

The University of Lethbridge

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2000

(thousands of dollars)

Note 1 Authority and Purpose

The University of Lethbridge (the "University") operates under the authority of the Universities Act, Chapter U-5, Revised Statutes of Alberta 1980 as amended. The University is dedicated to quality undergraduate and graduate studies in the tradition of liberal education, research and public service. The University is a registered charity and is exempt from payment of income tax.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

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

(b) Revenue Recognition

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

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

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

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

(c) Inventories

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

(d) Investments

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

(e) Capital Assets

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at fair values. Capital assets disposed of are removed from the accounts at their cost and related accumulated amortization.

Capital assets, except capital projects which are amortized upon completion, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

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

(f) Collection

Collection assets purchased by the University are recorded at cost. Donated collection assets are recorded at fair values.

The collection consists of works of art which are held for educational and public exhibition purposes.

(g) Pension Plan

The University participates in a multiemployer defined benefit plan with other related entities. This is accounted for as a pay-as-you-go plan. Only the payments made are reflected in the financial statements. The University's portion of the plan's deficit or surplus is not reflected. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional contributions for service relating to prior years.

(h) Pledges Receivable

Pledges that can be reasonably estimated and where ultimate collection is reasonably assured are recorded as assets.

(i) Contributed Services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission of post secondary and graduate education, research and public service. Such contributed services are not recognized in the financial statements.

Note 3 Change in Accounting Policy and Prior Period Adjustment

(a) Change in Accounting Policy: Unfunded Liability - Pension Plans

The University has changed the way it accounts for its participation in multiemployer plans to a defined contribution basis. This change in accounting policy has been applied retroactively with restatement of comparative amounts.

(b) Prior Period Adjustment

During the year, an adjustment was made to prior year revenue. 1999 results have been restated. As a result, deferred capital contributions have decreased and revenue has increased.

As a result of the change in accounting policy and prior period adjustment, the University's financial statements for the year ended March 31, 1999 have been restated as follows:

	1999			
	As Previously Reported	Pension Adjustment Increase/ (Decrease)	Prior Period Adjustment Increase/ (Decrease)	As Restated
Statement of Operations				
Revenue	\$ 71,096	-	\$ 1,428	\$ 72,524
Expenses	71,483	(3,180)	(282)	68,021
Excess of revenue over expense (expense over revenue)	(387)	3,180	1,710	4,503
Statement of Financial Position				
Deferred capital contributions	7,142	-	(1,710)	5,432
Unfunded staff benefits	9,259	(5,631)	-	3,628
Unrestricted net assets	23	5,631	1,710	7,364
Statement of Changes in Net Assets				
Net assets at beginning of year	68,416	2,451	-	70,867
Net assets at end of year	69,623	5,631	1,710	76,964
Statement of Cash Flows				
Excess of revenue over expense	(387)	3,180	1,710	4,503
Increase (decrease) in unfunded staff benefits	2,814	(3,180)	-	(366)
Special purpose capital contributions	2,704	-	(1,710)	994

Note 4 Investments

	2000				1999			
	Cost	Market Value	Realized Return	Market Return	Cost	Market Value	Realized Return	Market Return
Cash and short term deposits	\$ 10,497	\$ 10,497	3.79%	5.50%	\$ 8,195	\$ 8,195	4.90%	4.90%
Bonds and debentures	21,049	20,326	4.81%	0.70%	22,105	22,160	4.59%	7.20%
Stocks	19,988	24,399	5.54%	10.25%	18,285	21,235	5.65%	7.56%
Other investments	97	97			97	97		
	<u>\$ 51,631</u>	<u>\$ 55,319</u>			<u>\$48,682</u>	<u>\$51,687</u>		

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

Bonds and debentures consists of the following:

	2000			1999		
	Cost	Market Value	Effective Yield	Cost	Market Value	Effective Yield
Short term (three years or less to maturity)	\$4,124	\$4,081	5.71%	\$5,434	\$5,516	5.98%
Medium term (four to ten years to maturity)	13,631	13,053	5.89%	9,879	9,827	5.52%
Long term (greater than ten years to maturity)	3,294	3,192	6.23%	6,792	6,817	6.27%
	<u>\$21,049</u>	<u>\$20,326</u>	5.75%	<u>\$ 22,105</u>	<u>\$ 22,160</u>	5.86%

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

Investments are managed by an investment manager and University staff. The investment portfolio consists of a balanced fund, fixed income funds or short-term current operating funds.

The balanced fund policy mix standard is as follows:

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

Bond investments must have a rating of BBB-plus or better and the short term portfolio shall be rated at least R-1, mid (or equivalent) as per the Dominion Bond Rating Service.

Short term investments are held on average for less than three months and bonds are held on average less than three years. Bonds in the portfolio have maturity dates between one and twenty-nine years, with an average maturity date of seven years.

Note 5 Capital Assets

	2000			1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$638	-	\$638	\$638
Buildings and land improvements	115,031	35,537	79,494	74,634
Capital projects	6,312	-	6,312	1,990
Furnishings and equipment	36,676	26,576	10,100	9,524
Learning resources	17,579	12,290	5,289	4,990
	<u>\$176,236</u>	<u>\$74,403</u>	<u>\$101,833</u>	<u>\$91,776</u>

Capital projects consist of the Library Information Network Centre and the Life Sciences Building.

Capital asset additions during the year included the following donations in kind:

	2000	1999
Equipment	\$ -	\$4
Learning resources	25	5
	<u>\$25</u>	<u>\$9</u>

Note 6 Collection

	2000	1999
Balance, beginning of year	\$27,482	\$26,175
Donations	2,521	1,355
Acquisitions	2	2
Disposals	-	(50)
Balance, end of year	<u>\$30,005</u>	<u>\$27,482</u>

The collection contains in excess of 12,000 pieces of art work.

Note 7 Deferred Contributions

Deferred contributions represent contributions received for special purposes and unspent funds for restricted purposes. Changes in the deferred contributions balance are as follows:

	2000	1999
Balance, beginning of year	\$ 9,697	\$ 7,550
Contributions received	13,775	8,833
Transfers to:		
Revenue	(4,128)	(4,651)
Unamortized deferred capital contributions (Note 12)	(8,859)	(2,035)
Balance, end of year	<u>\$ 10,485</u>	<u>\$ 9,697</u>

Balance consists of:

	2000	1999
Operating (restricted grants)	3,900	3,978
Sponsored Research	2,762	2,246
Scholarships, Bursaries and Other	3,823	3,473
	<u>10,485</u>	<u>9,697</u>

Note 8 Long Term Debt

	Rate of Interest	Original Advance	Amount Outstanding	
			2000	1999
Bank of Montreal	6%	\$950	369	561
December 31, 2001				
Less: current portion			204	192
			<u>\$165</u>	<u>\$369</u>

Principal payments in the next two years are approximately as follows:

2001	\$204
2002	\$165
	<u>\$369</u>

Note 9 Accrued Liabilities

	2000	1999
Senior executive leaves	\$ 2,305	\$ 2,183
Supplementary benefit plan	142	132
	<u>2,447</u>	<u>2,315</u>
Less: current portion	461	418
	<u>\$ 1,986</u>	<u>\$ 1,897</u>

Senior executive leaves have been accrued for senior administrators during the years in which the leaves are earned and normally will be paid out at the end of the administrative service.

The supplementary benefit plan is a defined contribution plan.

Payments in the next five years are approximately as follows:

2001	\$461
2002	\$859
2003	\$479
2004	\$218
2005	\$99

Note 10 Unfunded Staff Benefits

	2000	1999
Early retirement benefits	\$ 3,956	\$ 4,740
Less: current portion - early retirement benefit	1,078	1,112
	<u>\$ 2,878</u>	<u>\$ 3,628</u>

Early retirement benefits are carried at their net present value. The discounted rate used for early retirement benefits is the blended realized rate of return earned on internally and externally managed investments.

There were four early retirement benefit offerings, with payments from year 1989 to 2013. Payments for early retirement benefits in the next five years are approximately as follows:

2001	\$1,078
2002	\$589
2003	\$592
2004	\$524
2005	\$430

Note 11 Deferred Capital Contributions

Deferred capital contributions represent capital contributions received for special purposes. Changes in deferred capital contributions balance are as follows:

	2000	1999
Balance, beginning of year	\$5,432	\$4,438
Contributions received	7,278	701
Transfer to revenue	26	293
Balance, end of year	\$12,736	\$5,432
	2000	1999
Balance consists of:		
Special Purpose - Capital	\$8,216	\$5,432
Restricted capital grants	4,520	-
	\$12,736	\$5,432

Special Purpose - Capital includes \$7,718 for the Library and Information Network Centre which will be erected by September 2001 and \$498 in other Special Purpose funds.

Restricted capital grants are for the Life Sciences Building to be completed in 2001.

Note 12 Unamortized Deferred Capital Contributions

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

	2000	1999
Balance, beginning of year	\$67,660	\$70,788
Transfer from deferred contributions (Note 7)	8,859	2,035
Transfer to revenue	(4,511)	(5,163)
Balance, end of year	\$72,008	\$67,660

Note 13 Endowments

	2000			1999		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Cumulative contributions	\$7,522	\$819	\$8,341	\$7,368	\$629	\$7,997
Capitalized investment earnings	-	723	723	-	487	487
	\$7,522	\$1,542	\$9,064	\$7,368	\$1,116	\$8,484

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact in perpetuity, and internal allocations by the Board of Governors. The investment income generated from 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.

Note 14 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the Board of Governors for the following purposes:

	2000	1999
OPERATING:		
Staff benefits	\$385	\$291
Academic development	1,029	-
Campus planning studies	163	216
International affairs	137	138
Utilities	200	200
Enrollment management	35	39
Program development	412	480
	<u>2,361</u>	<u>1,364</u>
CAPITAL:		
Capital replacement - Ancillary Services	2,335	-
Library building	-	3,638
Housing Services - residences	1,296	2,038
Capital equipment	1,469	907
Buildings and plant	904	923
Site and utilities	471	512
Utility conservation	230	330
Self insurance	131	122
Parking services	215	168
Service vehicles and equipment	64	77
	<u>7,115</u>	<u>8,715</u>
	<u>\$9,476</u>	<u>\$10,079</u>

Note 15 Investment Income

	2000	1999
Investment earnings on unrestricted resources	\$1,312	\$2,436
Investment earnings on internally restricted balances	148	177
Investment earnings on externally restricted balances	499	552
Investment earnings on endowments	236	80
Total investment earnings for the year	2,195	3,245
Less: deferred contributions	(245)	(192)
	\$1,950	\$3,053

Note 16 Salaries and Employee Benefits

	Average		2000				1999	
	(salary and benefits)		FTE	Salary	Benefits	Total	FTE	Total
	2000	1999						
Board of Governors								
Chairperson of the Board			1.00	\$ -	\$ -	\$ -	1.00	\$ -
Board Members			16.00	-	-	-	16.00	-
President			1.00	193	29	222	1.00	199
			18.00	193	29	222	18.00	199
Executives								
Vice-President (Academic)			1.00	150	19	169	1.00	154
Vice-President (Finance & Administration)			0.75	87	12	99	-	-
Dean of Management			1.00	152	19	171	1.00	158
Dean of Arts and Science			1.00	135	17	152	1.00	141
Dean of Education			1.00	132	16	148	1.00	140
			4.75	656	83	739	4.00	593

Academic staff								
Continuing positions	\$64	\$64	235.49	12,844	2,244	15,088	230.70	14,813
Other			197.91	8,993	1,843	10,836	205.50	9,582
			<u>433.40</u>	<u>21,837</u>	<u>4,087</u>	<u>25,924</u>	<u>436.20</u>	<u>24,395</u>
Administrative / professional staff								
Directors - Continuing	\$98	\$107	10.07	873	115	988	10.08	1,078
APO - Continuing	\$61	\$57	58.96	3,041	535	3,576	58.99	3,377
Other			19.99	1,051	124	1,175	14.01	707
			<u>89.02</u>	<u>4,965</u>	<u>774</u>	<u>5,739</u>	<u>83.08</u>	<u>5,162</u>
Support staff								
Continuing Positions	\$43	\$42	294.70	11,228	1,548	12,776	285.45	11,986
Other			31.70	793	58	851	35.92	1,005
			<u>326.40</u>	<u>12,021</u>	<u>1,606</u>	<u>13,627</u>	<u>321.37</u>	<u>12,991</u>
Accrual of senior executive leaves								
President			-		104	104		83
Vice-President (Academic)			-		64	64		45
Vice-President (Finance & Administration)			-		10	10		-
Dean of Management			-		40	40		35
Dean of Arts and Science			-		31	31		45
Dean of Education			-		43	43		40
Other Academic Staff			-		282	282		319
			-		<u>574</u>	<u>574</u>		<u>567</u>
TOTAL			<u>871.57</u>	<u>\$39,672</u>	<u>\$7,153</u>	<u>\$46,825</u>	<u>862.65</u>	<u>\$43,907</u>

SALARY

Includes regular base pay, overtime payments, position abolishment payments, sabbaticals and any other direct remuneration.

BENEFITS

Includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans and workers compensation, supplementary benefit plan contributions, professional development allowances and salaries paid out for senior administrative leaves.

ACADEMIC STAFF - OTHER

Includes hourly, term and retired faculty, sessional/casual instructors and graduate teaching assistants.

ADMINISTRATIVE / PROFESSIONAL STAFF

APO = Administrative Professional Officers

OTHER includes term, casual salaried, retired and hourly administrative/professional staff.

SUPPORT STAFF - OTHER

Includes hourly, project, retired and casual salaried staff.

ACCRUAL OF SENIOR EXECUTIVE LEAVES

Leaves have been accrued for senior administrators during the years in which the leaves are earned and normally will be paid out at the end of the administrative service.

FTE

Full Time Equivalent (except for Board of Governors which indicates the number of individuals)

Note 17 Pension Costs

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan which are multiemployer plans. The expense for the pension plans is equivalent to the annual contributions of \$2,134 for the year ended March 31, 2000 (1999 - \$2,034).

At December 31, 1999 the Universities Academic Pension Plan reported a deficit of \$155,921 (1998 - \$203,421) and the Public Service Pension Plan reported a surplus of \$517,020 (1998 - \$406,445). Calculated on that basis the University's share of the unfunded liability would be \$5,618 for the Universities Academic Pension Plan as at March 31, 2000 and \$64 for the Public Service Pension Plan.

Note 18 Budget

The University is required to submit a budget, approved by the Board of Governors of the University, to the Minister of Alberta Learning (formerly Advanced Education and Career Development) for his approval. The 1999/00 budget was approved by the Board on March 25, 1999.

	2000		1999	
	Original Budget	TOTAL Actual	Original Budget	TOTAL Actual
REVENUE				
Grants	\$37,412	\$37,414	\$35,487	\$35,936
Tuition and related fees	19,775	21,120	18,194	19,108
Sales of services and products	8,829	7,523	8,666	6,950
Miscellaneous	1,596	2,297	1,280	2,032
Investment income	2,173	1,950	2,094	3,053
Gifts and donations	882	483	720	257
Gain on sale of collection	-	-	-	25
Amortization of deferred capital contributions	6,628	4,511	3,250	5,163
	<u>77,295</u>	<u>75,298</u>	<u>69,691</u>	<u>72,524</u>
EXPENSE				
Salaries and benefits	47,927	46,825	43,644	43,907
Scholarships and bursaries	840	1,443	475	1,403
Supplies and services	7,015	5,451	6,660	5,508
Cost of goods sold	2,230	2,420	2,253	2,283
Travel	1,580	2,021	1,528	1,856
External contracted services	1,677	1,864	1,230	1,664
Utilities	1,836	1,604	1,812	1,524
Professional fees	313	438	282	369
Interest on long term liabilities	30	229	59	278
Insurance	114	140	115	115
Property taxes	184	137	151	133
Loss on disposal of capital assets	-	60	-	15
Amortization of capital assets	8,183	7,792	5,743	8,966
Provisions	2,811	-	3,723	-
	<u>74,740</u>	<u>70,424</u>	<u>67,675</u>	<u>68,021</u>
	<u>\$2,555</u>	<u>\$4,874</u>	<u>\$2,016</u>	<u>\$4,503</u>

The provisions and supplies and services budget includes general department contingencies which are subject to reallocation by departments throughout the year. These contingency budgets are used primarily for capital purchases. Actual expenses are recorded in the appropriate expense categories.

Note 19 Related Party Transactions

- a) University of Lethbridge Foundation

On January 27, 1999 the Trustees approved the wind-up of the Foundation in anticipation of the repeal of the Advanced Education Foundations Act. The Trustees have requested Alberta Learning (formerly Advanced Education and Career Development) to make provisions in legislation that any residual assets of the Foundation and any bequests, testamentary gifts or similar benefits to the University of Lethbridge Foundation become the property of the Board of Governors of The University of Lethbridge. Consequently, there was no activity in the Foundation during the year and no assets were held by the Foundation as at March 31, 2000.

- b) Province of Alberta

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

	<u>Unrestricted</u>	<u>Restricted</u>
Operating grant	\$31,710	\$ -
Performance Funding Envelope	871	-
Access Fund	3,863	-
Intellectual Infrastructure	-	180
Learning Enhancement Envelope	-	399
Research Excellence Envelope	-	330
Infrastructure Renewal Envelope	-	5,754
Curriculum Redevelopment	-	130
International Education	-	33
	<u>\$36,444</u>	<u>\$6,826</u>

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

Note 20 Pledges Receivable

As of March 31, 2000 the University has collected donations for the Library Information Network Centre in the amount of \$7,931 and the estimated realizable value of pledges receivable is \$1,607, totalling \$9,538 in support of the Library Information Network Centre. The pledges are expected to be received over the next two years.

Note 21 Contingencies

a) Liabilities:

The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of management and the University's legal counsel that adequate provision for these proceedings has been made in the University's accounts. It is believed that the resolution of the proceedings will not have a material effect on the financial position of the University, however, should any additional loss result from the resolution of these proceedings, such amounts would be charged against earnings in the year incurred.

b) Capital Projects:

The University commenced the following capital projects during the year. The projects will be completed in 2001. The projects will be funded from external grants and internal sources, as well as \$10,000 in long-term debt. The total budgets for the projects are:

Library Information Network Centre	\$34,500
Life Science Building	7,100
	<u>\$41,600</u>

Note 22 Comparative Figures

Certain 1999 figures have been reclassified to conform to 2000 financial statement presentation.

Note 23 Approval of Financial Statements

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