed 12th and maintained or increased its position in half of the categories. These categories measure 22 institutional benchmarks, ranging from overall ranking and reputation to students’ average entering grades and the percentage of the institution’s budget devoted to student services. The U of L’s increases in two key library rankings and the percentage of budget devoted to student services indicate that the institution is committed to serving students. The University maintained its position in the first and second-year class size category, reflecting the importance the institution places on maintaining a small-class atmosphere.

In the categories devoted to research, the U of L increased its rank in a highly competitive category for social sciences and humanities grants, and maintained its second-place spot for medical/science grants.

Table 7: University of Lethbridge Overall and Top 10 Rankings, 2003

Category:	Rank:
Overall Ranking	12
Leaders of Tomorrow Reputational Ranking	5
Medical Science Grants	2
Student Services (Percentage of Budget)	2
National Awards Per Full-time Faculty	4
Library Expenses	5
Out-of-province Students (First year)	7
International Students (First year)	8
Library Holdings Per Student	8
Overall Reputational Survey	8
Proportion Who Graduate	10
Operating Budget (Percent Devoted to Student Services)	10

Globe and Mail Report Card

The University of Lethbridge made the top 15 listings in several categories and sub categories of the Globe and Mail’s second annual University Report Card. The Report Card placed the U of L ninth out of 38 institutions in the overall “Quality of Education” category, which measured teaching quality and faculty knowledge, teaching methods, faculty availability to students, and the availability and quality of teaching assistants.

The survey was sponsored by Scotiabank, and conducted by the Strategic Council and Uthink, two commercial research companies working in partnership with the Globe and Mail. The results were tabulated based on student responses to a 100-question, on-line survey completed by a minimum of 230 students per institution. More than 26,000 students nationally and more than 340 at the U of L completed the questionnaire.

Appendix One: About The University of Lethbridge

Mandate

The University of Lethbridge is a Board-governed institution functioning under the *Universities Act* as a member of the system of Alberta universities. It offers instructional programs at the Bachelor's level in the humanities, the social sciences, the natural sciences, and mathematics, within its Faculty of Arts and Science. It also awards University certificates, diplomas, and undergraduate degrees in Education, Fine Arts, Health Sciences, Management, and Nursing. As well, it offers a Master of Education (M.Ed.), Master of Arts (M.A.), Master of Science (M.Sc.) and a special case Doctor of Philosophy (Ph.D.). It stimulates and supports basic research and scholarly activity in all disciplines in which it gives instruction, and conducts certain lines of applied research of special relevance to the region or to the province.

The University offers collaborative programs with various community colleges, including post-diploma degrees in Agricultural Studies, Environmental Science, Fine Arts, Management, and Nursing. It encourages, through its Management, Education and Arts and Science Faculties, active development of educational opportunities in Native American Studies for Native American students through off-campus and on-campus programs.

The University of Lethbridge provides non-credit continuing education programs throughout the region. It also supports artists' workshops and in general makes available its cultural programs and facilities as well as its athletic facilities to the wider community in which it is located.

Vision

The University of Lethbridge strives to build the most vital and engaging learning environment in Canada, through superior teaching, research, and creative achievement.

Mission

The University of Lethbridge exists to develop individuals who are creative and inventive discoverers, leaders and independent learners, well prepared to contribute significantly to their local, national, and global communities. We, The University of Lethbridge, care about what our students, staff, and faculty need to achieve this goal. Thus, we provide excellent programs with a liberal education focus, outstanding and inspirational teaching, intellectual horizons that extend far beyond the boundaries of our community, quality services, an inclusive and diverse campus within a climate of respect, high quality facilities and resources, and a commitment to responsible action.

The University also has a social responsibility to protect free inquiry and scholarship, and to push the frontiers of current knowledge through innovative research. Taking this responsibility seriously, we cultivate a community that fosters intellectual exchange, creativity, originality, and discovery.

Strategic Priorities

With the Strategic Plan as the framework, The University of Lethbridge commits to continuing action in the areas in which we presently excel, as outlined in our Mission statement, and in those key areas where enhancement is required. The following Strategic Priorities represent these key areas, in which The University of Lethbridge will apply a special effort so that the institution can more successfully align itself with its Mission, Vision, and Fundamental Principles.

Students

- Improve student financial support through scholarships, bursaries, work opportunities, and other initiatives.
- Expand opportunities for graduate studies.
- Foster a sense of healthy culture and community for students.

Diversity

- Improve support and participation of First Nations in the University community.
- Ensure gender inclusivity by promoting and implementing equity within the University community.
- Increase the international focus of The University of Lethbridge, through the recruitment and exchange of students and faculty.

Teaching and Research

- Provide support for faculty in the enhancement of effective teaching skills and strategies.
- Pursue additional funding to support scholarly activity across a wide range of disciplines.
- Develop centres of research excellence across the faculties and schools.

Facilities

- Increase state-of-the-art academic space on campus.
- Increase student residence space.
- Provide access to additional recreation and leisure space.
- Expand research space in all disciplines.

Outreach

- Work with our alumni to help advance the mission and vision of The University of Lethbridge.
- Raise the profile of The University of Lethbridge in the provincial, national, and international arenas.
- Improve relationships and increase involvement with individuals and organizations for the good of The University of Lethbridge and the community.

Appendix Two: Audited Financial Statements

Statement of Management Responsibility

The accompanying financial statements are the responsibility of management. The financial statements have been prepared in accordance with generally accepted accounting principles.

Management of the University, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a comprehensive system of internal accounting controls. Management believes that this system of internal accounting controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded. Management exercises its judgement in determining that a reasonable balance is maintained between the costs of such controls and the benefits to be derived there from. The financial statements necessarily include some amounts that are based on management's best estimates and judgements. The internal accounting control process includes management's communication to employees of policies, which govern ethical business conduct.

The Board of Governors carries out its responsibility for the financial statements principally through its Finance Committee and the Audit Committee. The Finance Committee reviews monthly operating statements and the annual financial statements. The Audit Committee meets periodically with management and representatives of the Auditor General's office to review internal accounting controls, audit results, and accounting principles and practices. The financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

Cindy Armstrong-Esther, MBA, CA

Director

Financial Services

Nancy R. Walker, MBA, CA

Vice President

(Finance and Administration)

The official version of this Statement of Management Responsibility and accompanying financial statements are in printed form.



AUDITOR'S REPORT

To the University of Lethbridge

I have audited the statement of financial position of The University of Lethbridge as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by Fred J. Dunn, FCA

Auditor General

Edmonton, Alberta

May 18, 2004

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

The University of Lethbridge
STATEMENT OF FINANCIAL POSITION
 As at March 31
 (thousands of dollars)

	2004	2003 (As restated - Note 22)
ASSETS		
CURRENT ASSETS		
Cash	\$ 12,553	\$ 3,835
Accounts receivable	3,990	3,565
Inventories	541	515
Prepaid expenses	574	370
	<u>17,658</u>	<u>8,285</u>
DEPOSIT ON CAPITAL ASSET	-	41
INVESTMENTS (Notes 3, 4)	47,815	48,819
CAPITAL ASSETS (Note 5)	140,412	138,598
COLLECTION (Note 6)	32,997	32,905
	<u>\$ 238,882</u>	<u>\$ 228,648</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,164	\$ 4,136
Employee benefit liabilities (Note 7)	4,428	4,691
Deferred revenue	664	572
Deferred tuition fees	3,031	2,634
Deferred contributions (Note 8)	10,726	10,058
Current portion of long term debt	109	-
	<u>23,122</u>	<u>22,091</u>
LONG TERM LIABILITIES		
Accounts payable - construction projects	319	528
Long term debt (Note 9)	3,891	-
Employee benefit liabilities (Note 7)	4,644	4,008
Deferred capital contributions (Note 10)	1,282	1,038
	<u>10,136</u>	<u>5,574</u>
	<u>88,358</u>	<u>92,175</u>
NET ASSETS		
Investment in capital assets and collection	81,050	79,328
Endowments (Note 12)	11,227	10,762
Internally restricted net assets (Note 13)	5,399	5,260
Unrestricted net assets	19,590	13,458
	<u>117,266</u>	<u>108,808</u>
Commitments and Contingencies (Note 21)		
	<u>\$ 238,882</u>	<u>\$ 228,648</u>

The University of Lethbridge
STATEMENT OF OPERATIONS
 For the Year Ended March 31
 (thousands of dollars)

	2004	2003 (As restated - Note 22)
REVENUE		
Grants	\$ 62,659	\$ 56,931
Tuition and related fees	30,183	27,143
Sales of services and products	9,844	9,289
Miscellaneous	2,545	2,068
Investment income (Note 14)	1,940	2,609
Gifts and donations	307	369
Amortization of deferred capital contributions (Note 11)	6,262	6,094
	<u>113,740</u>	<u>104,503</u>
EXPENSE		
Salaries	58,968	52,435
Employee benefits	9,694	8,956
Scholarships, fellowships and bursaries	2,586	2,357
Supplies and services	7,697	7,164
Cost of goods sold	3,041	2,862
Travel	2,801	2,655
Utilities	3,022	2,771
External contracted services	2,199	2,407
Repairs and maintenance	2,242	2,453
Professional fees	600	577
Interest on long term liabilities	687	1,419
Insurance	298	220
Property taxes	199	161
Loss on disposal of capital assets	1	199
Unrealized loss on write-down of investments	85	2,755
Amortization of capital assets	11,557	10,922
	<u>105,677</u>	<u>100,313</u>
EXCESS OF REVENUE OVER EXPENSE	<u>\$ 8,063</u>	<u>\$ 4,190</u>

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended March 31 (thousands of dollars)

	2004					2003
	Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	TOTAL	TOTAL
BALANCE, beginning of year						
As previously reported	\$ 79,328	10,762	5,260	12,854	108,204	\$ 103,193
Adjustment to prior period (Note 22)	-	-	-	604	604	528
As restated	79,328	10,762	5,260	3,458	108,808	103,721
Excess of revenue over expense	-	-	-	8,063	8,063	4,190
Direct increases (decreases) to net assets:						
Non-amortizable collection donations (Note 6)	92	-	-	-	92	479
Endowment contributions	-	123	-	-	123	144
Capitalized investment earnings	-	180	-	-	180	274
Transfers:						
Internally funded:						
Capital asset additions	6,996	-	-	(6,996)	-	-
Net book value of capital asset disposals	(67)	-	-	67	-	-
Amortization	(5,299)	-	-	5,299	-	-
Capitalized investment earnings	-	22	-	(22)	-	-
Endowments	-	140	-	(140)	-	-
Allocation to (from) internally restricted net assets (Note 13)	-	-	139	(139)	-	-
BALANCE, end of year	\$ 81,050	11,227	5,399	19,590	117,266	\$ 108,808

The University of Lethbridge
STATEMENT OF CASH FLOWS
 For the Year Ended March 31
 (thousands of dollars)

	2004	2003 (As restated - Note 22)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Excess of revenue over expense	\$ 8,063	\$ 4,190
Non-cash transactions		
Amortization of deferred capital contributions	(6,262)	(6,094)
Amortization of capital assets	11,557	10,922
Loss on disposal of capital assets	1	199
Unrealized loss on write-down of investments	85	2,755
Increase (decrease) in long-term employee benefit liabilities	636	(88)
	<u>14,080</u>	<u>11,884</u>
Increase (decrease) in non-cash working capital (Note 17)	267	(785)
	<u>14,347</u>	<u>11,099</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Deposit on capital asset	41	(41)
Sale of investments (net)	919	5,101
Capital asset additions		
Internally funded	(6,996)	(7,491)
Externally funded	(2,445)	(4,923)
Financed	(4,000)	-
Collection additions	-	(2)
Proceeds on disposal of capital assets	69	31
	<u>(12,412)</u>	<u>(7,325)</u>
Increase (decrease) in construction accounts payable	(209)	377
	<u>(12,621)</u>	<u>(6,948)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Capital contributions received	2,689	5,143
Endowment contributions received	123	144
Capitalized investment earnings	180	274
Long term debt proceeds	4,000	-
Long term debt repayments	-	(9,910)
	<u>6,992</u>	<u>(4,349)</u>
INCREASE (DECREASE) IN CASH	8,718	(198)
CASH, beginning of year	3,835	4,033
CASH, end of year	<u>\$ 12,553</u>	<u>\$ 3,835</u>

The University of Lethbridge

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2004 (thousands of dollars)

Note 1

Authority and Purpose

The University of Lethbridge (the "University") operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, chapter P-19.5. The University is dedicated to quality undergraduate and graduate studies in the tradition of liberal education, research and public service. The University is a registered charity and is exempt from payment of income tax.

Note 2

Summary of Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. 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.

(b) Revenue Recognition

Operating grants are recognized when receivable. Revenues received for the provision by the University of goods and services are recognized in the period in which the goods are provided or the services rendered.

Deferred Contributions - Externally restricted non-capital and non-endowment contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Deferred Capital Contributions and Unamortized Deferred Capital Contributions - Contributions externally restricted for the acquisition of capital assets having limited lives are deferred and recorded as deferred capital contributions in the period in which they are received. Deferred capital contributions are transferred to unamortized deferred capital contributions when expended and are amortized to revenue over the useful lives of the related assets.

Endowments - Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost or replacement cost.

(d) Investments

Investments are recorded at cost or amortized cost where applicable. Amortization of premiums or discounts is calculated on a straight-line basis from acquisition date to maturity. Capital gains or losses are recognized in the year of disposal or when there is other than a temporary decline in the value of the investment.

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

(e) Capital Assets

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at fair values when a fair value is reasonably determinable. Where a fair value is not reasonably determinable the assets are recorded at nominal value.

Capital assets, except construction projects which are amortized upon completion, are amortized on a straight-line basis over the assets' estimated useful lives.

The estimated useful lives are as follows:

Land improvements	10-25 years	Computer equipment	3-5 years
Buildings - Exterior	40 years	Electrical equipment	20 years
Buildings - Interior	20 years	Software	3-5 years
Leasehold improvements	15 years	Vehicles	6 years
Furnishings and equipment	5-10 years	Learning resources	10 years

(f) Collection

Collection assets purchased by the University are recorded at cost. Donated collection assets are recorded at fair values. The collection consists of works of art which are held for educational and public exhibition purposes.

(g) Employee Future Benefits

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the Universities Academic Pension Plan and the Public Service Pension Plan. The University's portion of the pension plans' deficit or surplus is not recorded by the University.

The University has a number of defined benefit plans providing maternity and/or parental leave, long-term disability, early retirement incentives and administrative leaves. The cost of benefits earned by employees in the maternity/parental and administrative leave plans is determined using the projected benefit method prorated on service and management's best estimate of salary escalation. Net experience gains (losses) are recognized immediately. The cost of benefits earned by employees receiving long-term disability and early retirement benefits is determined using the accumulated benefit method, a market interest rate and management's best estimate of expected health care and pension costs and the period of employee disability.

(h) Pledges Receivable

Pledges receivable are not recorded as assets in these financial statements.

(i) 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 of post secondary and graduate education, research and public service. Such contributed services are not recognized in the financial statements.

(j) Financial Instruments

The carrying values of financial assets and financial liabilities approximate fair value unless otherwise disclosed.

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

(k) Credit, Interest Rate and Market Risk

The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the University's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

The market risk is the risk to the University's earnings that arises from the fluctuations and degree of volatility in the market value of its long term investments.

Note 3 Investments

	2004				2003			
	Carrying Value	Market Value	Realized Return	Market Return	Carrying Value	Market Value	Realized Return	Market Return
Cash and short term deposits	\$ 4,488	\$ 4,490	1.76%	0.28%	\$ 6,491	\$ 6,491	0.76%	0.90%
Bonds and debentures	18,737	20,212	6.05%	11.04%	18,861	19,425	6.41%	10.40%
Stocks	24,277	29,120	2.27%	24.10%	23,248	23,366	6.25%	-23.56%
Other investments	313	313			219	219		
	<u>\$ 47,815</u>	<u>\$ 54,135</u>			<u>\$ 48,819</u>	<u>\$ 49,501</u>		

Realized return includes interest and dividend income and gains and losses incurred on disposal of investments. Market return includes both realized return and unrealized gains and losses on investments due to market fluctuations.

Foreign exchange losses of \$299 were realized during the year (2003 - \$45 foreign exchange gain realized). As of March 31 net unrealized exchange losses totalled \$1,920 (2003 - \$608). Bonds and debentures consists of the following:

	2004			2003		
	Carrying Value	Market Value	Effective Yield	Carrying Value	Market Value	Effective Yield
Short term (three years or less to maturity)	\$ 1,006	\$ 1,043	1.99%	\$ 151	\$ 154	3.30%
Medium term (four to ten years to maturity)	12,464	13,452	5.58%	13,221	13,660	5.61%
Long term (greater than ten years to maturity)	5,267	5,717	5.81%	5,489	5,611	5.86%
	<u>\$ 18,737</u>	<u>\$ 20,212</u>	5.45%	<u>\$ 18,861</u>	<u>\$ 19,425</u>	5.66%

The Board of Governors, through its Finance Committee, monitors the performance of the investment manager as well as compliance to the Investment Management Policy which includes benchmarks for performance and standards for quality, type and diversification of investments. The prime directive of the Committee is to protect the University's assets, provide a stream of income and maintain reasonable costs related to managing the investments. An external consultant is appointed by the Committee to measure and report, on a quarterly basis, the investment portfolio's performance and the investment manager's compliance to the Policy. Investments are managed by an investment manager. The investment portfolio consists of a balanced fund.

The balanced fund policy mix standard is as follows:

<u>Permissible assets</u>	<u>Policy Standard</u>	<u>Allowable Ranges</u>
Short term/cash	5%	0% - 40%
Bonds	35%	25% - 70%
Canadian equities	20%	10% - 40%
U.S. equities	25%	10% - 50%
Global equities	15%	0% - 30%
	<u>100%</u>	

Note 3 Investments (continued)

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.

Short term investments are held on average for less than one year and bonds are held on average less than four years. Bonds in the portfolio have maturity dates between two and twenty-six years, with an average maturity date of six years.

Note 4 Interest in Joint Venture

The University has a one-third joint venture interest in the Campus Alberta: Graduate Program in Counselling. Three Alberta universities formed the joint venture to develop and deliver a Collaborative Alberta Graduate Counselling Program.

The University's equity in the accumulated earnings of the joint venture at March 31, 2004 is \$217 (2003 - \$123) and is included in Other Investments (Note 3).

At March 31, 2004 the University's share of the joint venture's assets and liabilities are:

	2004	2003
Current assets ⁽¹⁾	\$ 411	\$ 282
Capital assets	8	10
	<u>\$ 419</u>	<u>\$ 292</u>
Current liabilities	\$ 194	\$ 159
Deferred capital contributions	7	10
Investment in capital assets	1	-
Joint venture interest	217	123
	<u>\$ 419</u>	<u>\$ 292</u>

⁽¹⁾ included in current assets is a receivable of \$160 (2003 - \$137) from the University of Lethbridge for operating funds that are being administered on behalf of the joint venture

The University's share of joint venture earnings for the year ending March 31, 2004 is \$134 which is one-third of the net of total revenues of \$1,545 less total expenses of \$1,143.

Note 5

Capital Assets

	2004			2003	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Land	\$ 638	\$ -	\$ 638	\$ 638	
Buildings and land improvements	175,027	55,855	119,172	116,293	
Construction projects	200	-	200	1,011	
Furnishings and equipment	47,257	33,280	13,977	14,567	
Learning resources	21,785	15,360	6,425	6,089	
	<u>\$ 244,907</u>	<u>\$ 104,495</u>	<u>\$ 140,412</u>	<u>\$ 138,598</u>	

Construction projects include planning costs for the Regional Health and Wellness Centre, Centre for Leadership and Innovation, Environment and Water Resource building and Art Gallery building.

Capital asset additions during the year included \$24 in donations in kind for learning resources (2003: \$73).

Note 6

Collection

	2004	2003
Balance, beginning of year	\$ 32,905	\$ 32,424
Donations	92	479
Acquisitions	-	2
Balance, end of year	<u>\$ 32,997</u>	<u>\$ 32,905</u>

The art collection contains approximately 14,000 objects.

Note 7

Employee Benefit Liabilities

	2004	2003
Vacation and overtime pay	\$ 3,304	\$ 3,148
Maternity and parental leaves	144	116
Other payroll liabilities	198	124
Early retirement benefit plans	1,257	1,658
Senior administrative leaves	3,428	3,042
Supplementary benefit plan	626	510
Long-term disability benefits	115	101
	<u>9,072</u>	<u>8,699</u>
Less current portion	<u>(4,428)</u>	<u>(4,691)</u>
	<u>\$ 4,644</u>	<u>\$ 4,008</u>

The University's defined benefit plans provide post-employment benefits to most employees. This includes pension plans, early retirement benefit plans and long-term disability benefit plans, as well as administrative leave plans for certain senior administrators. The University's defined benefit plans, other than the pension plans, are unfunded. The supplementary benefit plan is a defined contribution plan. Information about these plans is as follows:

Note 7

Employee Benefit Liabilities (continued)

	2004				2003			
	Early Retirement Plan	Senior Administrative Leaves	Supplementary Benefit Plan	Long-term Disability	Early Retirement Plan	Senior Administrative Leaves	Supplementary Benefit Plan	Long-term Disability
Accrued benefit obligation:								
Balance, beginning of year	\$ 1,658	\$ 3,042	\$ 510	\$ 101	\$ 2,300	\$ 2,975	\$ 355	\$ 100
Current service cost	-	897	182	56	-	585	165	31
Benefits paid	(555)	(794)	(61)	(42)	(748)	(727)	(76)	(24)
Interest cost	154	283	(5)	-	106	209	66	(6)
Balance, end of year	<u>\$ 1,257</u>	<u>\$ 3,428</u>	<u>\$ 626</u>	<u>\$ 115</u>	<u>\$ 1,658</u>	<u>\$ 3,042</u>	<u>\$ 510</u>	<u>\$ 101</u>

Accrued early retirement benefits, senior administrative leaves, the supplementary benefit plan and long-term disability benefits are carried at their present value. The significant assumptions used to measure these obligations are as follows:

	Senior Administrative Leaves	Supplementary Benefit Plan	Long-term Disability
Rate of compensation increase	8.25%	n/a	n/a
Rate of benefits increase	4.50%	5.00%	4.00%
Pension contributions increase			4.00%

The discount rates used in accruing the benefits were market interest rates in effect at March 31 on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Senior administrative leaves are accrued based on years of service to the University as a senior administrator. These leaves are normally taken at the end of the administrative service.

Payments in the next five years under the defined benefit and defined contribution plans are approximately as follows: 2005 - \$783; 2006 - \$761; 2007 - \$528; 2008 - \$381; 2009 - \$362.

Note 8

Deferred Contributions

Deferred contributions represent contributions received for restricted purposes that remain unspent at March 31. Changes in the deferred contributions balance are as follows:

	2004	2003
Balance, beginning of year	\$ 10,058	\$ 12,006
Contributions received	10,971	10,747
Transfer to:		
Revenue	(8,253)	(7,906)
Endowments	-	(19)
Deferred Capital Contributions (Note 10)	(2,050)	(4,770)
Balance, end of year	<u>\$ 10,726</u>	<u>\$ 10,058</u>

Note 8

Deferred Contributions (continued)

The deferred contributions balance consists of:

	2004	2003
Restricted Operating	\$ 3,716	\$ 4,070
Sponsored Research	4,304	3,554
Special Purpose	698	526
Scholarships, Bursaries and Other Trust Funds	2,008	1,908
	<u>\$ 10,726</u>	<u>\$ 10,058</u>

Note 9

Long Term Debt

	Rate of Interest	Original Advance	Amount Outstanding	
			2004	2003
Alberta Capital Financing Authority debenture for student residences, due April 15, 2023	6.00%	4,000 \$	4,000 \$	-
Current portion			(109)	-
			<u>\$ 3,891</u>	<u>\$ -</u>

The debenture is secured by cash flows generated from the new residences and the Aperture Park and University Hall residences.

Interest on the debenture of \$231 was charged to expense in fiscal 2004.

Principal payments on the debenture over the next five fiscal years are as follows: 2005 - \$109; 2006 - \$115; 2007 - \$122; 2008 - \$130; 2009 - \$137.

Note 10

Deferred Capital Contributions

Deferred capital contributions represent capital funds received from external sources for specific purposes that remain unspent at March 31. Changes in the deferred capital contributions balance are as follows:

	2004	2003
Balance, beginning of year	\$ 1,038	\$ 819
Contributions received	682	381
Transfers from (to):		
Revenue	(43)	(9)
Deferred Contributions (Note 8)	2,050	4,770
Unamortized Deferred Capital Contributions (Note 11)	(2,445)	(4,923)
Balance, end of year	<u>\$ 1,282</u>	<u>\$ 1,038</u>

The deferred capital contributions balance includes donations received for capital projects including the Regional Health and Wellness Centre, the Centre for Leadership and Innovation and the Art Gallery Building.

Note 11

Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets that will be recognized as revenue in future periods. Changes in unamortized deferred capital contributions are as follows:

	2004	2003
Balance, beginning of year	\$ 92,175	\$ 93,346
Transfer from (to)		
Deferred Capital Contributions (Note 10)	2,445	4,923
Revenue		
Amortization of deferred capital contributions	(6,258)	(6,009)
Capital asset disposals (net)	(4)	(85)
Balance, end of year	<u>\$ 88,358</u>	<u>\$ 92,175</u>

Note 12

Endowments

	2004			2003		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Contributions	\$ 8,258	\$ 1,162	\$ 9,420	\$ 8,085	\$ 1,072	\$ 9,157
Capitalized investment income	1,693	114	1,807	1,514	91	1,605
	<u>\$ 9,951</u>	<u>\$ 1,276</u>	<u>\$ 11,227</u>	<u>\$ 9,599</u>	<u>\$ 1,163</u>	<u>\$ 10,762</u>

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact in perpetuity (externally restricted), and internal allocations by the Board of Governors (internally restricted). The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. The economic value of endowments is protected through allocations of investment income earned to reflect changes in purchasing power of the endowment principal. Investment income earned in excess of this amount is available for spending. Under Section 76(2) of the Post-Secondary Learning Act, the University has the authority to alter the terms and conditions of an endowment 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.

Note 13

Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the Board of Governors for specific needs such as one-time expenditures for increasing efficiency, reducing costs or providing for contingencies.

	2004	2003
OPERATING:		
Staff training and development	\$ 84	\$ 175
Academic development	43	20
Campus planning studies	160	160
International affairs	6	6
Utilities contingency - rate increases	50	50
Program development	200	146
	<u>543</u>	<u>557</u>
CAPITAL:		
Capital replacement - Ancillary Services	1,449	2,168
Capital replacement - Sports & Recreation Services	285	-
Housing Services - residences	1,044	895
Capital equipment	983	725
Buildings and plant	276	193
Site and utilities	48	37
Utility conservation	258	170
Self insurance	184	178
Parking services	225	273
Service vehicles and equipment	104	64
	<u>4,856</u>	<u>4,703</u>
	<u>\$ 5,399</u>	<u>\$ 5,260</u>

Note 14

Investment Income

	2004	2003
Total investment income for the year	\$ 2,163	\$ 2,944
Transfers to:		
Endowments - externally restricted	(180)	(274)
Deferred contributions	(43)	(61)
Total investment income recognized as revenue	<u>\$ 1,940</u>	<u>\$ 2,609</u>

Note 15

Salaries and Employee Benefits

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of certain salary and employee benefit information.

	2004			2003	
	Salary ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total	Total	
Board of Governors ⁽³⁾	\$ -	\$ -	\$ -	\$ -	-
President ⁽⁴⁾	217	83	300	270	
Executives					
Vice-President (Academic) ⁽⁴⁾	204	64	268	238	
Vice-President (Finance & Administration)	165	35	200	181	
Dean of Management ⁽⁵⁾	164	27	191	238	
Dean of Graduate Studies	160	29	189	172	
Accrual of senior administrative leaves ⁽⁶⁾					
President		89	89	58	
Vice-President (Academic)		136	136	77	
Vice-President (Finance & Administration)		55	55	43	
Dean of Management		58	58	33	
Dean of Graduate Studies		136	136	65	

⁽¹⁾ Salary includes regular base pay, administrative stipends and any other direct remuneration.

⁽²⁾ Benefits and allowances include employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, vision care plan, supplementary benefit plan and professional supplement allowance.

⁽³⁾ Members of the Board of Governors receive no remuneration for participation on the Board.

⁽⁴⁾ Benefits and allowances figure includes housing allowance.

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

⁽⁶⁾ Leaves are accrued for senior administrators at a rate of one month for every five months served. During the leave, all salaries and benefits excluding any housing allowances are paid. 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 accrual is a function of the cumulative number of months of leave earned to March 31 and current salary and benefit rates. The nominal value is projected to the date the leave is expected to be taken, and discounted back to the present using a market interest rate.

Note 16

Pension Costs

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings. The pension expense recorded in these financial statements is equivalent to the University's annual contributions payable of \$3,442 for the year ended March 31, 2004 (2003 - \$2,850) including UAPP contributions of \$2,757 (2003 - \$2,300) and PSPP contributions of \$685 (2003 - \$550).

At December 31, 2003, the Universities Academic Pension Plan reported an actuarial deficiency of \$538,352 (2002 - restated \$409,672) consisting of a pre-1992 deficiency (\$455,421) and a post-1991 deficiency (\$82,931). An actuarial valuation of the UAPP was carried out as at December 31, 2002 and was then extrapolated to December 31, 2003. The next actuarial valuation of the UAPP is required to be completed by December 31, 2005. The unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25% (2002 - 1.25%) of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions of 1.75% (2002 - 0.14%) of salaries required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows that the present value at December 31, 2002 of the Province of Alberta's obligation for the future additional contributions was \$164,200. Effective January 1, 2004, the unfunded liability for service after December 31, 1991 is being financed by special payments of 1.26% of salaries shared equally between employees and employers over 15 years from the date of valuation until December 31, 2017.

At December 31, 2003, the Public Service Pension Plan reported an actuarial deficiency of \$596,213 (2002 - \$175,528). An actuarial valuation of the Public Service Pension Plan was performed as of December 31, 2002 and was then extrapolated to December 31, 2003. Effective September 1, 2003 employer and employee contribution rates both increased by 1.5% of salary on earnings up to the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan and 2.26% of salary on earnings over the YMPE.

Pension expense for fiscal 2005 is expected to total \$4,031.

Note 17

Change in Non-Cash Working Capital

	2004	2003
Accounts receivable	\$ (425)	\$ 1,046
Inventories	(26)	161
Prepaid expenses	(204)	(77)
Accounts payable	28	(220)
Employee benefit liabilities	(263)	41
Deferred revenue	92	(110)
Deferred tuition fees	397	323
Deferred contributions	668	(1,949)
Increase (decrease) in non-cash working capital	<u>\$ 267</u>	<u>\$ (785)</u>

Note 18 Budget

The University is required to submit a budget, approved by the Board of Governors of the University, to the Minister of Alberta Learning for approval. The 2003/04 budget was approved by the Board on March 20, 2003.

Unrestricted Funds Budget

	2004								2003	
	General Operating		Ancillary Services		Access & Other		Total		Original Budget	Total Actual
	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual		
REVENUE										
Grants	\$ 42,974	48,542	-	-	7,476	6,305	50,450	54,847	47,420	49,603
Tuition and related fees	24,019	27,886	858	-	3,278	2,297	28,155	30,183	24,753	27,143
Sales of services and products	2,760	2,197	6,659	7,391	-	256	9,419	9,844	11,151	9,331
Miscellaneous	371	1,936	43	-	97	363	511	2,299	1,970	1,950
Investment income	2,000	1,714	48	46	-	22	2,048	1,782	1,682	2,295
Gifts and donations	-	64	-	-	-	163	-	227	-	214
Amortization of deferred capital contributions	6,668	6,262	-	-	-	-	6,668	6,262	4,898	6,094
	<u>78,792</u>	<u>88,601</u>	<u>7,608</u>	<u>7,437</u>	<u>10,851</u>	<u>9,406</u>	<u>97,251</u>	<u>105,444</u>	<u>91,874</u>	<u>96,630</u>
EXPENSE										
Salaries and benefits	51,189	58,591	2,075	1,828	7,156	4,364	60,420	64,783	59,343	58,210
Scholarships, fellowships and bursaries	553	1,146	-	-	-	179	553	1,325	538	1,283
Supplies and services	4,689	4,158	442	903	2,566	1,181	7,697	6,242	9,838	5,876
Cost of goods sold	185	177	2,849	2,864	-	-	3,034	3,041	2,778	2,862
Travel	1,071	1,649	42	26	138	528	1,251	2,203	1,309	2,118
Utilities	2,853	2,380	594	541	370	100	3,817	3,021	3,165	2,770
External contracted services	896	1,534	808	270	-	241	1,704	2,045	1,393	2,018
Repairs and maintenance	2,654	1,066	-	127	-	147	2,654	1,340	-	1,109
Professional fees	327	439	-	103	-	8	327	550	334	522
Interest on long term liabilities	528	604	125	83	-	-	653	687	546	1,419
Insurance	232	266	9	9	-	22	241	297	547	219
Property taxes	-	3	181	186	-	9	181	198	153	158
Loss on disposal of capital assets	-	7	-	-	-	-	-	7	-	199
Unrealized loss on write-down of investments	-	85	-	-	-	-	-	85	-	2,755
Amortization of capital assets	8,275	11,385	133	172	-	-	8,408	11,557	9,686	10,922
Provisions	5,340	-	-	-	621	-	5,961	-	1,897	-
	<u>78,792</u>	<u>83,490</u>	<u>7,258</u>	<u>7,112</u>	<u>10,851</u>	<u>6,779</u>	<u>96,901</u>	<u>97,381</u>	<u>91,527</u>	<u>92,440</u>
EXCESS OF REVENUE OVER EXPENSE	<u>\$ -</u>	<u>5,111</u>	<u>350</u>	<u>325</u>	<u>-</u>	<u>2,627</u>	<u>350</u>	<u>8,063</u>	<u>347</u>	<u>4,190</u>

The General Operating and Access budgets include general departmental provisions which are subject to reallocation by departments throughout the year. These contingency budgets are used primarily for salaries, benefits and capital purchases. Actual expenses are recorded in the appropriate expense categories and are not charged to the provisions budget.

Note 18 Budget (continued)

Restricted Funds Budget

	2004		2003	
	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE				
Grants	\$ 4,239	7,812	2,063	7,328
Tuition and related fees	-	-	-	-
Sales of services and products	-	-	-	-
Miscellaneous	250	246	1,827	118
Investment income	300	158	800	314
Gifts and donations	1,000	80	869	155
Amortization of deferred capital contributions	-	-	-	-
	5,789	8,296	5,559	7,915
EXPENSE				
Salaries and benefits	3,100	3,879	2,568	3,181
Scholarships, fellowships and bursaries	710	1,261	531	1,074
Supplies and services	1,100	1,455	1,231	1,330
Cost of goods sold	-	-	-	-
Travel	640	598	656	537
Utilities	4	1	3	1
External contracted services	235	154	531	389
Repairs and maintenance	-	902	-	1,344
Professional fees	-	50	37	55
Interest on long term liabilities	-	-	-	-
Insurance	-	1	2	1
Property taxes	-	1	-	3
Loss on disposal of capital assts	-	(6)	-	-
Unrealized loss on write-down of investments	-	-	-	-
Amortization of capital assets	-	-	-	-
Provisions	-	-	-	-
	5,789	8,296	5,559	7,915
EXCESS OF REVENUE OVER EXPENSE	\$ -	-	-	-

Total Unrestricted and Restricted Fund Budgets

	2004		2003	
	Original Budget	Total Actual	Original Budget	Total Actual
	54,689	62,659	49,483	56,931
	28,155	30,183	24,753	27,143
	9,419	9,844	11,151	9,331
	761	2,545	3,797	2,068
	2,348	1,940	2,482	2,609
	1,000	307	869	369
	6,668	6,262	4,898	6,094
	103,040	113,740	97,433	104,545
	63,520	68,662	61,911	61,391
	1,263	2,586	1,069	2,357
	8,797	7,697	11,069	7,206
	3,034	3,041	2,778	2,862
	1,891	2,801	1,965	2,655
	3,821	3,022	3,168	2,771
	1,939	2,199	1,924	2,407
	2,654	2,242	-	2,453
	327	600	371	577
	653	687	546	1,419
	241	298	549	220
	181	199	153	161
	-	1	-	199
	-	85	-	2,755
	8,408	11,557	9,686	10,922
	5,961	-	1,897	-
	102,690	105,677	97,086	100,355
	350	8,063	347	4,190

Restricted funds include Restricted Operating, Restricted Capital, Sponsored Research, Special Purpose and Scholarships, Bursaries and Other Trust Funds. The revenue is provided to the University by third parties who place specific requirements on the funding. There is no excess of revenue over expense on these funds as any unused funds at the end of the fiscal period are transferred to Deferred Contributions and/or Deferred Capital Contributions. These deferred amounts can only be accessed in future years by meeting the restrictions of the funding.

Note 19

Related Party Transactions

a) University of Lethbridge Foundation

On January 27, 1999 the Trustees approved the wind-up of the Foundation in anticipation of the repeal of the Advanced Education Foundations Act. The Trustees have requested Alberta Learning to make provisions in legislation that any residual assets of the Foundation and any bequests, testamentary gifts or similar benefits to the University of Lethbridge Foundation become the property of the Board of Governors of The University of Lethbridge. Consequently, there was no activity in the Foundation during the year and no assets were held by the Foundation as at March 31, 2004.

b) Province of Alberta

The University of Lethbridge is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the University and the Province of Alberta are disclosed as follows:

	2004			2003
	Unrestricted	Restricted	Total	Total
Alberta Learning:				
Operating grant	\$ 45,285	\$ -	\$ 45,285	\$ 42,272
Operations and maintenance grant	1,383	-	1,383	-
Access grants	6,388	-	6,388	7,000
Performance funding	487	-	487	-
Other	95	5	100	282
Total Alberta Learning	53,638	5	53,643	49,554
Other provincial ministries, departments and agencies:				
Alberta Heritage Foundation for Medical Research	-	987	987	1,041
Alberta Infrastructure	-	1,355	1,355	2,338
Alberta Ingenuity	-	244	244	-
Alberta Innovation and Science	-	650	650	607
Alberta Gaming	325	218	543	473
Alberta Agriculture	-	259	259	63
Other	-	94	94	79
Total other provincial ministries, departments and agencies	325	3,807	4,132	4,601
Total contributions received	53,963	3,812	57,775	54,155
Less: Deferred contributions	-	(1,344)	(1,344)	(1,744)
Revenue from provincial government	\$ 53,963	\$ 2,468	\$ 56,431	\$ 52,411

Restricted grants are recognized as revenue in the period in which the related expenses are incurred.

The total contributions received for unrestricted grants includes \$1,278 in accounts receivable.

In 2004 and 2003 the University participated in offering certain courses with other public colleges, universities and institutes. The revenues and expenses incurred for these courses have been included in the statement of operations but have not been separately disclosed.

The University has an arrangement with Athabasca University and University of Calgary to offer a graduate program in Counselling. These transactions were entered into on the same business terms as with non-related parties and are recorded at their fair value amounts. The University's share of revenue and expenses have been recorded using the equity method of accounting (Note 4).

Note 20 Pledges Receivable

Pledges to the University at March 31, 2004 are \$6,340 (2003 - \$530). These pledges are expected to be honoured over the next several years and have not been recorded as a receivable in the financial statements.

Note 21 Commitments and Contingencies

- (a) The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of management and the University's legal counsel that adequate provision for these proceedings has been made in the University's accounts. It is believed that the resolution of the proceedings will not have a material effect on the financial position of the University, however, should any additional loss result from the resolution of these proceedings, such amounts would be charged against earnings in the year incurred.
- (b) The University is one of fifty-six 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, 2003 CURIE had a surplus of \$100 (2002 - \$4,072). This surplus is an accumulation of four different underwriting periods. The University participates in three of these underwriting periods, which have an accumulated deficit of \$2,492 as of December 31, 2003 (2002 - \$1,595 surplus). The University's 0.99% share of this deficiency will be funded through increased premiums.
- (c) The University has a ten-year lease on teaching facilities used in Edmonton, expiring in October 2007 with an option to terminate upon six months' notice plus six months' basic rent and occupancy costs based on a proportionate share of total building costs. In fiscal 2004 and 2003 basic rent totalled \$90. In 2004 occupancy costs were \$97 (2003 - \$91). During the year the University also signed a new lease agreement with the Southern Alberta Institute of Technology for a two-year period expiring June 2005. Office and administrative rental charges under this lease are \$16 annually while classrooms are leased at an hourly rate. The cost of office and administration space in 2004 was \$13 (2003: \$4) and the cost of classroom space totalled \$59 (2003: \$30).
- (d) In order to manage its exposure to the volatility in the electrical industry, the University entered into a five-year contract (expiring December 31, 2005), to fix its electrical cost at an average cost of \$0.115 per KWh. The total cost for the year ending March 31, 2005 is expected to be \$2,300. The cost of electricity included in these statements for fiscal 2004 is \$2,142 (2003: \$1,964).
- (e) During the year the Board of Governors approved, in principle, a project to construct a Regional Health and Wellness Centre at a cost of \$20,650 to be completed in 2007. The proposed project is to be funded by the City of Lethbridge (\$5,300), fundraising (\$5,000) and University contributions (\$10,350). As at March 31, 2004, the University had contractual commitments totaling \$2,326 related to various capital projects including the Regional Health and Wellness Centre. These commitments are not recorded in the financial statements.
- (f) Under agreements and/or contracts with a number of employee groups, the University provides Professional Supplement funds for activities related to teaching, research, professional development or general University-related duties. At March 31, 2004 approximately \$755 (2003 - \$604) of such allowances is committed for expenses not yet incurred.

Note 22 Adjustment to Prior Period

Prior to the current fiscal year, unspent Professional Supplement entitlements available to certain employees under an employee agreement or contract were recorded as a liability and as a benefits expense. Professional Supplement policy allows employees to pre-spend future years' entitlements to purchase capital assets and these drawings were shown as a prepaid expense. During the current year, the University changed this accounting policy and now records Professional Supplement only as it is spent. This change has been applied retroactively and the financial statements of prior years have been restated as summarized in the following table:

	2003		
	As Previously Reported	Prior Period Adjustment	As Restated
Statement of Financial Position			
Increase (decrease) in:			
Prepaid expenses	\$ 495	\$ (125)	\$ 370
Accounts payable and accrued liabilities	4,865	(729)	4,136
Unrestricted net assets	12,854	604	13,458
Statement of Operations			
Increase (decrease) in:			
Employee benefits	9,032	(76)	8,956
Excess of revenue over expense	4,114	76	4,190

Note 23 Comparative Figures

Certain 2003 figures have been reclassified to conform to 2004 financial statement presentation.

Note 24 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.