University of Lethbridge

Statement of Financial Position

As at March 31, 2011
(thousands of dollars)

	2011	2010
Assets		
Current		
Cash and cash equivalents (Note 3)	$ 35,043	$ 26,742
Short-term investments (Note 4)	4,567	3,816
Accounts receivable	7,439	11,031
Inventories and prepaid expenses	2,258	2,042
	49,307	43,631
Long-term investments (Note 4)	145,648	136,958
Other long-term assets (Note 5)	2,748	2,915
Capital assets and collections (Note 6)	304,993	289,244
	$ 502,696	$ 472,748
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 11,302	$ 14,552
Current portion of employee future benefit liabilities (Note 7)	2,243	1,936
Current portion of long-term liabilities (Note 8)	398	750
Deferred contributions, research and other (Note 9)	27,231	15,179
Deferred revenue	4,809	4,487
	45,983	36,904
Employee future benefit liabilities (Note 7)	21,831	22,503
Long-term liabilities (Note 8)	3,083	3,330
Deferred contributions, capital (Note 9)	29,688	47,836
Unamortized deferred capital contributions (Note 10)	189,648	172,405
	290,233	282,978
Net Assets		
Endowments (Note 11)	39,519	34,581
Investment in capital assets and collections (Note 12)	111,864	112,759
Internally restricted (Note 13)	35,691	15,480
Unrestricted	25,389	26,950
	212,463	189,770
	$ 502,696	$ 472,748

Contingent liabilities and contractual obligations (Note 14 and Note 15)

Approved by the Board of Governors:

Chair, Board of Governors

President

The accompanying notes are part of these financial statements.

University of Lethbridge

Statement of Operations

Year ended March 31, 2011
(thousands of dollars)

	2011 Budget (unaudited) (Note 16)	2011	2010
Revenue			
Government of Alberta grants	$ 103,103	$ 105,133	$ 100,670
Federal and other government grants	10,936	9,043	8,604
Sales of services and products	18,328	14,122	13,571
Student tuition and fees	38,553	39,383	38,488
Donations and other grants	5,254	3,526	3,810
Investment income (Note 17)	8,064	10,011	15,501
Amortization of deferred capital contributions (Note 10)	9,700	10,313	8,512
	193,938	191,531	189,156
Expense			
Salaries	106,666	102,397	101,612
Employee benefits	19,676	17,937	20,854
Materials, supplies and services	35,207	22,320	22,834
Utilities	3,632	3,325	2,905
Maintenance and repairs	7,218	1,511	1,269
Scholarships and bursaries	4,358	5,885	5,176
Cost of goods sold	3,619	3,487	3,261
Amortization of capital assets	15,207	17,692	15,187
	195,583	174,554	173,098
Excess/(deficiency) of revenue over expense	$ (1,645)	$ 16,977	$ 16,058

University of Lethbridge

Statement of Changes in Net Assets

Year ended March 31, 2011
(thousands of dollars)

	Endowments	Investment in Capital Assets and Collections	Internally Restricted Net Assets	Unrestricted Net Assets
Net Assets, March 31, 2009	$ 28,952	$ 107,880	$ 6,240	$ 24,509
Excess of revenue over expense	-	-	-	16,058
Investment income (Note 17)	4,520	-	-	-
Endowment contributions	1,484	-	-	-
Net transfers	(375)	-	2,596	(2,221)
Net change investment in capital assets (Note 12)	-	4,752	5,350	(10,102)
Contributions of assets not subject to amortization (Note 12)	-	127	-	-
Net expenditures of internally restricted net assets	-	-	1,294	(1,294)
Net Assets, March 31, 2010	**$ 34,581**	**$ 112,759**	**$ 15,480**	**$ 26,950**
Excess of revenue over expense	-	-	-	16,977
Investment income (Note 17)	2,861	-	-	-
Endowment contributions	2,090	-	-	-
Net transfers	(13)	-	24,074	(24,061)
Net change investment in capital assets (Note 12)	-	(1,660)	(844)	2,504
Contributions of assets not subject to amortization (Note 12)	-	765	-	-
Net expenditures of internally restricted net assets	-	-	(3,019)	3,019
Net Assets, March 31, 2011	**$ 39,519**	**$ 111,864**	**$ 35,691**	**$ 25,389**

The accompanying notes are part of these financial statements.

Statement of Cash Flows

Year ended March 31, 2011
(thousands of dollars)

	2011	2010
Cash provided from (used in) operating activities:		
Excess of revenue over expense	$ 16,977	$ 16,058
Add (deduct) non-cash items:		
Amortization of capital assets	17,692	15,187
Amortization of deferred capital contributions	(10,313)	(8,512)
Gain /(Loss) on disposal of capital assets	6	(9)
Change in employee future benefit liabilities	(672)	5,739
Change in unrealized gain on investments	(5,671)	(12,707)
Total non-cash items	1,042	(302)
Net change in non-cash working capital (*)	12,056	(9,400)
	30,075	6,356
Cash provided from (used in) investing activities:		
Purchase of capital assets and collections, net of proceeds from disposals	(29,448)	(41,002)
Purchases of long-term investments, net of sales	(736)	1,018
Endowment investment earnings	576	36
	(29,608)	(39,948)
Cash provided from (used in) financing activities:		
Endowment contributions	2,090	1,484
Capital contributions	5,827	14,379
Long-term liabilities - new financing, net of repayments	(250)	(211)
Change in other long-term assets (Note 5)	167	206
	7,834	15,858
Increase / (Decrease) in cash	8,301	(17,734)
Cash and cash equivalents, beginning of year	26,742	44,476
Cash and cash equivalents, end of year (Note 3)	$ 35,043	$ 26,742

(*) Net change in non-cash working capital:	2011	2010
Increase in short-term investments	$ (751)	$ (3,816)
Decrease / (Increase) in accounts receivable	3,592	(3,287)
Decrease / (Increase) in inventories and prepaid expenses	(216)	35
Decrease in accounts payable and accrued liabilities	(3,250)	(771)
Increase in current portion of employee future benefits liabilities	307	563
Increase / (Decrease) in deferred contributions, research and other	12,052	(2,088)
Increase / (Decrease) in deferred revenue	322	(36)
	$ 12,056	$ (9,400)

The accompanying notes are part of these financial statements.

Note 1 Authority and Purpose

The Governors of The University of Lethbridge is a corporation which manages and operates The University of Lethbridge ("the University") under the *Post-Secondary Learning Act* (Alberta). All members of the board of governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education and Technology, with the exception of the Chancellor and President, who are *ex officio* members. Under the *Post-Secondary Learning Act*, Campus Alberta Sector Regulation, the University is a comprehensive academic and research institution offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General - GAAP and Use of Estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. 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. University administration uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets, amortization of deferred capital contributions and asset retirement obligations are the most significant items based on estimates. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Consolidated Financial Statements and Interest in Joint Ventures

Currently, the University is not involved with any joint ventures. Organizations subject to significant influence where the University does not maintain control are disclosed in Note 18.

(c) Financial Instruments

The University's financial assets and liabilities are generally classified and measured as follows:

Financial Statement Component	Classification	Measurement
Cash and cash equivalents	Held for Trading	Fair Value
Short-term Investments	Held for Trading	Fair Value
Long-term Investments	Held for Trading	Fair Value
Accounts Receivable	Loans and Receivables	Cost or Amortized Cost
Other Long-term Assets	Loans and Receivables	Cost or Amortized Cost
Accounts Payable and Accrued Liabilities	Other Liabilities	Cost or Amortized Cost
Long-term Liabilities	Other Liabilities	Cost or Amortized Cost

The University's financial instruments are recognized on their trade date and transaction costs related to all financial instruments are expensed as incurred. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the statement of financial position date.

The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. Forward contracts are marked to market at the end of each reporting period with any changes in the market value recorded in the statement of operations when the changes occur. As permitted for not-for-profit organizations, the University has elected to not apply the standards on derivatives embedded in non-financial contracts and the University has elected to continue to follow CICA 3861: *Disclosure and Presentation*.

The University is exposed to market risk, liquidity risk, credit risk, interest rate risk, and commodity price risk.

Market Risk
The University is subject to market risk, foreign currency risk and interest rate risk with respect to its investment portfolio. To manage these risks, the University has established a target mix of investment types designed to achieve the optimal returns within reasonable risk tolerances.

(thousands of dollars)

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

Liquidity Risk
The University maintains a short-term line of credit with the Bank of Montreal that is designed to ensure sufficient available funds to meet current and forecasted financial requirements as cost effectively as possible. As at March 31, 2011 the University had committed borrowing facilities of $5 million, none of which has been drawn.

Credit Risk
The credit risk for accounts receivable is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricted enrolment activities for students with delinquent balances and maintaining standard collection procedures.

Interest Rate Risk
Interest rate risk is the risk to the University's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates. The risk is managed by contractually setting interest rates with banking institutions.

Commodity Price Risk
The University is exposed to commodity price risk as a result of substantial electricity and natural gas usage required to operate the institution's facilities. To mitigate these risks, the University has entered into contracts to fix the price for electricity.

(d) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at cost or net replacement cost. Cost is determined by first-in, first-out.

(e) Capital Assets and Collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair value when a fair value can be reasonably determined. Permanent collections are not amortized and include works of art held for education, research and public exhibition purposes.

Construction in progress includes costs directly attributable to the construction including engineering, legal fees, and interest on specific debt attributed to the construction of capital assets.

Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Asset Category	Estimated Useful Lives
Buildings, land and leasehold improvements	
Land improvements	10-25 years
Buildings - exterior	40 years
Buildings - interior	20 years
Building improvements	15 years
Leasehold improvements	lease term
Furnishings and Equipment	
Furnishings and equipment	5-10 years
Computer equipment	3-5 years
Electrical equipment	20 years
Software	3-5 years
Vehicles	6 years
Library Materials	10 years

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

(f) Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized in the period incurred, if a reasonable estimate of fair value based on the present value of estimated future cash flows can be made. The associated asset retirement costs are capitalized as part of the net book value of the asset and amortized over its estimated useful life.

(g) Revenue Recognition

The financial statements record the following items as revenue - at the following times:

- Unrestricted contributions - when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Unrestricted investment income - when earned; this includes interest, dividends, realized and unrealized gains and losses.
- Pledges - are recorded if they can be reasonably estimated and collection is reasonably assured. Pledges receivable are recorded as an asset with the corresponding amount being recorded as gifts and donations revenue, deferred contributions, deferred capital contributions or endowment as applicable.
- Revenues received for services and products - when the services or products are substantially provided and collection is reasonably assured.
- Tuition fees - when the instruction is delivered.
- Donations of materials - are recorded at fair value when a fair value can be reasonably determined and when materials would otherwise have been purchased.
- Restricted contributions - based on the deferral method.

Deferral Method
Contributions, including investment income on the contributions, which are restricted for purposes other than endowment or capital asset acquisitions, are deferred and recognized as revenue when the conditions of the contribution are met.

Contributions, including in-kind contributions, to acquire capital assets with limited lives are first recorded as deferred contributions, capital when received, and when expended they are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-Secondary Learning Act* allocated to endowment principal, are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are recognized as revenue when the conditions of the endowment are met.

Contributions restricted for the acquisition of land and permanent collections are first recorded as deferred contributions when received, and when expended, they are recognized as direct increases in investment in capital assets and collections.

(h) Foreign Currency Translation

Financial assets and liabilties recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate. Revenues and expenses are translated at average weekly exchange rates. Gains or losses from these transactions are included in investment income.

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

(i) Employee Future Benefits

Pension

The University participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). 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.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of pensionable earnings. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The University does not have sufficient plan information on the PSPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year; which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

Supplementary Benefit Plan

The cost of providing non-contributory post employment benefits under the University's supplementary benefit plan is charged to pension expense annually based on the employer's current contributions, adjusted annually by the realized rate of return on the University's long-term investments.

Early Retirement Plan

The cost of providing accumulating post employment benefits under the University's early retirement plan is actuarially determined using the projected benefit method. Actuarial gains or losses on the accrued benefit obligation are recognized immediately.

During the 2010 fiscal year, the University added a one time voluntary retirement program to allow employees meeting the plan criteria to retire early and be provided a defined benefit upon retirement between the 2010 and 2014 calendar years. The cost of these benefits is determined by management based on years of service and salary as of July 2009. The costs of providing this benefit is recognized as expense in full when the event occurs which obligates the University to provide the benefits.

Long-Term Disability Plan

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plan is actuarially determined using the accumulated benefit method, a market interest rate and management's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains and losses on the accrued benefit obligation which exceed 10% of the long-term disability accrued benefit obligation are amortized over the average remaining service lifetime and are recognized in the benefit cost.

Senior Administration Leaves

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's senior administrative leaves is actuarially determined using the projected benefit method prorated on service, including salary increases where applicable, and are based on the plan's benefit formula. Actuarial gains or losses on the accrued benefit obligation are recognized immediately.

(j) Capital Disclosures

The University defines its capital as the amounts included in deferred contributions (Note 9), endowment net assets (Note 11) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded by Alberta Advanced Education and Technology, other government funding agencies, donations and the University's entrepreneurial activities. The University has investment policies (Note 4), spending policies and cash management procedures to ensure the University can meet its capital obligations.

Under the *Post-Secondary Learning Act*, the University must receive ministerial or Lieutenant Governor in Council approval for a deficit budget, mortgage and debenture borrowing, and the sale of any land, other than donated land, that is being held and being used for the purposes of the University.

(thousands of dollars)

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

(k) 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. Such contributed services are not recognized in these financial statements.

(l) Future Accounting Changes

The Public Sector Accounting Board (PSAB) has issued a framework for financial reporting by government not-for-profit organizations. The framework includes CICA 4400: *Not-For-Profit Organizations*, which has been incorporated into the Public Sector Accounting (PSA) handbook as the PS 4200 series of standards. This framework will be effective for fiscal years beginning on or after January 1, 2012. Government not-for-profit organizations have been given the choice to apply either PS 4200 series of standards plus the PSA Handbook; or PSA handbook without the PS 4200 series of standards. The Government of Alberta has not yet made a decision on which option Alberta Public Post-Secondary Institutions, as government not-for-profit entities, will adopt. Therefore the University cannot determine the impact of this change on its financial statements. When the decision is made the University will identify the differences in the standards that will impact the financial statements and quantify the differences. The University will also determine whether any specific exemptions and exceptions applicable to the first time adoption of PSA standards by government not-for-profit organizations will be applicable to the University.

Note 3 Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposit, money market funds and short-term notes, with a maximum maturity of 90 days at March 31.

	2011	2010
Cash	$ 29,339	$ 20,311
Money market funds and short-term notes	5,704	6,431
	$ 35,043	$ 26,742

Note 4 Investments

The composition, fair value, and annual market yields on investments are as follows:

	2011 Market Value	2010 Market Value
Money market funds and short-term notes	$ 15,104	$ 20,000
Canadian bonds	46,624	43,999
Canadian equity	58,439	49,954
Foreign equity	29,880	26,682
Other	168	139
	$ 150,215	$ 140,774
Short-term investments	$ 4,567	$ 3,816
Long-term investments	145,648	136,958
	$ 150,215	$ 140,774

The average effective yields and the terms to maturity are as follows:

- Money market funds and short-term notes: 1.32% (2010 - 1.03%); terms to maturity: November 15, 2013.
- Canadian government and corporate bond funds: 5.10% (2010 - 5.60%); terms to maturity: range from less than one year to more than 40 years.

(thousands of dollars)

Note 4 Investments (continued)

The University has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The University's Finance Committee, a subcommittee of the Board of Governors, has delegated authority for oversight of the University's investments. The Finance Committee meets regularly to monitor investments, to review investment manager performance, to ensure compliance with the University's investment policy and to evaluate the continued appropriateness of the University's investment policy.

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. The long-term investment portfolio includes endowment assets as well as the portion of non-endowment assets that will not be required for spending in the short-term. The primary objective of this portfolio is a rate of return that, in real terms, exceeds the endowment spending allocation at an acceptable risk level.

Note 5 Other Long-term Assets

	2011	2010
University of Lethbridge undergraduate students	$ 1,496	$ 1,630
1st Choice Savings and Credit Union Ltd.	1,407	1,609
University of Lethbridge graduate students	40	42
University of Lethbridge Faculty Association	146	150
Deposits	17	-
Current portion in Accounts Receivable	(358)	(516)
	$ 2,748	$ 2,915

The 1st Choice Savings and Credit Union Ltd. is the naming sponsor for the 1st Choice Savings Centre for Sport and Wellness and are contributing a total of $2,250 over a 15-year period beginning in 2007. University of Lethbridge undergraduate students are contributing $2,500 towards the 1st Choice Savings Centre for Sport and Wellness, to be collected over a period of approximately 13 years beginning in 2007. Graduate students of the University of Lethbridge are contributing $60 towards the construction of the daycare facility, to be collected over a period of approximately 9 years beginning in 2009. The University of Lethbridge Faculty Association is contributing $205 toward the construction of the daycare facility, to be collected over a period of approximately 19 years beginning in 2010. These contributions have been discounted to their present value using market interest rates.

In addition to the contributions above, there are pledges of $2,593 (2010 - $3,327) for capital projects and scholarships that have not been recorded in the financial statements as they do not meet the criteria for recognition.

Note 6 Capital Assets and Collections

	2011			2010		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings, land and leasehold improvements	$ 343,667	$ 105,902	$ 237,765	$ 323,942	$ 96,199	$ 227,743
Furnishings and equipment	75,709	53,888	21,821	66,176	49,147	17,029
Library materials	34,395	24,480	9,915	32,622	22,877	9,745
Land	1,501	-	1,501	913	-	913
Permanent collections	33,991	-	33,991	33,814	-	33,814
	$ 489,263	$ 184,270	$ 304,993	$ 457,467	$ 168,223	$ 289,244

Included in buildings, land and leasehold improvements is $825 (2010 - $43,116) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions during the year includes in-kind contributions (such as library materials, equipment, software, permanent collections, buildings and land) in the amount of $3,998 (2010 - $963).

University of Lethbridge

Notes to the Financial Statements
Year ended March 31, 2011
(thousands of dollars)

Note 7 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2011	2010
Universities Academic Pension Plan (UAPP)	$ 14,793	$ 14,413
Long-term disability	669	471
Early retirement	1,068	1,576
Senior administration leaves	4,913	5,712
Supplementary benefit plan (SBP)	2,481	2,113
Other	150	154
	24,074	24,439
Less current portion	(2,243)	(1,936)
Long-term portion	$ 21,831	$ 22,503

(a) Defined benefit plans accounted for on a defined benefit basis

UAPP

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members and other eligible employees. An actuarial valuation of the UAPP was carried out as at December 31, 2008. This was then extrapolated to the plan's year end of December 31, 2010 and further extrapolated to the University's year end of March 31, 2011. The University's portion of the UAPP deficiency has been allocated based on its percentage of the plan's total employer contributions for the year. The next actuarial valuation will be December 31, 2010 and will be performed subsequent to March 31, 2011.

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2010 - 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.03% (2010 - 2.03%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The Government of Alberta's obligation for the future additional contributions was $285,053 at March 31,2011. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 5.09% (2010 - 4.64%) of pensionable earnings shared equally between employees and employers until December 31, 2023.

Early retirement

The University provides early retirement defined benefits to its employees (academic and support staff). The most recent actuarial valuation for these benefits was as at March 31, 2011. 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. The plan is closed to new members and no future service benefits are being accrued. The next actuarial evaluation will be carried out for March 31, 2012.

Senior administration leaves

The University provides for certain senior administrators to accrue time in the form of a leave of absence for the purpose of professional development. The most recent actuarial valuation for these benefits was at March 31, 2011. The next actuarial evaluation will be carried out for March 31, 2012.

Long-term disability plan

The University provides long-term disability defined benefits to its employees (academic and support staff). The most recent actuarial valuation for these benefits was as at March 31, 2011. The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date. The accrued benefit obligation began the year at $718, increased by current service costs of $244, interest costs of $42 and amortization of net actuarial losses of $4, which were offset by benefits paid of $113 for an accrued benefit obligation at the end of the year of $887. The long-term disability plan has unamortized net actuarial losses of $218. The next actuarial evaluation will be carried out for March 31, 2012.

(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

(a) Defined benefit plans accounted for on a defined benefit basis (continued)

The expense and financial position of these defined benefit plans are as follows:

	2011				2010			
	UAPP	Early retirement plan (1)	Senior administrative leave	Supplementary benefit plan	UAPP	Early retirement plan (1)	Senior administrative leave	Supplementary benefit plan
Expenses								
Current service cost	$ 4,978	$ (479)	$ 856	$ 334	$ 5,509	$ 1,389	$ 783	$ 304
Interest cost	1,909	8	261	57	3,119	11	343	63
Amortization of net actuarial losses (gains)	1,068	(3)	(127)	-	3,094	(6)	6	-
Total expense	$ 7,955	$ (474)	$ 990	$ 391	$ 11,722	$ 1,394	$ 1,132	$ 367
Financial position								
Accrued benefit obligation, beginning of year	$ 107,877	$ 1,576	$ 5,712	$ 2,113	$ 118,606	$ 216	$ 5,897	$ 1,814
Current service cost	4,978	(479)	856	334	5,509	1,389	783	304
Interest cost	7,613	8	261	57	8,135	11	343	63
Benefits paid	(5,032)	(34)	(1,789)	(23)	(5,400)	(34)	(1,317)	(68)
Actuarial (gain) loss	5,091	(3)	(127)	-	(18,973)	(6)	6	-
Balance, end of year	120,527	1,068	4,913	2,481	107,877	1,576	5,712	2,113
Plan Assets	(92,066)	-	-	-	(81,395)	-	-	-
Plan deficit	28,461	1,068	4,913	2,481	26,482	1,576	5,712	2,113
Unamortized net actuarial gain (loss)	(13,668)	-	-	-	(12,069)	-	-	-
Accrued benefit liability	$ 14,793	$ 1,068	$ 4,913	$ 2,481	$ 14,413	$ 1,576	$ 5,712	$ 2,113

(1) The University plans to use its working capital to finance these future obligations.

The significant actuarial assumptions used to measure the accrued benefit obligation are as follows:

	2011				2010			
	UAPP	Early retirement plan	Senior administration leaves	Supplementary benefit plan	UAPP	Early retirement plan	Senior administration leaves (1)	Supplementary benefit plan
Accrued benefit obligation:								
Discount rate	6.50%	4.20%	4.20%	n/a	6.90%	4.60%	4.60%	n/a
Long-term average compensation increase	3.50%	n/a	4.00%	n/a	3.50%	n/a	0.00%	n/a
Benefit cost:								
Discount rate	6.50%	4.20%	4.20%	n/a	6.90%	4.60%	4.60%	n/a
Long-term average compensation increase	3.50%	n/a	4.50%	n/a	3.50%	n/a	4.50%	n/a
Alberta inflation:								
Next 3 years	2.25%	n/a	0.00%	n/a	2.25%	n/a	0.00%	n/a
Thereafter	2.25%	n/a	0.00%	n/a	2.25%	n/a	0.00%	n/a
Estimated average remaining service life	11.3 yrs	2 yrs	5 yrs	5 yrs	11.3 yrs	3 yrs	5 yrs	5 yrs

(1) The compensation increase assumption was 0% for 2011 and 6% thereafter.

(b) Defined Contribution

Supplementary benefit plan
The University provides non-contributory defined supplementary benefits to current and past senior administrators above the benefits provided by the Universities Academic Pension Plan. The University's total defined benefit supplementary benefit expense was $23 (2010 - $68).

(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

(b) Defined Contribution (continued)

Public Service Pension Plan (PSPP)

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members. As the University does not have sufficient information to follow the accounting standards for defined benefits plans, it is accounted for on a defined contribution basis. The pension expense recorded in these financial statements is $1,841 (2010 - $1,414).

An actuarial valuation of the PSPP was carried out as at December 31, 2008 and was then extrapolated to December 31, 2010. At December 31, 2010, the PSPP reported an actuarial deficiency of $2,067,151 (2009 - $1,729,196) which represents the unfunded position of the plan as a whole and not the University's share.

Note 8 Long-term Liabilities

	Collateral	Maturity date	Interest rate	2011	2010
Alberta Capital Finance Authority payable:					
Student housing debenture	(1)	April 15, 2023	6.0%	$ 3,087	$ 3,241
Other liabilities					
Capital lease	n/a	Sept. 30, 2012	5.0%	175	281
Asset retirement obligation	n/a	n/a	n/a	219	558
				3,481	4,080
Less current portion				(398)	(750)
				$ 3,083	$ 3,330

(1) Collateral consists of a security interest in present and acquired intangibles, accounts, monies, book debts, instruments, claims or rights, rentals, or insurance proceeds directly or indirectly associated from the operations of the said student housing building.

The principal portion of long-term liability repayments, excluding the asset retirement obligation is as follows:

2012 - $273; 2013 - $238; 2014 - $184; 2015 - $195; 2016 - $206; 2017 and thereafter - $2,166

Interest expense on long-term obligations is $202 (2010 - $214).

The asset retirement obligation represents the estimated present value of the legal obligation associated with the planned removal of asbestos from University Hall. Estimating the liability requires judgment by University administration related to the amount of work required to remove the asbestos, the cost of the work and inflationary increases over the term of the obligation. Costs are expected to be incurred over the next two fiscal years, with an undiscounted value of approximately $225. The credit-adjusted risk-free rate used for discounting the liability was 1.77%. The asset retirement obligation will reduce as the asbestos is removed from the building and amortized through the statement of operations. Further costs of removing asbestos cannot be reasonably estimated at this time, but will be recorded in the period in which there is sufficient information to estimate fair value. Reconciliation of the asset retirement obligation is as follows:

	2011	2010
Asset retirement obligation, beginning of the year	$ 558	$ 1,427
Liabilities settled during the period	(346)	(135)
Accretion expense	10	37
Decrease in obligation	(3)	(771)
Asset retirement obligation, end of the year	$ 219	$ 558

(thousands of dollars)

Note 9 Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2011		2010	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	$ 47,836	$ 15,179	$ 67,303	$ 13,214
Grants and donations received	5,550	32,126	9,026	18,580
Investment income	319	759	1,129	563
Recognized as revenue	(4,947)	(12,347)	(532)	(14,731)
Transferred to unamortized deferred capital contributions (Note 10)	(19,070)	(8,486)	(29,090)	(2,447)
Balance, end of the year	$ 29,688	$ 27,231	$ 47,836	$ 15,179

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the unamortized grants and donations spent to fund capital acquisitions. The amortization of unamortized deferred capital contributions is recorded as revenue in the statement of operations. The changes in the unamortized deferred capital contributions balance are as follows:

	2011	2010
Balance, beginning of the year	$ 172,405	$ 149,380
Additions from deferred contributions (Note 9)	27,556	31,537
Amortization of deferred capital contributions to revenue	(10,313)	(8,512)
Balance, end of the year	$ 189,648	$ 172,405

Note 11 Endowments

Endowments consist of externally restricted donations received by the University and internal allocations by the University's Board of Governors, the principal of which is required to be maintained intact in perpetuity.

Investment income earned on 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.

Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of endowments 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.

- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. However, for individual endowment funds without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

(thousands of dollars)

Note 11 Endowments (continued)

The composition of endowments is as follows:

	2011	2010		
	Externally restricted	Externally restricted	Internally restricted	Total
Balance, beginning of the year	$ 34,581	$ 25,347	$ 3,605	$ 28,952
Endowment contributions	2,090	1,484	-	1,484
Transfers from endowments	(13)	(575)	200	(375)
Investment gain (Note 17)	2,861	4,520	-	4,520
Balance, end of the year	$ 39,519	$ 30,776	$ 3,805	$ 34,581
Cumulative contributions	$ 29,668	$ 24,328	$ 3,263	$ 27,591
Cumulative capitalized income	9,851	6,448	542	6,990
	$ 39,519	$ 30,776	$ 3,805	$ 34,581

During the 2011 year, investment income of $2,861 (2010 - $4,520) was recorded directly to net assets for endowments. The Board of Governors approved the funding of endowment deficits and transferred $nil (2010 - $318) from unrestricted net assets to externally restricted endowments. Repayments of $13 (2010 - $893) were made to unrestricted net assets from externally restricted endowments.

The Board of Governors transferred $3,805 from internally restricted funds to permanent endowments based on receiving legal advice.

Note 12 Investment in Capital Assets and Collections

Net assets invested in capital assets and collections represent the carrying amount (net book value) of capital assets and collections less unamortized deferred capital contributions and any related debt.

	2011	2010
Capital assets and collections at net book value (Note 6)	$ 304,993	$ 289,244
Less amounts financed by:		
Unamortized deferred capital contributions (Note 10)	(189,648)	(172,405)
Long-term liabilities related to capital expenditures (Note 8)	(3,481)	(4,080)
Investment in capital assets and collections	$ 111,864	$ 112,759

The changes during the year are as follows:

	2011	2010
Investment in capital assets and collections, beginning of the year	$ 112,759	$ 107,880
Acquisition of capital assets and collections	5,507	11,325
Long-term liabilities - repayment	260	248
Net book value of asset disposals	(28)	(105)
Amortization of investment in capital assets	(7,399)	(6,716)
Net investment in capital assets	(1,660)	4,752
Contributions of assets not subject to amortization	765	127
Increase for the year	(895)	4,879
Investment in capital assets and collections, end of the year	$ 111,864	$ 112,759

(thousands of dollars)

Note 13 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. Those amounts are not available for other purposes without the approval of the Board. Internally restricted net assets are summarized as follows:

	Balance, beginning of year	Appropriations from (returned to) unrestricted net assets	Disbursements during the year	Balances, end of year
Capital activities				
Housing	$ 4,103	$ 11,796	$ 2,566	$ 13,333
Ancillary	4,180	526	283	4,423
Capital replacement	-	4,104	-	4,104
Parking	1,092	396	300	1,188
Utility conservation	158	1,296	-	1,454
IT systems	92	920	111	901
Facility enhancement	2,150	(1,226)	53	871
Service vehicles and equipment	412	42	-	454
Telecommunication equipment	(90)	446	-	356
Support units equipment	533	56	400	189
Self insurance	41	56	15	82
	12,671	18,412	3,728	27,355
Operating activities				
Strategic initiatives	2,500	5,147	107	7,540
Staff replacement	-	444	-	444
Short-term disability	236	3	23	216
Academic development	18	50	5	63
Utilities	55	-	-	55
IT framework	-	18	-	18
	2,809	5,662	135	8,336
Total	$ 15,480	$ 24,074	$ 3,863	$ 35,691

Note 14 Contingent Liabilities

- The University, in the conduct of its normal activities, is a defendant in a legal proceeding. While the ultimate outcome and liability of this proceeding cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Management has concluded that the claim does not meet the criteria for being recorded under GAAP.

- The University may be required to pay a retroactive charge to Access Copyright for a potential change in rate during the Interim Tariff Agreement starting January 1, 2011, if approved by the Copyright Board of Canada. Currently, it is uncertain if approval for a retroactive charge will occur and the value of that change, which could be up to $41.62 more per student.

- The University has identified potential asset retirement obligations related to the existence of asbestos in its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedures to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the full obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. Where the University has a legal obligation to remove the asbestos the asset retirement obligation for these assets is recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation (Note 8).

(thousands of dollars)

Note 15 Contractual Obligations

The University has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met.

	2011	2010
Service contracts	$ 7,286	$ 8,651
Capital projects	5,432	6,974
Information systems and technology	989	1,245
Long-term leases	1,149	892
	$ 14,856	$ 17,762

The estimated aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Service Contracts	Capital Projects	Information systems and Technology	Long-term Leases	Total
2012	$ 1,936	$ 5,366	$ 233	$ 363	$ 7,898
2013	1,936	66	202	206	2,410
2014	1,936	-	191	139	2,266
2015	1,470	-	161	139	1,770
2016	8	-	126	94	228
Thereafter	-	-	76	208	284
	$ 7,286	$ 5,432	$ 989	$ 1,149	$ 14,856

Service contracts include contractual obligations the University has entered into for services such as electricity, insurance and consulting services. Capital projects include contractual obligations for the construction or purchase of capital items. Information systems and technology include contractual obligations for technology maintenance and services. Long-term leases are contractual obligations the University has entered into for the use of additional facilities and include fixed costs.

The University is one of 58 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, 2010 CURIE had a surplus of $43,288 (2009 - $32,032). This surplus is an accumulation of five different underwriting periods. The University participates in four of the underwriting periods, which have an accumulated surplus of $39,737 as of December 31, 2010 (2009 - $28,647) of which the University's proportionate share is approximately 1.12% (2009 - 1.09%) at December 31, 2010. This surplus is not recorded in the financial statements.

Included in service contracts are electricity contracts in order to manage its exposure to the volatility in the electrical industry. The University has entered into contracts to fix a portion of its electrical cost at an average of $73 (2010 - $55) per megawatt hour. The two (2010 - three) contracts totaling $7,970 (2010 - $13,007) expire in December 2014 and May 2016.

Note 16 Budget Comparison

The University's 2010 - 2011 budget was approved by the Board of Governors as was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2010 - 2014 Business Plan. Certain budget figures from the University's 2010 - 2014 Business Plan have been reclassified to conform to the presentation adopted in the 2011 financial statements.

Note 17 Investment Income

	2011	2010
Income on investments held for endowments	$ 3,678	$ 5,459
Income on other investments	10,131	16,148
	13,809	21,607
Less deferred contributions	(937)	(1,586)
Less transfer to endowments (Note 11)	(2,861)	(4,520)
Investment income	$ 10,011	$ 15,501

(thousands of dollars)

Note 18 Related Party Transactions

The University operates under the authority and statutes of the Province of Alberta. Transactions and balances between the University and the Government of Alberta (GOA) are measured at the exchange amount and summarized below:

	2011	2010
Revenue from GOA		
Advanced Education and Technology:		
Operating grants	$ 97,363	$ 85,677
Enrolment planning envelope	-	9,755
Capital grants	3,772	4,692
Access to the Future Fund (matching grants)	3,000	3,000
Research grants	2,287	984
Alberta Innovates - Health Solutions	2,238	1,794
Alberta Innovates - Energy & Environment	985	726
Alberta Innovates - Technology Futures	819	925
Alberta Innovates - Bio Solutions	150	110
Other	236	233
	110,850	107,896
Other GOA departments and agencies:		
Alberta Health and Wellness	6,000	-
Alberta Gaming and Liquor Commission	387	583
Alberta Employment Immigration	378	39
Alberta Health Services	212	172
Alberta Livestock and Meat Agency	124	-
Alberta Education	90	188
Alberta Agriculture and Rural Development	50	-
Alberta Culture and Community Spirit	25	1,371
Other	405	512
	7,671	2,865
Total contributions received	118,521	110,761
Less deferred contributions	(12,898)	(9,398)
Less transfer to endowments	(490)	(693)
	$ 105,133	$ 100,670
Accounts receivable		
Advanced Education and Technology	$ 412	$ 5,933
Other GOA departments and agencies	45	35
	$ 457	$ 5,968
Accounts payable		
Other GOA departments and agencies	$ 164	$ 154

The University has a long-term liability with Alberta Capital Finance Authority as described in Note 8.

During the year, the University conducted business transactions with other public Colleges and Universities. The revenues and expenses incurred for these business transactions have been included in the statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as those with non-related parties and are recorded at fair values.

The University owns 90% of the common shares in Alberta Terrestrial Imaging Corp. (ATIC), a not-for-profit company formed in June 2005 to provide satellite imagery to Canadian academic markets. The University has one-third of the voting control of ATIC. At March 31, 2011 the University had a loan receivable from ATIC of $392 (2010 - $434) resulting from paying certain operating expenses on ATIC's behalf. These amounts are included in the University's statement of financial position as accounts receivable. In 2011, ATIC operations have moved to the University of Lethbridge campus.

The University has significant influence in the Canada School of Energy and Environment (CSEE), a not-for-profit corporation formed in partnership with the University of Calgary and University of Alberta to facilitate the integration of research discoveries in energy and environmental research across various institutions through receipt of grant funding. The University holds one-third of the Board member seats with the ultimate control being held by the other two partners. At March 31, 2011 the University submitted $124 (2010 - $117) in expenses to be funded by CSEE grants.

(thousands of dollars)

Note 18 Related Party Transactions (continued)

The University has significant influence in the Alberta Gaming Research Institute (AGRI), a consortium formed in partnership with the Unviersity of Calgary and University of Alberta to support and promote research into gaming and gambling in the province through annual grants to each institution. The University holds 2 of the seven board member seats. At March 31, 2011 the Unviersity received $295 (2010 - $295) in grants of which there were $304 (2010 - $325) in expenses.

Note 19 Salary and Employee Benefits

Treasury Board Directive 12-98 under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2011				2010
	Base salary (1)	Other cash benefits (2)	Other non-cash benefits (3) (6)	Total	Total
Governance (4)					
Chair of the Board of Governors	$ -	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President (5)	337	100	142	579	531
Vice-Presidents					
Vice-President Academic and Provost	260	32	50	342	337
Vice-President Finance and Administration	273	-	55	328	322
Vice-President Research	210	30	42	282	275
Vice-President Advancement	191	-	41	232	227
Administrative leave benefit (7)					
President(5)	-	-	-	133	89
Vice-President Academic and Provost	-	-	-	47	57
Vice-President Finance and Administration	-	-	-	49	76
Vice-President Research	-	-	-	47	29

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include housing allowances and research grants.

(3) Other non-cash benefits include the University'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 plan, professional memberships, supplementary benefit plan (as per point 6 below) and professional supplement allowance.

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

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

(6) Under the terms of the supplementary benefit plan (SBP), senior administrators will receive supplemental retirement payments. The costs detailed below are not cash payments in the period but are period expenses for rights to future compensation. Costs shown reflect the total estimated cost to provide a payment at termination of employment with the University. The SBP is a defined contribution plan. The University contributes annually to the SBP based on the employee's salary and this benefit earns interest at the annual realized rate of return on the University's long-term investments. Current service costs is the notional value of the benefits earned in the fiscal year. The interest accrued on benefit obligations is equal to the realized earnings rate on the University's long-term investments of 2.57% in 2011 (2010 – 3.36%).

(7) Administrative leaves are accrued for certain executive officers 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 cost of these benefits is actuarially determined using the projected benefit method prorated on service, a discount rate based on market interest rates and management's best estimates of salary and benefit increases to the assumed retirement or termination date. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. The amounts shown include current and prior service costs.

(thousands of dollars)

Note 19 Salary and Employee Benefits (continued)

The current service cost and accrued obligation for each senior administrator under the SBP is outlined in the following table:

	Accrued Obligation March 31, 2010	Service cost	Interest cost	Actuarial loss (gain)	Accrued Obligation March 31, 2011
President(5)	$ 363	$ 80	$ 10	$ -	$ 453
Vice Presidents:					
Provost and Vice-President Academic	37	14	1	-	52
Vice-President Finance and Administration	95	15	3	-	113
Vice-President Research	6	8	-	-	14
Vice-President University Advancement	19	6	1	-	26

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 7.

Note 20 Knowledge Infrastructure Program

Canada - Alberta Knowledge Infrastructure Program

The Canada - Alberta Knowledge Infrastructure Program (KIP) was established to provide funding in support of capital projects at post secondary institutions in order to offset the impact of the global economic recession by providing employment opportunities. Eligible KIP projects can receive up to 50% of its funding from Government of Canada contributions through direct payments made by the Province. The remaining portion of funding for KIP projects is made up of internal resources, provincial contributions and research grants. The KIP program supports eligible costs incurred from February 24, 2009 to May 31, 2011. Amounts received from the Province of Alberta representing Government of Canada contributions and total eligible costs incurred on KIP projects are as follows:

	2011	2010	February 24, 2009 to March 31, 2009	Total
Contributions	$ 459	$ 1,378	$ -	$ 1,837
Total Eligible Costs	1,692	-	-	1,692

The remaining contractual obligation to complete the projects at March 31, 2011 is $145. This amount is included in Note 15.

Note 21 Scholarships and Bursaries

In addition to the amount recognized, scholarships and bursaries totaling $3,112 (2010 - $2,708) were awarded to 2,175 (2010 - 2,003) University of Lethbridge students through the Alberta Scholarship Program. These amounts are not included in the financial statements.

Note 22 Comparative Figures

Certain 2010 figures have been reclassified to conform to the presentation adopted in the 2011 financial statements.