

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2002
(thousands of dollars)

Note 1 Authority and Purpose

The University of Lethbridge (the "University") operates under the authority of the Universities Act, Chapter U-3, Revised Statutes of Alberta 2000 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 Canadian 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 other than a 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 when a fair value is reasonably determinable. Where a fair value is not reasonably determinable the assets are recorded at nominal value.

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

Land improvements	10-25 years
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.

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

Note 3 Investments

	2002				2001			
	Cost	Market Value	Realized Return	Market Return	Cost	Market Value	Realized Return	Market Return
Cash and short term deposits	\$ 7,107	\$ 7,109	2.69%	3.60%	\$ 5,613	\$ 5,642	5.25%	7.50%
Bonds and debentures	22,338	22,108	5.63%	5.20%	22,626	22,695	7.22%	9.70%
Stocks	27,053	33,585	4.28%	11.26%	24,081	29,041	8.20%	15.01%
Other investments	177	177			97	97		
	<u>\$ 56,675</u>	<u>\$ 62,979</u>			<u>\$ 52,417</u>	<u>\$ 57,475</u>		

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

Foreign exchange gains of \$123 were realized during the year (2001: \$42). As of March 31 net unrealized exchange gains totalled \$1,207 (2001: \$1,081).

Bonds and debentures consists of the following:

	2002			2001		
	Cost	Market Value	Effective Yield	Cost	Market Value	Effective Yield
Short term (three years or less to maturity)	-	-	-	\$1,782	\$1,795	5.52%
Medium term (four to ten years to maturity)	18,531	18,360	5.68%	18,170	18,226	6.44%
Long term (greater than ten years to maturity)	3,807	3,748	6.01%	2,674	2,674	6.19%
	<u>\$ 22,338</u>	<u>\$ 22,108</u>	5.73%	<u>\$ 22,626</u>	<u>\$ 22,695</u>	5.75%

The Board of Governors, through its Finance 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 twenty-eight years, with an average maturity date of seven and one-half years.

Note 4 Interest in Joint Venture

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

The University's equity interest in the Campus Alberta: Graduate Program in Counselling at March 31, 2002 is \$80, which is one-third of the net of total revenues of \$498 less total expenses of \$256 for the period from commencement of operations on April 1, 2001 to March 31, 2002.

At March 31, 2002 the University's share of the joint venture's assets and liabilities are:

ASSETS	
Current assets	\$ 209 *
Capital assets	8
	<u>\$ 217</u>
LIABILITIES AND JOINT VENTURE INTEREST	
Current liabilities	\$ 129
Deferred capital contributions	8
Joint venture interest	80
	<u>\$ 217</u>

* included in current assets is a receivable of \$159 from Athabasca University, a related party, for operating funds that are being administered on behalf of the joint venture

Note 5 Capital Assets

	2002			2001	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Net Book Value
Land	\$ 638	-	\$ 638	\$ 638	\$ 638
Buildings and land improvements	161,455	44,763	116,692	77,820	77,820
Construction projects	366	-	366	30,591	30,591
Furnishings and equipment	44,882	31,019	13,863	2,831	2,831
Learning resources	19,454	13,677	5,777	12,982	12,982
	<u>\$ 226,795</u>	<u>\$ 89,459</u>	<u>\$ 137,336</u>	<u>\$ 124,862</u>	<u>\$ 124,862</u>

Construction projects include renovation of the vacated Library space.

Capital asset additions during the year included \$10 in donations in kind for Learning Resources (2001: \$60).

Note 6 Collection

	2002	2001
Balance, beginning of year	\$ 31,543	\$ 30,005
Donations	856	1,506
Acquisitions	25	32
Balance, end of year	<u>\$ 32,424</u>	<u>\$ 31,543</u>

The collection contains in excess of 13,000 pieces of artwork.

Note 7 Change in Non-Cash Operating Working Capital

	2002	2001
Accounts receivable	\$ (703)	\$ (299)
Inventories	(186)	31
Prepaid expenses	14	(36)
Accounts payable	1,222	1,839
Accrued payroll liabilities	519	143
Deferred revenue	(140)	89
Deferred tuition fees	511	93
Deferred contributions	(4,730)	1,121
	<u>\$ (3,493)</u>	<u>\$ 2,981</u>

Note 8 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:

	2002	2001
Balance, beginning of year	\$ 10,978	\$ 9,857
Contributions received	7,899	8,732
Transfer to:		
Non-amortizable collection	(25)	-
Revenue	(6,414)	(3,712)
Deferred Capital Contributions (Note 11)	(6,190)	(3,899)
Balance, end of year	<u>\$ 6,248</u>	<u>\$ 10,978</u>

Balance consists of:

	2002	2001
Operating (restricted grants)	\$ 234	\$ 4,263
Sponsored Research	3,697	3,624
Special Purpose	512	1,098
Scholarships, Bursaries and Other	1,805	1,993
	<u>\$ 6,248</u>	<u>\$ 10,978</u>

Note 9 Long Term Debt

	Rate of Interest	Original Advance	Amount Outstanding	
			2002	2001
Bank of Montreal Mortgage for Dormitories due December 31, 2001	6.39%	\$ 950	\$ -	\$ 165
Bank of Montreal Loan for Library and Information Network Centre, due July 1, 2026	6.82%	\$ 10,000	9,910	7,100
			9,910	7,265
Less: current portion			(164)	(268)
			<u>\$ 9,746</u>	<u>\$ 6,997</u>

The Bank of Montreal loan for the Library and Information Network Centre is an interest rate swap agreement whereby the University pays a fixed rate of interest. Swap payments are reflected as interest expense and accounted for on an accrual basis.

According to the long-term debt agreement, principal payments during the next five years are as follows:

2003	\$164
2004	175
2005	187
2006	201
2007	215

Subsequent to the year end the Board of Governors approved a motion to terminate the long-term debt agreement (see Note 23).

Note 10 Unfunded Staff Benefits

	2002	2001
Early retirement benefits	\$ 2,299	\$ 3,111
Senior administrative leaves	2,975	2,770
Supplementary benefit plan	354	220
Long-term disability benefits	100	108
	<u>5,728</u>	<u>6,209</u>
Less: current portion	(1,632)	(1,488)
	<u>\$ 4,096</u>	<u>\$ 4,721</u>

In prior years there were four early retirement benefit offerings, with payments from year 1989 to 2013. Early retirement benefits are carried at their net present value. The discount rate used for early retirement benefits is the blended realized rate of return earned on internally and externally managed investments. This rate was 5.5% in 2002. As the net present value of any remaining benefits is paid to the retiree's beneficiary in the case of death, no actuarial assumptions are required to determine the value of the debt.

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 for unfunded staff benefits are approximately as follows:

2003	\$ 1,632
2004	1,297
2005	774
2006	451
2007	386

Note 11 Deferred Capital Contributions

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

	2002	2001
Balance, beginning of year	\$ 6,833	\$ 12,736
Contributions received	6,797	7,943
Transfers from (to):		
Deferred Contributions (Note 8)	6,190	3,899
Unamortized Deferred Capital Contributions (Note 12)	(13,243)	(17,745)
Balance, end of year	<u>\$ 6,577</u>	<u>\$ 6,833</u>

Restricted capital includes grants received for infrastructure renewal and the vacated library renovation and donations toward an art gallery.

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:

	2002	2001
Balance, beginning of year	\$ 85,189	\$ 72,008
Transfer from Deferred Capital Contributions (Note 11)	13,243	17,745
Amortization of deferred capital contributions	(5,086)	(4,564)
Balance, end of year	<u>\$ 93,346</u>	<u>\$ 85,189</u>

Note 13 Endowments

	2002			2001		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Contributions	\$ 7,941	\$ 982	\$ 8,923	\$ 7,668	\$ 882	\$ 8,550
Capitalized investment earnings	1,301	-	1,301	1,035	-	1,035
	<u>\$ 9,242</u>	<u>\$ 982</u>	<u>\$ 10,224</u>	<u>\$ 8,703</u>	<u>\$ 882</u>	<u>\$ 9,585</u>

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:

	2002	2001
OPERATING:		
Staff benefits	\$ 362	\$ 362
Academic development	218	232
Campus planning studies	73	209
International affairs	8	73
Utilities	420	200
Enrollment management	15	15
Program development	472	347
	<u>1,568</u>	<u>1,438</u>
CAPITAL:		
Capital replacement - Ancillary Services	4,269	3,718
Housing Services - residences	1,632	1,603
Capital equipment	1,844	1,886
Buildings and plant	105	727
Site and utilities	183	179
Utility conservation	110	276
Self insurance	133	149
Parking services	75	243
Service vehicles and equipment	34	44
	<u>8,385</u>	<u>8,825</u>
	<u>\$ 9,953</u>	<u>\$ 10,263</u>

Note 15 Investment Income

	2002	2001
Total investment earnings for the year	\$ 3,210	\$ 4,133
Transfers to:		
Endowments	(267)	(312)
Investment management fees	(181)	(187)
Deferred contributions	(15)	(60)
	<u>\$ 2,747</u>	<u>\$ 3,574</u>

Note 16 Salaries and Employee Benefits

	Average (salary and benefits) 2002	2001	2002			2001			
			FTE	Salary	Benefits	Total	FTE	Total	
Board of Governors									
Chairperson of the Board			1	\$ -	\$ -	\$ -	-	1	\$ -
Board Members			18	-	-	-	-	16	-
			19	-	-	-	-	17	-
Executives									
President			1	214	24	238		1	227
Vice-President (Academic)			1	186	29	215		1	196
Vice-President (Finance & Administration)			1	135	19	154		1	138
Dean of Management			1	186	23	209		1	191
Dean of Graduate Studies			1	137	18	155		1	142
			5	858	113	971		5	894
Academic staff									
Continuing positions	\$ 78	\$ 73	266	17,282	3,599	20,881		241	17,462
Other			240	9,899	1,585	11,484		203	11,205
			506	27,181	5,184	32,365		444	28,667
Administrative / professional staff									
Directors - Continuing	\$ 110	\$ 102	10	935	121	1,056		11	1,076
APO - Continuing	\$ 62	\$ 62	79	4,241	664	4,905		67	4,164
Other			16	644	101	745		21	1,301
			105	5,820	886	6,706		99	6,541
Support staff									
Continuing Positions	\$ 48	\$ 46	300	12,663	1,819	14,482		283	13,046
Other			37	796	77	873		37	1,118
			337	13,459	1,896	15,355		320	14,164
Accrual of senior administrative leaves									
President					47	47			30
Vice-President (Academic)					76	76			106
Vice-President (Finance & Administration)					45	45			16
Dean of Management					55	55			52
Dean of Graduate Studies					57	57			59
					280.00	280.00			263
TOTAL			972	\$ 47,318	\$ 8,359	\$ 55,677		885	\$ 50,529

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 ADMINISTRATIVE 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 pension expense recorded in these financial statements is equivalent to the University's annual contributions payable of \$2,544 for the year ended March 31, 2002 (2001 - \$2,270).

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, 2001 the Universities Academic Pension Plan reported a deficit of \$151,966 (2000 - \$109,495) and the Public Service Pension Plan reported a surplus of \$320,487 (2000 - \$635,084).

Note 18 Budget

The University is required to submit a budget, approved by the Board of Governors of the University, to the Minister of Alberta Learning for his approval. The 2001/02 budget was approved by the Board on April 26, 2001.

Unrestricted Funds Budget

	2002								2001	
	General Operating		Ancillary Services		Access & Other		Total		Original Budget	Total Actual
	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual		
REVENUE										
Grants	\$ 36,498	\$ 40,573	\$ -	\$ 15	\$ 1,376	\$ 4,805	\$ 37,874	\$ 45,393	\$ 33,210	\$ 37,681
Tuition and related fees	19,300	21,626	-	842	626	1,730	19,926	24,198	19,461	23,037
Sales of services and products	1,673	1,704	7,289	7,653	1	37	8,963	9,394	7,734	8,024
Miscellaneous	279	1,850	105	35	196	152	580	2,037	598	1,862
Investment income	1,355	2,322	134	124	50	52	1,539	2,498	1,525	2,924
Gifts and donations	-	36	-	145	-	77	-	258	-	134
Amortization of deferred capital contributions	6,628	5,086	-	-	-	-	6,628	5,086	6,628	4,564
	\$65,733	73,197	7,528	8,814	2,249	6,853	75,510	88,664	69,156	78,226
EXPENSE										
Salaries and benefits	44,439	47,012	2,257	3,091	1,377	2,930	48,073	53,033	44,359	48,526
Scholarships, fellowships and bursaries	592	915	-	-	51	244	643	1,159	541	815
Supplies and services	3,714	3,680	616	1,450	271	557	4,601	5,687	4,163	3,985
Cost of goods sold	195	167	2,479	2,741	-	-	2,674	2,908	2,438	2,584
Travel	750	1,327	254	368	28	265	1,032	1,960	954	1,761
Utilities	1,699	2,092	353	324	-	56	2,052	2,472	1,864	2,117
External contracted services	967	1,012	627	429	-	58	1,594	1,499	1,449	1,435
Repairs and maintenance	-	873	-	52	-	2	-	927	-	492
Professional fees	299	458	-	69	-	19	299	546	273	347
Interest on long term liabilities	250	206	4	3	-	15	254	224	268	421
Insurance	105	148	332	13	-	3	437	164	390	150
Property taxes	1	11	149	134	-	8	150	153	170	141
Loss on disposal of capital assets	-	59	-	2	-	-	-	61	-	15
Amortization of capital assets	8,829	9,359	124	167	120	-	9,073	9,526	7,999	8,483
Provisions	3,752	-	52	-	166	-	3,970	-	3,804	-
	65,592	67,319	7,247	8,843	2,013	4,157	74,852	80,319	68,672	71,272
EXCESS OF REVENUE OVER EXPENSE	\$ 141	\$ 5,878	\$ 281	\$ (29)	\$ 236	\$ 2,696	\$ 658	\$ 8,545	\$ 484	\$ 6,954
(EXPENSE OVER REVENUE)										

The 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.

Restricted Funds Budget

	2002		2001	
	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE				
Grants	\$ 3,137	\$ 6,284	\$ 2,624	\$ 2,738
Tuition and related fees	-	-	626	-
Sales of services and products	-	-	-	-
Miscellaneous	784	160	881	202
Investment income	832	249	856	650
Gifts and donations	644	246	1,357	803
Amortization of deferred capital contributions	-	-	-	-
	5,397	6,939	6,344	4,393
EXPENSE				
Salaries and benefits	2,494	2,644	2,856	2,003
Scholarships, fellowships and bursaries	752	991	890	621
Supplies and services	911	873	1,137	749
Cost of goods sold	-	-	-	-
Travel	742	546	626	441
Utilities	3	-	3	-
External contracted services	457	204	509	356
Repairs and maintenance	-	1,071	-	16
Professional fees	37	92	37	202
Interest on long term liabilities	-	500	-	-
Insurance	1	16	1	5
Property taxes	-	2	-	-
Loss on disposal of capital assets	-	-	-	-
Amortization of capital assets	-	-	120	-
Provisions	-	-	165	-
	5,397	6,939	6,344	4,393
EXCESS OF REVENUE OVER EXPENSE	\$ -	\$ -	\$ -	\$ -

Total Unrestricted and Restricted Funds Budgets

	2002		2001	
	Original Budget	Total Actual	Original Budget	Total Actual
Grants	\$ 41,011	\$ 51,677	\$ 35,834	\$ 40,419
Tuition and related fees	19,926	24,198	20,087	23,037
Sales of services and products	8,963	9,394	7,734	8,024
Miscellaneous	1,364	2,197	1,479	2,064
Investment income	2,371	2,747	2,381	3,574
Gifts and donations	644	504	1,357	937
Amortization of deferred capital contributions	6,628	5,086	6,628	4,564
	80,907	95,803	75,500	82,619
Salaries and benefits	50,567	55,677	47,215	50,529
Scholarships, fellowships and bursaries	1,395	2,150	1,431	1,436
Supplies and services	5,512	6,560	5,300	4,734
Cost of goods sold	2,674	2,908	2,438	2,584
Travel	1,774	2,506	1,580	2,202
Utilities	2,055	2,472	1,867	2,117
External contracted services	2,051	1,703	1,958	1,791
Repairs and maintenance	-	1,998	-	508
Professional fees	336	638	310	549
Interest on long term liabilities	254	724	268	421
Insurance	438	180	391	155
Property taxes	150	155	170	141
Loss on disposal of capital assets	-	61	-	15
Amortization of capital assets	9,073	9,526	8,119	8,483
Provisions	3,970	-	3,969	-
	80,249	87,258	75,016	75,665
EXCESS OF REVENUE OVER EXPENSE	\$ 658	\$ 8,545	\$ 484	\$ 6,954

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

Note 19 Related Party Transactions

a) University of Lethbridge Foundation

On January 27, 1999 the Trustees approved the wind-up of the Foundation in anticipation of the repeal of the Advanced Education Foundations Act. The Trustees have requested Alberta Learning to make provisions in legislation that any residual assets of the Foundation and any bequests, testamentary gifts or similar benefits to the University of Lethbridge Foundation become the property of the Board of Governors of The University of Lethbridge. Consequently, there was no activity in the Foundation during the year and no assets were held by the Foundation as at March 31, 2002.

b) Province of Alberta

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

	Unrestricted	Restricted
Operating grants	\$ 37,454	\$ -
Access Fund	4,805	1,400
Faculty and Staff Retention	1,525	
Progress Award	405	-
Unfunded Enrolment Growth	272	-
One-Time Energy Rebate	153	-
Campus Alberta Graduate Program	117	-
Infrastructure Renewal Envelope		4,227
Strategic Research Initiative		950
Research Excellence Envelope		210
Research Investment Program		112
Curriculum Redevelopment		105
International Education		4
Total Contributions Received	44,731	7,008
Less: Deferred Contributions	(100)	(282)
Deferred Capital Contributions		(3,396)
Transferred to Statement of Operations	<u>\$ 44,631</u>	<u>\$ 3,330</u>

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

The total contributions received for unrestricted grants includes \$748 in accounts receivable.

In 2002 and 2001 the University participated in offering certain courses with other public colleges, universities and institutes. The revenues and expenses incurred for these courses have been included in the statement of operations but have not been separately disclosed.

During 2002, the University entered into an arrangement with Athabasca University and University of Calgary to offer a graduate program in Counselling. These transactions were entered into on the same business terms as with non-related parties and are recorded at their fair value amounts. The University's share of revenue and expenses have been recorded using the equity method of accounting (Note 4).

Note 20 Pledges Receivable

As of March 31, 2002 the estimated realizable value of pledges receivable is \$378 in support of the Library and Information Network Centre. The pledges are expected to be received over the next two years and have not been recorded in the financial statements.

Note 21 Contingencies and Commitments

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.

In order to manage its exposure to the volatility in the electrical industry, the University entered into a five-year contract effective January 1, 2001 to fix its electrical cost at an average cost of \$0.112 per KWh. The total cost for the year ending March 31, 2003 is expected to be \$1,900.

At March 31, 2002 a major construction project was in progress to renovate the former University Hall Library to be used for classrooms, labs and offices. Funding for the project includes \$4,700 in capital grants and \$107 from internal sources. The cost to complete this project as of March 31 was \$3,908.

Note 22 Adjustment to Prior Period

- a) An adjustment was made to the 2001 financial statements for investment earnings that are capitalized to endowments. These are now shown as direct increases to Endowments and are not included in investment income.
- b) The University identified a number of restricted funds in which previous accounting treatment had resulted in a misallocation between deferred contributions, deferred capital contributions and unrestricted net assets in prior periods. These balances and certain expense transactions that occurred in 2001 were reallocated to unrestricted funds or between restricted funds during the current fiscal year. In addition, certain funds were determined to be held by external parties and were excluded from the financial statements.

As a result of these changes, the University's financial statements for the year ended March 31, 2001 have been restated as follows:

	2001			As Restated
	As Previously Reported	Capitalized Endowment Earnings Increase (Decrease)	Reallocation of Restricted Items Increase (Decrease)	
<u>Statement of Operations</u>				
Excess of revenue over expense	7,298	(312)	(32)	6,954
<u>Statement of Financial Position</u>				
Cash and cash equivalents	10,190	-	(118)	10,072
Accounts receivable	3,913	-	(6)	3,907
Accounts payable	3,788	-	(2)	3,786
Accrued payroll liabilities	2,504	-	(5)	2,499
Deferred contributions	10,431	-	547	10,978
Deferred capital contributions	7,975	-	(1,142)	6,833
Unrestricted net assets	8,951	-	478	9,429
<u>Statement of Changes in Net Assets</u>				
Net assets at beginning of year	83,794	-	510	84,304
Net assets at end of year	92,750	-	478	93,228

Note 23 Subsequent Event

On May 9, 2002, in order to reduce interest costs, the Board of Governors approved a motion to self-finance the long-term debt on the Library and Information Network Centre. The interest rate swap agreement with the Bank of Montreal will be terminated on approximately June 30, 2002, at which time the remaining principal will be \$9,856. The termination of the swap agreement will result in a penalty of approximately \$600 to be paid by the University. The debt and penalty will be paid from the University's internal resources as follows:

Internally Restricted Net Assets	
Operating	\$ 878
Capital	4,712
Unrestricted Net Assets	4,866
	<u>\$ 10,456</u>

The University will draw on its cash and unrestricted investment balances to self-finance the debt. The University anticipates that it will replenish a total of \$7,511 to its depleted net asset balances over a nine-year period through allocations from the yearly operating budget.

Note 24 Comparative Figures

Certain 2001 figures have been reclassified to conform to 2002 financial statement presentation.

Note 25 Approval of Financial Statements

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