

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2001

(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.

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

Land improvements	10-25 years
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 the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings.

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

(h) Pledges Receivable

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

(i) Contributed Services

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

Note 3 Investments

	2001				2000			
	Cost	Market Value	Realized Return	Market Return	Cost	Market Value	Realized Return	Market Return
Cash and short term deposits	\$5,613	\$5,642	5.25%	7.50%	\$10,495	\$10,497	3.79%	5.50%
Bonds and debentures	22,626	22,695	7.22%	9.70%	21,072	20,326	4.81%	0.70%
Stocks	24,081	29,041	8.20%	15.01%	20,182	24,399	5.54%	10.25%
Other investments	97	97			97	97		
	<u>\$52,417</u>	<u>\$57,475</u>			<u>\$51,846</u>	<u>\$55,319</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:

	2001			2000		
	Cost	Market Value	Effective Yield	Cost	Market Value	Effective Yield
Short term (three years or less to maturity)	\$1,782	\$1,795	5.52%	\$4,128	\$4,081	5.71%
Medium term (four to ten years to maturity)	18,170	18,226	6.44%	13,634	13,053	5.89%
Long term (greater than ten years to maturity)	2,674	2,674	6.19%	3,310	3,192	6.23%
	<u>\$22,626</u>	<u>\$22,695</u>	5.75%	<u>\$21,072</u>	<u>\$20,326</u>	5.75%

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:

Permissible assets	Policy Standard	Allowable Ranges
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 thirty-seven years, with an average maturity date of six and one-half years.

Note 4 Capital Assets

	2001		2000	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$638	-	\$638	\$638
Buildings and land improvements	117,717	39,897	77,820	79,494
Construction projects	30,591	-	30,591	6,312
Furnishings and equipment	39,038	36,207	2,831	10,100
Learning resources	18,518	5,536	12,982	5,289
	<u>\$206,502</u>	<u>\$81,640</u>	<u>\$124,862</u>	<u>\$101,833</u>

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

Capital asset additions during the year included \$60 in donations in kind for Learning Resources (2000: \$25).

Note 5 Collection

	2001	2000
Balance, beginning of year	\$30,005	\$27,482
Donations	1,506	2,521
Acquisitions	32	2
Balance, end of year	<u>\$31,543</u>	<u>\$30,005</u>

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

Note 6 Accounts Payable

	2001	2000
Trade payables and accruals	\$3,788	\$1,949
Capital projects including holdbacks	5,664	1,176
	<u>\$9,452</u>	<u>\$3,125</u>

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:

	2001	2000
Balance, beginning of year	\$10,485	\$9,697
Contributions received	8,294	13,775
Transfer to:		
Revenue	(5,738)	(4,128)
Deferred capital contributions (Note 11)	(2,610)	(8,859)
Balance, end of year	<u>\$10,431</u>	<u>\$10,485</u>

Balance consists of:

	2001	2000
Operating (restricted grants)	\$4,265	\$3,900
Sponsored Research	3,635	2,762
Scholarships, Bursaries and Other	2,531	3,823
	<u>\$10,431</u>	<u>\$10,485</u>

Note 8 Long Term Debt

	Rate of Interest	Original Advance	Amount Outstanding	
			2001	2000
Bank of Montreal Mortgage for Dormitories due December 31, 2001	6.39%	\$950	\$165	\$369
Bank of Montreal Loan for Library and Information Network Centre, due July 1, 2026	6.82%	7,100	7,100	-
			7,265	369
Less: current portion			(268)	(204)
			<u>\$6,997</u>	<u>\$165</u>

The University has entered into an interest rate swap agreement with the Bank of Montreal whereby the University pays a fixed rate of interest. The agreement is for a total loan of \$10,000 of which \$7,100 had been drawn at March 31. Swap payments are reflected as interest expense and accounted for on an accrual basis.

Principal payments on long term debt during the next five years are as follows:

2002	\$268
2003	\$165
2004	\$176
2005	\$189
2006	\$202

Note 9 Accrued Liabilities

	2001	2000
Senior executive leaves	\$2,770	\$2,305
Supplementary benefit plan	220	142
Long-term disability benefits	108	-
	<u>3,098</u>	<u>2,447</u>
Less: current portion	(743)	(461)
	<u>\$2,355</u>	<u>\$1,986</u>

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

The supplementary benefit plan is a defined contribution plan.

Long-term disability benefits are calculated according to the terms of the negotiated contracts held with the various employee groups.

Payments in the next five years are approximately as follows:

2002	\$743
2003	\$705
2004	\$467
2005	\$242
2006	\$76

Note 10 Unfunded Staff Benefits

	2001	2000
Early retirement benefits	\$3,111	\$3,956
Less: current portion - early retirement benefits	(745)	(1,078)
	<u>\$2,366</u>	<u>\$2,878</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.

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

2002	\$745
2003	\$665
2004	\$524
2005	\$430
2006	\$303

Note 11 Deferred Capital Contributions

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

	2001	2000
Balance, beginning of year	\$12,736	\$5,432
Contributions received	10,374	7,304
Transfers from (to):		
Deferred Contributions (Note 7)	2,610	8,859
Unamortized Deferred Capital Contributions (Note 12)	(17,745)	(8,859)
Balance, end of year	<u>\$7,975</u>	<u>\$12,736</u>
	<u>2001</u>	<u>2000</u>
Balance consists of:		
Special Purpose - Capital	\$1,142	\$8,216
Restricted capital grants	6,833	4,520
	<u>\$7,975</u>	<u>\$12,736</u>

Special Purpose - Capital includes \$1,080 for the Library Information Network Centre which will be erected by September 2001 and \$62 in other Special Purpose funds.

Restricted capital grants are for the Library Information Network Centre and for the Life Sciences Building currently under construction.

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:

	2001	2000
Balance, beginning of year	\$72,008	\$67,660
Transfer from Deferred Capital Contributions (Note 11)	17,745	8,859
Amortization of deferred capital contributions	(4,564)	(4,511)
Balance, end of year	\$85,189	\$72,008

Note 13 Endowments

	2001			2000		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Cumulative contributions	\$7,668	\$882	\$8,550	\$7,539	\$802	\$8,341
Capitalized investment earnings	-	1,035	1,035	-	723	723
	\$7,668	\$1,917	\$9,585	\$7,539	\$1,525	\$9,064

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:

	2001	2000
OPERATING:		
Staff benefits	\$362	\$385
Academic development	232	1,029
Campus planning studies	209	163
International affairs	73	137
Utilities	200	200
Enrollment management	15	35
Program development	347	412
	1,438	2,361
CAPITAL:		
Capital replacement - Ancillary Services	3,718	2,335
Housing Services - residences	1,603	1,296
Capital equipment	1,886	1,469
Buildings and plant	727	904
Site and utilities	179	471
Utility conservation	276	230
Self insurance	149	131
Parking services	243	215
Service vehicles and equipment	44	64
	8,825	7,115
	\$10,263	\$9,476

Note 15 Investment Income

	2001	2000
Investment earnings on unrestricted resources	\$2,829	\$2,407
Investment earnings on internally restricted balances	88	148
Investment earnings on externally restricted balances	718	438
Investment earnings on endowments	312	236
Total investment earnings for the year	3,947	3,229
Less: deferred contributions	(60)	(245)
	\$3,887	\$2,984

Note 16 Salaries and Employee Benefits

	Average (salary and benefits)		2001				2000	
	2001	2000	FTE	Salary	Benefits	Total	FTE	Total
Board of Governors								
Chairperson of the Board			1.00	\$ -	\$ -	\$ -	1	-
Board Members			16.00	-	-	-	16	-
			17.00	-	-	-	17	-
Executives								
President			1.00	200	27	227	1	222
Vice-President (Academic)			1.00	171	25	196	1	169
Vice-President (Finance & Administration)			1.00	122	16	138	0.75	99
Dean of Management			1.00	170	21	191	1	171
Dean of Arts and Science			1.00	154	19	173	1	152
Dean of Education			1.00	115	22	137	1	148
			6.00	932	130	1,062	5.75	961
Academic staff								
Continuing positions	\$70	\$67	238.78	14,189	2,629	16,818	235.49	15,760
Other			203.44	9,811	920	10,731	197.91	9,800
			442.22	24,000	3,549	27,549	433.40	25,560
Administrative / professional staff								
Directors - Continuing	\$102	\$98	10.57	942	134	1,076	10.07	988
APO - Continuing	\$62	\$61	66.89	3,570	594	4,164	58.96	3,576
Other			21.09	1,158	143	1,301	19.99	1,175
			98.55	5,670	871	6,541	89.02	5,739
Support staff								
Continuing Positions	\$48	\$45	284.40	11,457	2,109	13,566	294.70	13,174
Other			36.91	1,038	80	1,118	31.70	851
			321.31	12,495	2,189	14,684	326.40	14,025
Accrual of senior executive leaves								
President			-	-	30	30	-	104
Vice-President (Academic)			-	-	106	106	-	64
Vice-President (Finance & Administration)			-	-	16	16	-	10
Dean of Management			-	-	52	52	-	40
Dean of Arts and Science			-	-	111	111	-	31
Dean of Education			-	-	19	19	-	43
Other Academic Staff			-	-	443	443	-	282
			-	-	777	777	-	574
TOTAL			885.09	\$43,097	\$7,516	\$50,613	871.57	\$46,859

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

Senior executive leaves are accrued based on years of service to the University as a senior administrator.

These leaves are normally taken at the end of the administrative service.

FTE

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

Note 17 Pension Costs

The pension expense recorded in these financial statements is equivalent to the University's annual contributions payable of \$2,270 for the year ended March 31, 2001 (2000 - \$2,134).

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings. At December 31, 2000 the Universities Academic Pension Plan reported a deficit of \$105,686 (1999 - \$109,238) and the Public Service Pension Plan reported a surplus of \$635,084 (1999 - \$517,020).

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 2000/01 budget was approved by the Board on March 23, 2000.

	2001		2000	
	Original Budget	TOTAL Actual	Original Budget	TOTAL Actual
REVENUE				
Grants	\$33,833	\$40,887	\$31,250	\$37,414
Tuition and related fees	20,087	23,037	16,932	21,120
Sales of services and products	7,735	8,208	6,189	7,523
Miscellaneous	1,478	2,443	2,971	2,297
Investment income	2,382	3,887	3,020	2,984
Gifts and donations	3,357	952	1,151	483
Amortization of deferred capital contributions	6,628	4,564	3,000	4,511
	<u>75,500</u>	<u>83,978</u>	<u>64,513</u>	<u>76,332</u>
EXPENSE				
Salaries and benefits	47,216	50,613	38,966	46,859
Scholarships and bursaries	1,431	1,436	1,302	1,443
Supplies and services	5,300	6,173	6,119	5,732
Cost of goods sold	2,438	2,584	2,228	2,420
Travel	1,579	2,202	1,356	2,021
External contracted services	1,959	1,791	1,153	1,864
Utilities	1,867	2,117	1,811	1,323
Professional fees	310	549	283	438
Interest on long term liabilities	268	421	30	229
Insurance	391	155	113	140
Property taxes	170	141	180	137
Loss on disposal of capital assets	-	15	-	60
Amortization of capital assets	8,119	8,483	5,508	7,792
Provisions	3,968	-	4,800	-
	<u>75,016</u>	<u>76,680</u>	<u>63,849</u>	<u>70,458</u>
	<u>\$ 484</u>	<u>\$ 7,298</u>	<u>\$ 664</u>	<u>\$ 5,874</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 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, 2001.

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 Ministers of Alberta Learning, Alberta Innovation and Science and Alberta Infrastructure. Transactions between the University and the Province are disclosed as follows:

	Unrestricted	Restricted
Operating grant	\$32,581	\$ -
One-Time Energy Rebate	543	-
Performance Funding Envelope	706	-
Progress Award	389	-
Unfunded Enrolment Growth	266	-
Access Fund	3,026	3,000
Alberta Network of Proteomics	-	1,000
Curriculum Redevelopment	-	161
Infrastructure Renewal Envelope	-	4,267
Intellectual Infrastructure	-	128
Research Excellence Envelope	-	420
International Education	-	18
Research Investment Program	-	142
Strategic Research Initiatives	-	160
	<u>\$37,511</u>	<u>\$9,296</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, 2001 the estimated realizable value of pledges receivable is \$926 in support of the Library Information Network Centre. The pledges are expected to be received over the next year and have not been recorded in the financial statements.

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:

As of March 31, 2001 the estimated cost to complete construction in progress for the extension of plant facilities is approximately \$12,139 (2000 -- \$36,417) . These costs will be financed by gifts, grants, internal sources, as well as \$2,900 in long-term debt. Details of the cost to complete construction in progress are as follows:

	2001	2000
Library Information Network Centre	\$8,714	\$27,857
Life Sciences Building	3,425	8,560
	<u>\$12,139</u>	<u>\$36,417</u>

Note 22 Adjustment to Prior Period

During the year the University changed its method of accounting for unrealized foreign exchange gains and losses on investments. These are not included in income. Only realized foreign exchange gains and losses are recognized in income. This change has been applied retroactively and prior periods have been restated to reflect this change.

The University also changed its accounting policy for faculty vacation liability whereby an estimate of vacation entitlement outstanding is now accrued in the financial statements. This change has been applied retroactively.

As a result of these changes, the University's financial statements for the year ended March 31, 2000 have been restated as follows:

	2000			
	As Previously Reported	Unrealized Exchange Gains/Losses Increase (Decrease)	Vacation Accrual Increase (Decrease)	As Restated
<u>Statement of Operations</u>				
Revenue	\$75,298	\$1,034	\$ -	\$76,332
Expenses	70,424	-	34	70,458
Excess of revenue over expense	4,874	1,034	(34)	5,874
<u>Statement of Financial Position</u>				
Investments	51,631	215	-	51,846
Accrued payroll liabilities	1,436	-	927	2,363
Unrestricted net assets	6,505	215	(927)	5,793
<u>Statement of Changes in Net Assets</u>				
Net assets at beginning of year	76,964	(819)	(893)	75,252
Net assets at end of year	84,506	215	(927)	83,794
<u>Statement of Cash Flows</u>				
Excess of revenue over expense	4,874	1,034	(34)	5,874
Increase (decrease) in non-cash operating working capital	(1,175)	-	34	(1,141)
Purchase of investments (net)	(2,949)	(1,034)	-	(3,983)

Note 23 Comparative Figures

Certain 2000 figures have been reclassified to conform to 2001 financial statement presentation.

Note 24 Approval of Financial Statements

These financial statements have been approved by the Board of Governors.