

The University of Lethbridge

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2003

(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. 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.

(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 is calculated on a straight-line basis from acquisition date to maturity. Capital gains or losses are recognized in the year of disposal or when there is other than a temporary decline in the value of the investment.

(e) Capital Assets

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.

(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.

(j) Financial Instruments

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

(k) Credit, Interest Rate and Market Risk

The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the University's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

The market risk is the risk to the University's earnings that arises from the fluctuations and degree of volatility in the market value of its long term investments.

Note 3 Investments

	2003				2002			
	Carrying Value	Market Value	Realized Return	Market Return	Carrying Value	Market Value	Realized Return	Market Return
Cash and short term deposits	\$6,491	\$6,491	0.76%	0.90%	\$7,107	\$7,109	2.69%	3.60%
Bonds and debentures	18,861	19,425	6.41%	10.40%	22,338	22,108	5.63%	5.20%
Stocks	23,248	23,366	6.25%	-23.56%	27,053	33,585	4.28%	9.30%
Other investments	219	219			177	177		
	<u>\$48,819</u>	<u>\$49,501</u>			<u>\$56,675</u>	<u>\$62,979</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.

The carrying value of stocks was written down by \$2,755 at March 31, 2003 to recognize declines in market value that are considered to be other than temporary.

Foreign exchange gains of \$45 were realized during the year (2002: \$123). As of March 31 net unrealized exchange losses totalled \$608 (2002: \$1,207 unrealized gains).

Bonds and debentures consists of the following:

	2003			2002		
	Carrying Value	Market Value	Effective Yield	Carrying Value	Market Value	Effective Yield
Short term (three years or less to maturity)	\$ 151	\$ 154	3.30%	-	-	-
Medium term (four to ten years to maturity)	13,221	13,660	5.61%	18,531	18,360	5.68%
Long term (greater than ten years to maturity)	5,489	5,611	5.86%	3,807	3,748	6.01%
	<u>\$ 18,861</u>	<u>\$ 19,425</u>	5.66%	<u>\$22,338</u>	<u>\$22,108</u>	5.73%

The Board of Governors, through its Finance Committee, monitors the performance of the investment manager 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, on a quarterly basis, the investment portfolio's performance and the investment manager's compliance to the Policy.

Investments are managed by an investment manager. The investment portfolio consists of a balanced fund.

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 must 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 five years. Bonds in the portfolio have maturity dates between three and twenty-six years, with an average maturity date of seven 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 in the accumulated earnings of the joint venture at March 31, 2003 is \$123 (2002 - \$80) and is included in Other Investments (Note 3).

At March 31, 2003 the University's share of the joint venture's assets and liabilities are:

	2003	2002
Current assets ⁽¹⁾	\$ 282	\$ 209
Capital assets	10	8
	<u>\$ 292</u>	<u>\$ 217</u>
Current liabilities	\$ 159	\$ 129
Deferred capital contributions	10	8
Joint venture interest	123	80
	<u>\$ 292</u>	<u>\$ 217</u>

⁽¹⁾ included in current assets is a receivable of \$137 (2002 - \$159) from Athabasca University, a related party, for operating funds that are being administered on behalf of the joint venture

The University's share of joint venture earnings for the year ending March 31, 2003 is \$32 which is one-third of the net of total revenues of \$872 less total expenses of \$776.

At March 31, 2003 Athabasca University has a joint venture net liability of \$287 (2002 - \$398), comprising \$410 (2002 - \$478) operating funds belonging to the Joint Venture less \$123 (2002 - \$80) of the University's equity in accumulated earnings.

Note 5 Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 638	\$ -	\$ 638	\$ 638
Buildings and land improvements	166,469	50,176	116,293	116,692
Construction projects	1,011	-	1,011	366
Furnishings and equipment	44,263	29,696	14,567	13,863
Learning resources	20,600	14,511	6,089	5,777
	<u>\$ 232,981</u>	<u>\$ 94,383</u>	<u>\$ 138,598</u>	<u>\$ 137,336</u>

Construction projects include the new residences as well as planning costs for the Cultural/Wellness Centre and the Centre for Leadership and Change.

Capital asset additions during the year included \$73 in donations in kind for learning resources (2002: \$10), and \$330 in donations in kind for furnishings and equipment (2002 - \$0).

Note 6 Collection

	2003	2002
Balance, beginning of year	\$ 32,424	\$ 31,543
Donations	479	856
Acquisitions	2	25
Balance, end of year	<u>\$ 32,905</u>	<u>\$ 32,424</u>

The art collection contains approximately 14,000 objects.

Note 7 Deferred Contributions

Deferred contributions represent contributions received for restricted purposes that remain unspent at March 31. Changes in the deferred contributions balance are as follows:

	2003	2002
Balance, beginning of year	\$ 6,248	\$ 10,978
Contributions received	8,409	7,899
Transfer to:		
Non-amortizable collection	-	(25)
Revenue	(6,766)	(6,414)
Deferred Capital Contributions (Note 10)	(1,903)	(6,190)
Balance, end of year	<u>\$ 5,988</u>	<u>\$ 6,248</u>

Balance consists of:

	2003	2002
Operating (restricted grants)	\$ -	\$ 234
Sponsored Research	3,554	3,697
Special Purpose	526	512
Scholarships, Bursaries and Other Trust Funds	1,908	1,805
	<u>\$ 5,988</u>	<u>\$ 6,248</u>

Note 8 Long Term Debt

	Rate of Interest	Original Advance	Amount Outstanding	
			2003	2002
Bank of Montreal Loan for Library and Information Network Centre, due July 1, 2026	6.82%	10,000	-	9,910
			-	9,910
Less: current portion			-	(164)
			<u>\$ -</u>	<u>\$ 9,746</u>

The Bank of Montreal long-term debt agreement was terminated during the year.

In February 2003 the Board of Governors approved a motion to borrow \$4 million for a student housing project (see Note 21). The loan was taken out in April 2003 and is payable at 6% over 20 years. Payments will be \$349 per year.

Note 9 **Unfunded Staff Benefits**

	2003	2002
Early retirement benefits	\$ 1,658	\$ 2,299
Senior administrative leaves	3,042	2,975
Supplementary benefit plan	509	354
Long-term disability benefits	101	100
	<u>5,310</u>	<u>5,728</u>
Less: current portion	(1,302)	(1,632)
	<u>\$ 4,008</u>	<u>\$ 4,096</u>

Early retirement benefits, senior administrative leaves and long-term disability benefits are carried at their net present value. The discount rate used is the blended realized rate of return earned on externally managed investments. The current rate for the year was 5.5%.

The net present value of any remaining early retirement benefits is paid to the retiree's beneficiary in the case of death. Therefore, no actuarial assumptions are used to determine the value of the benefits.

Senior administrative 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:

2004	\$ 1,302
2005	546
2006	493
2007	357
2008	192

Note 10 **Deferred Capital Contributions**

Deferred capital contributions represent capital funds received from external sources for specific purposes that remain unspent at March 31. Changes in the deferred capital contributions balance are as follows:

	2003	2002
Balance, beginning of year	\$ 6,577	\$ 6,833
Contributions received	1,551	6,797
Transfers from (to):		
Deferred Contributions (Note 7)	1,903	6,190
Unamortized Deferred Capital Contributions (Note 11)	(4,923)	(13,243)
Balance, end of year	<u>\$ 5,108</u>	<u>\$ 6,577</u>

The deferred contributions balance includes grants received for infrastructure renewal and donations toward the Cultural/Wellness Centre and the Centre for Leadership and Change.

Note 11 Unamortized Deferred Capital Contributions

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

	2003	2002
Balance, beginning of year	\$ 93,346	\$ 85,189
Transfer from (to)		
Deferred Capital Contributions (Note 10)	4,923	13,243
Revenue		
Amortization of deferred capital contributions	(6,009)	(5,069)
Capital asset disposals (net)	(85)	(17)
Balance, end of year	<u>\$ 92,175</u>	<u>\$ 93,346</u>

Note 12 Endowments

	2003			2002		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Contributions	\$8,085	\$1,072	\$9,157	\$7,941	982	8,923
Capitalized investment income	1,514	91	1,605	1,240	61	1,301
	<u>\$9,599</u>	<u>\$1,163</u>	<u>\$10,762</u>	<u>9,181</u>	<u>1,043</u>	<u>10,224</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 13 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the Board of Governors for specific needs such as one-time expenditures for increasing efficiency, reducing costs or providing for contingencies.

	2003	2002
OPERATING:		
Staff training and development	\$ 175	\$ 362
Academic development	20	218
Campus planning studies	160	73
International affairs	6	8
Utilities contingency - rate increases	50	420
Enrollment management	-	15
Program development	146	472
	<u>557</u>	<u>1,568</u>
CAPITAL:		
Capital replacement - Ancillary Services	2,168	4,269
Housing Services - residences	895	1,632
Capital equipment	725	1,844
Buildings and plant	193	105
Site and utilities	37	183
Utility conservation	170	110
Self insurance	178	133
Parking services	273	75
Service vehicles and equipment	64	34
	<u>4,703</u>	<u>8,385</u>
	<u>\$ 5,260</u>	<u>\$ 9,953</u>

During the year \$5,590 was withdrawn from internally restricted net assets to self-finance the long-term debt for the Library and Information Network Centre. The University will replenish \$4,011 of this amount to internally restricted net assets over the next nine years through allocations from the yearly operating budget as follows:

2004	\$375
2005	375
2006	375
2007	374
2008	370
2009	355
2010	357
2011	855
2012	575

Note 14 Investment Income

	2003	2002
Total investment income for the year	\$ 2,944	\$ 3,029
Transfers to:		
Endowments - externally restricted	(274)	(267)
Deferred contributions	(61)	(15)
Total investment income recognized as revenue	<u>\$ 2,609</u>	<u>\$ 2,747</u>

Note 15 Salaries and Employee Benefits

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of certain salary and employee benefit information.

	2003			2002
	Salary ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total	Total
Board of Governors ⁽³⁾	\$ -	\$ -	\$ -	\$ -
President ⁽⁴⁾	200	70	270	247
Executives				
Vice-President (Academic) ⁽⁴⁾	188	50	238	221
Vice-President (Finance & Administration)	151	30	181	161
Dean of Management ⁽⁵⁾	205	33	238	213
Dean of Graduate Studies	148	24	172	159
Accrual of senior administrative leaves ⁽⁶⁾				
President		58	58	52
Vice-President (Academic)		77	77	71
Vice-President (Finance & Administration)		43	43	36
Dean of Management ⁽⁷⁾		33	33	54
Dean of Graduate Studies		65	65	58

⁽¹⁾ Salary includes regular base pay, administrative stipends and any other direct remuneration.

⁽²⁾ Benefits and allowances include 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, vision care plan, supplementary benefit plan and professional supplement allowance.

⁽³⁾ Members of the Board of Governors receive no remuneration for participation on the Board.

⁽⁴⁾ Benefits and allowances figure includes housing allowance.

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

⁽⁶⁾ Leaves are accrued for senior administrators at a rate of one month for every five months served. During the leave, all salaries and benefits excluding any housing allowances are paid. Cash payments in lieu of administrative leave are not permitted, nor is it possible under Board policy to work for another institution or organization while on leave. Normally, administrative leave is taken immediately after leaving office.

The accrual is calculated based on the cumulative number of months of leave earned by each individual to March 31 at his/her current salary and benefits rates. The nominal value was projected to the date the leave is expected to be taken, and discounted back to the present using a current market interest rate of 5.5%.

⁽⁷⁾ Accrual is for new Dean who started July 1, 2002 (nine months' service).

Note 16 Pension Costs

The pension expense recorded in these financial statements is equivalent to the University's annual contributions payable of \$2,850 for the year ended March 31, 2003 (2002 - \$2,544).

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, 2002, the Universities Academic Pension Plan reported an actuarial deficiency of \$327,372 (2001 - \$151,996). An actuarial valuation of the Universities Academic Pension Plan was done December 31, 2000 and was then extrapolated to December 31, 2002. The extrapolation did not include the impact of increases in the maximum pensionable salary amount proposed in the 2003 Federal Budget. The next actuarial valuation of the Universities Academic Pension Plan is required to be completed by the end of December 2003.

At December 31, 2002, the Public Service Pension Plan reported an actuarial deficiency of \$175,528 (2001 - surplus of \$320,487). An actuarial valuation of the Plan was carried out as at December 31, 2000 which was then extrapolated for the December 31, 2002 financial statements. The next actuarial valuation will be carried out as at December 31, 2002 and any differences between the valuation and extrapolation results will be reported as gains or losses in the December 31, 2003 financial statements of the Plan.

Note 17 Change in Non-Cash Operating Working Capital

	2003	2002
Accounts receivable	\$ 1,045	\$ (703)
Inventories	161	(186)
Prepaid expenses	(77)	14
Accounts payable	(143)	1,222
Accrued payroll liabilities	371	519
Deferred revenue	(110)	(339)
Deferred tuition fees	323	710
Deferred contributions	(260)	(4,730)
Increase (decrease) in non-cash operating working capita	<u>\$ 1,310</u>	<u>\$ (3,493)</u>

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 2002/03 budget was approved by the Board on March 21, 2002.

Unrestricted Funds Budget

	2003								2002	
	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	\$40,718	\$ 42,572	\$ -	\$ 15	\$ 6,702	\$ 7,016	\$47,420	\$49,603	\$37,874	\$45,393
Tuition and related fees	20,992	23,582	820	876	2,941	2,685	24,753	27,143	19,926	24,198
Sales of services and products	2,916	1,218	8,235	8,087	-	26	11,151	9,331	8,963	9,394
Miscellaneous	1,833	1,747	49	41	88	162	1,970	1,950	580	2,037
Investment income	1,500	2,048	182	64	-	183	1,682	2,295	1,539	2,498
Gifts and donations	-	34	-	132	-	48	-	214	-	258
Amortization of deferred capital contributions	4,898	6,094	-	-	-	-	4,898	6,094	6,628	5,086
	<u>72,857</u>	<u>77,295</u>	<u>9,286</u>	<u>9,215</u>	<u>9,731</u>	<u>10,120</u>	<u>91,874</u>	<u>96,630</u>	<u>75,510</u>	<u>88,864</u>
EXPENSE										
Salaries and benefits	49,262	50,701	3,446	3,204	6,635	4,381	59,343	58,286	48,073	53,033
Scholarships, fellowships and bursaries	488	889	-	60	50	334	538	1,283	643	1,159
Supplies and services	4,455	3,728	997	1,561	2,401	587	7,853	5,876	4,601	5,687
Cost of goods sold	185	178	2,593	2,684	-	-	2,778	2,862	2,674	2,908
Travel	868	1,341	307	423	134	354	1,309	2,118	1,032	1,960
Utilities	2,801	2,199	364	418	-	153	3,165	2,770	2,052	2,472
External contracted services	777	1,444	616	443	-	131	1,393	2,018	1,594	1,499
Repairs and Maintenance	2,356	1,036	-	62	-	11	2,356	1,109	-	927
Professional fees	332	405	2	88	-	29	334	522	299	546
Interest on long term liabilities	528	1,419	18	-	-	-	546	1,419	254	224
Insurance	167	153	9	14	-	52	176	219	437	164
Property taxes	-	3	153	148	-	7	153	158	150	153
Loss on disposal of capital assets	-	193	-	6	-	-	-	199	-	61
Unrealized loss on write-down of investments	-	2,755	-	-	-	-	-	2,755	-	-
Amortization of capital assets	9,255	10,705	164	217	267	-	9,686	10,922	9,073	9,526
Provisions	1,383	-	270	-	244	-	1,897	-	3,970	-
	<u>72,857</u>	<u>77,149</u>	<u>8,939</u>	<u>9,328</u>	<u>9,731</u>	<u>6,039</u>	<u>91,527</u>	<u>92,516</u>	<u>74,852</u>	<u>80,319</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	\$ -	\$ 146	\$ 347	\$ (113)	\$ -	\$ 4,081	\$ 347	\$ 4,114	\$ 658	\$ 8,545

The supplies and services budget includes provisions for contingencies which are subject to reallocation throughout the year. These contingency budgets are used primarily for salaries and benefits. Actual expenses are recorded in the appropriate expense categories.

Note 18 Budget (continued)

Restricted Funds Budget

	2003		2002	
	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE				
Grants	\$2,063	\$ 7,328	\$3,137	\$6,284
Tuition and related fees	-	-	-	-
Sales of services and products	-	-	-	-
Miscellaneous	1,827	118	784	160
Investment income	800	314	832	249
Gifts and donations	869	155	644	246
Amortization of deferred capital contributions	-	-	-	-
	<u>5,559</u>	<u>7,915</u>	<u>5,397</u>	<u>6,939</u>
EXPENSE				
Salaries and benefits	2,568	3,181	2,494	2,644
Scholarships, fellowships and bursaries	531	1,074	752	991
Supplies and services	1,231	1,330	911	873
Cost of goods sold	-	-	-	-
Travel	656	537	742	546
Utilities	3	1	3	-
External contracted services	531	389	457	204
Repairs and maintenance	-	1,344	-	1,071
Professional fees	37	55	37	92
Interest on long term liabilities	-	-	-	500
Insurance	2	1	1	16
Property taxes	-	3	-	2
Loss on disposal of capital assts	-	-	-	-
Unrealized loss on write-down of investments	-	-	-	-
Amortization of capital assets	-	-	-	-
Provisions	-	-	-	-
	<u>5,559</u>	<u>7,915</u>	<u>5,397</u>	<u>6,939</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Total Unrestricted and Restricted Fund Budgets

	2003		2002	
	Original Budget	Total Actual	Original Budget	Total Actual
	\$49,483	\$ 56,931	\$ 41,011	\$ 51,677
	24,753	27,143	19,926	24,198
	11,151	9,331	8,963	9,394
	3,797	2,068	1,364	2,197
	2,482	2,609	2,371	2,747
	869	369	644	504
	<u>4,898</u>	<u>6,094</u>	<u>6,628</u>	<u>5,086</u>
	<u>97,433</u>	<u>104,545</u>	<u>80,907</u>	<u>95,803</u>
	61,911	61,467	50,567	55,677
	1,069	2,357	1,395	2,150
	9,084	7,206	5,512	6,560
	2,778	2,862	2,674	2,908
	1,965	2,655	1,774	2,506
	3,168	2,771	2,055	2,472
	1,924	2,407	2,051	1,703
	2,356	2,453	-	1,998
	371	577	336	638
	546	1,419	254	724
	178	220	438	180
	153	161	150	155
	-	199	-	61
	-	2,755	-	-
	9,686	10,922	9,073	9,526
	<u>1,897</u>	<u>-</u>	<u>3,970</u>	<u>-</u>
	<u>97,086</u>	<u>100,431</u>	<u>80,249</u>	<u>87,258</u>
	<u>\$ 347</u>	<u>\$ 4,114</u>	<u>\$ 658</u>	<u>\$ 8,545</u>

Restricted funds include Restricted Operating, Restricted Capital, Sponsored Research, Special Purpose and Scholarships, Bursaries and Other Trust Funds. The revenue is provided to the University by third parties who place specific 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 future 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, 2003.

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:

	2003			2002
	Unrestricted	Restricted	Total	Total
Operating grants	\$ 41,638	\$ -	\$41,638	\$37,859
Access Fund	7,000	-	7,000	6,205
Faculty and Staff Retention	493	-	493	1,525
Unfunded Enrolment Growth	141	-	141	272
Campus Alberta Graduate Program	127	-	127	117
International Education	26	10	36	4
Other	7	-	7	153
Infrastructure Renewal Envelope	-	2,338	2,338	4,227
Research Investment Program	-	477	477	112
Curriculum Redevelopment	-	216	216	105
Alberta Initiative for School Improvement	-	30	30	-
Strategic Research Initiative	-	-	-	950
Research Excellence Envelope	-	-	-	210
Total Contributions Received	49,432	3,071	52,503	\$51,739
Less: Deferred Contributions	-	(411)	(411)	(382)
Deferred Capital Contributions	-	(950)	(950)	(3,396)
Transferred to Statement of Operations	\$ 49,432	\$ 1,710	\$ 51,142	\$ 47,961

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

The total contributions received for unrestricted grants includes \$871 in accounts receivable.

In 2003 and 2002 the University participated in offering certain courses with other public colleges, universities and institutes. The revenues and expenses incurred for these courses have been included in the statement of operations but have not been separately disclosed.

The University has 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, 2003 the estimated realizable value of pledges receivable is \$530 in support of the following projects:

Library and Information Network Centre	\$	151
Centre for Leadership and Change		319
Multimedia Centre		60

The pledges are expected to be received over the next three years and have not been recorded in the financial statements.

Note 21 Commitments and Contingencies

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.

The University is one of the members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risk of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through the members' premiums. At December 31, 2002 CURIE had a surplus of \$4,072 (2001 - \$7,226) of which the University's pro rata share is approximately .97% (2001 - .96%) on an ongoing basis.

The University has a ten-year lease on teaching facilities used in Edmonton. The lease expires October 2007 with an option to terminate upon six months' notice plus six months' basic rent and occupancy costs. Basic rent is \$6.50 per square foot. Occupancy costs are based on a proportionate share of total building costs. In fiscal 2003 and 2002 basic rent totalled \$88. In 2003 occupancy costs were \$89 (2002 - \$85).

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 \$0.115 per KWh. The total cost for the year ending March 31, 2004 is expected to be \$2,300. The cost of electricity included in these statements for fiscal 2003 is \$1,964.

Flooding in June 2002 damaged a recently constructed University building. The cost of repairs to date in the amount of \$172 has been recognized as expense in these financial statements. Further repairs, the amount of which has not been estimated, are expected to be undertaken in 2004. The University is seeking recovery of the costs for the repairs. It is not possible at this time to determine whether any amount will be recovered. Any amounts estimated to be recovered will be recorded when the estimated recovery is likely.

At March 31, 2003 a construction project was in progress to construct a 96-bed student residence. Total contract costs are \$5,033. \$4,000 of the project cost will be financed from long-term debt. The project will be completed during fiscal 2004.

Note 22 Comparative Figures

Certain 2002 figures have been reclassified to conform to 2003 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.