

University of
Lethbridge



2009-10 ANNUAL REPORT

For the year ended March 31, 2010



The University of Lethbridge 2009-10 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, 2010 was prepared under the Board's direction in accordance with the Government Accountability Act and ministerial guidelines established pursuant to the Government Accountability Act. All material economic, environmental, or fiscal implications of which we are aware have been considered in preparing this report.

Mr. Robert Turner, Chair, Board of Governors

Date:

Management's Responsibility for Reporting

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

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

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

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

Date:

Annual Report 2009 – 2010

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Message from the Board of Governors

This report is an essential element of the University of Lethbridge's accountability to our various stakeholders, including Advanced Education and Technology. It connects the institution's actual performance and the results projected in the business plan. This report is submitted in accordance with the requirements of the *Post-secondary Learning Act* and the *Government Accountability Act*.

The University of Lethbridge once again distinguished itself in 2009-10. Academically, the University continued to offer high quality undergraduate and graduate programs designed to meet the needs of our students and of the outside community. As a comprehensive institution in the system of Alberta universities, we further developed our graduate programming, while maintaining the intimacy and quality of undergraduate education that is a cornerstone of the University of Lethbridge's mandate.

Thanks to strong leadership, dedicated faculty members, enthusiastic students and alumni, and committed staff, we made progress on our goals, as identified in our Strategic Plan and in the *University of Lethbridge 2009-2013 Business Plan*. This year was not only focused on past goals, but on developing new ones. This year was the first full year functioning under the new Strategic Plan. Strides were taken to integrate the Strategic Directions and Priorities into decision making across campus and to identify key indicators of success in our priority areas. The Strategic Plan is our map to remind us of who we are, what we strive to be, and the directions we will take to get there.

With the adoption of the new Strategic Plan in 2009, we reaffirmed our commitment to create an even better, more exciting environment for our students, faculty, staff, and community. Throughout the planning process, we were once again reminded of all the things we have to be proud of at the University of Lethbridge and of the different challenges we face. This Annual Report highlights some of the reasons we have to be proud and the ways in which we tackle challenges.

2009 - 2010 Academic Year in Review

MAY 2009

In May, more than 100 employees who were retiring or who have completed anywhere from 10 to 40 years of service were recognized at the Long Service Awards and Retirement Recognition Ceremony.

Approximately 1500 University of Lethbridge students along with their families and members of the University community celebrated as they became the newest U of L alumni at the Spring 2009 Convocation Ceremonies on May 28 and 29.

JUNE 2009

In June 2009, Dr. Dennis Fitzpatrick stepped down after 10 years as vice-president (research). Over the last decade, he helped lead the University of Lethbridge through an institutional transformation, and the U of L, now a leading comprehensive university, is recognized on provincial, national and international stages for its research excellence. Dr. Daniel Weeks replaced Fitzpatrick as VP (Research) on July 1, 2009.

JULY 2009

Dr. Bruce McNaughton (Department of Neuroscience, Canadian Centre for Behavioural Neuroscience) was named one of Alberta's 50 most influential people by Alberta Venture Magazine. McNaughton is the first scientist to win the \$10 million Alberta Heritage Foundation for Medical Research Polaris Award, the richest health research award in Canada. Having joined the U of L in 2008, his research focuses on how brain cells process information and form memories, and how those processes are altered by aging, trauma or substance abuse.

Alberta's newest Ingenuity Centre, Tecterra, is one of five Alberta Ingenuity Centres for Research and Commercialization that focuses technology and research to build more sustainable industry practices. Built on a partnership between the provincial and federal governments, the University of Calgary, the University of Lethbridge and the University of Alberta, Tecterra will allow resource companies to work with innovative technology companies and the research community to develop world-class solutions to industry challenges.

AUGUST 2009

SEPTEMBER 2009

The U of L was honoured as the winner of a 2009 Allied Arts Council (AAC) Award for Excellence as the local service organization that has significantly enhanced the arts in the community of Lethbridge.

The University's new Sports Stadium Complex officially opened. The 2,000-seat, multi-use facility is the first of its kind in southern Alberta and a major addition to the University's athletics program. The new stadium also strengthens the relationship between the University and the southern Alberta community. High school football and minor football will be major tenants in the fall, while the new artificial surface opens the possibility for use by soccer and rugby groups. As well, most major track and field meets will utilize the facility.

OCTOBER 2009

The U of L recognized 345 graduands and special guests at the Fall 2009 Convocation.

NOVEMBER 2009

November was a winning month for the University of Lethbridge. Our Pronghorn's Women's Rugby team travelled to Vancouver, coming home as CIS National Champions for the third consecutive year.

Maclean's released its annual university rankings and the University of Lethbridge continued to place in the top ten, finishing sixth among primarily undergraduate institutions, up from last year's seventh.

DECEMBER 2009

Between classes winding down, exams getting underway, and winter break, December was a busy month.

In December, the University introduced Dr. Michael J. (Mike) Mahon as President Designate. Mahon will succeed Dr. Bill Cade in July 2010.

Despite the busy time of year, Pronghorn Athletics put on Operation Red Nose for the 15th year. This service sees members of the teams as well as University and community volunteers provide rides over the holiday season to individuals who have been drinking or who do not feel fit to drive. In addition to being a safe driving campaign, Operation Red Nose is a fund-raising activity for Pronghorn Athletics as donations are accepted for the service.

JANUARY 2010

Dr. Lesley Brown joined Dr. Daniel J. Weeks in the Office of Research Services as assistant vice-president (research).

FEBRUARY 2010

MARCH 2010

In March, a new Dean of the Faculty of Management was announced. The successor to Dr. Murray Lindsay, Dr. Robert (Bob) James Ellis will take up his new role on July 1, 2010.

APRIL 2010

The University of Lethbridge Board of Governors announced the appointment of Dr. Craig Loewen as Acting Dean of the Faculty of Education for a two-year period, beginning July 1, 2010. His appointment follows that of Dr. Jane O'Dea, who will return to the faculty ranks after a 10-year term as Dean.

This year's Supporting Our Students campaign kicked off on a high note as it was announced that \$1 million had been raised in support for students since its inception in 2005. The Supporting Our Students campaign is an initiative by faculty, staff, and retirees to contribute to various initiatives across campus that enhance the student experience and create education and research opportunities.

Awards & Honours

2010 President's Award for Service Excellence

Calvin Toth
Kim Fowler
Major Building Construction Team, Facilities

Senate Volunteer Award

Elsa Cade
Dr. Robert Hironaka

Ingrid Speaker Medal for Distinguished Research, Scholarship, or Performance

Dr. Brian Titley

Distinguished Teaching Award

Dr. Leah Fowler

Board of Governors' Teaching Chair

Dr. Hilary Rodrigues

Alumnus of the Year

Dr. Cheryl Misak

2010 Alumni Honour Society Inductees

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

Honorary Degree Recipients

Fall 2009

Paul Brandt
Son Soubert

Spring 2010

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

Operational Overview

The U of L continued a tradition of academic excellence, striving to meet its comprehensive mandate by balancing liberal education with undergraduate professional programs and with an increasing commitment to graduate education. This commitment includes making sure that programs are accessible to as many qualified students as possible and that they meet the needs of students and future employers.

Confirm Our Place as a Comprehensive University

The University's commitment to increasing graduate opportunities for students is reflected in a third annual increase in the number of graduate students. Not only has the number of graduate students increased, but the ratio of undergraduate students to graduate students has also improved to 13:1 in 2009 from 20:1 in 2008 which itself was an improvement from 2007 (25:1).

The University of Lethbridge continued its commitment to academic excellence through the development of new programs at all levels of study, combining institutional areas of strength with learner, societal, and economic demand.

In the Maclean's magazine ranking of Canadian universities, the University of Lethbridge continued to perform well. After being ranked seventh last year, the U of L improved its ranking to sixth in 2009.

In the 2010 Globe Canadian University Report, the U of L was once again rated highly across the board. U of L scored an "A" for class size, and an "A-" grading for student satisfaction, quality of education, quality of teaching, student-faculty interaction, ease of course registration, recreation and athletics, libraries, and campus technology.

The University of Lethbridge continued its commitment to research in 2009-10. In addition to the research and creative works happening on campus, the Office of Research Services worked to offer grant proposal writing workshops and to move SSHRC and CIHR applications online, accompanying NSERC applications already available online.

Enhance the Student Experience

The University's shift from a primarily undergraduate university to a comprehensive institution has brought new challenges for student services. The University has worked hard to balance the diverse needs of all student groups and to provide new and continuing students with the support they need.

The University of Lethbridge opened a new Daycare in January 2010. The facility provides spaces for the children of undergraduate and graduate students and of faculty. Funded by University contributions, contributions from the Students' Union, Graduate Students Association and Faculty Association, and an Alberta Children and Youth Services grant, the \$2 million project has space for 54 children.

Build Internal Community and Enhance Relationships with External Communities

The University of Lethbridge plays an important role in the Southern Alberta community. The institution continued to engage community members through educational, recreational, and fine arts programming.

The University continued to build ties with the Southern Alberta sports community with the opening of a new Stadium Complex, a joint initiative between the University and the City of Lethbridge, with the support of the Province. The Stadium is the home to University of Lethbridge

Pronghorns teams (Men's and Women's Soccer, Women's Rugby, and outdoor Track and Field) as well as providing community sports groups with a high quality facility.

The University's Discovery Lecture Series, a major lecture series for the University and the general public, presented two lectures in 2009-10: Stephen Lewis and James Orbinski. In addition, a number of other public lectures were presented.

The Theatre season offered four plays over the year: "Hay Fever", "Festen", "Hair", and "Life is a Dream".

Promote Access to Quality Post-Secondary Education

Overall enrolment increased in 2009, from 7877 students in Fall 2008 to 8209 in Fall 2009 (4.2%). This increase brings the University of Lethbridge to the highest overall Fall enrolment in our history. The increased enrolment is largely attributable to growth in our graduate programs, specifically intake in the Masters of Education cohorts.

The University of Lethbridge continues to draw primarily from within Alberta. Enrolment of students from Alberta increased to its highest enrolment yet (6856 undergraduate, graduate and post graduate students). After peaking in 2007, enrolment of Calgary students dropped for a second year but remains well above 2006 levels, while students from Lethbridge, Edmonton, and other parts of Alberta increased. The trend of decreasing enrolment by out-of-province students rebounded slightly from 2008, but enrolment remains below 2007 numbers. The University of Lethbridge has also continued to work to attract international students. We have been particularly successful at attracting international graduate students.

The University of Lethbridge continues to explore opportunities for partnerships with other post-secondary institutions. New transfer and post diploma students make up 13% of undergraduate students, an increase from 11% in 2008. The U of L has seen a shift in the trend of where these students are coming from over the last 5 years (see Figure 7). As well as transfer and degree completion opportunities, the U of L is also dedicated to its own programming offered on site to students in Calgary and Edmonton.

Enhance the Environmental Sustainability of the University

The University continued to work to ensure that the proper facilities, equipment, and infrastructure are available to meet the academic, research, and support needs of the institution.

Construction continued on Markin Hall, the future home to the faculties of Management and Health Sciences. The lower two-floors will house student and teaching spaces with academic offices on the upper two floors, connected through a multi-level atrium.

Markin Hall is just one of the new capital facilities that took into consideration the Leadership in Energy and Environmental Design (LEED) specifications. Markin Hall, the 1st Choice Savings Centre for Sport and Wellness, and the Alberta Water and Environmental Science Building were all constructed to achieve a LEED Silver certification.

U of L by the Numbers

Results in Relation to Goals, Expected Outcomes, and Performance Measures

NOTE: Indicators marked with * were identified in the U of L 2009-13 Business Plan as key performance measures to assess progress related to the institution's goals, strategies, and expected outcomes.

STUDENTS

Enrolment*

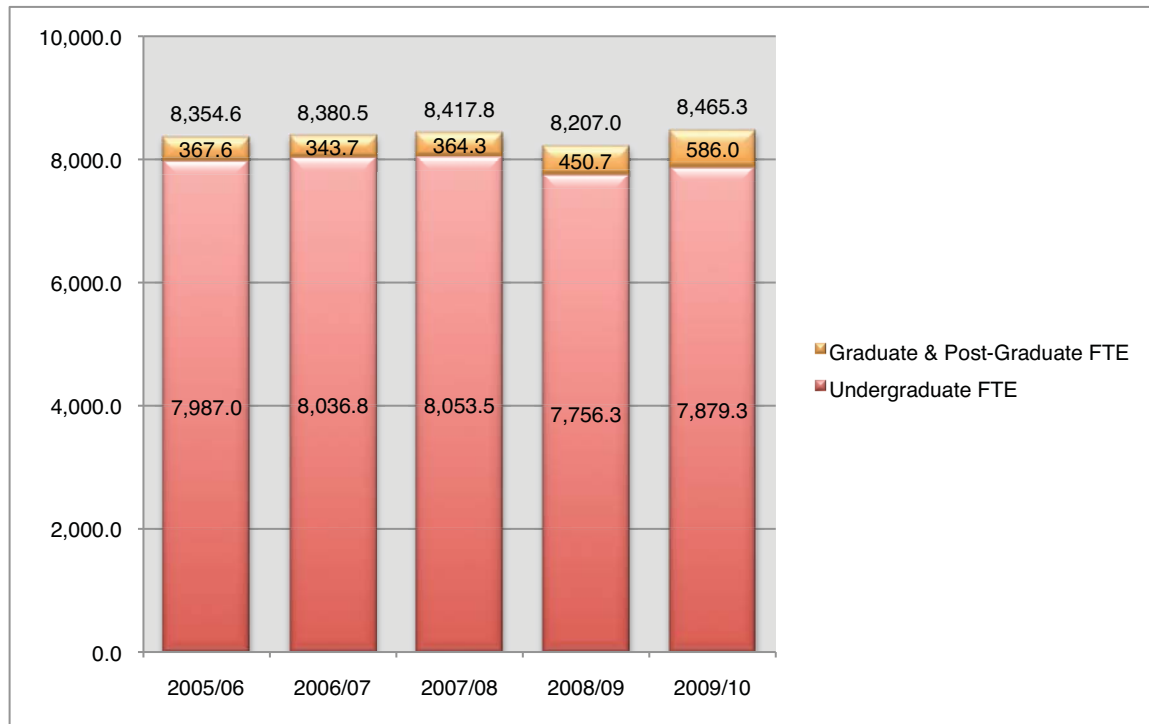


Figure 1: Fall Enrolment, 2005 to 2009

Graduate Students

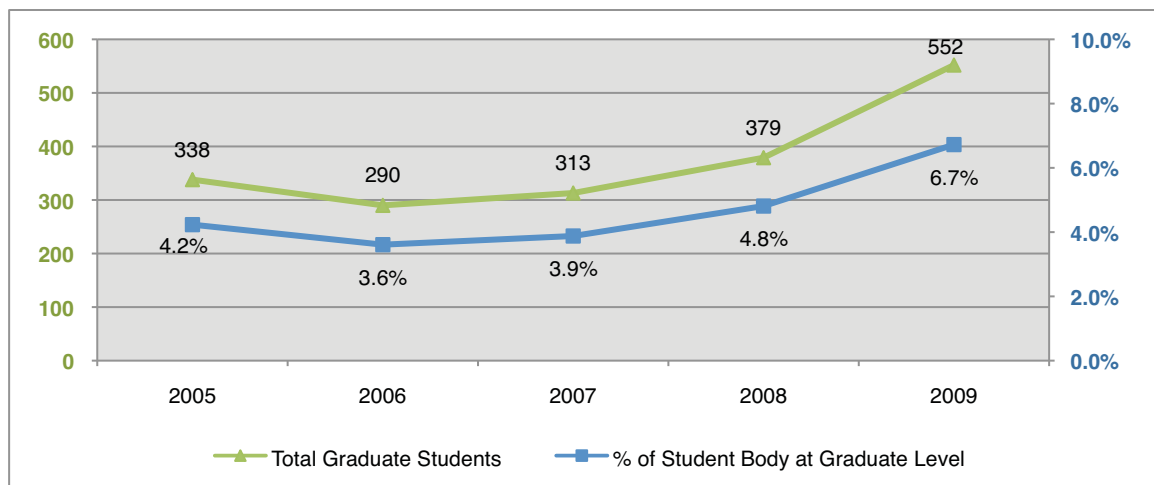


Figure 2: Graduate Student Fall Enrolment, 2005 to 2009

Applications

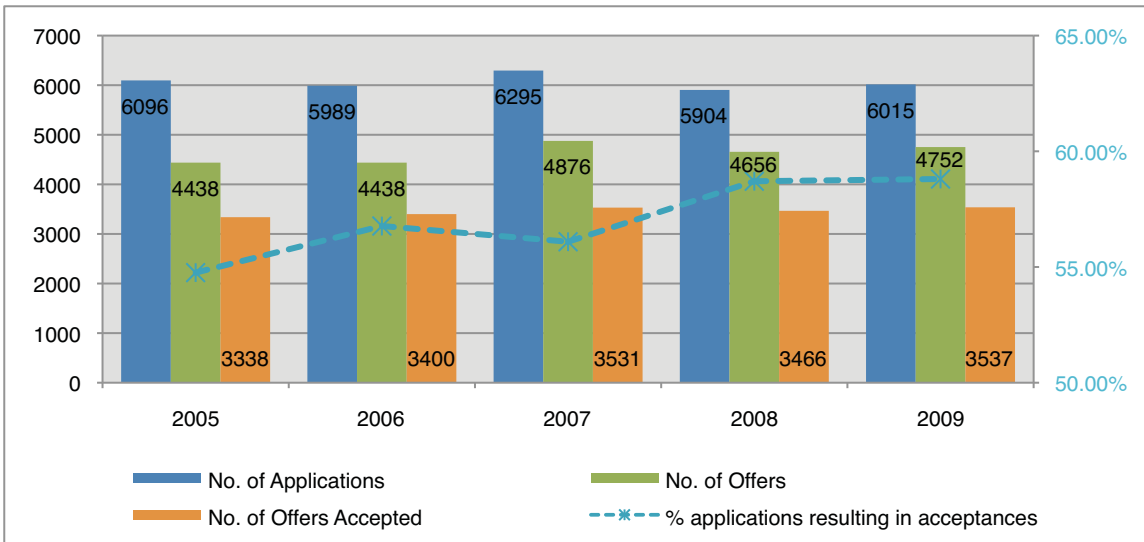


Figure 3: Applications, Offers, and Acceptances, Fall Activity 2005 to 2009

Geographic Source of Students

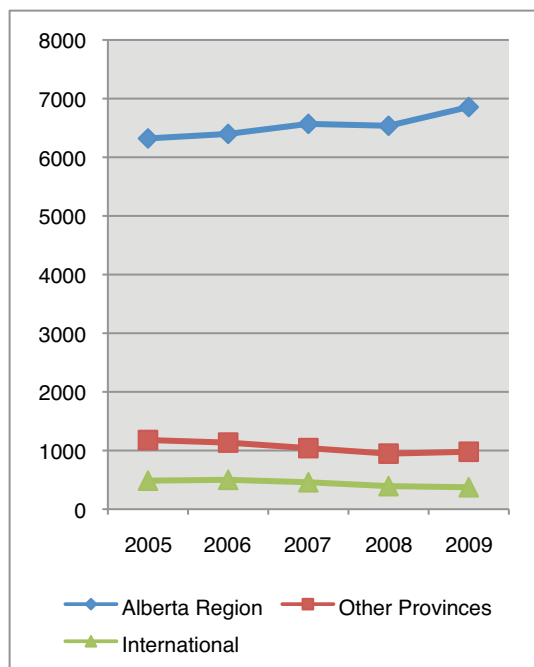


Figure 4: Geographic Source of Students, Fall 2005 to 2009

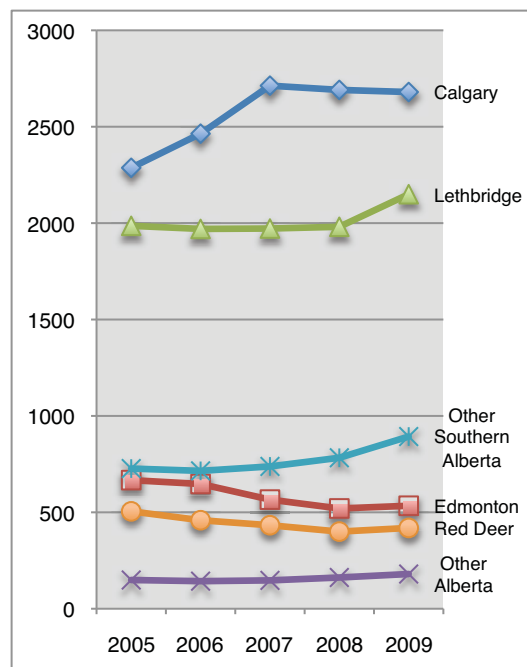


Figure 5: Students from Alberta, Fall 2005 to 2009

International Students

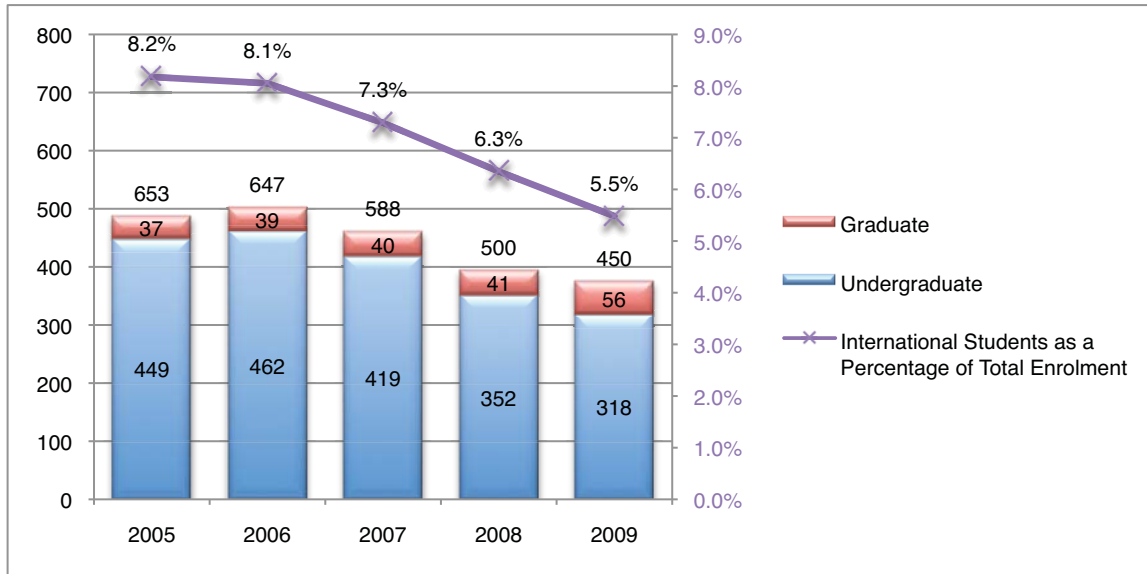


Figure 6: International Student Enrolment, Fall 2005 to 2009

Transfer Students

The University of Lethbridge attracts a number of new transfer and post diploma students. This chart considers where those students are transferring from.

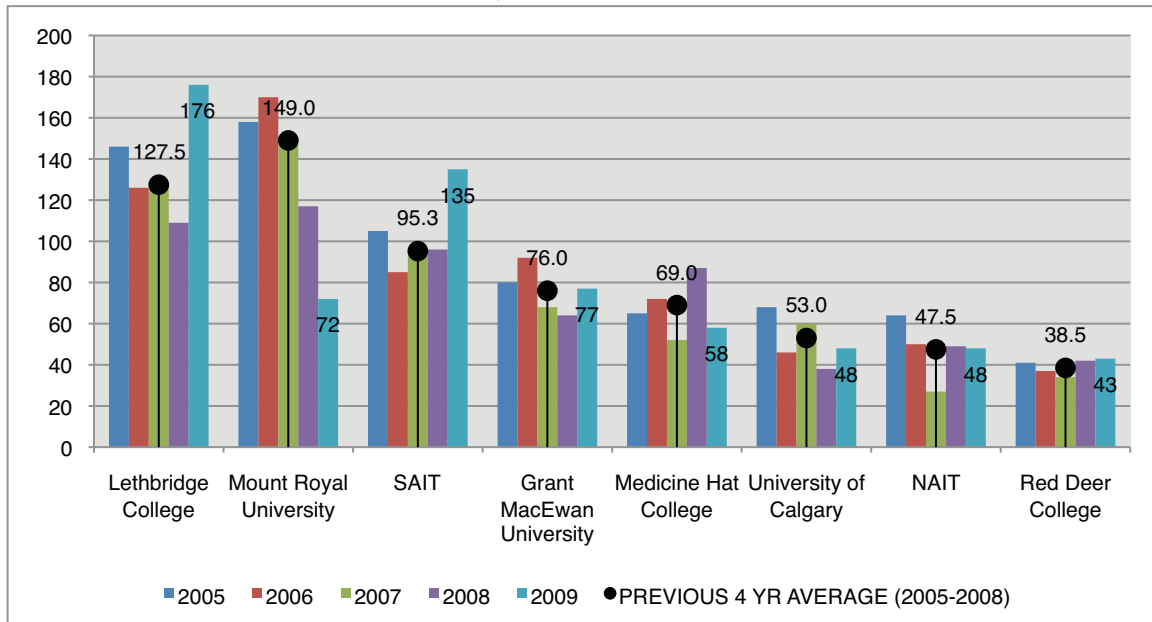


Figure 7: Institution Last Attended by New Transfer Students (including Post Diploma), Fall 2005 to 2009

GRADUATES

Degree, Diplomas, and Certificates Awarded, 2005/06 – 2009/10

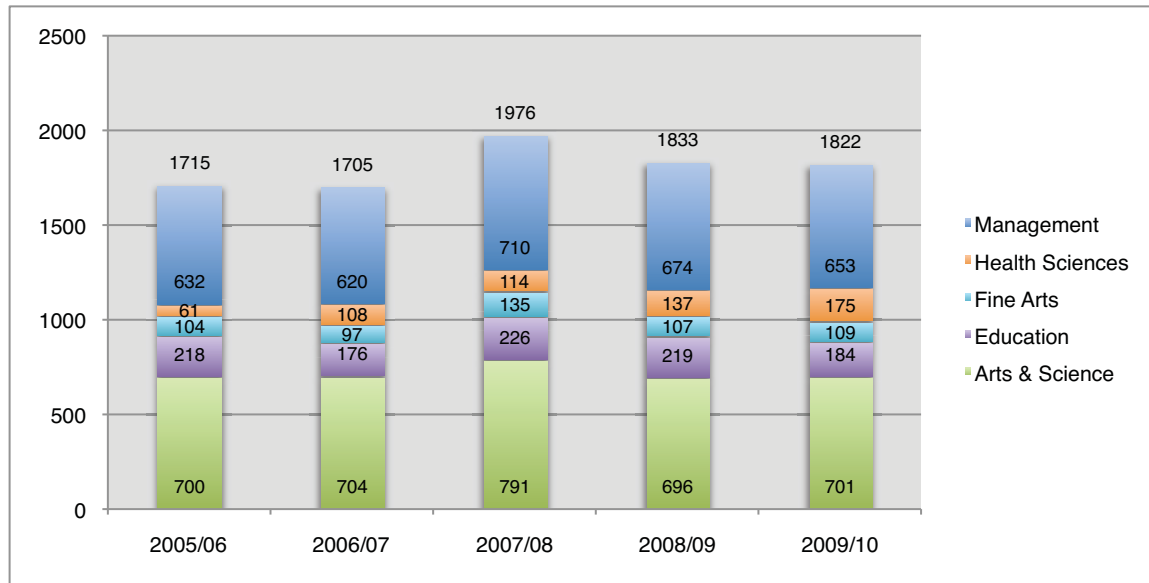


Figure 8: Undergraduate Degrees

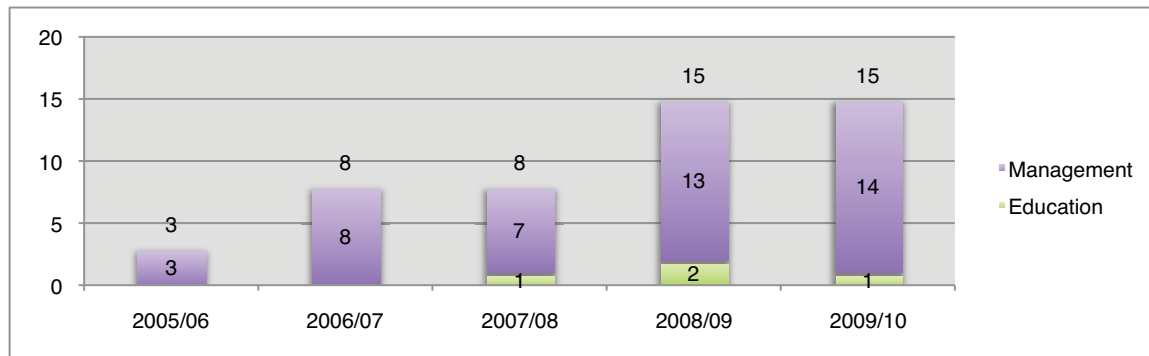


Figure 9: Certificates and Diplomas

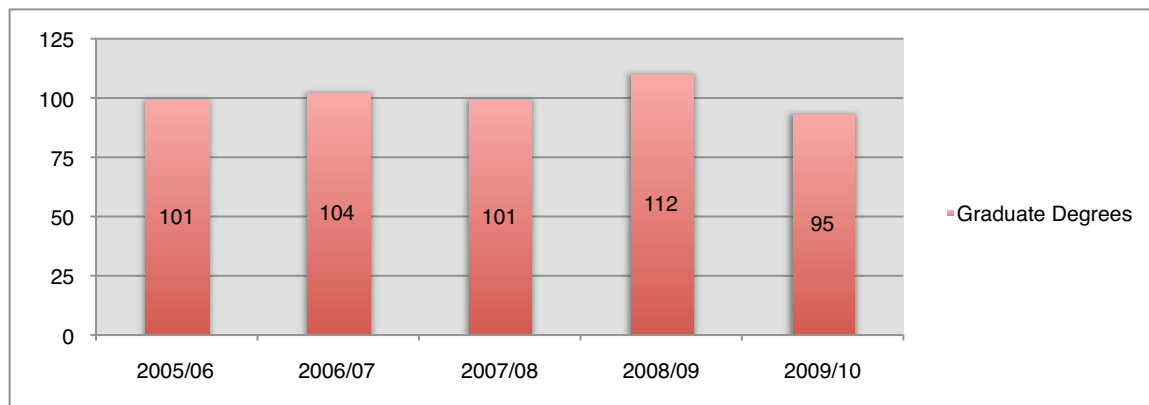


Figure 10: Graduate Degrees

Graduate Satisfaction*

In conjunction with other Alberta universities and university colleges, the University of Lethbridge conducts surveys of graduates, including a rating of how satisfied graduates are with the education they received at the University of Lethbridge.

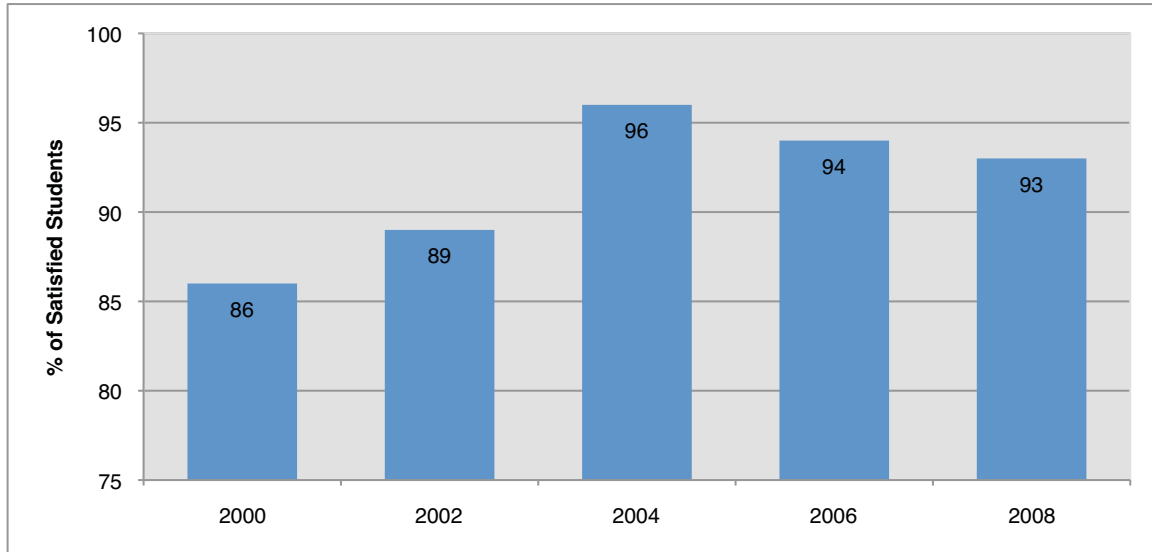


Figure 11: Student Satisfaction with Overall Quality of Educational Experience, 2000 to 2008

Graduate Participation & Employment Rate*

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 (i.e. employed or seeking employment). The employment rate shows the proportion of these active participants that are currently employed.

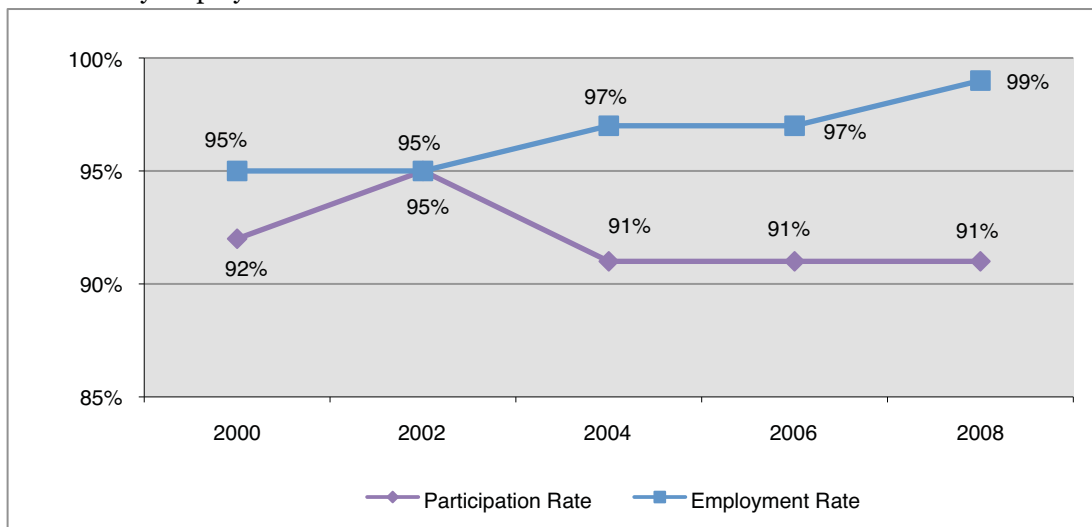


Figure 12: Graduate Participation and Employment Rates, 2000 to 2008

RESEARCH

Research Grants

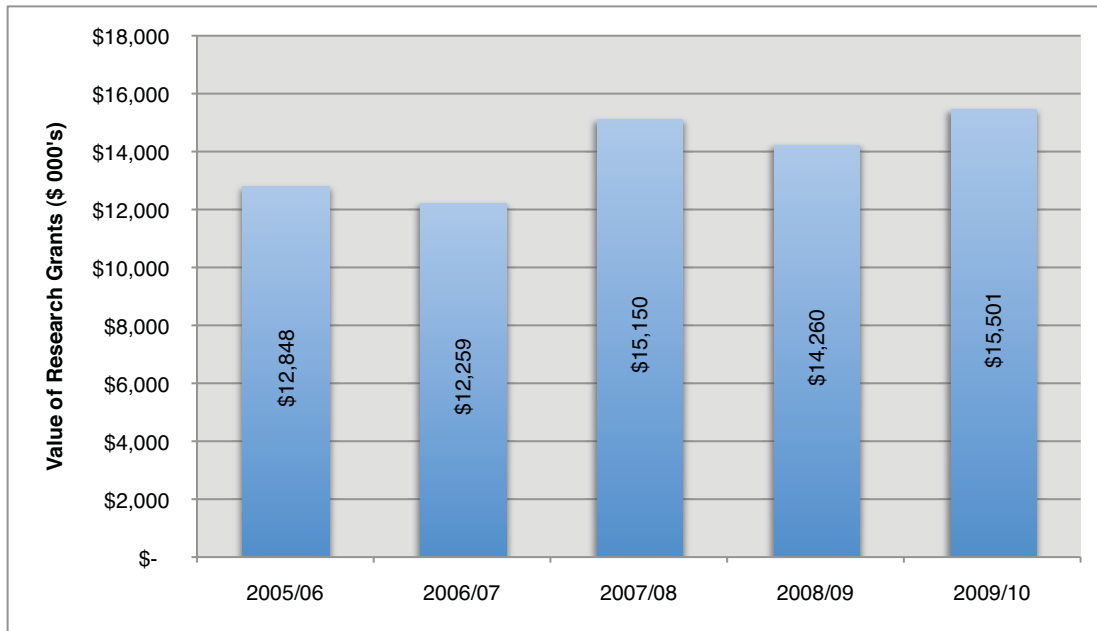


Figure 13: Total Value of Research Grants Received, 2005/06 to 2009/10

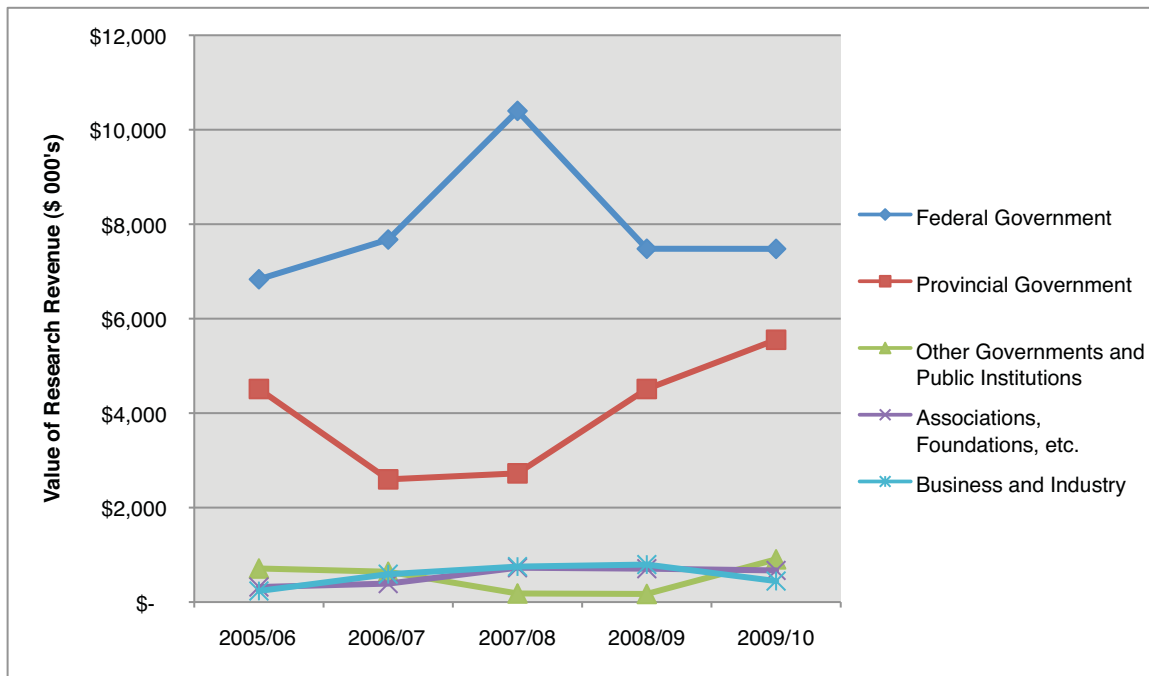


Figure 14: Source of Research Revenue, 2005/06 to 2009/10

Research Council Grants

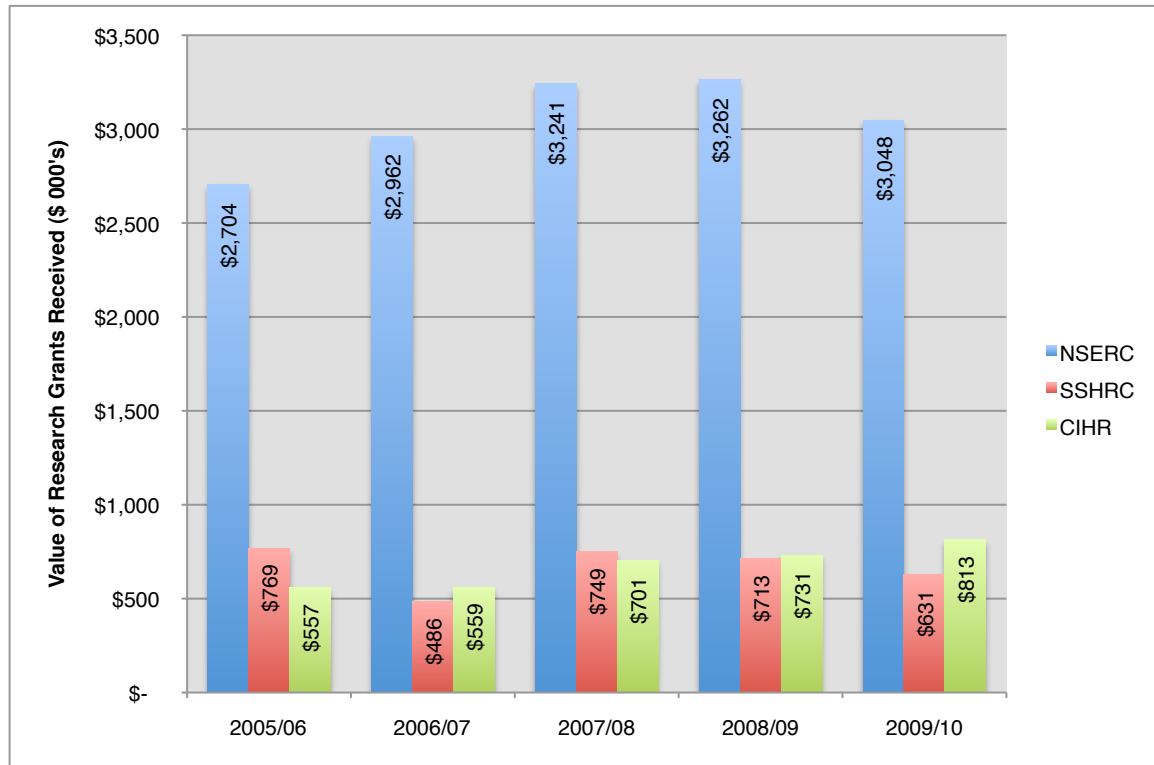


Figure 15: NSERC, SSHRC, and CIHR Grants, 2005/06 to 2009/10

Research Intensity*

Research intensity data represents the value of sponsored research from external agencies compared to the value of provincial operating grants. The University's operating grants have increased at a higher percentage than research grants, thus the slight decrease in the percentage of research grants over operating grants.

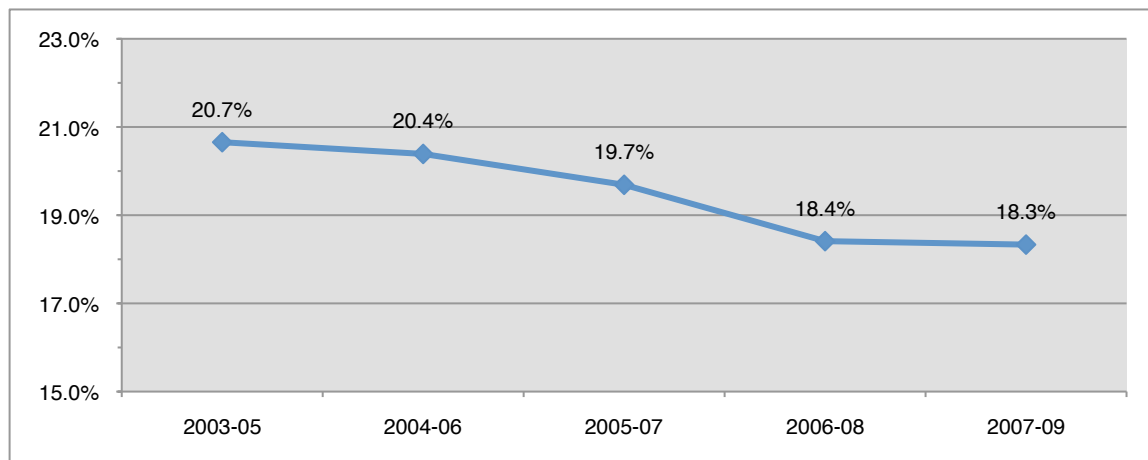


Figure 16: Research Intensity, 2003-05 to 2007-09 (Three Year Moving Average)

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.

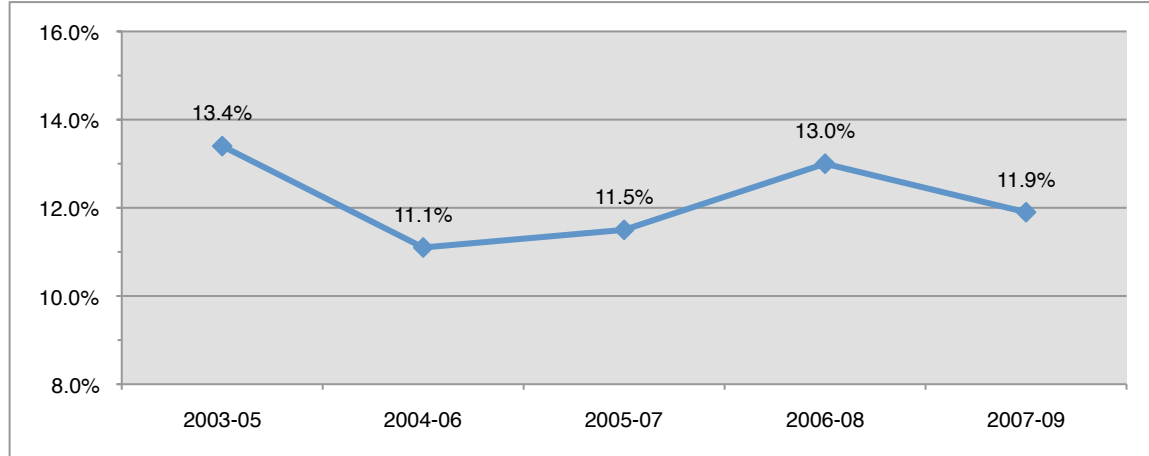


Figure 17: Research Impact, 2003-05 to 2007-09 (Three Year Moving Average)

ADMINISTRATION

Faculty & Staff

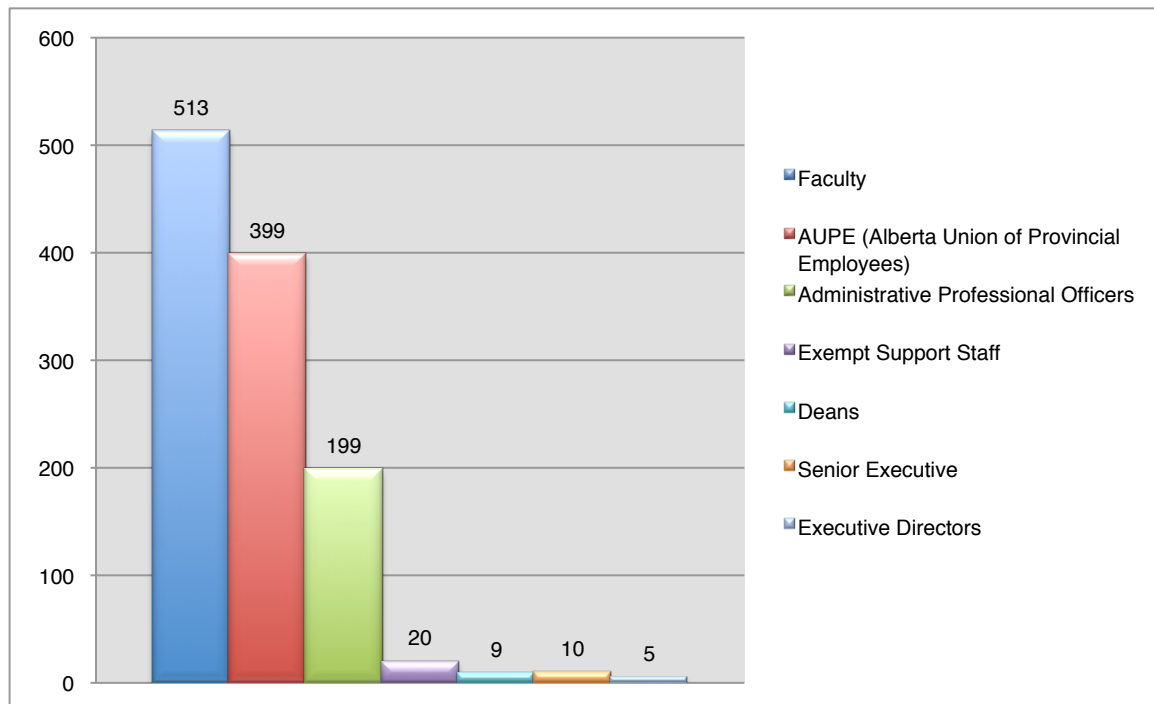


Figure 18: Total Number of Employees by Employee Group, 2010

Administration Expenditures*

This measure shows the percentage of administrative expenses to total operating expenses.

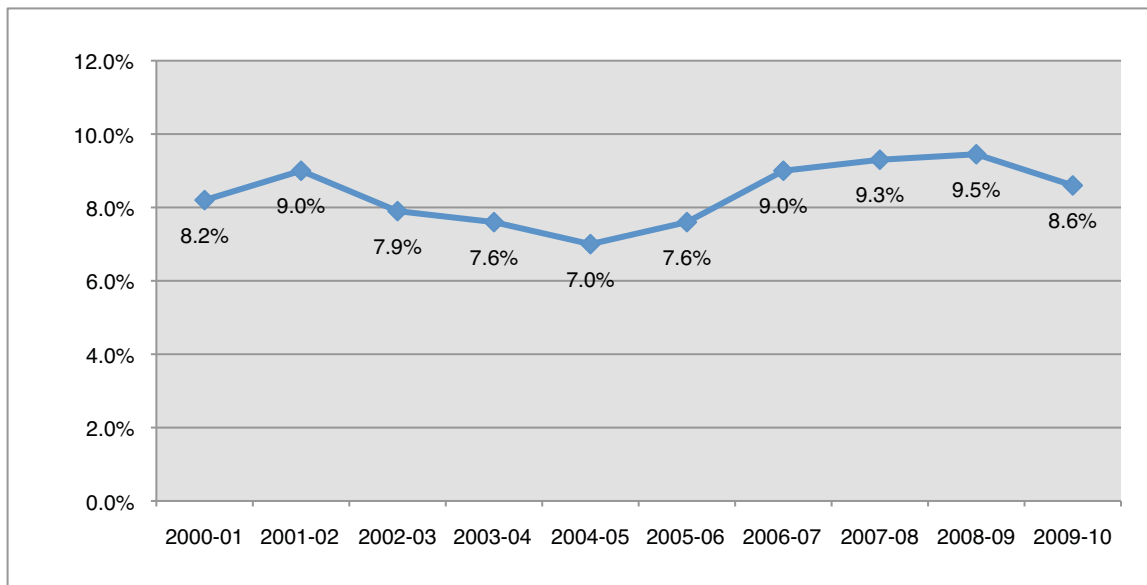


Figure 19: Administration Expenditure as a Percentage of Total Expenditure less Ancillary Expenditures, 2000-01 to 2009-10

Management Discussion & Analysis

This Management Discussion and Analysis is a supplement to the information contained in the University's annual audited financial statements. As such, it should be read in conjunction with the audited financial statements. These financial highlights provide management's analysis of the University's financial performance and other relevant information for the fiscal year ending March 31, 2010.

FINANCIAL HIGHLIGHTS 2009/10

Financial Statement Presentation

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

A significant characteristic of university financial statement presentation is the method of revenue recognition. While operating grants and other types of unrestricted income are recognized as revenue when they are received or receivable, externally restricted grants, donations and contributions are deferred when received and are recognized as income in the year(s) in which the related expenses are incurred. These appear as deferred items on the Statement of Financial Position until spent in accordance with the funding restrictions or when the capital assets purchased using these funds are amortized.

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

Financial Management

The University's budget process is based on a four-year rolling budget model whereby 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. This has allowed the University to be in a position to respond to various budget scenarios and to achieve positive financial results year after year. While the current fiscal environment is unfavourable, given the reduced level of the operating grant, the University is committed to directing resources in a way that promotes the strategic priorities of the institution.

Statement of Operations

The University ended the 2010 year with a \$16 million excess of revenue over expense (2009: \$7.6 million deficit). The major contributor to this excess was \$17 million unrealized investment gain recorded in investment income compared to a \$23.6 million loss of the same in 2009.

Revenue

University revenue totaled \$189.2 million in fiscal 2010, an increase of 25% over the previous year.

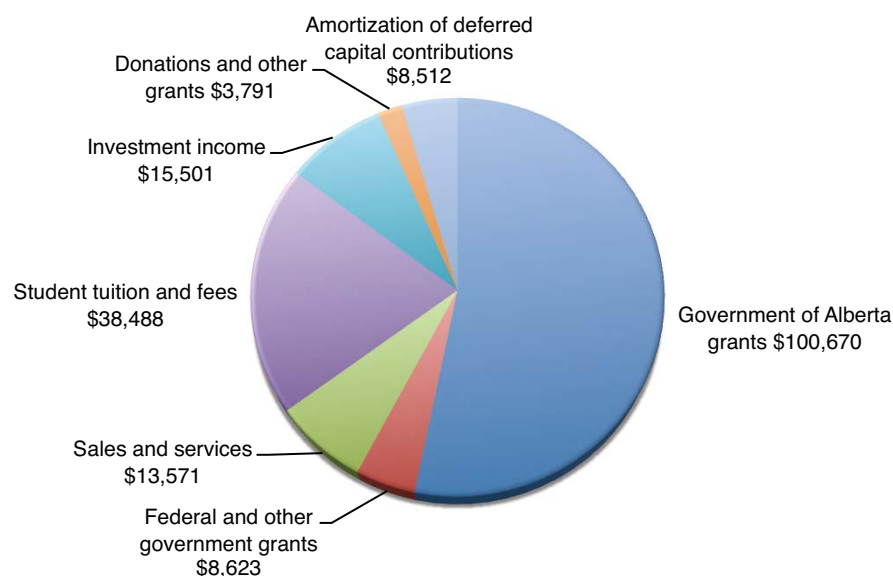


Figure 20: Revenue by Source, 2009/10 (thousands of dollars)

Government Grant Revenue

Government grant revenue increased by \$6.7 million or 7% over the previous year, due to an increase in provincial government grant of \$6 million. Grants represented 58% of total revenue (2009: 68%).

The base operating grant from Advanced Education and Technology increased by 6% along with other operating grant adjustments such as the \$0.6 million Water and Environmental Science Building facility operations grant which opened in the fall 2008.

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

Table 1: Provincial Grants to the U of L, 2009/10 and 2008/09

Provincial Grants	2009/10	Restated 2008/09
	(thousands of dollars)	
General operating	\$85,677	\$79,675
Enrolment performance envelope (operating)	9,755	11,622
Other unrestricted funding	444	1,304
Conditional funding	14,885	56,644
Deferred conditional funding	(9,398)	(54,553)
Transfers to endowments	(693)	(622)
Total	\$100,670	\$94,070

The conditional funding included \$4.7 million from Advanced Education and Technology for capital Infrastructure Maintenance Program (\$3.3 million) and Knowledge Infrastructure Program (\$1.4 million), \$1.4 million from Alberta Culture and Community Spirit for the Sports Field Complex, and Access to the Future Fund for facilities for learning and research purposes (\$1.2 million), as well as funding from Access to the Future Fund for scholarships (\$1.8 million). The Access to the Future Fund is a grant program designed to provide matching payments to stimulate contributions to the advanced education system. In accordance with not-for-profit accounting principles, any conditional funding not spent by the end of the fiscal year is deferred and recognized in revenue in the year(s) in which the related expenditures are incurred.

Research Funding

Sponsored research revenue totaled \$15.5 million, an increase of \$1.2 million (8%) over the previous year. At the end of the year, \$3.5 million of unspent research grant revenue was deferred (2009: \$3.4 million deferred).

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

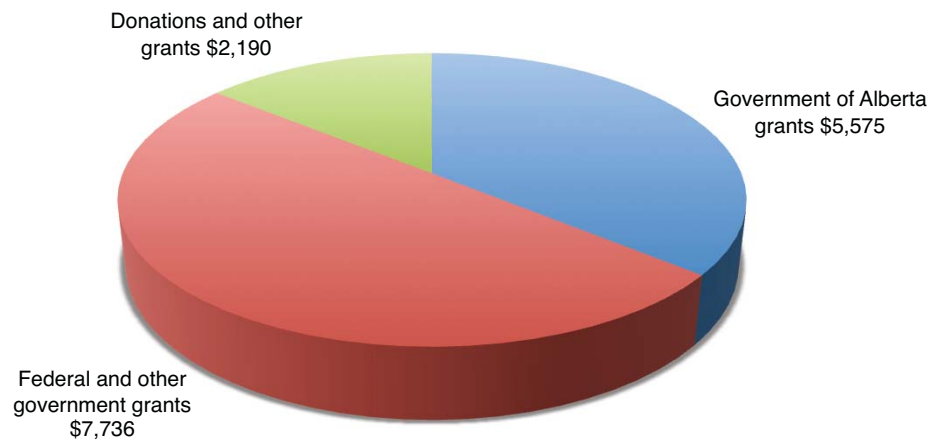


Figure 21: Source of Research Revenue, 2009/10 (thousands of dollars)

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

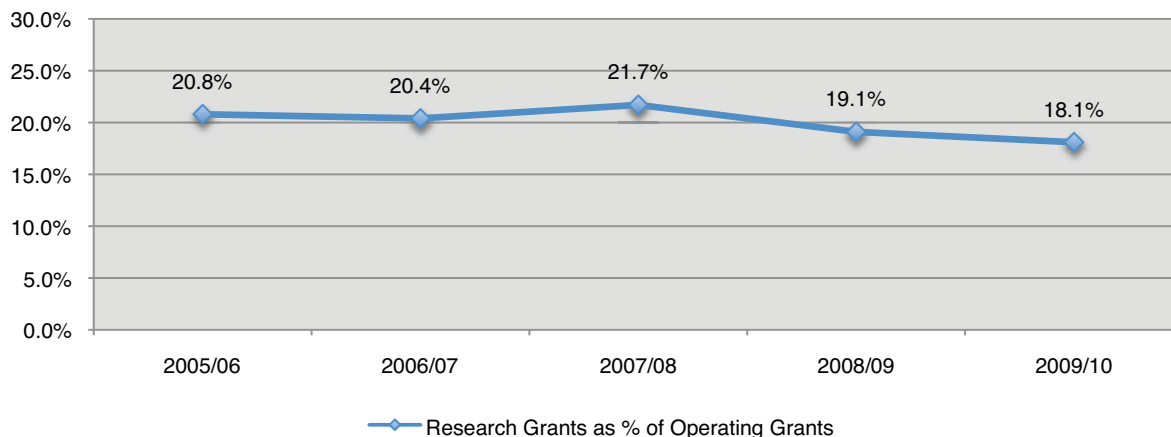


Figure 22: Research Grants as a Percentage of Operating Grants, 2005/06 to 2009/10

In 2010, the University also received \$1.8 million (2009: \$1.7 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 in recognition of the growing indirect costs of conducting publicly funded academic research, and the resulting grants will enable the University to secure additional support for the indirect costs of conducting research so that the teaching and community services mandates of universities can continue to be met.

Student Tuition and Fees

Student tuition and fee revenue increased by approximately 7% (\$2.6 million) due to an increase of 4.1% in undergraduate and graduate fees and an increase in enrolment of 1.5% and 45% respectively. The major contributing factor in the increase in graduate enrolment is the expansion of the Master of Education program from 3 to 7 cohorts.

Sales of Services and Products

Sales and services revenue increased by 1% (\$0.1 million) over the prior year. The major source of sales and services revenue are Ancillary Services (\$7.9 million), Sport and Recreation Services programs and services (\$1.5 million), and parking permits, meters and fines (\$1.2 million).

Investment Income

The investment income, both realized and unrealized, for the year was \$15.5 million (2009: loss of \$11.5 million). The main reason for this was market condition improvements. There was an additional \$4.5 million which was recorded as a direct increase to endowment principal. Realized investment earnings, as measured on a cash basis, was 2.29% in 2010 (2009: 2.59%).

Donations and Other Grants

Total donations received during the year were \$6.8 million (2009: \$9.1 million). Donations and other grants include charitable gifts from donors, gifts in kind, and research grants from non-Canadian government agencies (for example, the U.S. National Institute of Health \$0.5 million grant of which \$0.3 million was recognized as revenue in 2010), as well as other contributions.

Of the \$6.8 million in total donations, \$1.0 million was added directly to endowment principal (2009: \$2.7 million) and \$2.0 million was deferred for spending in future years (2009: \$3.0 million). There is an additional \$3.3 million in pledges as of March 31, 2010 (2009: \$4.8 million), for capital projects and scholarships that have not been recorded in the financial statements as they do not meet the criteria for revenue recognition.

Amortization of Deferred Capital Contributions

Amortization of deferred capital contributions of \$8.5 million (2009: \$7.3 million) represents amounts brought into income for accounting purposes to match externally restricted contributions received for the purpose of purchasing capital assets with the amortization expense of those assets.

Expense

University expenses totaled \$173 million in 2010, an increase of \$14.4 million (9%) over the previous year.

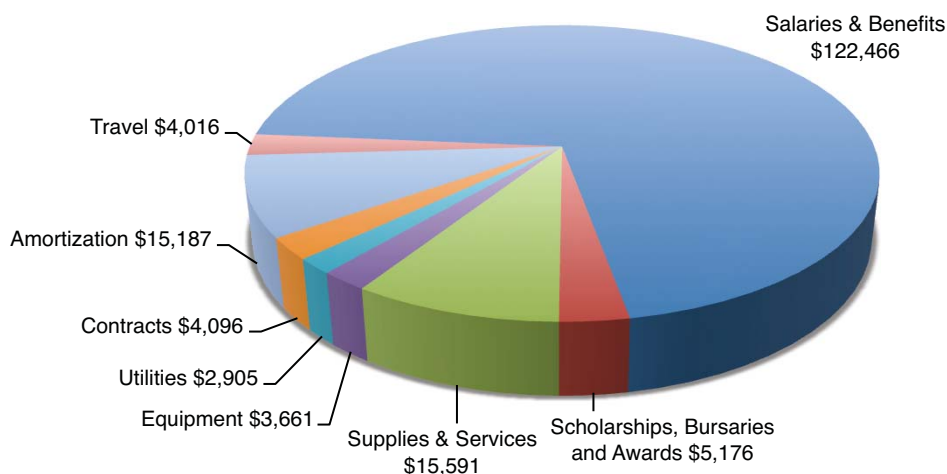


Figure 23: Expense by Type, 2009/10 (thousands of dollars)

Salaries & Benefits

Salaries and benefits continue to be the major component of the cost of operating the University. Salaries expense increased by 9% over the previous year. This increase resulted from a combination of salary increases due to merit and negotiated cost-of-living adjustments. Benefits expense increased by \$5.0 million (31%). The primary reason for the benefits increase is the recording of the Universities Academic Pension Plan unfunded liability. Despite the pressure to remain competitive in labour markets and the increasing cost of benefits, the University's salaries and benefits expense ratio has been fairly consistent over the past five years at around 69% of total expense.

Scholarships

The amount of scholarships, bursaries, and awards in 2010 was \$5.2 million (2009: \$4.6 million). This was made up of \$4.4 million in scholarships and bursaries (2009: \$3.9 million) and \$0.765 million in fellowships (2009: \$0.724 million). The University increased scholarships funded from operating sources by \$0.4 million in 2010.

Materials, Supplies & Services

Supplies and services decreased by \$0.8 million and the major contributing factor were the adjustments made by departments to improve efficiencies and reduce costs.

Other Expenses

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

Statement of Financial Position

Assets

Total assets increased by \$32.1 million during the 2010 fiscal year. This is due to a combination of an increase in receivables of \$3.3 million, long-term investments of \$21.4 million, and capital assets of \$26.8 million offsetting a \$19.2 million decrease in cash and short-term investments.

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

Government of Alberta receivables showed a significant increase in 2010 of \$4.9 million.

The investment portfolio was made up of the following fund balances at March 31:

Table 2: Composition of Investment Portfolio, 2009/10

Funding Source	2009/10
	(thousands of dollars)
Externally restricted fund balances:	
Endowments	\$34,581
Sponsored research	8,599
Special purpose	5,495
Scholarships, bursaries & trust	1,085
Capital & infrastructure	47,835
Internally restricted net assets	15,480
Unrestricted net assets and operating cash flow	29,130
Total	\$142,205

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

Capital assets of \$43 million were added during the year, including major capital projects (Markin Hall - \$20.1 million, Sports Field Complex - \$5.6 million, and Daycare facility - \$1.8 million). Library acquisitions totaled \$2.4 million and computer, scientific and other equipment \$7.2 million. Amortization expense totaled \$15.2 million.

Art works donated in 2010 totaled \$0.127 million. The University has an impressive art collection, which contains approximately 14,000 objects with a book value of \$34 million. The collection is used for both educational and public exhibition purposes.

Liabilities and Net Assets

Current liabilities totaled \$44 million in 2010 (2009: \$39 million). Accounts payable and accrued liabilities decreased over the past year by \$0.8 million. Deferred contributions of \$22.3 million at March 31, 2010 (2009: \$17 million) consisted of restricted balances in the research fund (\$8.0 million), trust funds for scholarships and bursaries and other specific purposes (\$6.4 million) and the Infrastructure Maintenance Program (\$7.9 million). These contributions will be recognized in revenue as the spending restrictions are met.

Employee future benefit liabilities increased by \$6.0 million, of which \$1.9 million is recorded as a current liability. The main contributor to this increase was the \$5.0 million increase in UAPP liability and \$1.4 million liability for the voluntary retirement program.

Long-term liabilities decreased by \$1.0 million mainly due to a \$0.7 million write down of the asset retirement obligation based on a review of the cost estimates and the timeline to complete the project. The asset retirement obligation represents the estimated fair value of the legal obligation associated with the removal of asbestos from University Hall.

The deferred contributions, research and other and the deferred capital contribution amounts, totaling \$40.7 million at March 31, 2010 (2009: \$63), represent the unspent portion of grants designated for research related capital equipment or capital construction and renovations. The deferred capital contributions balance represents externally restricted amounts received from grants and donations for capital projects including Life Safety Systems (\$21 million), Markin Hall (\$15.7 million), and Knowledge Infrastructure (\$1.4 million). The Knowledge Infrastructure program is a federal initiative to renew Canada's college and university infrastructure as part of the economic stimulus package. Matching funding from the federal and provincial governments was received to renovate space that will be vacant once the Faculties of Health Sciences and Management move into Markin Hall.

Net assets increased by a total of \$22.2 million during the year as a result of endowment principal increase of \$5.6 million, an increase in internally restricted net assets of \$9.3 million, an increase in investment (equity) in capital assets of \$4.9 million, and an increase in unrestricted net assets (operating reserves) of \$2.4 million.

Endowment balances increased to a balance of \$34.6 million at March 31, 2010. The \$5.6 million increase in value is mainly due to significantly improved market conditions as well as external donor gifts received.

Table 3: Growth of Endowment Principal, 2001 to 2010 (thousands of \$)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Opening Balance ⁽¹⁾	\$28,952	\$32,174	\$29,797	\$13,663	\$11,975	\$11,227	\$10,762	\$10,224	\$9,585	\$9,064
Endowment gifts	1,484	2,730	1,613	8,825	1,292	409	123	125	249	125
Capitalized investment earnings	4,520	(6,758)	(265)	1,996	306	249	202	323	290	308
University contributions	(375)	806	1,029	53	90	90	140	90	100	88
Closing Balance	\$34,581	\$28,952	\$32,174	\$24,537	\$13,663	\$11,975	\$11,227	\$10,762	\$10,224	\$9,585

⁽¹⁾ Beginning of year balance for 2008 was restated to include \$5.260 million adjustment for financial instruments.

Endowment principal is required by law to be maintained intact in perpetuity. The investment income generated from endowments must be used in accordance with the purposes specified by the donors or the Board of Governors. University policy has been established with the objective of protecting the real value of the endowments by limiting the amount of income expended and reinvesting unexpended income. The majority of the University's endowments were created to fund student scholarships and visiting speakers. While capitalized investment earnings on endowment principal and University contributions have 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 \$15.5 million as of March 31, 2010. 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.

Unrestricted net assets of \$27 million (2009: \$25 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 and the local community.

Table 4: Unrestricted Net Assets, 2009/10

Unrestricted Net Assets	2009/10
	(thousands of dollars)
Unexpended funds:	
Enrolment Planning Envelope	\$11,640
General operating	18,662
Non-recurring (special projects)	5,565
Life cycle capital replacement	2,926
Research (internally funded)	1,747
Specific purpose	823
UAPP unfunded liability	(14,413)
Total	\$26,950

Deferred Maintenance

Deferred maintenance on University facilities is estimated at \$111,594 based on a facility condition report completed by the University in 2010. Advanced Education and Technology provided \$25,915 in capital grants to address deferred maintenance projects and the unexpended revenue to date is \$21,295. Deferred maintenance is not reflected in these financial statements since they are not liabilities or commitments for accounting purposes.



Auditor's Report

To the Board of Governors

I have audited the statements of financial position of the University of Lethbridge as at March 31, 2010 and 2009 and the statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

original signed by

Merwan N. Saher

Auditor General

Edmonton, Alberta
June 9, 2010



Statement of Financial Position

As at March 31,
(thousands of dollars)

	2010	2009 Restated (Note 3)
Current Assets		
Cash	\$ 20,311	\$ 44,476
Short-term investments (Note 4)	5,000	-
Accounts receivable (Note 18)	11,031	7,744
Inventories and prepaid expenses	2,042	2,073
	38,384	54,293
Long-term investments (Note 4)	142,205	120,786
Other long-term assets (Note 5)	2,915	3,121
Capital assets and collections (Note 6)	289,244	262,458
	<u>\$ 472,748</u>	<u>\$ 440,658</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 14,552	\$ 15,323
Current portion of employee future benefit liabilities (Note 7)	1,936	1,372
Current portion of long-term liabilities (Note 8)	750	840
Deferred contributions, research and other (Note 9)	22,285	17,267
Deferred revenue	4,487	4,522
	44,010	39,324
Employee future benefit liabilities (Note 7)	22,503	16,764
Long-term liabilities (Note 8)	3,330	4,358
Deferred contributions, research and other (Note 9)	764	1,183
Deferred capital contributions (Note 9)	39,966	62,068
Unamortized deferred capital contributions (Note 10)	172,405	149,380
	<u>282,978</u>	<u>273,077</u>
Net Assets		
Endowments (Note 11)	34,581	28,952
Investment in capital assets and collections, internally restricted (Note 12)	112,759	107,880
Internally restricted (Note 13)	15,480	6,240
Unrestricted	26,950	24,509
	<u>189,770</u>	<u>167,581</u>
	<u>\$ 472,748</u>	<u>\$ 440,658</u>
Contingent liabilities and contractual obligations (Note 14 and Note 15)		

Signed on behalf of the Board of Governors:

Chair, Board of Governors

President

The accompanying notes are part of these financial statements.



Statement of Operations

Year Ended March 31,
(thousands of dollars)

	2010 Budget (unaudited) (Note 16)	2010	2009 Restated (Note 3)
Revenue			
Government of Alberta grants	\$ 110,820	\$ 100,670	\$ 94,070
Federal and other government grants	-	8,623	8,527
Sales of services and products	16,275	13,571	13,429
Student tuition and fees	36,907	38,488	35,904
Donations and other grants	2,760	3,791	3,439
Investment income (loss) (Note 17)	5,124	15,501	(11,543)
Amortization of deferred capital contributions (Note 10)	6,300	8,512	7,280
	178,186	189,156	151,106
Expense			
Salaries	113,209	101,612	93,023
Employee benefits	13,830	20,854	15,830
Materials, supplies and services			
Supplies and service	12,816	8,176	9,056
Equipment	3,572	3,661	3,743
Travel	3,621	4,016	4,102
External contracted services	3,209	4,096	3,966
Professional fees	1,039	1,521	1,672
Interest on long term obligations	400	713	415
Insurance	651	542	477
Property taxes	152	118	142
Loss (gain) on disposal of capital assets	-	(9)	68
Utilities	3,148	2,905	2,956
Maintenance and repairs	2,022	1,269	1,307
Scholarships, bursaries and awards	3,796	5,176	4,582
Cost of goods sold	3,607	3,261	3,269
Amortization of capital assets	13,042	15,187	14,098
	178,114	173,098	158,706
Excess /(deficiency) of Revenue over Expense	\$ 72	\$ 16,058	\$ (7,600)

The accompanying notes are part of these financial statements.



Statement of Changes in Net Assets

Year Ended March 31,
(thousands of dollars)

	Endowments	Investment in Capital Assets and Collections, Internally Restricted	Internally Restricted Net Assets	Unrestricted Net Assets
Net Assets, March 31, 2008	\$ 32,173	\$ 106,416	\$ 13,335	\$ 27,221
Excess (deficiency) of revenue over expense	-	-	-	(7,600)
Endowment Investment loss (Note 17)	(6,758)	-	-	-
Endowment contributions	2,730	-	-	-
Transfers	807	-	2,766	(3,573)
Net investment in capital assets (Note 12)	-	1,400	(2,436)	1,036
Contributions of assets not subject to amortization (Note 12)	-	64	-	-
Expenditures of internally restricted net assets	-	-	(7,425)	7,425
Net Assets, March 31, 2009	\$ 28,952	\$ 107,880	\$ 6,240	\$ 24,509
Excess (deficiency) of revenue over expense	-	-	-	16,058
Endowment Investment income (Note 17)	4,520	-	-	-
Endowment contributions	1,484	-	-	-
Transfers	(375)	-	2,596	(2,221)
Net investment in capital assets (Note 12)	-	4,752	5,350	(10,102)
Contributions of assets not subject to amortization (Note 12)	-	127	-	-
Expenditures of internally restricted net assets	-	-	1,294	(1,294)
Net Assets, March 31, 2010	\$ 34,581	\$ 112,759	\$ 15,480	\$ 26,950

The accompanying notes are part of these financial statements.



Statement of Cash Flows

Year Ended March 31,
(thousands of dollars)

	2010	2009
Cash provided from (used in) operating activities:		
Excess /(Deficiency) of revenue over expense	\$ 16,058	\$ (7,600)
Add (deduct) non-cash items:		
Amortization of capital assets	15,187	14,098
Amortization of deferred capital contributions	(8,512)	(7,280)
Gain /(Loss) on disposal of capital assets	(9)	68
Change in employee future benefit liabilities	5,739	5,687
Change in unrealized loss (gain) on investments	(12,707)	16,437
Total non-cash items	(302)	29,010
Net change in non-cash working capital (*)	(3,478)	11,746
	<u>12,278</u>	<u>33,156</u>
Cash provided from (used in) investing activities:		
Purchases of capital assets and collections, net of proceeds from disposals - Internally funded	(11,170)	(8,048)
Purchases of capital assets and collections, net of proceeds from disposals - Externally funded	(29,832)	(36,917)
Purchases of long-term investments, net of sales	(4,229)	(27,298)
Proceeds from other long-term assets (Note 5)	-	1,104
Endowment investment earnings	36	399
	<u>(45,195)</u>	<u>(70,760)</u>
Cash provided from (used in) financing activities:		
Endowment contributions	1,484	2,730
Capital contributions	7,273	53,852
Long-term liabilities - new financing, net of repayments	(211)	(217)
Change in other long-term assets (Note 5)	206	57
	<u>8,752</u>	<u>56,422</u>
(Decrease) / Increase in cash	(24,165)	18,818
Cash, beginning of year	44,476	25,658
Cash, end of year	<u>\$ 20,311</u>	<u>\$ 44,476</u>
(*) Net change in non-cash working capital:		
(Increase) in short-term investments	\$ (5,000)	\$ -
Decrease / (Increase) in accounts receivable	(3,287)	8,932
Decrease / (Increase) in inventories and prepaid expenses	35	(531)
(Decrease) / Increase in accounts payable and accrued liabilities	(771)	3,009
Increase in deferred contributions, research and other	5,581	188
(Decrease) / Increase in deferred revenue	(36)	148
	<u>\$ (3,478)</u>	<u>\$ 11,746</u>

The accompanying notes are part of these financial statements.

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

Note 1 Authority and Purpose

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

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General - GAAP and Use of Estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, 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. University administration uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets, amortization of deferred capital contributions and asset retirement obligations are the most significant items based on estimates. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Consolidated Financial Statements and Interest in Joint Ventures

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

(c) Financial Instruments

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

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

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

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

Financial statements are exposed to credit risk, interest rate risk, foreign exchange risk, market risk, commodity price risk, and liquidity risk. Each of these risks is managed through the University's collection procedures, investment guidelines, banking arrangements and other internal policies, guidelines and procedures.

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

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

(c) Financial Instruments (continued)

Market Risk

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

Liquidity Risk

The University maintains a short-term line of credit with the Bank of Montreal that is designed to ensure sufficient available funds to meet current and forecasted financial requirements as cost effectively as possible. As at March 31, 2010 the University had committed borrowing facilities of \$5 million, none of which has been drawn.

Credit Risk

The credit risk for accounts receivable is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricted enrolment activities for students with delinquent balances and maintaining standard collection procedures.

Interest Rate Risk

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

Commodity Price Risk

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

(d) Inventories

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

(e) Capital Assets and Collections

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

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

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

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

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

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

(f) Asset Retirement Obligations

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

(g) Revenue Recognition

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

Unrestricted contributions - when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Operating grants - when received or receivable, or where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period.

Unrestricted investment income - when earned; this includes interest, dividends, realized and unrealized gains and losses.

Pledges - are recorded if they can be reasonably estimated and collection is reasonably assured. Pledges receivable are recorded as an asset with the corresponding amount being recorded as gifts and donations revenue, deferred contributions, deferred capital contributions or endowments as applicable.

Revenues received for services and products - when the services or products are substantially provided.

Tuition fees - when the instruction is delivered.

Donations of materials - are recorded at fair value when a fair value can be reasonably determined and when materials would otherwise have been purchased.

Restricted contributions - based on the deferral method.

Deferral Method

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

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

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

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

(h) Employee Future Benefits

Pension

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

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

The University does not have sufficient plan information on the PSPP to follow the standards for defined benefit accounting,

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

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

(h) Employee Future Benefits (continued)

and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year; which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

Supplementary Benefit Plan

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

Early Retirement Plan

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

During the year, the University added a one time voluntary retirement program to allow employees meeting the plan criteria to retire early and be provided a defined benefit upon retirement within the 2010 and 2011 calendar years. The cost of these benefits is determined by management based on years of service and salary as of July 2009. The costs of providing this benefit is recognized as expense in full when the event occurs which obligates the University to provide the benefits.

Long-Term Disability Plan

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plan is actuarially determined using the accumulated benefit method, a market interest rate and administration's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains and losses on the accrued benefit obligation which exceed 10% of the long-term disability accrued benefit obligation are amortized over the average remaining service lifetime and are recognized in the benefit cost.

Senior Administration Leaves

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

(i) Capital Disclosures

The University defines its capital as the amounts included in deferred contributions (Note 9), endowment net assets (Note 11) and unrestricted net assets. A significant portion of the University's capital is externally restricted. The University has investment policies (Note 4), spending policies and cash management procedures to ensure the University can meet its capital obligations.

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

(j) Contributed Services

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

Note 3 Prior Period Adjustment

Management has determined that an error was made in the prior year where a grant was recorded as income although it was restricted for capital purposes and not spent. Management also identified that endowment investment earnings corresponding to amounts expended had not been recorded as income, but had been transferred between net assets.

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

Note 3 Prior Period Adjustment (continued)

The corrections have been applied retrospectively with restatement of comparative figures. The impact on the prior year's financial statements as a result of the error is as follows:

	2009		
	As previously recorded	Adjustment recorded	As restated
Increase (decrease) in:			
Statement of Financial Position			
Deferred capital contributions	\$ 60,120	\$ 1,948	\$ 62,068
Statement of Operations			
Government of Alberta grants	96,018	(1,948)	94,070
Investment income (loss)	(11,968)	425	(11,543)

Note 4 Investments

As at March 31, 2010, the composition, fair value, and annual market yields on investments are as follows:

	2010		2009	
	Annual Market Yield	Market Value	Annual Market Yield	Market Value
Cash, money market funds, short-term notes and treasury bills	-0.90%	\$ 26,431	3.00%	\$ 22,931
Canadian bonds	5.60%	43,999	4.80%	43,668
Canadian equity	36.20%	49,954	-23.70%	32,819
Foreign equity	27.80%	26,682	-38.30%	21,234
Other		139		134
		<u>\$ 147,205</u>		<u>\$ 120,786</u>
Short-term investments		5,000		-
Long-term investments		142,205		120,786
		<u>\$ 147,205</u>		<u>\$ 120,786</u>

Terms to maturity of fixed income investments are as follows:

- Money market funds, short-term notes and treasury bills - less than one year.
- Canadian government and corporate bonds - range from less than one year to more than 40 years.

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

Cash, money market funds, and short-term notes are held for less than one year. Short-term investments are held on average for less than one year and bonds are held on average for less than two 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. The long-term investment portfolio includes endowment assets as well as the portion of non-endowment assets that will not be required for spending in the short-term. The primary objective of this portfolio is a rate of return that, in real terms, exceeds the endowment spending allocation at an acceptable risk level.

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

Note 5 Other Long-term Assets

	2010	2009
1st Choice Savings and Credit Union Ltd.	\$ 1,630	\$ 1,834
University of Lethbridge undergraduate students	1,609	1,594
University of Lethbridge graduate students	42	48
University of Lethbridge Faculty Association	150	-
Current portion in Accounts Receivable	(516)	(355)
	<u>\$ 2,915</u>	<u>\$ 3,121</u>

The 1st Choice Savings and Credit Union Ltd. is the naming sponsor for the 1st Choice Savings Centre for Sport and Wellness and are contributing a total of \$2,250 over a 15-year period beginning in 2007. University of Lethbridge students are contributing \$2,500 towards the 1st Choice Savings Centre for Sport and Wellness, to be collected over a period of approximately 11 years beginning in 2007. Graduate students of the University of Lethbridge are contributing \$60 towards the construction of the Day Care facility, to be collected over a period of approximately 13 years beginning in 2009. The University of Lethbridge Faculty Association is contributing \$205 toward the construction of the Day Care Facility, to be collected over a period of approximately 20 years beginning in 2010. These contributions have been discounted to their present value using market interest rates.

In addition to the contributions above, there are pledges of \$3,327 (2009- \$4,857) for capital projects and scholarships that have not been recorded in the financial statements as they do not meet the criteria for recognition.

Note 6 Capital Assets and Collections

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings, land and leasehold improvements	\$ 323,942	\$ 96,199	\$ 227,743	\$ 291,628	\$ 87,479	\$ 204,149
Furnishings and equipment	66,176	49,147	17,029	60,728	46,074	14,654
Library materials	32,622	22,877	9,745	30,469	21,414	9,055
Land	913	-	913	913	-	913
Permanent collections	33,814	-	33,814	33,687	-	33,687
	<u>\$ 457,467</u>	<u>\$ 168,223</u>	<u>\$ 289,244</u>	<u>\$ 417,425</u>	<u>\$ 154,967</u>	<u>\$ 262,458</u>

Included in buildings, land and leasehold improvements is \$43,116 (2009 - \$28,066) recorded as construction in progress, which is not amortized as the assets are not yet available for use. Acquisitions during the year includes in-kind contributions (such as library materials, equipment, software, buildings and land) in the amount of \$836 (2009 - \$279).

Note 7 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2010	2009
Universities Academic Pension Plan (UAPP)	\$ 14,413	\$ 9,470
Long-term disability	471	472
Early retirement	1,576	216
Senior administration leaves	5,712	5,897
Supplementary Benefit Plans (SBP)	2,113	1,813
Other	154	268
	<u>24,439</u>	<u>18,136</u>
Less current portion	(1,936)	(1,372)
Long-term portion	<u>\$ 22,503</u>	<u>\$ 16,764</u>

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

(a) Defined Benefit

Multi-Employer Pension Plans

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members and other eligible employees. The latest actuarial valuation of the UAPP was carried out as at December 31, 2008. This was then extrapolated to the plan's year end of December 31, 2009 and further extrapolated to the University's year end of March 31, 2010. The next actuarial evaluation will be carried out as at December 31, 2010.

The Public Service Pension Plan (PSPP) is a multi-employer contributory defined benefit pension plan for support staff members and is accounted for on a defined contribution basis. At December 31, 2009, the PSPP reported an actuarial deficiency of \$1,729,196 (2008 - \$1,187,538 deficiency). An actuarial valuation of the PSPP was carried out as at December 31, 2008 and was then extrapolated to December 31, 2009. The next actuarial evaluation will be carried out as at December 31, 2011. The pension expense recorded in these financial statements is \$1,414 (2009 - \$1,188).

The financial positions reported below represent the plan as a whole and not the University's share:

	2010		2009	
	March 31, 2010	December 31, 2009	March 31, 2009	December 31, 2008
UAPP				
Post 1991	\$ (277,859)	\$ (305,020)	\$ (442,750)	\$ (303,034)
Pre 1992	(646,208)	(665,980)	(857,110)	(752,437)
Total	\$ (924,067)	\$ (971,000)	\$ (1,299,860)	\$ (1,055,471)
PSPP		\$ (1,729,196)	\$	\$ (1,187,538)

The University's portion of the UAPP deficiency disclosed above has been allocated based on its percentage of the plan's total employer contributions for the year.

Early retirement

The University provides early retirement (support staff) defined benefits to its employees. The most recent actuarial valuation for these benefits was as at March 31, 2010. The early retirement plan pays a fixed amount annually based on the salary and benefits in effect for each member at the date of retirement. The plan is closed to new members and no future service benefits are being accrued. The next actuarial evaluation will be carried out for March 31, 2011.

Long-term disability plans

The University provides long-term disability (academic and support staff) defined benefits to its employees. The most recent actuarial valuation for these benefits was as at March 31, 2010. The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date. The accrued benefit obligation began the year at \$721, increased by current service costs of \$11, interest costs of \$39 and amortization of net actuarial losses of \$33, which were offset by benefits paid of \$86 for an accrued benefit obligation at the end of the year of \$718. The long-term disability plan has unamortized net actuarial losses of \$247. The next actuarial evaluation will be carried out for March 31, 2011.

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

	2010				2009			
	UAPP ⁽¹⁾	Early retirement plan ⁽²⁾	Senior administration leaves	Supplementary benefit plan	UAPP ⁽¹⁾	Early retirement plan ⁽²⁾	Senior administration leaves	Supplementary benefit plan
Expenses								
Current service cost	\$ 5,509	\$ 1,389	\$ 783	\$ 304	\$ 4,860	\$ -	\$ 803	\$ 308
Interest cost	3,119	11	343	63	1,470	12	312	65
Amortization of net actuarial losses (gains)	3,094	(6)	6	-	1,100	(2)	85	-
Total expense	\$ 11,722	\$ 1,394	\$ 1,132	\$ 367	\$ 7,430	\$ 10	\$ 1,200	\$ 373
Financial position								
Accrued benefit obligation, beginning of year	\$ 118,606	\$ 216	\$ 5,897	\$ 1,814	\$ 104,820	\$ 250	\$ 5,576	\$ 1,490
Current service cost	5,509	1,389	783	304	4,860	-	803	308
Interest cost	8,135	11	343	63	7,196	12	312	65
Benefits paid	(5,400)	(34)	(1,317)	(68)	(4,820)	(44)	(879)	(49)
Actuarial (gain) loss	(18,973)	(6)	6	-	6,550	(2)	85	-
Balance, end of year	107,877	1,576	5,712	2,113	118,606	216	5,897	1,814
Plan Assets	81,395	-	-	-	74,170	-	-	-
Funded status - plan deficit	26,482	1,576	5,712	2,113	44,436	216	5,897	1,814
Unamortized net actuarial gain (loss)	12,069	-	-	-	(34,966)	-	-	-
Accrued benefit liability	\$ 14,413	\$ 1,576	\$ 5,712	\$ 2,113	\$ 9,470	\$ 216	\$ 5,897	\$ 1,814

⁽¹⁾ Plan Assets:

UAPP - the unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2009 - 1.25%) of total earnings by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.03% (2009 - 1.74%) of total earnings required to eliminate the unfunded deficiency by December 31, 2043. The actuarial valuation shows that the present value at December 31, 2009 of the Province of Alberta's obligation for the future additional contributions was \$270,200. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 4.64% (2009 - 4.08%) of pensionable earnings shared equally between employees and employers until December 31, 2021, and 0.28% of pensionable earnings until December 31, 2023.

⁽²⁾ Early retirement - the University plans to use its working capital to finance these future obligations.

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

	2010				2009			
	UAPP	Early retirement plan	Senior administration leaves ⁽¹⁾	Supplementary benefit plan	UAPP	Early retirement plan	Senior administration leaves	Supplementary benefit plan
Accrued benefit obligation:								
Discount rate	6.90%	4.60%	4.60%	n/a	6.70%	5.70%	5.70%	n/a
Long-term average compensation increase	3.50%	n/a	0.00%	n/a	3.00%	n/a	6.00%	n/a
Benefit cost:								
Discount rate	6.90%	4.60%	4.60%	n/a	6.70%	5.70%	5.70%	n/a
Long-term average compensation increase	3.50%	n/a	4.50%	n/a	3.00%	n/a	4.50%	n/a
Alberta inflation:								
Next 3 years	2.25%	n/a	0.00%	n/a	3.70%	n/a	0.00%	n/a
Thereafter	2.25%	n/a	0.00%	n/a	2.70%	n/a	0.00%	n/a
Estimated average remaining service life	11.3 yrs	3 yrs	5 yrs	5 yrs	10.5 yrs	4 yrs	4 yrs	6 yrs

⁽¹⁾ The compensation increase is 0% for 2011 and 6% thereafter.

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

(b) Defined Contribution

Supplementary benefit plan

The University provides non-contributory defined supplementary benefits to current and past senior administrators above the benefits provided by the University's Academic Pension Plan. The aggregate liability is \$2,113 (2009 - \$1,814). The University's total defined benefit supplementary benefit expense was \$ 68 (2009 - \$ 49).

Note 8 Long-term Liabilities

	Collateral	Maturity date	Interest rate	2010	2009
Alberta Capital Finance Authority payable:					
Student housing debenture	(1)	April 15, 2023	6.0%	\$ 3,241	\$ 3,387
Other liabilities					
Capital lease	n/a	Sept. 30, 2012	5.0%	281	384
Asset retirement obligation	n/a	n/a	n/a	558	1,427
				4,080	5,198
Less current portion				(750)	(840)
				<u>\$ 3,330</u>	<u>\$ 4,358</u>

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

The principal portion of long-term liability repayments, excluding the asset retirement obligation is as follows:

2011 - \$260; 2012 - \$273; 2013 - \$238; 2014 - \$184; 2015 and thereafter - \$2567;

Interest expense on long-term obligations is \$214 (2009 - \$224). All long-term obligations have fixed interest rates. The weighted average interest rate is 5.24% (2009 - 4.31%).

The asset retirement obligation represents the estimated present value of the legal obligation associated with the planned removal of asbestos from University Hall. Estimating the liability requires judgment by University administration related to the amount of work required to remove the asbestos, the cost of the work and inflationary increases over the term of the obligation. Costs are expected to be incurred over the next two fiscal years, with an undiscounted value of approximately \$590. The credit-adjusted risk-free rate used for discounting the liability was 2.59%. The asset retirement obligation will reduce as the asbestos is removed from the building and amortized through the statement of operations. Further costs of removing asbestos cannot be reasonably estimated at this time, but will be recorded in the period in which there is sufficient information to estimate fair value. Reconciliation of the asset retirement obligation is as follows:

	2010	2009
Asset retirement obligation, beginning of the year	\$ 1,427	\$ 1,382
Liabilities settled during the period	(135)	(218)
Accretion expense	37	21
Increase (decrease) in obligation	(771)	242
Asset retirement obligation, end of the year	<u>\$ 558</u>	<u>\$ 1,427</u>

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

Note 9 Deferred Contributions

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

	2010		2009	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	\$ 67,303	\$ 13,214	\$ 47,398	\$ 12,849
Grants and donations received	10,155	19,187	54,388	17,191
Recognized as revenue	(532)	(14,775)	(136)	(14,028)
Transferred to unamortized deferred capital contributions (Note 10)	(29,090)	(2,447)	(34,347)	(2,798)
Balance, end of the year	47,836	15,179	67,303	13,214
Less amounts included in current liabilities	(7,870)	(14,415)	(5,235)	(12,031)
	<u>\$ 39,966</u>	<u>\$ 764</u>	<u>\$ 62,068</u>	<u>\$ 1,183</u>

Note 10 Unamortized Deferred Capital Contributions

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

	2010	2009
Balance, beginning of the year	\$ 149,380	\$ 119,515
Additions from deferred contributions (Note 9)	31,537	37,145
Amortization of deferred capital contributions to revenue	(8,512)	(7,280)
Balance, end of the year	<u>\$ 172,405</u>	<u>\$ 149,380</u>

Note 11 Endowments

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

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

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

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

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

Note 11 Endowments (continued)

The composition of endowments is as follows:

	2010			2009		
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total
Balance, beginning of the year	\$ 25,347	\$ 3,605	\$ 28,952	\$ 29,050	\$ 3,123	\$ 32,173
Gifts of endowment principal	1,484	-	1,484	2,730	-	2,730
Transfer to (from) endowments	(568)	200	(368)	629	482	1,111
Transfer from endowments	(7)	-	(7)	(304)	-	(304)
Investment gain (loss)	4,520	-	4,520	(6,758)	-	(6,758)
Balance, end of the year	\$ 30,776	\$ 3,805	\$ 34,581	\$ 25,347	\$ 3,605	\$ 28,952
Cumulative contributions	\$ 24,328	\$ 3,263	\$ 27,591	\$ 23,411	\$ 3,263	\$ 26,674
Cumulative capitalized income	6,448	542	6,990	1,936	342	2,278
	\$ 30,776	\$ 3,805	\$ 34,581	\$ 25,347	\$ 3,605	\$ 28,952

During the 2010 year, investment income (loss) of \$4,520 (2009 - \$(6,758)) was charged to endowment funds. The Board of Governors approved the funding of endowment deficits and transferred \$306 (2009 - \$588) from unrestricted net assets to externally restricted endowments. Repayments of \$881 (2009 - \$nil) were made to unrestricted net assets from externally restricted endowments.

Note 12 Investment in Capital Assets and Collections, Internally Restricted

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

	2010	2009
Capital assets and collections at net book value (Note 6)	\$ 289,244	\$ 262,458
Less amounts financed by:		
Unamortized deferred capital contributions (Note 10)	(172,405)	(149,380)
Long-term liabilities related to capital expenditures (Note 8)	(4,080)	(5,198)
	\$ 112,759	\$ 107,880

The changes during the year are as follows:

	2010	2009
Investment in capital assets and collections, beginning of the year	\$ 107,880	\$ 106,416
Acquisition of capital assets and collections	11,325	8,086
Long-term liabilities - repayment	248	238
Long-term liabilities - new financing	-	(1)
Net book value of asset disposals	(105)	(63)
Amortization of investment in capital assets	(6,716)	(6,860)
Net investment in capital assets	4,752	1,400
Contributions of assets not subject to amortization	127	64
Increase for the year	4,879	1,464
Investment in capital assets and collections, end of the year	\$ 112,759	\$ 107,880

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

Note 13 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. Those amounts are not available for other purposes without the approval of the Board. Internally restricted net assets are summarized as follows:

	Balance, beginning of year	Appropriations from (returned to) unrestricted net assets	Disbursements during the year	Balances, end of year
Capital activities				
Ancillary	\$ 3,583	\$ 1,006	\$ 409	4,180
Housing (apartments)	867	3,271	35	4,103
Facility enhancement	-	2,150	-	2,150
Parking	852	240	-	1,092
Support units equipment	213	465	145	533
Service vehicles and equipment	147	265	-	412
Utility conservation	157	1	-	158
IT systems	182	-	90	92
Self insurance	33	8	-	41
Buildings and plant	86	-	86	-
Site and utilities	74	-	74	-
Major equipment	53	200	253	-
Matching equipment	3	-	3	-
Telecommunication equipment	(215)	125	-	(90)
	6,035	7,731	1,095	12,671
Operating activities				
Strategic initiatives	-	2,450	-	2,450
Short-term disability	-	400	114	286
Utilities	55	-	-	55
Academic development	7	15	4	18
Budget reductions	88	-	88	-
Campus planning studies	55	-	55	-
	205	2,865	261	2,809
Total	\$ 6,240	\$ 10,596	\$ 1,356	\$ 15,480

Note 14 Contingent Liabilities

- The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Administration has concluded that none of the claims meet the criteria for being recorded under GAAP.
- The University has identified potential asset retirement obligations related to the existence of asbestos in its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedures to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the full obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligation for these assets is recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation (Note 8).

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

Note 15 Contractual Obligations

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

	2010	2009
Service contracts	\$ 8,651	\$ 9,681
Capital projects	6,974	35,119
Information systems and technology	1,063	1,217
Long-term leases	892	730
	<u>\$ 17,580</u>	<u>\$ 46,747</u>

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

	Service Contracts	Capital Projects	Information systems and Technology	Long-term Leases	Total
2011	\$ 1,365	\$ 6,795	\$ 253	\$ 263	\$ 8,676
2012	1,936	113	224	314	2,587
2013	1,936	66	193	90	2,285
2014	1,936	-	191	90	2,217
2015	1,470	-	126	90	1,686
Thereafter	8	-	76	45	129
	<u>\$ 8,651</u>	<u>\$ 6,974</u>	<u>\$ 1,063</u>	<u>\$ 892</u>	<u>\$ 17,580</u>

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

Included in service contracts is the University's agreement with CURIE. The University is one of 58 members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2009 CURIE had a surplus of \$32,032 (2008 - \$17,748). This surplus is an accumulation of four different underwriting periods. The University participates in three of the underwriting periods, which have an accumulated surplus of \$28,647 as of December 31, 2009 (2008 - \$13,771) of which the University's proportionate share is approximately 1.09% (2008 - 1.06%) at December 31, 2009. This surplus is not recorded in the financial statements.

Included in service contracts are electricity contracts in order to manage its exposure to the volatility in the electrical industry. The University has entered into contracts to fix a portion of its electrical cost at an average of \$73 (2009 - \$55) per megawatt hour. The three (2009 - three) contracts totaling \$13,007 (2009 - \$5,547) expire in December 2010 and 2014, and May 2016.

Note 16 Budget Comparison

The University's 2009 - 2010 budget was approved by the Board of Governors as was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2009 - 2013 Business Plan. Certain budget figures from the University's 2009 - 2013 Business Plan have been reclassified to conform to the presentation adopted in the 2010 financial statements.

Note 17 Investment Income

	2010	2009
Gain (Loss) on investments held for endowments		
Externally restricted	\$ 5,259	\$ (6,333)
Internally restricted	200	(109)
Gain (Loss) on other investments	16,148	(12,593)
	<u>21,607</u>	<u>(19,035)</u>
Amounts deferred	(1,587)	734
Transfer to endowments	(4,519)	6,758
	<u>\$ 15,501</u>	<u>\$ (11,543)</u>

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

Note 18 Related Party Transactions

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

	2010	2009 Restated
Revenue from GOA		
Advanced Education and Technology:		
Operating grants	\$ 85,677	\$ 79,675
Enrolment planning envelope	9,755	11,622
Capital grants	4,692	48,313
Access to the Future Fund (matching grants)	3,000	3,000
Alberta Innovates - Health Solutions	1,794	1,554
Alberta Innovates - Tech Futures	925	337
Research grants	753	298
Alberta Innovates - Energy & Environment	726	384
Alberta Science and Research Authority	231	640
Alberta Innovates - Bio Solutions	110	-
Other	233	1,295
Facility operations support	-	323
	<u>107,896</u>	<u>147,441</u>
Other GOA departments and agencies:		
Alberta Culture and Community Spirit	1,371	-
Alberta Gaming & Liquor Commission	583	741
Alberta Education	188	94
Alberta Health Services	172	393
Alberta Sustainable Resource Development	75	-
Alberta Foundation for the Arts	69	57
Other	407	518
	<u>2,865</u>	<u>1,803</u>
Total contributions received	110,761	149,244
Less deferred contributions	(9,398)	(54,553)
Less transfer to endowments	(693)	(621)
	<u>\$ 100,670</u>	<u>\$ 94,070</u>
Accounts receivable		
Advanced Education and Technology	\$ 5,933	\$ 1,030
Other GOA departments and agencies	35	6
	<u>\$ 5,968</u>	<u>\$ 1,036</u>
Accounts payable		
Advanced Education and Technology	\$ 178	\$ 188
	<u>\$ 178</u>	<u>\$ 188</u>

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

Due to the Government of Alberta reorganization in April 2009, the table above shows the new agencies in 2010, as compared to the previous organizational structure. The categorization reflects the entities from which the University received its funding.

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

The University owns 90% of the common shares in Alberta Terrestrial Imaging Corp. (ATIC), a not-for-profit company formed in June 2005 to provide satellite imagery to Canadian academic markets. The University has one-third of the voting control of ATIC. At March 31, 2010 the University had a loan receivable from ATIC of \$434 (2009 - \$635) resulting from paying certain operating expenses on

University of Lethbridge

Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

Note 18 Related Party Transactions (continued)

ATIC's behalf. These amounts are included in the University's statement of financial position as accounts receivable.

The University has significant influence in the Canada School of Energy and Environment (CSEE), a not-for-profit corporation formed in partnership with the University of Calgary and University of Alberta to facilitate the integration of research discoveries in energy and environmental research across various institutions through receipt of grant funding. The University holds one-third of the Board member seats with the ultimate control being held by the other two partners. At March 31, 2010 the University submitted \$ 117 (2009 - \$ 82) in expenses to be funded by CSEE grants.

The University has committed to contribute \$30 annually to the operating and capital costs of CYBERA, Alberta Cyberinfrastructure for Innovation, a non-profit organization mandated to provide provincial leadership in integrating, leveraging and sustaining investments in cyberinfrastructure technologies in Alberta.

Note 19 Salary and Employee Benefits

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

	2010			2009	
	Base salary ⁽¹⁾	Other cash benefits ⁽²⁾	Other non-cash benefits ^{(3) (6)}	Total	Total
Governance ⁽⁴⁾					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	-
Members of the Board of Governors	-	-	-	-	-
Executive					
President	354	80	97	531	511
Vice-Presidents					
Vice-President Academic and Provost	258	32	47	337	317
Vice-President Finance and Administration	271	-	51	322	306
Vice-President Research ⁽⁵⁾	211	10	54	275	251
Vice-President Advancement	189	-	38	227	213
Administrative leave benefit ⁽⁷⁾					
President	-	-	-	89	179
Vice-President Academic and Provost	-	-	-	57	55
Vice-President Finance and Administration	-	-	-	76	59
Vice-President Research	-	-	-	29	67

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include housing allowances and research grants in lieu of salary.

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

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

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

(6) Under the terms of the supplementary benefit plan (SBP), senior administrators will receive supplemental retirement payments. The costs detailed below are not cash payments in the period but are period expenses for rights to future compensation. Costs shown reflect the total estimated cost to provide a payment at termination of employment with the University. The SBP is a defined contribution plan. The University contributes annually to the SBP based on the employee's salary and this benefit earns interest at the annual realized rate of return on the University's long-term investments. Current service costs is the notional value of the benefits earned in the fiscal year. The interest accrued on benefit obligations is equal to the realized earnings rate on the University's long-term investments of 3.36% in 2010 (2009 – 4.15%).

(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

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Notes to the Financial Statements

Year Ended March 31, 2010

(thousands of dollars)

Note 19 Salary and Employee Benefits (continued)

payments in lieu of administrative leave are not permitted, nor is it possible under Board policy to work for another institution or organization while on leave. Normally, administrative leave is taken immediately after leaving office. The cost of these benefits is actuarially determined using the projected benefit method prorated on service, a discount rate based on market interest rates and management's best estimates of salary and benefit increases to the assumed retirement or termination date. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. The amounts shown include current and prior service costs.

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

	2010				2009	
	Current service cost	Prior service and other costs	Net Cost	Accrued Obligation	Net Cost	Accrued Obligation
President	\$ 51	\$ 11	\$ 62	\$ 363	\$ 61	\$ 301
Vice Presidents:						
Vice-President Academic and Provost	13	1	14	37	13	24
Vice-President Finance and Administration	14	3	17	95	16	78
Vice-President Research	6	1	7	6	-	-
Vice-President University Advancement	6	1	7	19	5	12

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

Note 20 Scholarships, Bursaries and Awards

In addition to the amount recognized, scholarships and bursaries totaling \$2,708 (2009 - \$2,863) were awarded to 2,003 (2009 - 1,954) University of Lethbridge students through the Alberta Scholarship Program. These amounts are not included in the financial statements.

Note 21 Comparative Figures

Certain 2009 figures have been reclassified to conform to the presentation adopted in the 2010 financial statements.