

NOTES TO THE FINANCIAL STATEMENTS

(thousands of dollars)

Note 1 Authority and Purpose

The University of Lethbridge (the "University") operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, chapter P-19.5. 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 the conditions of the contributions are met.

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

Short-term investments are held at the lower of cost or market.

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

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

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 and Other Employee Future Benefit Plans

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings. Defined contribution plan accounting is applied to these pension plans as the University has insufficient information to apply defined benefit plan accounting. 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.

The actuarial determination of the accrued benefit obligations for other employee future benefits uses either the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors) or the accumulated benefit method where future salary levels or cost escalations do not affect the amount of employee future benefits.

Actuarial gains (losses) arise from experience different from that assumed or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the benefit obligation is amortized over the average remaining service period of active employees. The average remaining service life of the active employees covered by the non-pension employee future benefit plans ranges from two to seven years.

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.

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

l) Foreign Currency Translation

Monetary assets and liabilities of the University which are denominated in foreign currencies are translated at year-end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

Note 3 Investments

	2005				2004			
	Carrying Value	Market Value	Realized Return	Market Return	Carrying Value	Market Value	Realized Return	Market Return
Cash and short term deposits	\$ 4,689	\$ 4,688	3.58%	2.90%	\$ 4,488	\$ 4,490	1.76%	0.28%
Bonds and debentures	18,695	19,855	4.30%	4.77%	18,737	20,212	6.05%	11.04%
Stocks	27,542	34,659	3.94%	10.82%	24,277	29,120	2.27%	24.10%
Other investments	399	399			313	313		
	<u>\$ 51,325</u>	<u>\$ 59,601</u>			<u>\$ 47,815</u>	<u>\$ 54,135</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 losses of \$1,337 were realized during the year (2004: \$299). As of March 31 net unrealized exchange losses totalled \$317 (2004: \$1,920).

Bonds and debentures consists of the following:

	2005			2004		
	Carrying Value	Market Value	Effective Yield	Carrying Value	Market Value	Effective Yield
Short term (three years or less to maturity)	\$ 255	\$ 262	3.67%	\$ 1,006	\$ 1,043	1.99%
Medium term (four to ten years to maturity)	12,613	13,282	5.34%	12,464	13,452	5.58%
Long term (greater than ten years to maturity)	5,827	6,311	5.11%	5,267	5,717	5.81%
	<u>\$ 18,695</u>	<u>\$ 19,855</u>	5.40%	<u>\$ 18,737</u>	<u>\$ 20,212</u>	5.45%

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	30%	10% - 40%
U.S. equities	15%	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 one year and bonds are held on average less than four years. Bonds in the portfolio have maturity dates between two and twenty-six years.

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Note 4 Interest in Joint Venture

The University has a one-third joint venture interest in Campus Alberta Applied Psychology: Counselling Initiative. 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, 2005 is \$291 (2004 - \$217) and is included in Other Investments (Note 3).

At March 31, 2005 the University's share of the joint venture's assets and liabilities are:

	2005	2004
Current assets ⁽¹⁾	\$ 458	\$ 411
Capital assets	4	8
	<u>\$ 462</u>	<u>\$ 419</u>
Current liabilities	\$ 167	\$ 194
Deferred capital contributions	3	7
Investment in capital assets	1	1
Joint venture interest	291	217
	<u>\$ 462</u>	<u>\$ 419</u>

⁽¹⁾ included in current assets is a receivable of \$223 (2004 - \$160) from the University of Lethbridge 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, 2005 is \$132 which is one-third of the net of total revenues of \$1,794 less total expenses of \$1,398.

Note 5 Capital Assets

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 638	\$ -	\$ 638	\$ 638
Buildings and land improvements	176,396	60,993	115,403	119,172
Construction projects	2,656	-	2,656	200
Furnishings and equipment	50,966	36,788	14,178	13,977
Learning resources	23,313	16,607	6,706	6,425
	<u>\$ 253,969</u>	<u>\$ 114,388</u>	<u>\$ 139,581</u>	<u>\$ 140,412</u>

Construction projects include planning and construction costs for the Regional Health & Wellness Centre, Management & Health Sciences Building, Alberta Water & Environmental Sciences Building and Service Buildings replacement.

Capital asset additions during the year included \$30 in donations in kind for learning resources (2004 - \$24).

Note 6 Collection

	2005	2004
Balance, beginning of year	\$ 32,997	\$ 32,905
Donations	197	92
Balance, end of year	<u>\$ 33,194</u>	<u>\$ 32,997</u>

The art collection contains approximately 14,000 objects.

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Note 7 Employee Benefit Liabilities

	2005	2004
Vacation and overtime pay	\$ 3,366	\$ 3,304
Maternity and parental leaves	143	144
Other payroll liabilities	425	198
Early retirement benefit plans	853	1,257
Senior administrative leaves	3,990	3,428
Supplementary benefit plan	762	626
Long-term disability benefits	417	115
	<u>9,956</u>	<u>9,072</u>
Less current portion	(4,411)	(4,428)
	<u>\$ 5,545</u>	<u>\$ 4,644</u>

Note 8 Pension and Other Employee Future Benefit Plans

The University has a number of defined benefit plans that provide pension, other retirement and post-employment benefits to most of its employees. These include the Early Retirement Plan, the Senior Administrative Leave Plan, Long-term Disability Plans and pension plans. In addition, the University provides a supplementary benefit plan to some employees, which is accounted for as a defined contribution plan.

The Early Retirement Plan pays a fixed amount annually based on the salary and benefits in effect for each member at the date of retirement. This plan is closed to new members and no future service benefits are being accrued.

The Senior Administrative Leave Plan provides for certain senior administrators to accrue an entitlement to a leave of absence, for the purpose of professional development, at the end of their service in an administrative position. Upon leaving the post, the member's salary and benefits in effect at the end of the service are paid for the duration of the leave and are indexed at a rate determined by the University.

The Long-Term Disability Plans provide pension and non-pension benefits after employment, but before retirement. The University pays for the non-insured portion of the disability benefits.

The Supplementary Benefit Plan provides a termination benefit to certain employees over and above the benefits provided by the Universities Academic Pension Plan. The University contributes annually to the Supplementary Benefit Plan based on the employee's salary. Each employee's account is also adjusted annually by the realized rate of return on the University's long-term investments.

a) Benefit Plans

The University measures its accrued benefit obligations for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the employee future benefit plans was performed as of March 31, 2005.

The benefit plan obligations are as follows:

	Supplementary Benefit Plan	Early Retirement Plan	Senior Administrative Leave	Long Term Disability Plan
Accrued benefit obligation:				
Balance, beginning of year	\$ 626	\$ 1,257	\$ 3,428	\$ 115
Current service cost	168	-	682	340
Interest cost	33	24	126	10
Benefits paid	(65)	(428)	(246)	(48)
Actuarial loss (gain)	(67)	(3)	6	45
Balance, end of year	<u>695</u>	<u>850</u>	<u>3,996</u>	<u>462</u>
Plan assets	-	-	-	-
Funded status - plan deficit	<u>695</u>	<u>850</u>	<u>3,996</u>	<u>462</u>
Unamortized net actuarial gain (loss)	67	3	(6)	(45)
Accrued benefit liability	<u>\$ 762</u>	<u>\$ 853</u>	<u>\$ 3,990</u>	<u>\$ 417</u>

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Note 8 Pension and Other Employee Future Benefit Plans (continued)

Total cash payments for employee future benefits for 2005, consisting of cash payments directly to beneficiaries and cash contributed to its multi-employer defined benefit plans, were \$5,146 (2004 - \$4,894).

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	Supplementary Benefit Plan	Early Retirement Plan	Senior Administrative Leave	Long-Term Disability Plan
Discount rate	n/a	3.50%	3.50%	3.50%
Rate of compensation increase: year 1, thereafter	n/a	n/a	7.25%, 6.00%	n/a
Assumed benefit cost trend rates:				
Pension contributions (year 1, thereafter)	n/a	n/a	n/a	6.25%, 5.00%
Benefits	n/a	n/a	4.50%	4.50%
Average remaining service period of active employees	6 years	2 years	7 years	5 years

b) Pension plans

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. The pension expense recorded in these financial statements is equivalent to the University's annual contributions payable of \$4,359 for the year ended March 31, 2005 (2004 - \$3,442) including UAPP contributions of \$3,542 (2004 - \$2,757) and PSPP contributions of \$817 (2004 - \$685).

At December 31, 2004, the Universities Academic Pension Plan reported an actuarial deficiency of \$643,979 (2003 - \$538,352) consisting of a pre-1992 deficiency (\$517,900) and a post-1991 deficiency (\$126,079). An actuarial valuation of the UAPP was carried out as at December 31, 2004. The unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25% (2003 - 1.25%) of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions of 1.76% (2003 - 1.76%) of salaries required to eliminate the unfunded liability on or before December 31, 2043. On July 1, 2005 this rate will rise to 2.28%. The actuarial valuation shows that the present value at December 31, 2004 of the Province of Alberta's obligation for the future additional contributions was \$183,400. Effective January 1, 2004, the unfunded liability for service after December 31, 1991 is being financed by special payments of 1.26% of salaries shared equally between employees and employers over 15 years from the date of valuation until December 31, 2017. These special payments will rise to 2.64% of salaries on July 1, 2005.

At December 31, 2004, the Public Service Pension Plan reported an actuarial deficiency of \$450,068 (2003 - restated to \$584,213). An actuarial valuation of the Public Service Pension Plan was performed as of December 31, 2002 and was extrapolated to December 31, 2004. An actuarial valuation is being performed as at December 31, 2004 and the actuary has indicated that there will likely be a contribution rate increase effective January 2006.

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Note 9 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:

	2005	2004
Balance, beginning of year	\$ 10,726	\$ 10,058
Contributions received	14,806	10,971
Transfer to:		
Revenue	(10,234)	(8,253)
Deferred Capital Contributions (Note 11)	(1,455)	(2,050)
Balance, end of year	<u>\$ 13,843</u>	<u>\$ 10,726</u>

The deferred contributions balance consists of:

	2005	2004
Infrastructure Maintenance Program	\$ 4,816	\$ 3,716
Sponsored Research	5,676	4,304
Special Purpose	929	698
Scholarships, Bursaries and Other Trust Funds	2,422	2,008
	<u>\$ 13,843</u>	<u>\$ 10,726</u>

Note 10 Long Term Debt

	Rate of Interest	Original Advance	Amount Outstanding	
			2005	2004
Alberta Capital Finance Authority debenture for student residences, due April 15, 2023	6%	4,000	\$ 3,891	\$ 4,000
Current portion			(115)	(109)
			<u>\$ 3,776</u>	<u>\$ 3,891</u>

The debenture is secured by cash flows generated from the new residences and the Aperture Park and University Hall residences.

Interest on the debenture of \$233 was charged to expense in fiscal 2005 (2004 - \$231).

Principal payments on the debenture over the next five fiscal years are as follows: 2006 - \$115; 2007 - \$122; 2008 - \$130; 2009 - \$137; 2010 - \$146.

Note 11 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:

	2005	2004
Balance, beginning of year	\$ 1,282	\$ 1,038
Contributions received	1,234	682
Transfers from (to):		
Revenue	-	(43)
Deferred Contributions (Note 9)	1,455	2,050
Unamortized Deferred Capital Contributions (Note 12)	(2,232)	(2,445)
Balance, end of year	<u>\$ 1,739</u>	<u>\$ 1,282</u>

The deferred capital contributions balance includes donations and grants received for capital projects including the Regional Health & Wellness Centre, Management & Health Sciences Building, Alberta Water & Environmental Sciences Building and the Service Buildings replacement.

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Note 12 Unamortized Deferred Capital Contributions

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

	2005	2004
Balance, beginning of year	\$ 88,358	\$ 92,175
Transfer from (to)		
Deferred Capital Contributions (Note 11)	2,232	2,445
Revenue		
Amortization of deferred capital contributions	(6,124)	(6,258)
Capital asset disposals (net)	(29)	(4)
Balance, end of year	<u>\$ 84,437</u>	<u>\$ 88,358</u>

Note 13 Endowments

	2005			2004		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Contributions	\$ 8,666	\$ 1,252	\$ 9,918	\$ 8,258	\$ 1,162	\$ 9,420
Capitalized investment income	1,915	142	2,057	1,693	114	1,807
	<u>\$ 10,581</u>	<u>\$ 1,394</u>	<u>\$ 11,975</u>	<u>\$ 9,951</u>	<u>\$ 1,276</u>	<u>\$ 11,227</u>

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact in perpetuity (externally restricted), and internal allocations by the Board of Governors (internally restricted). The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. The economic value of endowments is protected through allocations of investment income earned to reflect changes in purchasing power of the endowment principal. Investment income earned in excess of this amount is available for spending. Under Section 76(2) of the Post-Secondary Learning Act, the University has the authority to alter the terms and conditions of an endowment to enable income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

NOTES TO THE FINANCIAL STATEMENTS
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Note 14 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.

	2005	2004
OPERATING:		
Staff training and development	\$ 42	\$ 84
Academic development	176	43
Campus planning studies	160	160
International affairs	6	6
Utilities contingency - rate increases	50	50
Program development	228	200
	<u>662</u>	<u>543</u>
CAPITAL:		
Capital replacement - Ancillary Services	1,603	1,449
Capital replacement - Sports & Recreation Services	315	285
Housing Services - residences	1,074	1,044
Capital equipment	1,246	983
Buildings and plant ⁽¹⁾	8,198	276
Site and utilities	59	48
Utility conservation	264	258
Self insurance	189	184
Parking services	-	225
Service vehicles and equipment	103	104
	<u>13,051</u>	<u>4,856</u>
	<u>\$ 13,713</u>	<u>\$ 5,399</u>

⁽¹⁾ The Board of Governors set aside \$5,525 as contribution towards the construction of a Regional Health and Wellness Centre and the remaining \$2,673 was set aside to fund other capital projects.

Note 15 Investment Income

	2005	2004
Investment income earned in the year	\$ 2,370	\$ 2,163
Income capitalized to endowment principal	(221)	(180)
Amounts deferred in period	(65)	(233)
	<u>\$ 2,084</u>	<u>\$ 1,750</u>
Amounts previously deferred and recognized in year	311	190
Total investment income recognized as revenue	<u>\$ 2,395</u>	<u>\$ 1,940</u>

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Note 16 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.

	2005				Restated 2004
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
Chairman of Board ⁽⁴⁾	\$ -	\$ -	\$ -	\$ -	\$ -
Board Members ⁽⁴⁾	-	-	-	-	-
President	242	30	69	341	294
Executive/Vice Presidents					
Vice-President (Academic)	219	12	53	284	259
Vice-President (Finance & Administration)	179	-	42	221	200
Dean of Management ⁽⁵⁾	164	-	27	191	189
Associate Vice-President (Academic) & Dean of Graduate Studies	172	-	30	202	186
Administrative leave benefit ⁽⁶⁾					
President				56	53
Vice-President (Academic)				51	50
Vice-President (Finance & Administration)				43	40
Dean of Management ⁽⁵⁾				38	38
Associate Vice-President (Academic) & Dean of Graduate Studies				39	38

(1) Salary includes pensionable base pay.

(2) Housing allowance

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

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

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

(6) Leaves are accrued for senior administrators at a rate of one month for every five months served. If the leave is granted, all salaries and benefits excluding any housing allowances are paid on a monthly basis over the duration of the leave. Cash 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 administrative leave benefit reflects the current service cost of the benefit, stated at the notional value. The 2004 benefit has been restated to conform to this presentation.

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Note 17 Change in Non-Cash Working Capital

	2005	2004
Accounts receivable	\$ (1,430)	\$ (425)
Inventories	65	(26)
Prepaid expenses	(19)	(204)
Accounts payable and accrued liabilities	1,296	28
Employee benefit liabilities	(17)	(263)
Deferred revenue	272	92
Deferred tuition fees	481	397
Deferred contributions	3,117	668
Increase in non-cash working capital	<u>\$ 3,765</u>	<u>\$ 267</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 Advanced Education. The 2004/05 budget was approved by the Board on March 24, 2004.

	2005		2004	
	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE				
Grants	\$ 59,224	\$ 67,093	\$ 54,689	\$ 62,659
Tuition and related fees	31,204	33,743	28,155	30,183
Sales of services and products	10,287	9,398	6,696	8,095
Miscellaneous	1,330	3,195	761	2,960
Investment income	2,590	2,395	2,348	1,940
Gifts and donations	500	663	1,000	307
Amortization of deferred capital contributions	10,305	6,153	6,668	6,262
	<u>115,440</u>	<u>122,640</u>	<u>100,317</u>	<u>112,406</u>
EXPENSE				
Salaries and benefits	75,429	76,720	63,520	68,662
Scholarships, fellowships and bursaries	1,876	2,982	1,263	2,586
Supplies and services	8,109	7,618	6,277	6,645
Cost of goods sold	2,920	2,888	2,831	2,759
Travel	2,194	3,080	1,891	2,801
Utilities	3,834	3,046	3,821	3,022
External contracted services	2,925	2,683	1,939	2,199
Repairs and maintenance	1,433	1,796	2,654	2,242
Professional fees	446	839	327	600
Interest on long term liabilities	710	429	653	687
Insurance	326	367	241	298
Property taxes	226	219	181	199
Loss on disposal of capital assts	-	1,094	-	1
Unrealized loss on investments	-	55	-	85
Amortization of capital assets	11,394	12,064	8,408	11,557
Provisions	2,676	-	5,961	-
	<u>114,498</u>	<u>115,880</u>	<u>99,967</u>	<u>104,343</u>
EXCESS OF REVENUE OVER EXPENSE	<u>\$ 942</u>	<u>\$ 6,760</u>	<u>\$ 350</u>	<u>\$ 8,063</u>

The original budget includes general departmental provisions which are subject to reallocation by departments throughout the year. These contingency budgets are used primarily for salaries, benefits and capital purchases. Actual expenses are recorded in the appropriate expense categories and are not charged to the provisions budget.

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Note 19 Related Party Transactions

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 Advanced Education. Transactions between the University and the Province of Alberta are disclosed as follows:

	2005			2004
	Unrestricted	Restricted	Total	Total
Advanced Education:				
Operating grant	\$ 48,095	\$ -	\$ 48,095	\$ 46,668
Access grants	7,729	-	7,729	6,388
Performance funding	604	-	604	487
Other	130	175	305	100
Total Advanced Education	56,558	175	56,733	53,643
Other provincial ministries, departments and agencies:				
Alberta Infrastructure and Transportation	-	2,273	2,273	1,355
Alberta Ingenuity	-	982	982	244
Alberta Heritage Foundation for Medical Research	-	915	915	987
Alberta Innovation and Science	2	429	431	909
Alberta Children's Services	-	128	128	-
Alberta Gaming	305	98	403	543
Other	-	51	51	94
Total other provincial ministries, departments and agencies	307	4,876	5,183	4,132
Total contributions received	56,865	5,051	61,916	57,775
Less: Deferred contributions	-	(1,778)	(1,778)	(1,344)
Revenue from provincial government	\$ 56,865	\$ 3,273	\$ 60,138	\$ 56,431

Restricted grants are recognized as revenue in the period the conditions of the contributions are met.

The University of Lethbridge has accounts receivable from the Province of Alberta of \$809 (2004 - \$1,244) and accounts payable of \$138 (2004 - \$0).

In 2005 and 2004 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, 2005 the estimated realizable value of pledges is \$4,190 in support of the following campaigns:

Management & Health Sciences Building	\$ 3,154
Scholarships	801
Other	217
Regional Health & Wellness Centre	18
	<u>\$ 4,190</u>

Note 21 Scholarships and Bursaries

Included in these financial statements are scholarships totalling \$1,055 (2004 - \$1,094) awarded to 1,184 students (2004 - 1,345) from University of Lethbridge scholarship accounts.

Scholarships and bursaries totalling \$2,284 (2004 - \$1,851) were awarded to 1,577 (2004 - 1,222) University of Lethbridge students through the Alberta Scholarship Program. These amounts are not included in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(thousands of dollars)

Note 22 Commitments and Contingencies

- a) 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 administration 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 expensed as the related amounts become known to the University.
- b) The University is one of fifty-six members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2004 CURIE had a surplus of \$5,995 (2003 - \$100). This surplus is an accumulation of four different underwriting periods. The University participates in three of these underwriting periods, which have an accumulated surplus of \$3,262 as of December 31, 2004 (2003 - \$2,492 deficit). The University held a 1.0% share in CURIE at December 31, 2004.
- c) The University has a ten-year lease on teaching facilities used in Edmonton, expiring in October 2007 with an option to terminate upon six months' notice plus six months' basic rent and occupancy costs based on a proportionate share of total building costs. In fiscal 2005 and 2004 basic rent totalled \$90. In 2005 occupancy costs were \$100 (2004 - \$97). The University also has a lease agreement with the Southern Alberta Institute of Technology for a two-year period expiring June 2005. At the year end, this contract was under negotiation. Office and administrative rental charges under this lease are \$16 annually while classrooms are leased at an hourly rate. The cost of office and administration space in 2005 was \$16 (2004 - \$13) and the cost of classroom space totalled \$76 (2004 - \$59).
- d) The University uses contracts in order to manage its exposure to the volatility in the electrical industry. The current contract fixing its electrical cost at an average cost of \$0.115 per KWh expires December 31, 2005. The University has entered into a new five-year contract starting January 1, 2006 to fix the cost at an average price of \$.055 per KWh. The total cost for the year ending March 31, 2006 is expected to be \$1,957. The cost of electricity included in these statements for fiscal 2005 is \$2,148 (2004 - \$2,142).

Subsequent to the year end, the University entered into a contract for green power supply for the Regional Health and Wellness Centre to provide 850,000 KWh of power annually for a ten-year period commencing June 1, 2006. The price will be fixed at \$0.06 per KWh.

- e) On April 22, 2005 the Board of Governors approved a project to construct a Regional Health and Wellness Centre and to renovate and upgrade the existing Physical Education Building at a cost of \$31,000. The proposed project, scheduled for completion in 2007, is to be funded by the City of Lethbridge (\$5,300), fundraising (\$5,000), other external sources (\$345) and University contributions (\$20,355). The University's contribution to the project will be funded from the current and future years' internally restricted and unrestricted net assets as well as grants from Alberta Infrastructure and Transportation related to the Infrastructure Maintenance Program.

As at March 31, 2005, the University had contractual commitments totalling \$2,624 (2004 - \$2,326) related to various capital projects including the Regional Health and Wellness Centre. These commitments are not recorded in the financial statements.

- f) Under agreements and/or contracts with a number of employee groups, the University provides Professional Supplement funds for activities related to teaching, research, professional development or general University-related duties. At March 31, 2005 approximately \$827 (2004 - \$755) of such allowances is committed for expenses not yet incurred.

NOTES TO THE FINANCIAL STATEMENTS
(thousands of dollars)

Note 23 Deferred Maintenance

Deferred maintenance on University facilities is estimated at \$82,000 based on a facility condition audit completed by the University in January 2005. An allowance for deferred maintenance is not included in these financial statements.

Note 24 Comparative Figures

Certain 2004 figures have been reclassified to conform to 2005 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.