

2006–07 Annual Report to Alberta Advanced Education and Technology



For the year ended March 31, 2007



University of
Lethbridge





The University of Lethbridge 2006–07 Annual Report to Alberta Advanced Education and Technology

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Accountability Statement

The University of Lethbridge Annual Report for the year ended March 31, 2007 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.

Mr. Robert Turner, Chair, Board of Governors

Date:

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1.0 Summary

- ▶ This report covers the period April 1, 2006 to March 31, 2007.
- ▶ The University of Lethbridge made some significant progress on the seven **goals** in its 2002-2006 Business Plan:
 - (1) **Accessibility**—Enrolment grew by 0.6% over the previous year, to 8,034 students. International student enrolment was 8.1%, the second highest level ever seen by the institution.
 - (2) **Academic Excellence**—A quality review of the B.HSc. (Addictions Counselling) began. In the 2006 Maclean's Magazine Annual Ranking of Canadian Universities, the U of L placed 14th among Primarily Undergraduate institutions and maintained or increased its position in 14 of 22 individual rankings. The University did, however, join with over 20 institutions to decline to participate in the 2006 Maclean's ranking process. The U of L scored grades ranging from "A+" to "B+" in approximately half the categories in the 2006 Globe and Mail University Report Card.
 - (3) **Research Excellence**—The value of research grants received at the U of L totaled \$12.3 million, a slight decline of 3% over the previous year, while the ratio of research funding to operating grants has declined by 3.9% since 2004-05, due to a smaller amount of research money from non-government foundations. Over the past five years, research grants have risen by 67% and have increased more than fourfold over the past ten years. In December 2006, the U of L received an \$8M gift from John Prentice to endow the *Prentice Institute for Global Population and Economy*.
 - (4) **Community and Public Relations**—The U of L continued to offer educational, recreational, and fine arts programs to the community. The major public lecture series offered 24 lectures with a total audience of about 2,210. University Advancement continued to build relationships with the local government, the community, and the alumni, and continued to note a revitalized alumni presence at events and fundraisers and on the Board of Governors. Construction on the 1st Choice Savings Centre for Sport and Wellness finished, and the resulting state-of-the-art facility houses fitness and recreation facilities and programs for the benefit of the U of L and the surrounding communities.
 - (5) **Student Services**—The Registrar's Office and Student Services initiated or completed several projects to review and enhance institutional support for a positive student experience from point of inquiry to convocation. Counselling Services and faculty from Education developed a new course to help students set academic and career goals. The University opened the Disability Resource Centre, which includes a learning strategist, a resource assistant, and an administrative support person. The U of L's co-operative programs direct hundreds of students to job placements that provide work experience. Information Technology maintains a high-speed network of state-of-the-art computing equipment for use by all students.
 - (6) **Facilities and Equipment Renewal**—The 1st Choice Centre for Sport and Wellness was opened officially in February 2007. Construction began on a major addition to Turcotte Hall. This addition will replace four portable classrooms with a four-storey structure that includes two new lecture theatres and additional office space for the Faculty of Education. The Park Way Service Complex began construction. Other significant capital projects in progress include: Alberta Water and Environmental Science Building; Markin Building for Management and Health Sciences; and community sports fields on the south campus (in conjunction with the City of Lethbridge).
 - (7) **Operate Responsively and Responsibly**—The U of L persisted in its commitment to cost containment, quality improvement, and fiscal responsibility, maintaining the four-year rolling budget model that allows the institution to respond effectively to budget scenarios.

- ▶ The U of L also made progress in relation to its seven **performance measures**:
 - (1) **Enrolment** rose by 0.6% to 8,034 students.
 - (2) **Graduate satisfaction**, in its most recent measure (2006), was 94%.
 - (3) **Graduate participation** in the workforce was 91%, and the **graduate employment** rate was 97%, according to the most recent data (2006).
 - (4) A measure of administration efficiency, **administration expenditures as a percentage of total expenditures less ancillary expenditures** was 9.0%, a rise of 1.4%.
 - (5) **Research intensity** (value of sponsored research divided by the value of provincial operating grants) was 20.7%, a 2.0% increase.
 - (6) A measure of how well the U of L attracts research money from industry and the community, **research impact** was 13.4%, a drop of 5.0%, due to a significantly smaller portion of research money from non-government foundations.
 - (7) For **research council grants**, average CIHR funding rose by 180% (due to a considerable increase in the value of these awards), while NSERC funding increased by 8.0% and SSHRC funding rose by 13.4%.
- ▶ The U of L's **research programs** continued to be strong. Sponsored research grants totaled \$12.3 million, a slight decline 3% over the previous year. Research continues to be funded primarily (83%) by federal and provincial agencies.
- ▶ In the realm of **campus technology**, the U of L established a central web team, developed an online research database for the Art Gallery, and continued its partnership in the high-performance computing consortium WestGrid.
- ▶ The excess of **revenue over expense** was \$15.8 million, \$5.7 million more than the previous year, mostly due to increased operating grants and investment income.
- ▶ The three largest sources of **revenue** are: grants; student fees; and sales and services. The three biggest classes of **expenses** are: salaries and benefits; supplies and services; and amortization.
- ▶ **Current liabilities** totaled \$30 million, and **net assets** increased by \$26.7 million.
- ▶ **Endowment balances** rose 80% over the previous year.

2.0 Goals and Performance Measures

The 2002-06 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 2006-07.

2.1 PROGRESS RELATED TO GOALS

The italic text in the boxes in this section is quoted from the 2006-10 Business Plan, and describes each goal.

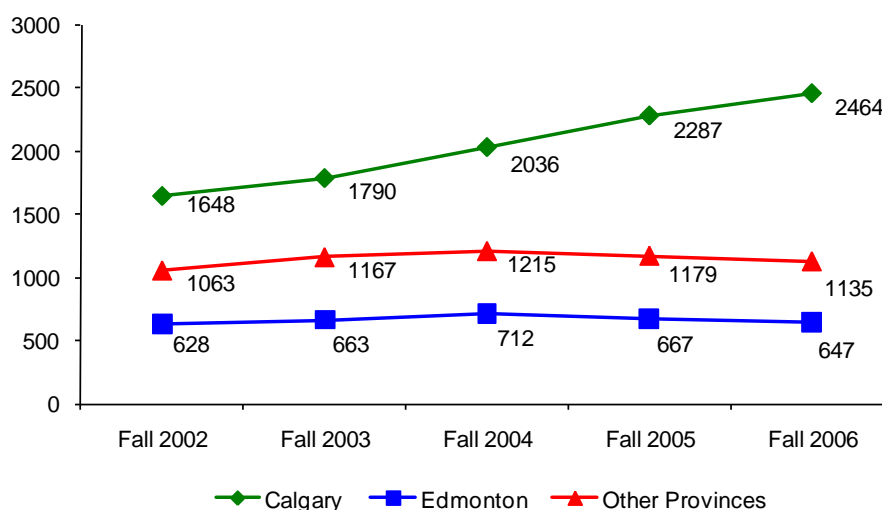
Goal 1: Accessibility

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.

- *Strategy 1A: Continue to support appropriately funded, selective growth of the institution*
- *Strategy 1B: Improve our commitment to support First Nations education*
- *Strategy 1C: Enhance the process of internationalization on campus*

The U of L continued its commitment to accessibility in 2006-07. Enrolment grew to 8,034. From 2002 on, the U of L has been increasingly the institution of choice for students from Calgary, Edmonton, and elsewhere in Canada (Figure 1). In particular, the number of U of L students drawn from Calgary in Fall 2006 rose by 8% over the previous Fall semester.

Figure 1: Fall Enrolment by Students from Calgary, Edmonton, and Other Provinces, 2002-06



Recruitment and Admissions offices initiated several major initiatives to ensure enrolment remains at high levels:

- The Discover website was rolled out in 2006, providing future students with information and services tailored to their needs.
- The Off Campus Housing Registry was redesigned into a searchable, more user-friendly website.
- ROSS hired a specialized Recruitment Officer for the First Nations Transition Program. This Recruitment Officer began targeted recruitment activities at local high schools, reserve high schools, and in southern Alberta communities with First Nations populations.
- Counsellor breakfast events were held in Lethbridge and Calgary.

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 other institutions. Currently, the U of L has over 100 articulation agreements with more than 60 different institutions.

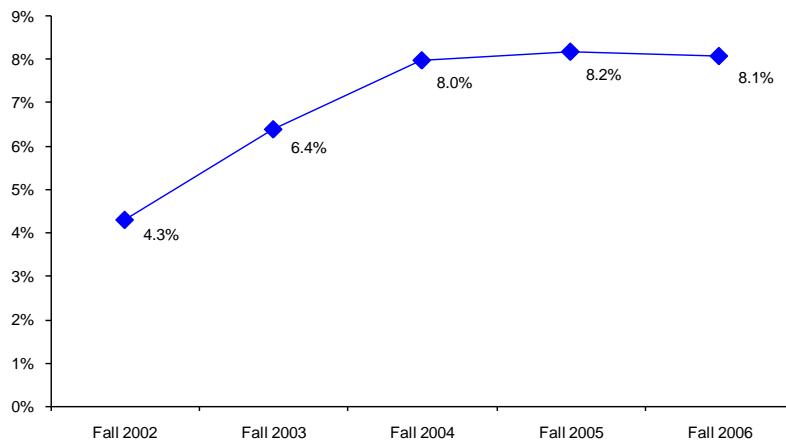
We now have 440 self-declared First Nations, Métis and Inuit students, approximately 5% of the student body. The Native American Students Association enjoys their own space in a newly renovated lounge. Native Awareness Week, with its theme *Celebrating Our Successes*, was held March 12-16, 2007, and included guest speakers, traditional dance performances, Elder presentations, and a panel discussion on First Nations health issues.

A \$150,000 gift from Scotiabank to the School of Health Sciences will help increase the number of First Nations students who study to become health care professionals. The funds will support an innovative transition program to help First Nations students adapt to the university environment and its Health Sciences program. A U of L liaison officer will work with students in their communities to facilitate access to services like writing and study skills. The liaison officer will also be a mentor, counsellor, and supporter to the students throughout their studies at the University.

At the University's 100th Convocation ceremony on June 2, 2006, nine Faculty of Education students became the first graduates of the Niisitapi Teacher Education program. Launched in 2003, the unique program was developed by the University of Lethbridge Faculty of Education in collaboration with Red Crow Community College to offer local First Nations students a teacher education program that incorporates Blackfoot culture, traditions, and knowledge as foundational components.

International student enrolment rose in Fall 2005 to the highest levels ever seen by the institution (see Figure 2) and has stayed at this level. The U of L is actively recruiting in selected international markets to maintain and increase the number of students from overseas.

Figure 2: Percentage of International Students, 2002 to 2006



Goal 2: Academic Excellence

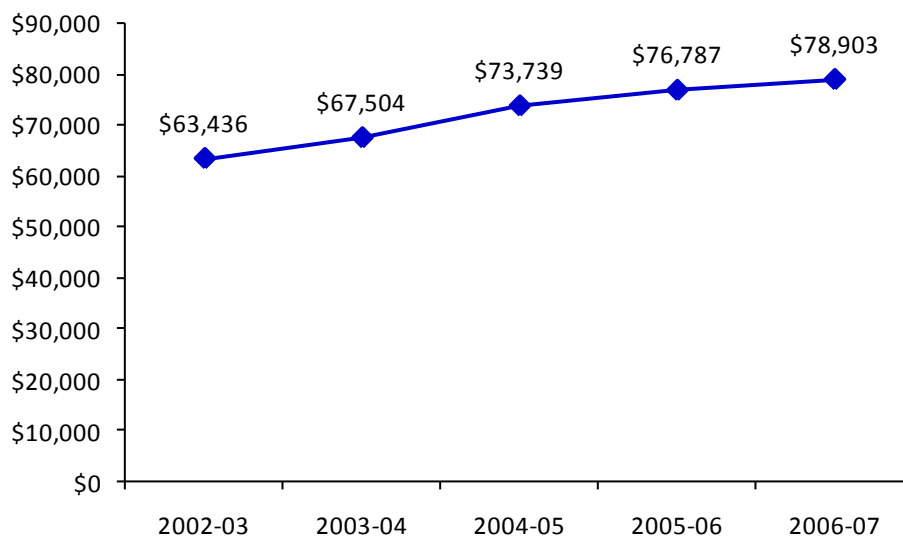
The University of Lethbridge is known nationally as an outstanding primarily undergraduate university. We will continue to be a student-centered institution, committed to offering the best possible programs and services.

- *Strategy 2A: Continue to maintain academic programs of exceptional quality that meet the needs of students and the community*
- *Strategy 2B: Create opportunities that prepare students for success in their personal lives and careers*

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 7.5% over the previous year. One way to attract and retain high-quality faculty is to offer competitive salaries. In 2006-07, median academic salaries increased by 2.8% over 2005-06 (see Figure 3).

Figure 3: Median Academic Salary, 2002-03 to 2006-07



Approved by the Board of Governors in December 2004, the *Academic Quality Assurance Policy and Process* guides the quality review of U of L academic programs. During 2006-07, the following programs underwent an academic quality assurance review: Master of Science (Management) and Bachelor of Health Sciences (Addictions Counselling).

In the Maclean's magazine 2006 rankings of Canadian universities, the University of Lethbridge placed in 14th position in its listing of Primarily undergraduate institutions. The U of L maintained or increased its position in 14 of 22 individual rankings (see "3.8 Rankings," page 22).

Counselling Services and the Associate Dean of Education developed a course to help students set academic and career goals. Targeted at newly-admitted and first-year students, the course (CDEV 2000) aims to help students commit to a specific discipline or career goal, to assist them in preparing for success in their lives and careers beyond University. Along the same lines, the U of L's co-operative programs, which combine work experience with academic studies, continue to be successful.

Goal 3: 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.

- *Strategy 3A: Continue to build a strong research program, with nationally and internationally recognized researchers and scholars*
- *Strategy 3B: Continue to provide research opportunities for undergraduate and graduate students*

The U of L pursued research funding through NSERC, SSHRC, CIHR, AHFMR, and other agencies. This pursuit was successful, with the value of CIHR grants in particular spiking to a 180% increase over the previous year, while NSERC grants rose by 8% and SSHRC grants by 13%. The ratio of research funding relative to operating grants, however, fell slightly by 0.8% in 2006-07. For more details, see “3.4 Research” (page 16).

An undergraduate research journal, the *Lethbridge Undergraduate Research Journal*, was introduced to support the academic literature written by undergraduates and to promote discourse among people who have similar academic credentials and levels of accomplishment without introducing intimidation.

Goal 4: 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.

- *Strategy 4A: Continue to build strong ties with the community*

During the 2006-07 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.

The Discovery Lecture Series, a major public lecture series designed to present renowned speakers of interest to the University and the general public, presented two lectures in 2006-07 that attracted about 450 people. Overall, the major public lecture series at the U of L offered 24 lectures that had a total audience of about 2,210 during 2006-07.¹

The Department of University Advancement persisted in its efforts to build relationships with the local government, the community, and the alumni. To keep community and political sectors informed, the U of L has made regular presentations to several organizations. The University continues to note a revitalized alumni presence at events and fundraising activities and on the Board of Governors.

The U of L completed construction of the 1st Choice Savings Centre for Sport and Wellness, which houses a variety of fitness and physical activity facilities for the benefit of the U of L and surrounding communities.

The Library is participating in the Lois Hole Campus Alberta Digital Library, making digital resources licensed through this initiative available to students, faculty, and the public and also digitizing heritage material of interest to Albertans.

The Canadian Council for the Advancement of Education awarded the U of L's alumni magazine *Journal* with the Bronze Award in the 2006 PRIX D'EXCELLENCE awards program in the *Best Magazine – Under \$100,000* category. *Journal* is published twice a year by University Advancement.

¹ See the *Lecture Series Report 2006-07*, available by contacting the Office of the Vice President (Academic).

Goal 5: Improve 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.

- *Strategy 5A: Provide students, faculty, and staff with exceptional access to information technology and resources*
- *Strategy 5B: Continue to improve and update student services*
- *Strategy 5C: Extend access to services for students, faculty, staff, and the community, using emerging technologies where appropriate*

With record numbers of students accessing services, the pressure to provide automated services and information retrieval rose, and the U of L has responded through continuing efforts to improve student services.

The U of L reviews and enhances institutional support for a positive student experience from point of inquiry to convocation. In the last year, the Registrar's Office and Student Services (ROSS): began developing an e-communications management strategy for rollout in Fall 2007; has implemented a program of personal contact with all newly-admitted students in the lead up to the semester; and has redesigned the communications flow to ensure information is provided to students at exactly the right point in the cycle. On Labour Day, the campus is now open for "Check In Day" so all students can buy books, pay fees, get ID Cards and more, and residence students can check-in to housing.

Also related to student retention and services, Counselling Services, working with faculty from Education's Counselling Psychology area, developed a new course to help students set academic and career goals. Targeted at newly-admitted and first-year students, the course (CDEV 2000) aims to help students develop academic goals to which they are committed. Students who have a connection to their futures are more likely to continue with their studies. This initiative complements the Study Skills Workshops, also run by Counselling Services, which target students who may need to improve their academic skills. Having done so, students are more likely to persist in studies.

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 like the United States, England, and Israel.

Along with the co-op programs, Career and Employment Services offers job search assistance and career advising to students. Students have access to online jobs and a vibrant on-campus recruitment program, where employers interview students at the U of L. This is complemented by an annual Career Fair, which continues to set records for numbers of employers registered.

The U of L continued to provide students with exceptional access to information technology and resources. The University's aim is to graduate students adept at using communications technologies. Information Technology facilitates this aim by maintaining a high-speed network of state-of-the-art computing equipment for use by every student. Students can do more on the Web than ever before, including registration and accessing transcripts. Web tools developed for Academic Advising allowed this unit to handle student wait lists in a fraction of the time required previously.

The Library completed two projects designed to improve its services. The LibQUAL 2005 survey measured the perceptions of Library services and the subsequent Focus Group research analyzed specific issues such as collections, service, and noise. The Library responded to this research by reviewing the Library layout, with rezoning for student engagement, and establishing the Code of Conduct Policy to ensure a quality study environment for students.

Goal 6: 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.

- *Strategy 6A: Address the increased demand for postsecondary education by ensuring that the proper facilities, equipment, and infrastructure are available when required*

The 1st Choice Centre for Sport and Wellness was opened officially in February 2007. The Centre includes a 2000-seat triple gymnasium, fitness centre, climbing wall, running track, labs, and classrooms, and has space for a future sports medicine clinic.

Construction began on a major addition to Turcotte Hall. This addition will replace four portable classrooms with a four-storey structure that includes two new lecture theatres and additional office space for the Faculty of Education.

The Park Way Service Complex began construction. This complex will provide a new home for Printing Services, Materials Management, Grounds Maintenance, and Building Maintenance.

The U of L has a number of other significant capital projects in progress to address essential infrastructure and building renewal needs, including:

- Alberta Water and Environmental Science Building.
- Markin Building for Management and Health Sciences.
- Community sports fields on the south campus (in conjunction with the City of Lethbridge).
- Numerous lab renovations.
- University hall structure and building envelope project.
- University Hall life safety systems upgrade project.

Goal 7: 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.

- *Strategy 7A: Increase tuition fees to the Alberta average*
- *Strategy 7B: Pursue funding from external sources*

The U of L's budgeting process is based on a four-year rolling budget model, in which budgets are estimated for four 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.

The Legacy of Leadership Campaign, launched in November 2005 and the U of L's largest capital campaign, continued its success. In November 2006, CIBC announced that it will contribute \$125,000 in support of the University of Lethbridge's Legacy of Leadership Campaign. The gift will be directed toward the construction of the proposed Management and Health Sciences building. The Legacy of Leadership Campaign exceeded its goal of raising \$20 million by December 31, 2006: by February 2007 the Campaign had raised \$25 million.

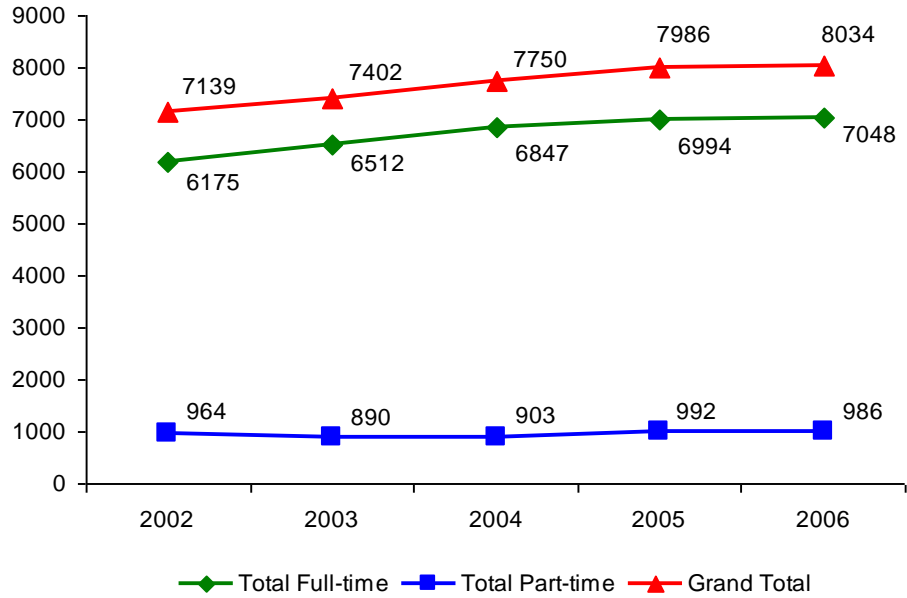
In December 2006 the University of Lethbridge received a minimum \$8 million gift from John Prentice, an Alberta agri-business entrepreneur and award-winning agrologist. The funds will allow the University to launch the Prentice Institute for Global Population and Economy, a multi-disciplinary research institute that will examine big-picture issues relating to global population change, demographics, and economic factors as they relate to global population change. The gift is the largest donation received to date from an individual.

2.2 PROGRESS RELATED TO PERFORMANCE MEASURES

Enrolment

Enrolment at the U of L continues to increase, with 8,034 students in the Fall 2006 semester, an increase of 0.6% over the previous year and 12% over 2002.

Figure 4: Fall Enrolment, 2002 to 2006



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.

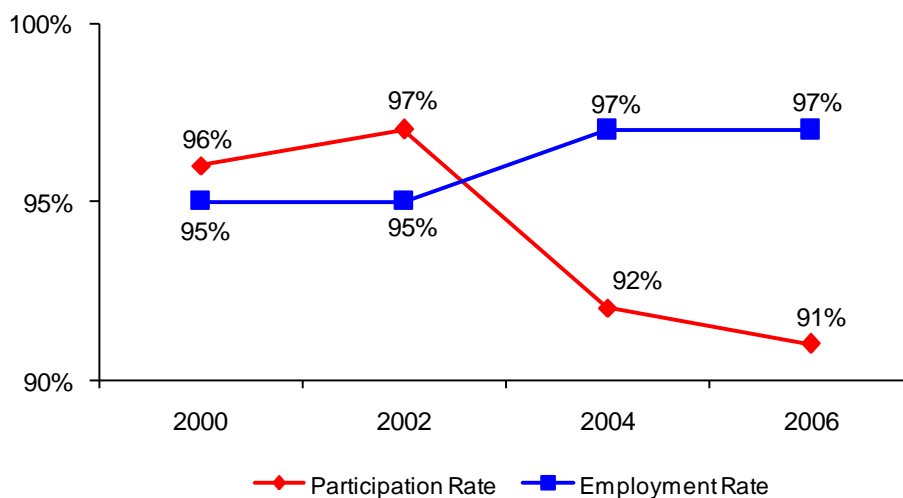
Table 1: Student Satisfaction with Overall Quality of Educational Experience, 2000 to 2006

| | 2000 | 2002 | 2004 | 2006 |
|--------------------|------|------|------|------|
| Students Satisfied | 86% | 89% | 96% | 94% |

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.

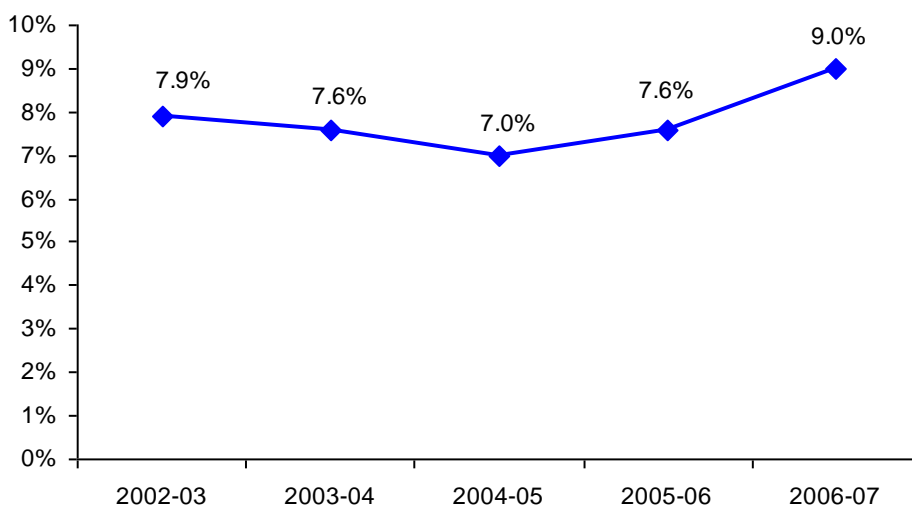
Figure 5: Graduate Participation and Employment Rates, 2000 to 2006



Administration Expenditures

Administration expenditures as a percentage of total expenditures less ancillary expenditures measure the efficiency of U of L administration.

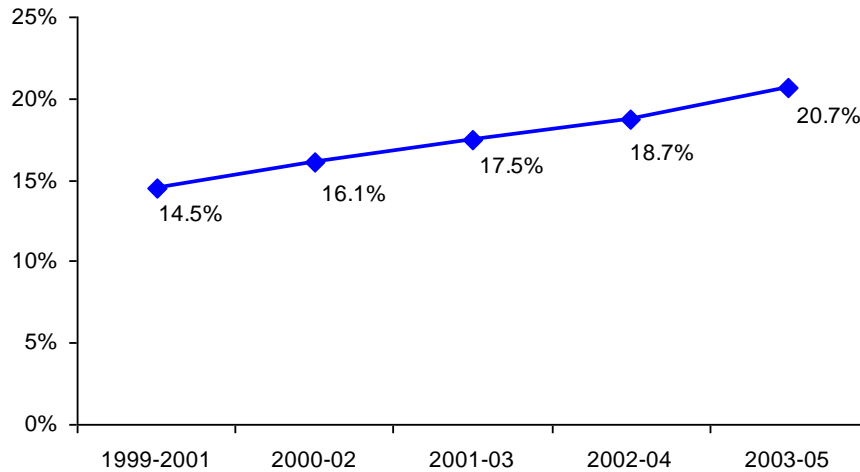
Figure 6: Administration Expenditures as a Percentage of Total Expenditures less Ancillary Expenditures, 2002-03 to 2006-07



Research Intensity

Research intensity data are produced by calculating the value of sponsored research divided by the value of provincial operating grants. This is a measure of research grants from external agencies as compared to government operating funding.

Figure 7: Research Intensity, 1999-2001 to 2003-05 (Three-Year Moving Average)

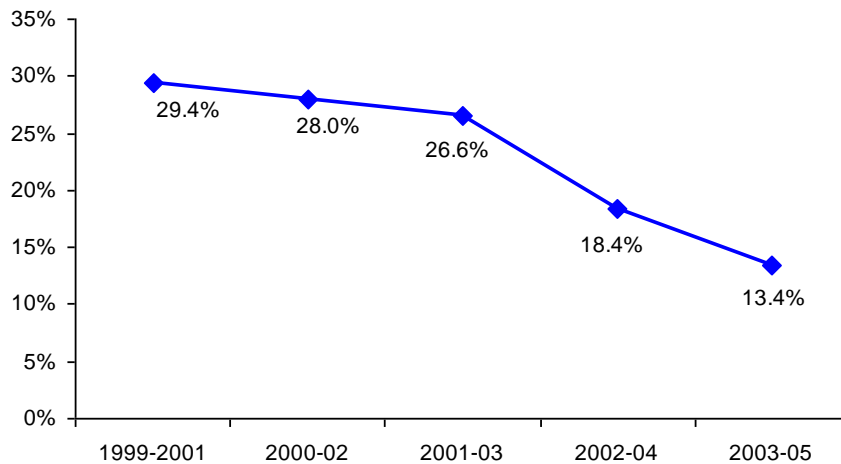


Research Impact

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 decline in research impact from 2001-03 to 2003-05 is due to a significantly smaller portion of money being received from non-government foundations, although the total sponsored research dollars has actually increased.

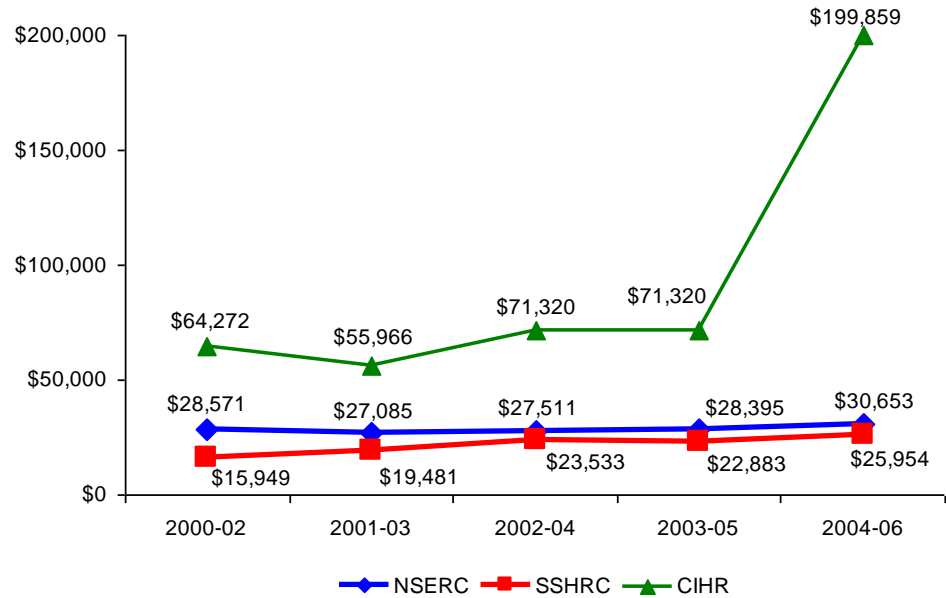
Figure 8: Research Impact, 1999-2001 to 2003-05 (Three-Year Moving Average)



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). Figure 9 shows the average value of awards per faculty member from these funding agencies for five three-year periods (new grants only, not including ongoing grant monies).

Figure 9: NSERC, SSHRC, and CIHR Grants per Faculty Member, 2000-02 to 2004-06 (Three-Year Moving Average)



Regarding the CIHR grants, over the last few years the actual number of awards has slipped but the value of CIHR awards has been increasing considerably, creating this spike in average value of awards.

3.0 The Year in Review

3.1 TEACHING

The University of Lethbridge began devoting people, time, and effort to a new initiative that will help faculty members reaffirm the central importance of teaching and learning to the institution.

Pamela Adams and David Townsend (Education) are the first teaching fellows within the newly-launched Centre for the Advancement of Excellence in Teaching and Learning (CAETL). They are directing a project that will promote teaching excellence within the institution and show the U of L's continued commitment to teaching development.

CAETL will help faculty members with their teaching challenges, and look into the research aspects of good teaching, finding and implementing the best practices, and reminding all involved that effective teaching can be defined, learned, and demonstrated.

3.2 ADMINISTRATION

Vice President (Academic) Appointment

The University of Lethbridge Board of Governors accepted the recommendation of the Search Committee for the Vice-President Academic and Provost and appointed Dr. Andrew Hakin to this position. The appointment is for a five-year term starting July 1, 2007, and is renewable. He follows Dr. Seamus O'Shea, who announced in 2006 that he was stepping down from the position effective June 30, 2007.

Hakin, a U of L faculty member since 1989, was already a member of the University's administrative team. Since 2005 he held the position of Associate Vice-President Academic, and continues to be a valued member of the Chemistry and Biochemistry department, where he operates a nationally-funded research program in the field of physical chemistry.

Dean of the School of Health Sciences

The Board of Governors of the University of Lethbridge ratified a selection committee's unanimous recommendation to appoint Dr. Christopher Hosgood as the Dean of the School of Health Sciences, effective July 1, 2006. Hosgood was an Associate Dean in the Faculty of Arts and Science at the University of Lethbridge, and was serving as Acting Director of the School of Health Sciences.

Board of Governors Chair

Robert Turner, Q.C. was appointed as the new chair of the University of Lethbridge Board of Governors by Advanced Education Minister Denis Herard. He follows Terry Royer, who resigned as Chair to accept a position as Chair of the Access to the Future Fund.

Chancellor

The University of Lethbridge Senate selected life-long Lethbridge resident and well-known lawyer Richard Davidson, Q.C. as the University's 11th Chancellor at its February 3, 2007 meeting. Davidson follows 10th Chancellor Shirley DeBow, whose four-year term was complete March 15, 2007.

3.3 ACHIEVEMENT

Student Achievement

- Chase McMurren was awarded a Millennium Excellence Scholarship. This scholarship recognizes outstanding leadership, innovation, community involvement, and academic achievement. The in-course award is especially designed for upper-year students who find their place in the community while completing their post-secondary education.
- Students from the Prairie Baseball Academy (PBA) chose Jon Doan—a Ph.D. student in neuroscience and a member of the Department of Kinesiology and Physical Education—as one of their professors of the year for 2006. PBA professor of the year award recipients are selected for their fairness, knowledge of subject matter and communications skills, among other criteria. The professor of the year award is based on nominations received from students in the PBA, which was established in 1995.
- B.A. student Jacqueline Quittenbaum is one of the first four recipients of the Lois Hole Humanities and Social Sciences Scholarship. The \$5,000 scholarships are awarded for community involvement, leadership, and academic achievement.
- A group of U of L fine arts students and alumni received the best play and best actress awards for *Tales From the Hospital* by Trevor Schmidt at the 2006 Regional One-Act Drama Festival in Lethbridge. The entire cast was recognized with the best actress award.
- First-year music major Jesse Plessis won the Land's End Composer's Competition with his three-movement piece *Ancient Festival* for prepared piano, violin, and cello. Plessis's work was performed by the Land's End Chamber Ensemble at a concert on April 23 2006 at the University of Calgary.
- Several music students fared very well at the Alberta Provincial Music Festival in Edmonton. Mezzo-soprano Emma Parkinson placed first in the Provincial Senior Class, tenor Andrew Snyder placed second in the Provincial-National Class, and piano major Magdalena von Echer won the Provincial-National Class.
- Music student Emma Parkinson was awarded the Kiwanis Music Festival Rose Bowl for the most outstanding artistic performance during the Lethbridge festival. Other vocal students acknowledged for their festival achievements included Audrina Poeping, Nicolas Orrego, Andrew Snyder, Dani Myhre, Joey Bulman, Steve Morton and Courtney Berg.
- Senior music major Magdalena von Echer won first prize in the piano division of the National Music Festival in Thunder Bay in August 2006.
- Pronghorn Male Athlete of the Year honours went to Jay Langager (Hockey) and Jim Steacy (Track & Field), and Ashley Patzer (Rugby) was named Female Athlete of the Year.

Faculty Achievement

- Rolf Boon's (*Music*) *White Clouds, Blue Sky* from his *Children's Window: a collection of 24 piano pieces* was selected by the Canadian National Conservatory of Music for publication in *Northern Lights: An Exploration of Canadian Piano Music* and inclusion in the Level 2 piano syllabus.
- Steve Ferzacca (Anthropology) was named editor of the international journal *Medical Anthropology: Cross-Cultural Studies in Health and Illness* following a term as a member of the journal's editorial board.
- Judith Kulig (Health Sciences) receive the Nursing Excellence in Research Award from the College and Association of Registered Nurses of Alberta. Kulig is well known internationally for her research on rural nursing and community resiliency, among other projects.

- Goldie Morgentaler (English) was co-winner of the Fenia and Yaakov Leviant Memorial Prize in Yiddish Studies for her translation of Dr. Chava Rosenfarb's *Survivors*. Rosenfarb, a U of L honorary degree recipient, is Morgentaler's mother. The prize is administered by the Modern Language Association, a major international literary association.
- Rick Mrazek (Education) was been honoured as the 2006 Canadian Network for Environmental Education and Communication (EECOM) Outstanding Post-Secondary Individual. Mrazek, a professor of science education and assistant dean of graduate studies and research in Education, received the award at EECOM's annual conference in October 2006. The award recognizes Mrazek's local, provincial, national, and international contributions to environmental education.
- Arlan Schultz's music composition *Pensées Interdites* was premiered by Calgary's Ensemble Resonance at Music at Noon on January 30, 2007.
- Ivan Townshend (Geography) received the J.L. Robinson Award for Meritorious Service to the Discipline of Geography and to the Western Division of the Canadian Association of Geographers.

Distinguished Teaching Award

The 2006 Distinguished Teaching Award went to Craig Loewen, whose passion for teaching is well known in the University of Lethbridge Faculty of Education and beyond, inspiring U of L students and teachers in Alberta and around the world.

The Distinguished Teaching Award was established in 1987 to recognize the importance of teaching to the philosophy and goals of the University of Lethbridge.

Ingrid Speaker Medal

For his influential work in plant biology and enduring contributions to science and the institution Stewart Rood (Biological Sciences) was the 2006 recipient of the Ingrid Speaker Medal for Distinguished Research, Scholarship or Performance.

The Ingrid Speaker Medal was established in 1995 to recognize the importance of research, scholarship, and performance at the University of Lethbridge.

Senate Volunteer Award

Knud Petersen received the Senate Volunteer Award for volunteer work on behalf of The University of Lethbridge. A veteran supporter of Pronghorn Athletics and the University of Lethbridge since 1973, Knud Petersen has been heavily involved in fundraising activities for Pronghorn Athletics since 1994, when he became the newly incorporated Pronghorn Booster Club's first elected president. He has served as such for eight of the past 12 years.

President's Awards for Service Excellence

The President's Awards for Service Excellence are awarded annually to one AUPE staff member and one APO/exempt support staff member. In 2006, Penny Secretan (Information Centre Supervisor, Registrar's Office and Student Services) and Carrie Takeyasu (Manager, Financial Services) received the award.

The President's Awards for Service Excellence recognize the contributions made by administrative staff members to the University through service, commitment, and participation in activities in the community or the University that enhance the reputation of the University of Lethbridge.

3.4 RESEARCH

Prentice Institute

In December 2006, the University of Lethbridge was the recipient of a minimum \$8 million gift from John Prentice, a Calmar, Alberta based agri-business entrepreneur, award-winning agrologist, and industry leader. John Prentice endowed the *Prentice Institute for Global Population and Economy* at the University of Lethbridge to study long-term demographic and economic cycles.

The gift, the largest donation the U of L has received from an individual to date, will be transformational for the University. The funds will allow the University to launch the Prentice Institute for Global Population and Economy, a multi-disciplinary, cross-faculty institute which will research big-picture issues relating to global population change, demographics, and economic factors as they relate to global population change.

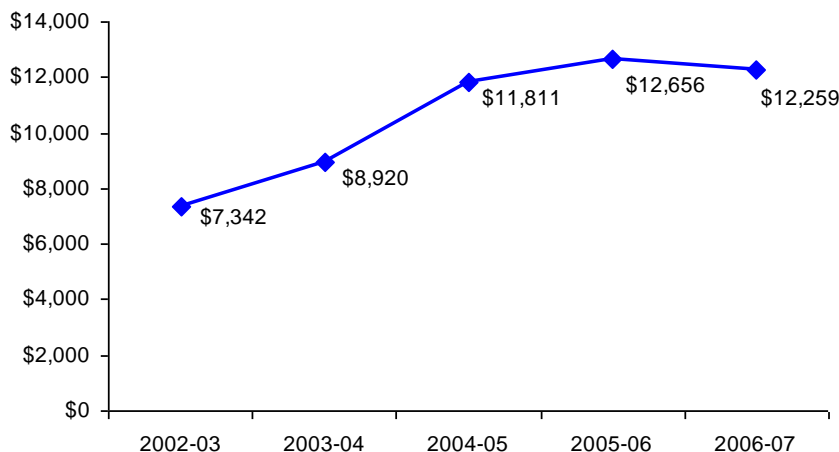
The University will create an endowment with Prentice’s gift. The interest gained by the endowed funds will allow the University to hire top-tier researchers in the areas of global population change, demographics, and economic factors as they relate to global population change. In the first stage, the Institute will recruit three leading researchers, together with graduate students and post-doctoral students, to begin work on demographic and economic aspects of global population changes. The members of the Institute will seek support from provincial and federal research agencies, and collaborate with international partners working on related matters.

Overview of Research Funding

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.

U of L faculty received \$1,893,789 in NSERC Discovery Grants, \$109,208 in NSERC Research Tools and Instruments Grants, and \$220,919 in Social Sciences and Humanities Research Council (SSHRC) Standard Research Grants for 2006-2007.

Figure 10: Value of Research Grants Received, 2002-03 to 2006-07 (thousands of \$)



Sponsored research grants totaled \$12.3 million, a slight decline of \$0.4 million or 3% over the previous year (Figure 10). Over the past five years, research grants have risen by 67% and have increased more than fourfold over the past ten years. This trend is largely due to federal and provincial research funding including: the Canadian Foundation for Innovation; Canadian Stroke Network; Canadian Institute for Health Research; Canada Research Chairs program; Canadian Space Agency; Alberta Gaming Research Institute; Alberta Innovation

and Science; Alberta Ingenuity Fund; and Alberta Science Research Institute. Funding from the United States National Institute of Health has also been significant. Research continues to be funded primarily by federal and provincial agencies (Figure 11), which together account for 83% of research funding at the U of L.

The U of L's commitment to research is also reflected by the increasing ratio of research funding relative to operating grants (Figure 12). This ratio has declined by 3.98% since 2004-05, a result of an increase in operating grants from the Government of Alberta, and not from a reduction in research grants.

Figure 11: Source of Research Revenue, 2006-07

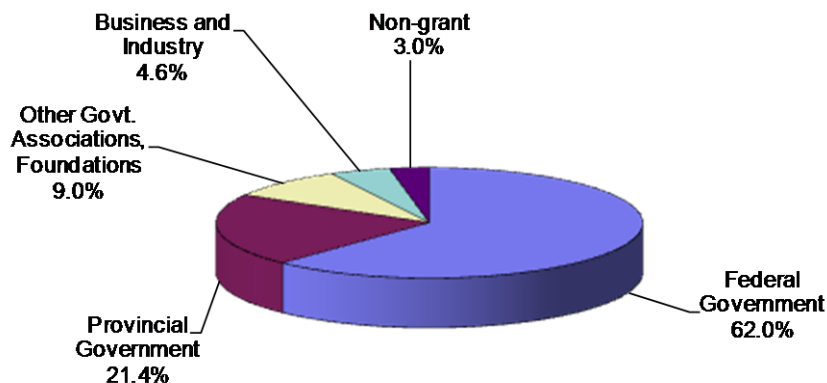
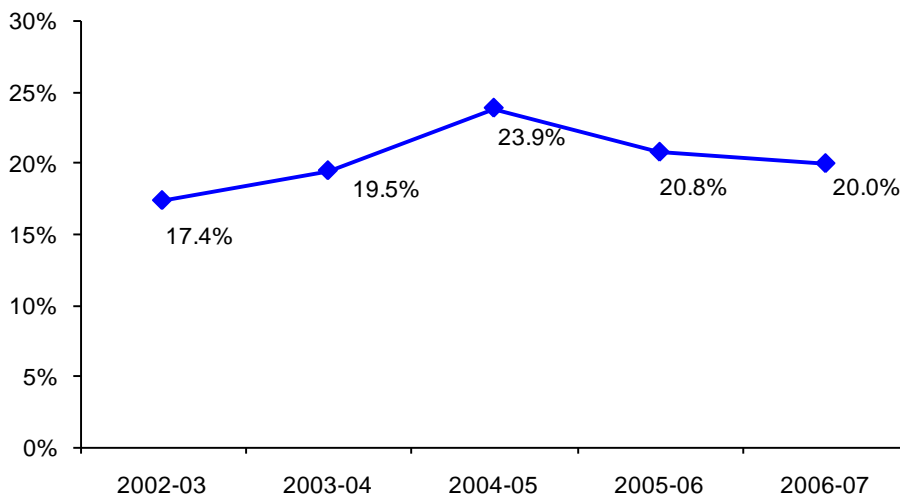


Figure 12: Research Grants as a Percentage of Operating Grants, 2002-03 to 2006-07



In 2006 the University also received \$1.4 million (2006: \$1.2 million) from the federal Canada Research Chairs Indirect Costs Program, based on research grants funded by federal government research granting agencies. The Indirect Costs Program was established to recognize the growing indirect costs of conducting publicly-funded academic research. The resulting grants will allow the U of L to secure additional support for the indirect costs of conducting research so the institution can continue to meet its teaching and community services mandates.

NSERC Funding

For 2006-07, the U of L received 14 new Discovery Grants worth \$417,840 and 50 continuing Discovery Grants worth \$1,475,949. The total amount of 2006-2007 Discovery Grant funding is \$1,893,789. The recipients of the new grants were:

- Alice Hontela, Biological Sciences - \$48,100 per year for five years.
- Igor Kovalchuk, Biological Sciences - \$63,130 per year for five years.
- Joseph Rasmussen, Biological Sciences - \$56,800 per year for five years.
- Brent Selinger, Biological Sciences - \$31,860 per year for five years.
- Hans-Joachim Wieden, Chemistry & Biochemistry - \$34,000 per year for three years.
- Rene Barendregt, Geography - \$19,600 per year for five years.
- Hester Jiskoot, Geography - \$18,500 per year for five years.
- Lesley Brown, Kinesiology & Physical Education - \$18,275 per year for five years.
- Amir Akbary-Majdabadno, Math & Computer Science - \$11,000 per year for five years.
- Yllias Chali, Math & Computer Science - \$15,000 per year for five years.
- Jackie Rice, Math & Computer Science - \$14,300 per year for five years.
- Albert Cross, Physics - \$25,000 per year for three years.
- Mark Walton, Physics - \$40,000 per year for five years.
- Robbin Gibb, Psychology & Neuroscience - \$22,275 per year for five years.

The U of L received four new Research Tools and Instruments Grants worth \$109,208. The recipients of the new grants were:

- Marc Roussel, Chemistry & Biochemistry - \$15,414.
- Hans-Joachim Wieden, Chemistry & Biochemistry - \$48,000.
- Jackie Rice, Math & Computer Science - \$7,794.
- Albert Cross, Physics - \$38,000.

SSHRC Funding

With one new research grant valued at \$58,405 and seven continuing grants valued at \$162,514, the U of L received a total of \$220,919 in Social Sciences and Humanities Research Council (SSHRC) Standard Research Grant funding for 2006-07. The recipient of the new grant is Martin Lalumière, Psychology and Neuroscience - \$156,359 over three years.

AHFMR Funding

Dr. Robert Sutherland, Director of the Canadian Centre for Behavioural Neuroscience, has received more than \$950,000 in renewed funding from the Alberta Heritage Foundation for Medical Research (AHFMR). Sutherland is conducting research that is leading to a better understanding of how changes in the brain, especially in the hippocampus, lead to memory disorders associated with stroke, traumatic brain injury, epilepsy, age-related diseases, and prenatal alcohol exposure.

CIHR Funding

Dr. Olga Kovalchuk (Biological Sciences) received \$120,000 from the Canadian Institutes of Health Research (CIHR) to study new ways to improve radiation treatment for cancer. More than half of all cancer patients receive radiation therapy at some point. The total dose delivered to the tumour is limited by the tolerance of the surrounding normal tissue, primarily skin. Radiation-induced effects in skin can include secondary malignancies in unirradiated cells, which is also known as the bystander effect. Kovalchuk will seek to uncover the exact mechanism of bystander effect to develop ways to avoid it.

Other Research Funding

Virologist **Oliver Lung** (Biological Sciences) was awarded \$144,352 from the **Canada Foundation for Innovation** (CFI) to establish the University's first tissue culture and molecular virology laboratory. In addition to the new CFI award, Lung received \$108,227 from Alberta Innovation and Science, \$65,774 from the University of Lethbridge, and \$42,526 from private industry. The total project funding of \$360,879 will provide the essential basic infrastructure for establishing a molecular biology laboratory and more specialized equipment for tissue culture and molecular virology research.

Geography faculty members **Ian MacLachlan** and **Ivan Townshend** are receiving \$192,000 between 2006 and 2009 from the **Alberta Prion Research Institute** (APRI). They are part of a team of 12 social science research collaborators from the universities of Alberta, Calgary, and Lethbridge that has been awarded a total of \$1.38 million. An Alberta Ingenuity Institute, APRI and its funded researchers are a part of PrioNet Canada, which is a new Network of Centres of Excellence.

David Naylor (Physics) received more than \$1.1 million from a total of \$43 million the **Alberta government** provided for exceptional state-of-the-art research programs. The funds support additional lab equipment for two projects. One will allow Naylor and his researchers to develop new instrumentation for remote sensing to diversify the applications of spectral imaging systems. The second project will further refine hardware, software, and analysis techniques for a spectrometer to be installed at the James Clerk Maxwell Telescope in Hawaii.

Noella Piquette-Tomei (Education) is participating in a study entitled *Magnetic Resonance Imaging of Fetal Alcohol Spectrum Disorder and Autism*, which will receive \$50,000 per year for three years from the **Canadian Language and Literacy Research Networks of Centres of Excellence**. The project examines prevalent development disorders of the brain that result in severe cognitive impairments and associated learning difficulties.

Brent Selinger (Biological Sciences), co-investigator Martin Kalmokoff (Dalhousie University, Halifax) and other colleagues have received a grant worth \$100,000 over three years from the **Advanced Foods and Materials Network**.

Behnam Seyed-Mahmoud (Physics) is part of a team of researchers that has been funded by the **Canadian Space Agency** to conduct a "concept" study for high-resolution measurements of the Martian magnetic field by a nanosatellite. His collaborators on the project are from McGill University, York University, and the universities of Calgary and Toronto.

National Research Ranking

The University of Lethbridge was the only Alberta University in a national ranking of research institutions. Toronto-based Research Infosource Inc. released their rankings of the top 50 Research Universities in Canada, and placed the U of L in third place in the Undergraduate category, along with Lakehead University (first place) and the Royal Military College of Canada (second).

Overall, the U of L placed 35th, up from 39th the previous year, and sits in the middle third of the ranked institutions. The U of L also scored a fifth-place finish in research income growth, with a reported \$12 million in research funding in 2006, an increase of almost 30% or an average of \$43,000 per full-time faculty member.

Fulbright Scholar

The U of L and Tom Huffaker (the Calgary-based United States Consul General for Alberta, Saskatchewan, Manitoba and the Northwest Territories) announced the U of L's first *Canada-U.S. Fulbright Visiting Research Chair in Water and the Environment*. This visiting professor program is in the area of water policy research and is funded by the Fulbright Foundation.

Canada Research Chairs

The Government of Canada invested \$91.5 million to fund 121 Canada Research Chairs, including two at the University of Lethbridge. Deborah Saucier (Neuroscience) and Stacey Wetmore (Chemistry and Biochemistry) both received Tier II Canada Research Chair funding worth \$500,000. Saucier joins the U of L from the University of Saskatchewan, while Wetmore has relocated from Mount Allison University in New Brunswick.

Saucier will be working with researchers at the CCBN on human and animal research models. She will be focusing on how individual behaviours reflect individual differences in the brain and how these differences relate to brain function in both “normal” and dysfunctional brains.

Wetmore’s research uses calculations on computers to study reactions between DNA and various harmful chemicals to understand how DNA can be altered. She is also studying how enzymes that already exist in our body repair DNA by chemically removing the damaged pieces.

3.5 TECHNOLOGY

Research Computing Cluster

The U of L brought online a 5.05 Teraflop high-performance computing cluster to facilitate the research of Dr. Stacey Wetmore (Chemistry and Biochemistry; Canada Research Chair in Computational Chemistry). Dr. Wetmore and her team of graduate students are using the computing cluster to study the structure, properties, and reactions of chemical systems related to DNA damage and repair.

Videoconferencing Suite

A new videoconferencing suite was completed at the Edmonton campus and will start to be used for courses between the Lethbridge, Calgary, and Edmonton campuses in January 2008.

Data Centre

The Department of Information Technology built a second Data Centre (server room). The Data Centre is being used for redundancy and the disaster recovery of core technology services. The main data centre was renovated to improve airflow, increase capacity, and replace aging air conditioners.

Storage Area Network

The University implemented a storage area network (SAN) to replace aging files servers, improve performance, and add storage capacity. The SAN allows increased data storage that we will use for administrative operations, teaching materials, research data, and records management and document imaging projects.

Unified Communications

The U of L began replacing its traditional phone system with Unified Communications using the IP network. At a basic level this includes IP telephony, but other layers of communication services will be added, including: video; virtual meeting rooms; and soft phones on desktop and laptop computers. These changes will allow for improved communications in an increasingly mobile campus community.

TMA Maintenance Management System

The Physical Plant department has rolled out a computerized maintenance management system to manage their assets and automate and streamline maintenance operations. This solution allows Physical Plant to maintain the University’s capital assets and provide the highest level of service to the institution.

Unified Authentication Framework

Signifying the start of a major evolution in the way our campus accesses online resources, the University implemented a unified credential scheme across our primary online resources. This lays the foundation for a simpler and more powerful way for users to gain access to online resources.

Web Unit

The increasing significance of the web is one of the factors that led the University to establish a central web team in February 2007. Under the umbrella of IT, the team coordinates, communicates, and collaborates with U of L staff and faculty involved in web-related work. Staff and faculty can look to the team for assistance with the U of L web site and cost-recovery projects, such as building web sites for faculty research projects, that go beyond baseline services.

The Web Unit is led by Ted Erickson and includes Edward Pollard and Jeff King from IT and Jon Lane, Cody Foss, Brian Lutchmeesingh and Trevor Flexhaug from the Curriculum Re-Development Centre (CRDC). With their technical expertise, the web team is well positioned to choose the best technology platforms and serve as a resource for all university units.

SourceWeb

The University Library's internal website *SourceWeb* has received a prestigious national award. The Canadian Library Association (CLA) awarded the Library web team responsible for SourceWeb the Library Information Today Award for Innovative Technology. This award recognizes a member or members of the CLA for the "innovative use and application of technology in a Canadian library setting."

Art Gallery Online Research Database

Staff from the CRDC and the IT Department worked with gallery staff to adapt their in-house database and develop a research version for web access. Database users can search by basic information, such as the artist's name or the title of a work, and by genre, content of the image, or artistic movement.

This project was made possible through grants from the Museums Assistance Program, Canadian Heritage and the Alberta Foundation for the Arts.

WestGrid

The U of L is a partner in WestGrid, one of Canada's seven major high performance computing (HPC) consortia that are creating a pan-Canadian network of HPC facilities. The National Platforms Fund (NPF), built on \$78 million from the Canada Foundation for Innovation and \$10 million from the Natural Sciences and Engineering Research Council, was announced today in support of this unified HPC strategy. Matching funds from provincial and industry sources will bring total NPF funding to nearly \$180 million.

This groundbreaking investment in national HPC resources will improve University of Lethbridge researchers' ability to address some of the most complex and socially relevant research problems in the world today.

Degree Audit

The Registrar's Office and Student Services is developing an online degree audit system that can tell students what requirements they have met and have yet to meet for their particular programs.

3.6 FACILITIES

1st Choice Savings Centre for Sport and Wellness

The University officially launched its 40th anniversary celebrations at the grand opening of the 1st Choice Savings Centre for Sport and Wellness on February 8, 2007. Built on community partnerships, the 1st Choice Savings Centre was funded by the City of Lethbridge, the University of Lethbridge, U of L students, and private investment.

The facility enhances fitness and recreation services in the community; benefits students and athletes; and advances kinesiology-related research. Equipped with an indoor 200-metre track, a triple gymnasium with seating for 2,000 spectators, expanded locker rooms, a climbing wall and classroom and lab space, the Centre has something for everyone.

CCBN Magnetic Resonance Imaging Equipment

The Canadian Centre for Behavioural Neuroscience (CCBN) added two major research tools to its expanding abilities to study the brain with the installation of two magnetic resonance imaging magnet units. Both units are research magnets, configured for the head and limbs. One unit will be used for small animal research, the other for human subject research.

3.7 STAFFING

From 2005-06 to 2006-07, the budgeted FTEs of academic staff increased by 4.7%, a the budgeted FTEs of support staff grew by 3.8%.

Table 2: Budgeted FTE Positions, 2002-03 to 2006-07

| | 02-03 | 03-04 | 04-05 | 05-06 | 06-07 |
|-----------------|-------|-------|-------|-------|-------|
| Academic | 391.9 | 418.1 | 429.2 | 461.2 | 482.7 |
| Support | 440.6 | 463.2 | 518.7 | 549.9 | 570.8 |

3.8 RANKINGS

Maclean's Survey

In the Maclean's magazine 2006 rankings of Canadian universities, the University of Lethbridge placed in 14th position in its listing of Primarily undergraduate institutions. The U of L maintained or increased its position in 14 of 22 individual rankings.

In August 2006, the University of Lethbridge joined over 20 Canadian Universities in declining to participate in the 2006 ranking process, so the data set for this survey was obtained by Maclean's through other means. The U of L and its peer universities objected to Maclean's misuse of data in establishing an artificial "ranking" table that can be misleading to students wishing to make a choice about the university they want to attend.

Globe and Mail Report Card

The University scored grades ranging from "A+" to "B+" in about half the categories in the 2006 Globe and Mail University Report Card. Placed in the "Small" category (enrolment between 4,000 to 12,000 students), the U of L made the "A" list in the following categories:

| | |
|-----------|---|
| A+ | sense of personal safety/security |
| A | class sizes, availability of faculty outside classroom hours, faculty members' knowledge of subjects, on-campus network for Internet/email |
| A- | satisfaction with university experience, overall quality of education, quality of teaching, reputation for undergraduate studies, level of interaction between faculty and students, overall university atmosphere, ease of course registration process, overall Library, service provided by library staff, online library resources, overall quality/availability of technology on campus, computer accessibility on campus, availability of up-to-date computer equipment. |

4.0 Financial Highlights

4.1 FINANCIAL MANAGEMENT

The University's budget 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, allowing the University to respond to various budget scenarios and achieve positive financial results.

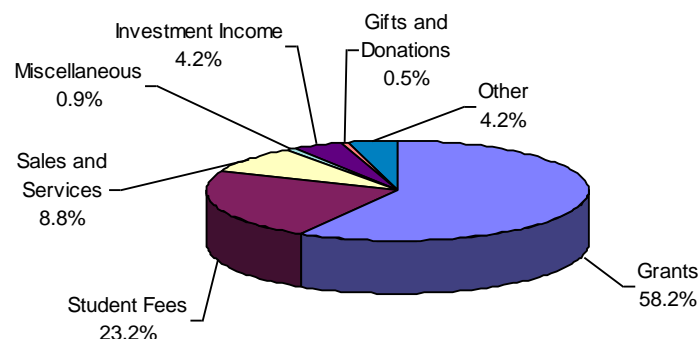
4.2 STATEMENT OF OPERATIONS

Excess of revenue over expense for the year ending March 31, 2007 increased by \$5.7 million over the prior year to \$15.8 million. The strong performance was due largely to additional operating grants and investment income that exceeded the amounts originally budgeted.

4.3 REVENUE

University revenue totaled \$148.7 million in fiscal 2007, an increase of 9% over the previous year.

Figure 13: Revenue by Source, 2006-07



Grant revenue increased by \$8.5 million or 11% over the previous year, due to an increase in provincial government grant of \$9 million. Grants represented 58% of total revenue (2006: 57%).

Alberta Advanced Education and Technology grants increased by \$9.4 million (14%) in 2007, including a \$4.4 million increase in the base operating grant and an increase in the Tuition Fee Rebate of \$2.4 million. The Tuition Fee Rebate does not result in a net increase in revenue; it is a rebate that compensated the University for a similar reduction in tuition fee revenue since the government limited the tuition fees to be paid by students.

The U of L received performance funding of \$0.9 million (2006: \$0.8 million) from Alberta Advanced Education and Technology. The University received top-level performance awards in the learning and research components based on progress results for fiscal 2006 as measured by various performance indicators.

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

Table 3: Provincial Grants to the U of L, 2005-06 and 2006-07 (thousands of \$)

| Provincial Grants | 2005-06 | 2006-07 |
|------------------------------|-----------------|-----------------|
| General operating | \$53,928 | \$58,348 |
| Tuition Fee rebate | 2,426 | 4,801 |
| Performance funding envelope | 803 | 924 |
| Access (operating) | 7,861 | 9,443 |
| Other unrestricted funding | 464 | 1,406 |
| Conditional funding | 16,673 | 20,822 |
| Deferred conditional funding | (13,871) | (17,151) |
| Total | \$68,284 | \$78,593 |

The conditional funding included \$18.4 million from Advanced Education and Technology for capital needs for: the Life Safety systems upgrade (\$1.8 million); Alberta Water and Environmental Science Building (\$8 million); and the replacement of the services buildings (\$5.1 million); It also included funding from Access to the Future Fund for scholarships (\$1.5 million) and research projects (\$0.5 million) facilities for learning and research purposes (\$1.5 million).

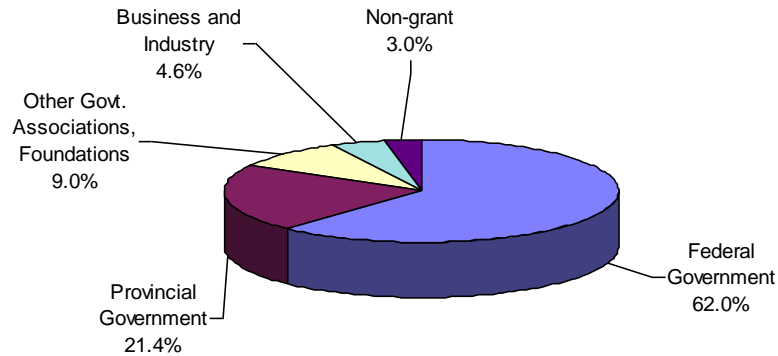
The Access to the Future Fund is a new grant program designed to provide matching payments to stimulate contributions to the advanced education system. Alberta Gaming contributed \$0.1 million to the Sports stadium. The remaining \$2.3 million in conditional funding was received for provincially-sponsored research and other restricted funds. In accordance with not-for-profit accounting principles, any conditional funding not spent by the end of the fiscal year is deferred and recognized in revenue in the year(s) in which the related expenditures are incurred.

4.4 RESEARCH FUNDING

Sponsored research revenue totaled \$12.2 million, a decrease of \$0.6 million or 5% over the previous year. Unspent research grant revenue of \$2.5 million was deferred at the end of the year (2006: \$1.8 million deferred).

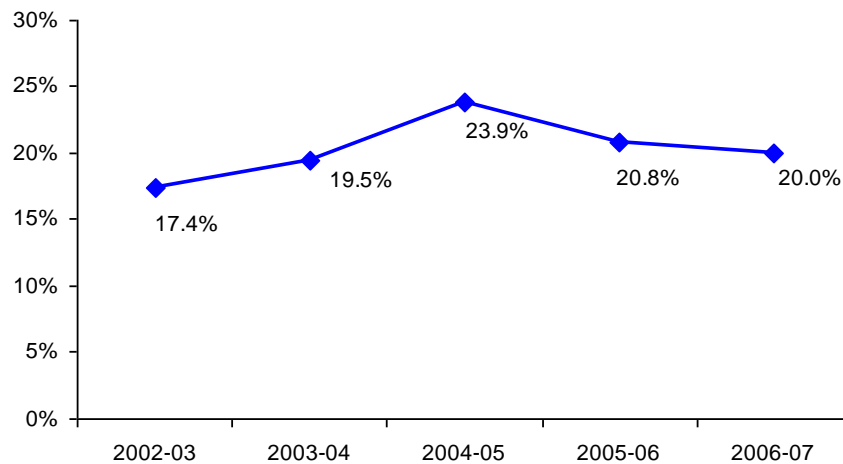
Research continues to be funded primarily by federal and provincial government agencies. Over the past five years, research grants have nearly doubled from a total of \$7.5 million in fiscal 2003, and have increased more than fourfold (430%) over the past ten years. This trend is largely due to new sources of federal research funding including the Canadian Foundation for Innovation, Canadian Stroke Network, Canadian Institute for Health Research, Canada Research Chairs program and Canadian Space Agency, provincial funding from the Alberta Gaming Research Institute, Alberta Cancer Board, Alberta Ingenuity Fund and Alberta Science and Research Authority as well as funding from the United States National Institute of Health and Ontario Problem Gambling.

Figure 14: Sources of Research Revenue, 2006-07



The University has a strong commitment to research, reflected by the increasing proportion of research funding relative to operating grants (Figure 15).

Figure 15: Research Grants as a Percentage of Operating Grants, 2002-03 to 2006-07



In 2007, the University also received \$1.4 million (2006: \$1.2 million) from the federal Canada Research Chairs Indirect Costs Program, based on research grants funded by federal government research granting agencies. The Indirect Costs Program was established to recognize the growing indirect costs of conducting publicly funded academic research. The resulting grants will allow the University to secure additional support for the indirect costs of research so that it can continue to meet the teaching and community services mandates of the institution.

4.5 TUITION REVENUE

Tuition and related fees revenue decreased by about 1.7% (\$.6 million). This decrease was due mostly to no increases in tuition fees for Canadian (domestic) students, as the Government of Alberta paid for the Board-approved 6.5% increase in 2007 fees (2006: 7%) through the Tuition Fee Rebate. Cumulatively, this rebate totaled \$4.8 million over the past two years. Advanced Education and Technology reviewed the provincial tuition fee policy; any tuition increases were based on 2004-05 tuition fees rather than the previous year's tuition rates.

The Athletics and Recreation Services fees contributed to the decrease in tuition and related fees revenue by \$0.12 million. This was due to a rate decrease from disruption in services during the construction of the 1st Choice Savings Centre for Sport and Wellness.

4.6 SALES AND SERVICES

Sales and services revenue increased by 10.9% (\$1.3 million) over the prior year. Most sales and services revenue is contributed by Ancillary Services, which increased its contribution to \$7 million in 2007 (2006: \$6.9 million).

Other major sources of sales and services revenue are parking fees (\$1 million), Faculty of Management non-credit programs (\$1 million), and Sport and Recreation Services programs and services (\$1.4 million).

4.7 INVESTMENT REVENUE

Investment revenue recognized during the year increased by 79.7% or \$2.8 million over the previous year. Realized investment earnings as measured on a cash basis were 5.4% in 2007 (2006: 6.3%).

The University uses the cost method of accounting for investments; therefore, market returns are not recorded in income. Realized investment income included a reversal of \$2 million write down on US investments which resulted when a portion of US equities were liquidated upon transfers between investment managers. The market return for 2007 on long-term investments was 11.2% (2006: 10.4%).

4.8 GIFTS AND DONATIONS

Total donations received during the year were \$13 million (2006: \$2.9 million). Of this total, \$8.8 million (2006: \$1.3 million) in donations was added directly to endowment principal and \$3.7 million (2006: \$1.2 million) was deferred for spending in future years. Included in donations is \$3.8 million in future contributions towards the 1st Choice Savings Centre for Sport and Wellness and \$8.3 million for the Prentice Institute. There is an additional \$4.3 million in pledges as of March 31, 2007, including \$3.3 million for capital projects and \$1 million for scholarships that have not been recorded in the financial statements.

4.9 OTHER REVENUE

Other income of \$6.3 million (2006: \$6.0 million) represents amounts brought into income for accounting purposes from the amortization of capital assets purchased in prior years using externally restricted contributions.

4.10 EXPENSE

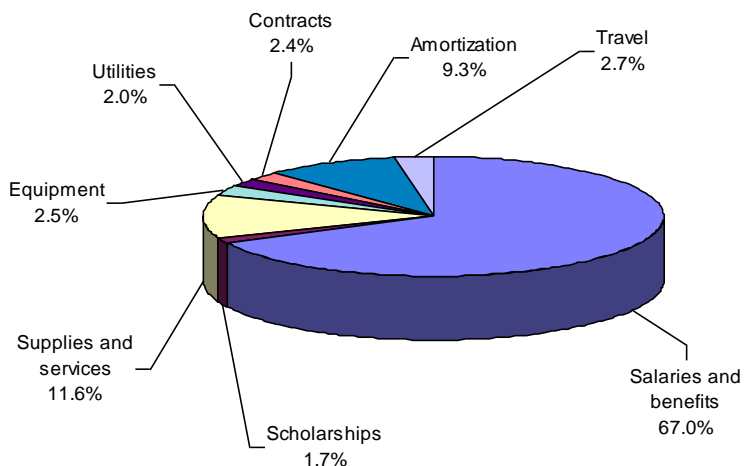
University expenses totaled \$132.9 million in 2007, an increase of \$6.7 million or 5% over the previous year.

Salaries expense increased by 5% over the previous year. In addition to salary increases resulting from merit and negotiated cost-of-living adjustments, approximately 71 new faculty and staff positions were added in 2007. Benefits expense increased by 14% due to increased pension premium rates and the introduction of the flexible benefit plan for support staff effective January 2006. Salaries and benefits continue to be the major component of the cost of operating the University. Despite the pressure to remain competitive in labour markets and the increasing cost of benefits, however, the University's salaries and benefits expense ratio has been fairly consistent over the past five years at approximately 68% of total expense.

The amount of scholarships, fellowships and bursaries awarded in 2007 was \$2.2 million (2006: \$2.0 million). This was made up of \$2.1 million in scholarships and bursaries (2006: \$1.9 million) and \$0.1 million in fellowships (2006: \$0.1 million). The University increased scholarships funded from operating sources by \$0.1 million in 2007. Scholarships funded from endowments increased by \$0.1 million due to a change in the Endowment Management policy that allowed an increased amount of spending for endowed scholarships.

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

Figure 16: Expense by Type, 2006-07



4.11 STATEMENT OF FINANCIAL POSITION

Assets

Total assets increased by \$49.5 million during the 2007 fiscal year. Cash and short-term investments were up \$6.5 million, long-term investments \$16 million, and capital assets \$21 million. Total receivables increased by \$5.7 million. Of this total, \$3.8 million was for future contributions towards the 1st Choice Savings Centre for Sport and Wellness. Cash flow requirements for construction projects have necessitated maintaining a higher balance in cash and short-term investments over the past three fiscal years.

The change in long-term investments during the year included reinvesting income of \$5 million and a donation to the Prentice Institute of \$8.3 million. Over the past ten years, investments have increased by \$28 million or 65%, due mainly to two factors: (1) the accumulation of internally restricted and unrestricted reserves resulting from the University's strong fiscal management; and (2) an increase in endowment principal.

Figure 17: Investment Balances, 1997-98 to 2006-07 (thousands of \$)

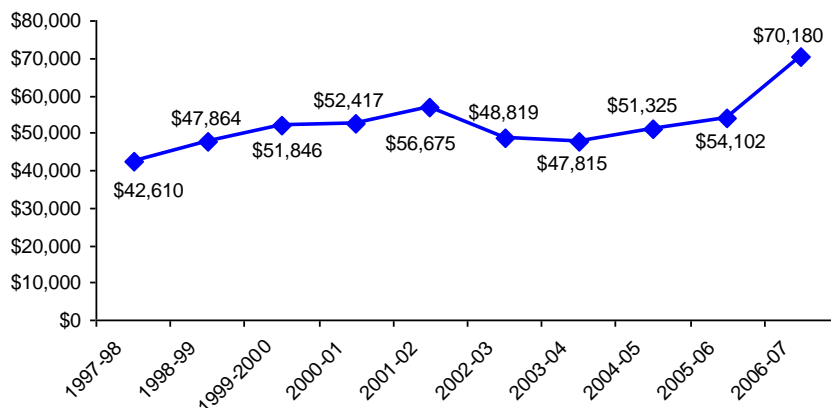


Table 4: Composition of Investment Portfolio, 2005-06 and 2006-07 (thousands of \$)

| Funding Source | 2005-06 | 2006-07 |
|---|-----------------|-----------------|
| Externally restricted fund balances: | | |
| Endowments | \$13,663 | \$24,537 |
| Sponsored research | 4,002 | 4,868 |
| Special purpose | 1,775 | 3,658 |
| Scholarships, bursaries & trust | 2,050 | 599 |
| Capital & infrastructure | 13,527 | 23,074 |
| Internally restricted net assets | 16,541 | 17,758 |
| Unrestricted net assets and operating cash flow | 2,544 | (4,314) |
| | \$54,102 | \$70,180 |

Two external investment managers administer the University's investments, in accordance with the Board of Governors' Investment Management Policy. The Board of Governors Finance Committee, through an external consultant, monitors investment performance and compliance with the Investment Management Policy. At March 31, 2007, the market value of investments exceeded the carrying value by \$15 million (2006: \$11.8 million).

Capital assets of \$33.6 million were added during the year, including major capital projects² and an asset retirement obligation of \$1 million. Library acquisitions totaled \$1.8 million and computer; scientific and other equipment \$5 million; and amortization \$12 million. Art works donated in 2007 totaled \$0.01 million.

4.12 LIABILITIES AND NET ASSETS

Current liabilities totaled \$30 million in 2007 (2006: \$24.5 million). Accounts payable and accrued liabilities increased over the previous year by \$2.4 million, due mainly to construction projects in progress at the year end.

The deferred contributions of \$11 million at March 31, 2007 (2006: \$8.2 million) consisted primarily of: restricted balances in the research fund (\$4.3 million); trust funds for scholarships and bursaries and other specific purposes (\$4.3 million); and the Infrastructure Maintenance Program (\$2.4 million). These contributions will be recognized in revenue as the spending conditions are met.

Long-term liabilities increased by \$8.9 million due mainly to an increase in deferred capital contributions, which totaled \$20.6 million at March 31, 2007 (2006: \$12.6 million). The deferred capital contributions balance represents externally restricted amounts received from grants, and donations for capital projects and infrastructure renewal including:

- Life Safety Systems (\$4 million).
- Alberta Water and Environmental Science Building (\$11.5 million).
- Markin Building for Health Sciences and Management (\$2.7 million).
- Service building replacement (\$2.3 million).
- Other projects (\$1.0 million).

Liabilities include an asset retirement obligation of \$1.1 million that represents the estimated fair value of the legal obligation associated with the removal of asbestos from University Hall.

Net assets increased by \$26.7 million as a result of: an increase in investment (equity) in capital assets of \$11.6 million; endowment principal additions³ of \$10.9 million; an increase in internally restricted net assets of \$1.2 million; and an increase in unrestricted

² 1st Choice Savings Centre for Sport and Wellness: \$12 million spent during 2007; expansion of Turcotte Hall; \$5 million; and other renovation projects: \$8.8 million.

³ Primarily donations and capitalized investment income.

net assets (operating reserves) of \$3 million. Internally restricted and unrestricted net assets are designated primarily for academic program developments, capital deferred maintenance projects, and capital asset replacement.

Endowment balances are steadily increasing, with a balance of \$24.5 million at March 31, 2007, an increase of 80% over the previous year and 206% over the past ten years. This growth has been achieved from a combination of gifts, capitalized investment earnings, and contributions from University sources. Included in the endowments is a donation of \$8.25 million for the Prentice Institute.

Table 5: Growth of Endowment Principal (thousands of \$)

| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
| Opening Balance | \$13,663 | \$11,975 | \$11,227 | \$10,762 | \$10,224 | \$9,585 | \$9,064 | \$8,475 | \$8,017 | \$7,301 |
| Endowment gifts | 8,825 | 1,292 | 409 | 123 | 125 | 249 | 125 | 141 | 131 | 149 |
| Capitalized investment earnings* | 1,996 | 306 | 249 | 202 | 323 | 290 | 308 | 251 | 185 | 415 |
| University contributions | 53 | 90 | 90 | 140 | 90 | 100 | 88 | 197 | 150 | 152 |
| Closing Balance | \$24,537 | \$13,663 | \$11,975 | \$11,227 | \$10,762 | \$10,224 | \$9,585 | \$9,064 | \$8,475 | \$8,017 |

*2007 Includes a one-time \$1.5 million capitalization of previous year's unexpended balance as a result of a change in Endowment management policy.

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

Internally restricted net assets totaled \$17.8 million as of March 31, 2007. These represent operating surpluses from prior years that have been set aside by the Board of Governors to provide for capital and maintenance needs and to cover contingencies and one-time expenditures aimed at increasing efficiency and/or reducing costs. The internally restricted net assets balance at March 31, 2007 includes an allocation of \$10.7 million for capital projects in progress at the year end.

Unrestricted net assets of \$18.7 million (2006: \$15.7 million) represent accumulated operating surpluses and are used primarily to fund capital asset additions required to maintain the education and services available to our students.

Appendix One: About the University of Lethbridge

M A N D A T E

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.

V I S I O N

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

M I S S I O N

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.

Carrie Takeyasu, MBA, CMA
Acting Executive Director
Financial Services

Nancy R. Walker, MBA, CA
Vice President
(Finance and Administration)



Auditor's Report

To the Board of Governors of the University of Lethbridge

I have audited the statement of financial position of the University of Lethbridge as at March 31, 2007 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 management of the University. 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, the financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2007 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, 2007

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

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31
(thousands of dollars)

| | <u>2007</u> | <u>2006</u> |
|--|-------------------|-------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and short-term investments (Note 3) | \$ 34,978 | \$ 28,528 |
| Accounts receivable | 8,245 | 5,895 |
| Inventories | 447 | 432 |
| Prepaid expenses | 787 | 665 |
| | <u>44,457</u> | <u>35,520</u> |
| INVESTMENTS (Note 4, 5) | 70,180 | 54,102 |
| PLEDGES RECEIVABLE - Long-term portion (Note 6) | 3,358 | - |
| CAPITAL ASSETS AND COLLECTIONS (Note 7) | 206,855 | 185,726 |
| | <u>\$ 324,850</u> | <u>\$ 275,348</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 9,946 | \$ 7,528 |
| Employee benefit liabilities (Note 8) | 4,107 | 4,656 |
| Deferred revenue | 4,441 | 4,007 |
| Deferred contributions, research and other (Note 10) | 11,001 | 8,192 |
| Current portion of long term obligations (Note 11) | 430 | 122 |
| | <u>29,925</u> | <u>24,505</u> |
| LONG TERM LIABILITIES | | |
| Long-term obligations (Note 11) | 4,309 | 3,654 |
| Employee benefit liabilities (Note 8) | 6,343 | 6,168 |
| Deferred contributions, research and other (Note 10) | 573 | 577 |
| Deferred contributions, capital (Note 10) | 20,625 | 12,585 |
| | <u>31,850</u> | <u>22,984</u> |
| UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (Note 12) | <u>99,617</u> | <u>91,103</u> |
| NET ASSETS | | |
| Investment in capital assets and collection | 102,499 | 90,846 |
| Endowments (Note 13) | 24,537 | 13,663 |
| Internally restricted (Note 14) | 17,758 | 16,541 |
| Unrestricted | 18,664 | 15,706 |
| | <u>163,458</u> | <u>136,756</u> |
| Commitments and Contingencies (Note 20) | | |
| | <u>\$ 324,850</u> | <u>\$ 275,348</u> |

The accompanying notes are part of these financial statements.

STATEMENT OF OPERATIONS

AS AT MARCH 31
(thousands of dollars)

| | <u>Original Budget</u> | <u>2007</u> | <u>2006</u> |
|--|------------------------|------------------|------------------|
| REVENUE | | | |
| Grants | \$ 79,563 | \$ 86,517 | \$ 77,961 |
| Tuition and related fees | 33,254 | 34,442 | 35,060 |
| Sales of services and products | 12,647 | 13,152 | 11,860 |
| Miscellaneous | 1,660 | 1,358 | 1,179 |
| Investment income (Note 15) | 2,754 | 6,265 | 3,486 |
| Gifts and donations | 1,440 | 728 | 713 |
| Amortization of unamortized deferred capital contributions (Note 12) | 7,610 | 6,271 | 6,033 |
| | <u>138,928</u> | <u>148,733</u> | <u>136,293</u> |
| EXPENSE | | | |
| Salaries | 80,611 | 77,452 | 73,960 |
| Employee benefits | 12,929 | 12,813 | 11,278 |
| Scholarships, fellowships and bursaries | 2,386 | 2,252 | 1,978 |
| Supplies and services | 13,748 | 8,424 | 7,478 |
| Repairs and maintenance | 1,882 | 1,478 | 1,671 |
| Cost of goods sold | 3,134 | 3,113 | 3,004 |
| Equipment | 2,431 | 3,327 | 2,742 |
| Travel | 2,270 | 3,540 | 3,447 |
| External contracted services | 2,775 | 3,194 | 2,593 |
| Utilities | 2,958 | 2,645 | 2,934 |
| Professional fees | 479 | 1,369 | 911 |
| Interest on long term obligations | 1,000 | 497 | 414 |
| Insurance | 469 | 432 | 408 |
| Property taxes | 201 | 111 | 234 |
| Unrealized loss on write-down investments | - | - | 492 |
| Loss (gain) on disposal of capital assets | - | (49) | 564 |
| Amortization of capital assets | 10,603 | 12,305 | 12,087 |
| | <u>137,876</u> | <u>132,903</u> | <u>126,196</u> |
| EXCESS OF REVENUE OVER EXPENSE | <u>\$ 1,052</u> | <u>\$ 15,830</u> | <u>\$ 10,098</u> |

The accompanying notes are part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31

(thousands of dollars)

| | 2007 | | | | | 2006 |
|---|---------------------------------|------------|--------------------------|--------------|------------|------------|
| | Investment in Capital Assets | Endowments | Internally Restricted | Unrestricted | TOTAL | TOTAL |
| BALANCE, beginning of year | \$ 90,846 | \$ 13,663 | \$ 16,541 | \$ 15,706 | \$ 136,756 | \$ 124,853 |
| Excess of revenue over expense | - | - | - | 15,830 | 15,830 | 10,098 |
| Non-amortizable collection donations | 13 | - | - | - | 13 | 239 |
| Endowment contributions | - | 8,825 | - | - | 8,825 | 1,292 |
| Capitalization of previous year's unexpended interest | - | 1,519 | - | - | 1,519 | - |
| Capitalized investment earnings | - | 477 | - | - | 477 | 274 |
| Transfer to endowments | - | 53 | - | (53) | - | - |
| Capital asset additions | 17,651 | - | (7,603) | (10,048) | - | - |
| Non-amortizable collection acquisitions | 38 | - | - | - | 38 | - |
| Net book value of capital asset disposals | (78) | - | - | 78 | - | - |
| Amortization | (6,093) | - | - | 6,093 | - | - |
| Repayment of long term debt | 122 | - | - | (122) | - | - |
| Allocation to internally restricted net assets | - | - | 8,820 | (8,820) | - | - |
| BALANCE, end of year | \$ 102,499 | \$ 24,537 | \$ 17,758 | \$ 18,664 | \$ 163,458 | \$ 136,756 |

The accompanying notes are part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31
(thousands of dollars)

| | <u>2007</u> | <u>2006</u> |
|--|-------------------------|-------------------------|
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| Excess of revenue over expense | \$ 15,830 | \$ 10,098 |
| Non-cash transactions | | |
| Amortization of unamortized deferred capital contributions | (6,271) | (6,034) |
| Amortization of capital assets | 12,305 | 12,087 |
| Loss (gain) on disposal of capital assets | (49) | 564 |
| Unrealized loss on write-down of investments | - | 492 |
| Increase in long-term employee benefit liabilities | 175 | 623 |
| | <u>21,990</u> | <u>17,830</u> |
| Increase (decrease) in non-cash working capital (Note 17) | 4,144 | (476) |
| | <u>26,134</u> | <u>17,354</u> |
| CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES: | | |
| Purchase of investments (net) | (16,076) | (3,269) |
| Capital asset additions | | |
| Internally funded | (18,736) | (12,723) |
| Externally funded | (14,784) | (12,700) |
| Collection additions | (38) | (8) |
| Increase in long-term receivable | (3,358) | - |
| Increase in asset retirement obligation | 1,085 | - |
| Proceeds on disposal of capital assets | 185 | 67 |
| | <u>(51,722)</u> | <u>(28,633)</u> |
| CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES: | | |
| Capital contributions | 22,858 | 20,160 |
| Endowment contributions | 8,825 | 1,292 |
| Capitalized investment earnings | 477 | 274 |
| Long term debt repayments | (122) | (115) |
| | <u>32,038</u> | <u>21,611</u> |
| INCREASE IN CASH | 6,450 | 10,332 |
| CASH AND SHORT-TERM INVESTMENTS, beginning of year | 28,528 | 18,196 |
| CASH AND SHORT-TERM INVESTMENTS, end of year | \$ <u>34,978</u> | \$ <u>28,528</u> |

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

(in thousands of dollars)

Note 1 Authority and Purpose

University of Lethbridge operates under the Post-Secondary Learning Act of Alberta to provide post-secondary and graduate education and to engage in research and public service. The University is a registered charity, and under section 149 of the Income Tax Act of Canada, is exempt from the payment of income tax.

Note 2 Significant Accounting Policies

a) General – GAAP and use of estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. 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. Such estimates have been made using judgments determined by the University's administration. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

b) Revenue Recognition

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

- Unrestricted contributions - when received, or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Unrestricted investment income - when earned; this includes interest, dividends, realized gains and losses.
- Revenues received for services and products - when the services or products are provided.
- Tuition fees - when the instruction is delivered.
- Restricted contributions - based on the deferral method.
- Pledges that can be reasonably estimated and where ultimate collection is reasonably assured are recorded as an asset, with the corresponding amount being recorded as gifts and donations revenue, deferred contributions, deferred capital contributions or endowment as applicable. Pledges are disclosed in Note 6.

Restricted contributions – deferral method

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

Contributions restricted to the acquisition of capital assets with limited life are recorded as deferred contributions when received, and when expended, are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

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

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

c) Inventories

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

d) Investments

Short-term investments are held at the lower of cost or market.

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.

e) Capital Assets and Collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair market value when a fair value can be reasonably determined.

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

| | | | |
|---------------------------|-------------|----------------------|-----------|
| 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 |

Permanent collections are not amortized and consist of works of art.

f) Pension and Other Employee Future Benefit Plans

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings. Defined contribution plan accounting is applied to these pension plans as the University has insufficient information to apply defined benefit plan accounting. 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.

The actuarial determination of the accrued benefit obligations for other employee future benefits uses either the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors) or the accumulated benefit method where future salary levels or cost escalations do not affect the amount of employee future benefits.

Actuarial gains (losses) arise from experience different from that assumed or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the benefit obligation is amortized over the average remaining service period of active employees. The average remaining service of the active employees covered by the non-pension employee future benefit plans ranges from one to seven years.

g) Contributed Services

Volunteers and University staff contribute services each year to assist the University in achieving its mandate. The financial statements do not record the value of these services.

h) Fair Value of Financial Instruments

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

i) 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.

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.

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.

j) Foreign Currency Translation

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate. Revenues and expenses are translated at average weekly exchange rates. Gains or losses from these translations are included in operations.

k) Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized in the period incurred if a reasonable estimate of fair value can be made.

Upon initial recognition of an asset retirement obligation, the same amount is recognized as an increase in the carrying amount of the related asset. The asset retirement cost is allocated to expense over its estimated useful life or as the cost of retiring the asset is incurred, if applicable.

Note 3 Cash and Short-term Investments

Cash and short-term investments are invested in high quality Canadian money market instruments. The carrying value of cash and short-term investments approximate fair value.

| | 2007 Cost | Effective Yield | 2006 Cost | Effective Yield |
|---------------------------|------------------|--------------------|------------------|--------------------|
| Cash and cash equivalents | \$ 17,278 | 3.95% | \$ 16,305 | 2.66% |
| Treasury bills | 16,032 | 4.20% | 10,856 | 3.50% |
| Bonds | 1,668 | 4.30% | 1,367 | 5.50% |
| | <u>\$ 34,978</u> | | <u>\$ 28,528</u> | |

Short-term investments are held on average for less than one year and bonds are held on average less than two years. Bonds in the portfolio have maturity dates between one and eight years, with an average maturity date of 3.1 years.

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.

Note 4 Investments

The long-term investment portfolio includes endowment assets as well as the portion of non-endowment assets that will not be required for spending in the short-term. The primary objective of this portfolio is a rate of return that, in real terms, exceeds the endowment spending allocation at an acceptable risk level.

| | 2007 Book Value | 2007 Market Value | 2006 Book Value | 2006 Market Value |
|---------------------------|--------------------|----------------------|--------------------|----------------------|
| Cash and cash equivalents | \$ 12,053 | \$ 12,050 | \$ 3,035 | \$ 3,036 |
| Bonds | 21,965 | 22,556 | 18,998 | 19,819 |
| Canadian equity | 14,079 | 24,709 | 12,662 | 21,207 |
| Foreign equity | 21,358 | 25,184 | 18,968 | 21,429 |
| Other investments | 725 | 725 | 439 | 439 |
| | <u>\$ 70,180</u> | <u>\$ 85,224</u> | <u>\$ 54,102</u> | <u>\$ 65,930</u> |

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.

As at March 31, 2007, the average effective yields and the terms to maturity are as follows:

- Cash and short-term notes: 3.98% (2006 – 2.44%); term to maturity: less than one year.
- Government and corporate bonds: 4.40% (2006 – 4.01%); term to maturity: range from less than one year to more than 34 years.
- Canadian equity realized return: 8.01% (2006 – 12.62%) Market return 13.70% (2006 – 22.91%)
- Foreign equity realized return: 5.23% (2006 – 0.76%) Market return 20.95% (2006 – 6.71%)

Note 5 Interest in Joint Venture

The University has a one-third joint venture interest in Campus Alberta Applied Psychology: Counselling Initiative. 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, 2007 is \$597 (2006 - \$304) and is included in Other Investments (Note 4).

At March 31, 2007 the University's share of the joint venture's assets and liabilities are:

| | 2007 | 2006 |
|--|---------------|---------------|
| Current assets ⁽¹⁾ | \$ 647 | \$ 577 |
| Capital assets | 2 | 3 |
| | <u>\$ 649</u> | <u>\$ 580</u> |
| Current liabilities | \$ 50 | \$ 273 |
| Unamortized deferred capital contributions | 1 | 1 |
| Investment in capital assets | 1 | 2 |
| Joint venture interest | 597 | 304 |
| | <u>\$ 649</u> | <u>\$ 580</u> |

⁽¹⁾ included in current assets is a receivable of \$546 (2006 - \$398) 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, 2007 is \$382 (2006 - \$92) which is one-third of the net of total revenues of \$3,043 (2006 - \$2,007) less total expenses of \$1,896 (2006 - \$1,730).

Note 6 Pledges Receivable

| | 2007 | 2006 |
|---|-----------------|-------------|
| 1st Choice Savings and Credit Union Ltd. | \$ 2,250 | \$ - |
| University of Lethbridge students | 2,500 | - |
| | 4,750 | - |
| Discount to present value | (992) | - |
| Current portion included in accounts receivable | (400) | - |
| | <u>\$ 3,358</u> | <u>\$ -</u> |

The 1st Choice Savings and Credit Union Ltd. is the naming sponsor for the 1st Choice Savings Centre for Sport and Wellness and is contributing a total of \$2,250 over a 15-year period. Univer-

sity of Lethbridge students are contributing \$2,500 towards the construction of the 1st Choice Savings Centre for Sport and Wellness, to be collected over a period of approximately 10 years. These contributions have been discounted to their present value using market interest rates. The revenue from these contributions will be recognized in the financial statements as the building is amortized. The discount on the contributions will be recognized in future years as interest income.

In addition to the pledges above, there is \$4,340 for capital projects and scholarships that have not been recorded in the financial statements.

Note 7 Capital Assets and Collections

| | 2007 | | | 2006 | | |
|--|------------|--------------------------|----------------|------------|--------------------------|----------------|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Buildings and land improvements | \$ 224,351 | \$ 73,359 | \$ 150,992 | \$ 197,562 | \$ 66,864 | \$ 130,698 |
| Equipment and furnishings | 54,880 | 41,362 | 13,518 | 52,366 | 39,202 | 13,164 |
| Library materials | 27,008 | 18,794 | 8,214 | 25,405 | 17,621 | 7,784 |
| Capital assets subject to amortization | 306,239 | 133,515 | 172,724 | 275,333 | 123,687 | 151,646 |
| Land | 638 | | 638 | 638 | | 638 |
| | 306,877 | \$ 133,515 | 173,362 | 275,971 | \$ 123,687 | 152,284 |
| Permanent collections | 33,493 | | 33,493 | 33,442 | | 33,442 |
| Capital assets and collections | \$ 340,370 | | \$ 206,855 | \$ 309,413 | | \$ 185,726 |

Included in buildings and land improvements is \$9,310 (2006 - \$19,645) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions during the year included in-kind contributions (such as learning resources and equipment) in the amount of \$725 (2006 - \$268).

Note 8 Employee Benefit Liabilities

| | 2007 | 2006 |
|--------------------------------|----------|----------|
| Vacation and overtime pay | \$ 3,128 | \$ 3,668 |
| Maternity and parental leaves | 111 | 209 |
| Other payroll liabilities | 134 | 151 |
| Early retirement benefit plans | 343 | 560 |
| Senior administrative leaves | 5,064 | 4,839 |
| Supplementary benefit plan | 1,199 | 921 |
| Long-term disability benefits | 471 | 476 |
| | 10,450 | 10,824 |
| Less current portion | (4,107) | (4,656) |
| | \$ 6,343 | \$ 6,168 |

Note 9 Pension and Other Employee Future Benefit Plans

The University has a number of defined benefit plans that provide pension, other retirement and post-employment benefits to most of its employees. These include the Early Retirement Plan, the Senior Administrative Leave Plan, Long-term Disability Plans and pension plans. In addition, the University provides a supplementary benefit plan to some employees, which is accounted for as a defined contribution plan.

The Early Retirement Plan pays a fixed amount annually based on the salary and benefits in effect for each member at the date of retirement. This plan is closed to new members and no future service benefits are being accrued.

The Senior Administrative Leave Plan provides for certain senior administrators to accrue an entitlement to a leave of absence, for the purpose of professional development, at the end of their service in an administrative position. Upon leaving the post, the member's salary and benefits in

effect at the end of the service are paid for the duration of the leave and are indexed at a rate determined by the University.

The Long-Term Disability Plans provide pension and non-pension benefits after employment, but before retirement. The University pays for the non-insured portion of the disability benefits.

The Supplementary Benefit Plan provides a termination benefit to certain employees over and above the benefits provided by the Universities Academic Pension Plan. The University contributes annually to the Supplementary Benefit Plan based on the employee's salary. Each employee's account is also adjusted annually by the realized rate of return on the University's long-term investments.

Total cash payments for employee future benefits for 2007, consisting of cash payments directly to beneficiaries for unfunded benefit plans and cash contributed to its multi-employer defined benefit plans, were \$6,794 (2006 - \$5,826).

a) Benefit Plans

The University measures its accrued benefit obligations for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the employee future benefit plans was performed as of March 31, 2007.

The benefit plan obligations are as follows:

| | 2007 | | | | 2006 | | | |
|---------------------------------------|----------------------------|-----------------------|-----------------------------|---------------------------|----------------------------|-----------------------|-----------------------------|---------------------------|
| | Supplementary Benefit Plan | Early Retirement Plan | Senior Administrative Leave | Long Term Disability Plan | Supplementary Benefit Plan | Early Retirement Plan | Senior Administrative Leave | Long Term Disability Plan |
| Accrued benefit obligation: | | | | | | | | |
| Balance, beginning of year | \$ 921 | \$ 560 | \$ 4,839 | \$ 588 | \$ 695 | \$ 850 | \$ 3,996 | \$ 462 |
| Current service cost | 238 | - | 793 | 61 | 206 | - | 843 | 116 |
| Past service cost | 20 | - | - | - | 15 | - | - | - |
| Interest cost | 48 | 16 | 189 | 21 | 45 | 24 | 166 | 19 |
| Benefits paid | (28) | (229) | (489) | (97) | (40) | (316) | (188) | (85) |
| Actuarial loss (gain) | - | (4) | (268) | 103 | - | 2 | 22 | 76 |
| Balance, end of year | 1,199 | 343 | 5,064 | 676 | 921 | 560 | 4,839 | 588 |
| Plan assets | - | - | - | - | - | - | - | - |
| Funded status - plan deficit | 1,199 | 343 | 5,064 | 676 | 921 | 560 | 4,839 | 588 |
| Unamortized net actuarial gain (loss) | - | - | - | (205) | - | - | - | (112) |
| Accrued benefit liability | \$ 1,199 | \$ 343 | \$ 5,064 | \$ 471 | \$ 921 | \$ 560 | \$ 4,839 | \$ 476 |

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

| | 2007 | | | | 2006 | | | |
|--|----------------------------|-----------------------|-----------------------------|---------------------------|----------------------------|-----------------------|-----------------------------|---------------------------|
| | Supplementary Benefit Plan | Early Retirement Plan | Senior Administrative Leave | Long-Term Disability Plan | Supplementary Benefit Plan | Early Retirement Plan | Senior Administrative Leave | Long-Term Disability Plan |
| Discount rate | n/a | 4.50% | 4.50% | 4.50% | n/a | 3.50% | 3.50% | 3.50% |
| Rate of compensation increase | n/a | n/a | 6.00% | 5.00% | n/a | n/a | 6.00% | 5.00% |
| Assumed benefit cost trend rates: | | | | | | | | |
| Pension contributions | n/a | n/a | n/a | 5.00% | n/a | n/a | n/a | 5.00% |
| Benefits | n/a | 4.50% | 4.50% | 4.50% | n/a | 4.50% | 4.50% | 4.50% |
| Average remaining service period of active employees | 7 years | 1 year | 5 years | 4 years | 7 years | 2 years | 6 years | 5 years |

b) Pension plans

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 \$5,934 for the year ended March 31, 2007 (2006 - \$5,197) including UAPP contributions of \$4,963 (2006 - \$4,327) and PSPP contributions of \$971 (2006 - \$870).

At December 31, 2006, the Universities Academic Pension Plan reported an actuarial deficiency of \$409,128 (2005 - \$537,415) consisting of a pre-1992 deficiency (\$399,521) and a post-1991 deficiency (\$9,607). An actuarial valuation of the UAPP was carried out as at December 31, 2004 and the liability was extrapolated to December 31, 2006. The UAPP undertakes an actuarial valuation of the Plan every two years. The unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25% (2005 - 1.25%) of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions of 2.28% (2005 - 2.28%) 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, 2004 of the Province of Alberta's obligation for the future additional contributions was \$183,400. Effective July 1, 2005, the unfunded liability for service after December 31, 1991 is being financed by special payments of 2.64% (2005 - 2.64%) of salaries shared equally between employees and employers over 15 years from the date of valuation until December 31, 2017. The special payments will decrease to 1.38% for the period January 1, 2018 to December 31, 2019.

At December 31, 2006, the Public Service Pension Plan reported an actuarial surplus of \$153,024 (2005 - actuarial deficiency of \$187,704). An actuarial valuation of the PSPP was carried out as at December 31, 2005 and was then extrapolated to December 31, 2006.

Note 10 Deferred Contributions

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

| | 2007 | | | 2006 |
|---|-----------|--------------------|-----------|-----------|
| | Capital | Research and Other | Total | Total |
| Balance, beginning of the year | \$ 12,585 | \$ 8,769 | \$ 21,354 | \$ 15,582 |
| Grants and donations received | 20,879 | 17,218 | 38,097 | 30,855 |
| Recognized as revenue | - | (10,910) | (10,910) | (12,383) |
| Transfer to endowments | - | (1,519) | (1,519) | - |
| Non-amortizable collection additions | (38) | - | (38) | - |
| Transferred to unamortized deferred capital contributions | (12,801) | (1,984) | (14,785) | (12,700) |
| Balance, end of the year | 20,625 | 11,574 | 32,199 | 21,354 |
| Less amounts included in current liabilities | - | (11,001) | (11,001) | (8,192) |
| | \$ 20,625 | \$ 573 | \$ 21,198 | \$ 13,162 |

Note 11 Long-Term Obligations

| | Rate of Interest | Original Advance | Amount Outstanding | |
|--|------------------|------------------|--------------------|----------|
| | | | 2007 | 2006 |
| Alberta Capital Finance Authority debenture for student residences, due April 15, 2023 | 6% | \$ 4,000 | \$ 3,654 | \$ 3,776 |
| Asset retirement obligation | | | 1,085 | - |
| | | | \$ 4,739 | \$ 3,776 |
| Current portion | | | (430) | (122) |
| | | | \$ 4,309 | \$ 3,654 |

The debenture is secured by cash flows generated from the Residence Park, Aperture Park and University Hall residences. Interest on the debenture of \$220 was charged to expense in fiscal 2007 (2006 - \$227).

Principal payments on the debenture over the next five fiscal years are as follows: 2008 - \$130; 2009 - \$137; 2010 - \$146; 2011 - \$154; 2012 - \$164.

The asset retirement obligation represents the estimated fair value of the legal obligation associated with the removal of asbestos from University Hall. Costs expected to be incurred over the next five fiscal years are: 2008 - \$300; 2009 - \$250; 2010 - \$250; 2011 - \$220; 2012 - \$65.

The estimate of the liability requires judgment by University management as to the amount of work required to remove the asbestos, the cost of the work and inflationary increases over the term of the obligation.

The asset retirement cost will be allocated to expense as the asbestos is removed from the building. Further costs of removing asbestos cannot be reasonably estimated at this time, but will be recorded in the period in which there is sufficient information to estimate fair value.

Note 12 Unamortized Deferred Capital Contributions

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

| | 2007 | 2006 |
|---|------------------|------------------|
| Balance, beginning of year | \$ 91,103 | \$ 84,437 |
| Additions from deferred contributions (Note 10) | 14,785 | 12,700 |
| Amortization to revenue | (6,271) | (6,034) |
| Balance, end of the year | <u>\$ 99,617</u> | <u>\$ 91,103</u> |

Note 13 Endowments

Endowments consist of:

- Internal allocations by the Board of Governors (internally restricted).
- Restricted donations to the University - the principal must be maintained intact in perpetuity (externally restricted).

The investment income earned on internally restricted endowments is used to fund the University of Lethbridge Scholarship Endowment and the International Entrance Award as directed by Board of Governors resolutions. The purpose of the internally restricted endowments cannot be changed without approval of the Board of Governors.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors.

On April 1, 2006 the University adopted an Endowment management policy. For the current and future years, the economic value of the endowments is protected by limiting the amount of investment income that may be spent to 5% of the prior year's endowment balance, except as otherwise stipulated by the donor. Investment income earned in excess of the amount spent is added to the endowment principal. In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, or should the investment turn to negative, the spending allocation is funded from the cumulative capitalized earnings. However, for individual endowment funds without sufficient cumulative capitalized earnings, endowment capital is used in the current year. This amount is expected to be recovered from future investment income. For years prior to 2007 endowment spending was limited to the amount of realized investment earnings.

Under 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.

| | 2007 | | | 2006 | | |
|--|-----------------------|-----------------------|------------------|-----------------------|-----------------------|------------------|
| | Externally restricted | Internally restricted | Total | Externally restricted | Internally restricted | Total |
| Contributions received during the year | \$ 8,825 | \$ - | \$ 8,825 | \$ 1,292 | \$ - | \$ 1,292 |
| Capitalization of previous year's unexpended balance | 1,375 | 144 | 1,519 | - | - | - |
| Transfers | 17 | 36 | 53 | - | - | - |
| Capitalized investment earnings | 477 | - | 477 | 274 | 122 | 396 |
| Increase during the year | 10,694 | 180 | 10,874 | 1,566 | 122 | 1,688 |
| Balance, beginning of year | 12,147 | 1,516 | 13,663 | 10,581 | 1,394 | 11,975 |
| Balance, end of year | <u>\$ 22,841</u> | <u>\$ 1,696</u> | <u>\$ 24,537</u> | <u>\$ 12,147</u> | <u>\$ 1,516</u> | <u>\$ 13,663</u> |
| Cumulative contributions | \$ 18,810 | \$ 1,342 | \$ 20,152 | \$ 9,958 | \$ 1,342 | \$ 11,300 |
| Cumulative capitalized earnings | 4,031 | 354 | 4,385 | 2,189 | 174 | 2,363 |
| | <u>\$ 22,841</u> | <u>\$ 1,696</u> | <u>\$ 24,537</u> | <u>\$ 12,147</u> | <u>\$ 1,516</u> | <u>\$ 13,663</u> |

Note 14 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, construction or providing for contingencies.

| | 2007 | 2006 |
|--|------------------|------------------|
| OPERATING | | |
| Staff training and development | \$ 27 | \$ 31 |
| Academic development | 238 | 242 |
| Campus planning studies | 160 | 160 |
| Utilities contingency - rate increases | 55 | 55 |
| Program development | 295 | 235 |
| | <u>775</u> | <u>723</u> |
| CAPITAL | | |
| Capital replacement - Ancillary Services | 3,165 | 2,176 |
| Capital replacement - Sports & Recreation Services | - | 245 |
| Housing Services - residences | 698 | 895 |
| Capital equipment | 1,110 | 1,508 |
| Buildings and plant ⁽¹⁾ | 11,237 | 10,353 |
| Site and utilities | 72 | 71 |
| Utility conservation | 275 | 270 |
| Self insurance | 232 | 195 |
| Parking | 97 | - |
| Service vehicles and equipment | 97 | 105 |
| | <u>16,983</u> | <u>15,818</u> |
| | <u>\$ 17,758</u> | <u>\$ 16,541</u> |

⁽¹⁾ The Board of Governors set aside \$10,700 for funding of capital projects in 2007 (2006 - \$10,000).

Note 15 Investment Income

| | 2007 | 2006 |
|---|-----------------|-----------------|
| Income on investments held for endowment | | |
| Externally restricted | \$ 862 | \$ 715 |
| Internally restricted | 84 | 76 |
| | 946 | 791 |
| Income on other investments | 5,884 | 3,204 |
| Total investment income | 6,830 | 3,995 |
| Amounts allocated to deferred contributions | (88) | (235) |
| Income capitalized to endowment principal | (477) | (274) |
| Total investment income recognized as revenue | <u>\$ 6,265</u> | <u>\$ 3,486</u> |

Note 16 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.

| | 2007 | | | | 2006 |
|--|----------------------------|------------------------------------|--|-------|-------|
| | Base Salary ⁽¹⁾ | Other Cash Benefits ⁽²⁾ | Other Non-Cash Benefits ⁽³⁾ | Total | Total |
| Chairman of Board ⁽⁴⁾ | \$ - | \$ - | | \$ - | \$ - |
| Board Members ⁽⁴⁾ | - | - | | - | - |
| President | 293 | 30 | 88 | 411 | 403 |
| Executive/Vice Presidents | | | | | |
| Vice-President (Academic) | 252 | 12 | 58 | 322 | 307 |
| Vice-President (Finance & Administration) | 207 | - | 45 | 252 | 240 |
| Vice-President (Research) | 175 | - | 39 | 214 | 205 |
| Vice-President (University Advancement) ⁽⁵⁾ | 137 | - | 34 | 171 | 117 |
| Administrative leave benefit ⁽⁷⁾ | | | | | |
| President | | | | 63 | 106 |
| Vice-President (Academic) | | | | 71 | 98 |
| Vice-President (Finance & Administration) | | | | 24 | 74 |
| Vice-President (Research) | | | | 39 | 56 |
| Vice-President (University Advancement) ⁽⁸⁾ | | | | - | - |

⁽¹⁾ Salary includes pensionable base pay.

⁽²⁾ Housing allowance.

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

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

⁽⁵⁾ The position was vacant for a four-month period in the prior year.

(6) Under the terms of the supplementary benefit plan (SBP), certain senior executive officers will receive supplemental retirement payments. The costs detailed below are not cash payments in the period but are period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide a payment at termination of employment with the University. The SBP is a defined contribution plan. The University contributes annually to the SBP based on the employee's salary and this benefit earns interest at the annual realized rate of return on the University's long-term investments. The interest accrued on benefit obligations is equal to the realized earnings rate on the University's long-term investments of 4.71% in 2007 (2006 - 5.75%).

| | 2007 | | | 2006 |
|---|----------------------|------------------|-------|-------|
| | Current Service Cost | Interest Accrued | Total | Total |
| Chairman of Board | \$ - | \$ - | \$ - | \$ - |
| President | 46 | 7 | 53 | 65 |
| Executive/Vice Presidents | | | | |
| Vice President (Academic) | 19 | 6 | 25 | 24 |
| Vice President (Finance & Administration) | 9 | 2 | 11 | 10 |
| Vice President (Research) | 6 | 1 | 7 | 6 |
| Vice President (University Advancement) | 2 | - | 2 | 1 |

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

(8) The position does not accrue administrative leave.

The accrued obligation for each executive under the SRP is outlined in the following table:

| | Accrued obligation March 31, 2006 | Changes in accrued obligation | Accrued obligation March 31, 2007 |
|---|--------------------------------------|----------------------------------|---|
| Chairman of Board | \$ - | \$ - | \$ - |
| President | 130 | 54 | 184 |
| Executive/Vice Presidents | | | |
| Vice President (Academic) | 119 | 25 | 144 |
| Vice President (Finance & Administration) | 37 | 11 | 48 |
| Vice President (Research) | 21 | 7 | 28 |
| Vice President (University Advancement) | 1 | 2 | 3 |

Note 17 Change in Non-Cash Working Capital

| | 2007 | 2006 |
|---|-----------------|-----------------|
| Accounts receivable | \$ (2,350) | \$ (475) |
| Inventories | (15) | 44 |
| Prepaid expenses | (122) | (71) |
| Accounts payable and accrued liabilities | 2,418 | 1,909 |
| Employee benefit liabilities | (549) | 245 |
| Deferred revenue | 434 | (441) |
| Deferred contributions | 2,809 | (1,687) |
| Deferred contributions - endowment transfer (Note 13) | 1,519 | - |
| Increase (decrease) in non-cash working capital | <u>\$ 4,144</u> | <u>\$ (476)</u> |

Note 18 Related Party Transactions

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 Advanced Education. Transactions between the University and the Province of Alberta are disclosed as follows:

| | 2007 | 2006 |
|--|------------------|------------------|
| Advanced Education and Technology | 92,892 | 77,344 |
| Alberta Innovation and Science | 1,038 | 3,356 |
| Alberta Heritage Foundation for Medical Research | 590 | 608 |
| Alberta Cancer Board | 321 | - |
| Alberta Gaming | 410 | 333 |
| Education | 119 | 90 |
| Alberta Children's Services | - | 142 |
| Other | 374 | 282 |
| Total contributions received | <u>95,743</u> | <u>82,155</u> |
| Less: Deferred contributions | (17,151) | (13,871) |
| Revenue from provincial government | <u>\$ 78,593</u> | <u>\$ 68,284</u> |

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

The University of Lethbridge has accounts receivable from the Province of Alberta of \$2,839 (2006 - \$1,714).

In 2007 and 2006 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 owns 90% of the common shares in Alberta Terrestrial Imaging Corp. (ATIC), a company formed in June 2005 to provide satellite imagery to Canadian academic markets. The University has one-third of the voting control of ATIC and accounts for its investment in the company using the equity method. At March 31, 2007 the University had a loan receivable from ATIC of \$533 (2006 - \$208) resulting from paying certain operating expenses on ATIC's behalf, and owed contributions of \$100 (2006 - \$75) to ATIC toward its start-up costs. University management has determined that \$220 of this receivable may not be recoverable and has adjusted the receivable accordingly. These amounts are included in the University's statement of financial position as accounts receivable and accounts payable, respectively. For the year ended March 31, 2007, ATIC had a net loss of \$299 (2006 - \$139) and a net shareholders deficit of \$288.

Note 19 Scholarships and Bursaries

In addition to the amount recognized, scholarships and bursaries totaling \$2,122 (2006 - \$2,176) were awarded to 1,577 (2006 - 1,560) University of Lethbridge students through the Alberta Scholarship Program. These amounts are not included in the financial statements.

Note 20 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 reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Administration has concluded that none of the claims meet the criteria for being recorded under GAAP.
- 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, 2006 CURIE had a surplus of \$16,507 (2005 - \$11,175). This surplus is an accumulation of four different underwriting periods. The University participates in three of these underwriting periods, which have an accumulated surplus of \$13,517 as of December 31, 2006 (2005 - \$8,372). The University held a 1.03% share in CURIE at December 31, 2006 and this is not recorded in the financial statements.
- c) The University leases teaching facilities in Edmonton and Calgary. In fiscal 2007 basic rent on the property in Edmonton totaled \$90 (2006 - \$90), and occupancy costs were \$130 (2006 - \$98). A renewable five-year lease on this property begins July 1, 2007. The new lease includes a 46% increase in the amount of space rented due to expansion requirements. Under the new lease, annual basic rent will start at \$122 and increase by 3% each year thereafter, and occupancy costs will start at \$180 and increase at a rate of 5% per year. The lease in Calgary is negotiated each year. In fiscal 2007 the lease costs on facilities in Calgary totaled \$101 (2006 - \$102). Lease costs are expected to increase to \$142 in 2008 due to rising rental costs and additional space requirements.
- d) In order to manage its exposure to the volatility in the electrical industry, the University has entered into two contracts to fix its electrical cost at an average of \$.055 per KWh, one of which expires on December 31, 2010 and the other on May 31, 2016. The total cost of electrical power for the year ending March 31, 2008 is expected to be \$1,571. The cost of electricity included in these statements for fiscal 2007 is \$1,569 (2006 - \$1,846).
- e) As at March 31, 2007, the University had contractual commitments payable in subsequent years that total \$12,064 (2006 - \$18,179) related to various capital projects. The most significant of these commitments are for the Turcotte Hall addition (\$4,525), the service buildings replacement (\$2,385), the Markin Building for Health Sciences and Management (\$1,769) and the Alberta Water and Environmental Science building (\$1,305). 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, 2007 approximately \$1,211 (2006 - \$881) of such allowances is committed for expenses not yet incurred.

Note 21 Deferred Maintenance

Deferred maintenance on University facilities is estimated at \$113,223 based on a facility condition audit completed by the University in 2006. A liability for deferred maintenance is not included in these financial statements.

Note 22 Comparative Figures

Certain 2006 figures have been reclassified to conform to 2007 financial statement presentation.

Note 23 Approval of Financial Statements

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