University of Lethbridge

Statement of Financial Position

As at March 31, 2012
(thousands of dollars)

	2012	2011
Assets		
Current		
Cash and cash equivalents (Note 3)	$ 34,666	$ 35,043
Short-term investments (Note 4)	15,318	4,567
Accounts receivable	6,101	7,439
Inventories and prepaid expenses	2,045	2,258
	58,130	49,307
Long-term investments (Note 4)	143,590	145,648
Other long-term assets (Note 5)	2,638	2,748
Capital assets and collections (Note 6)	314,539	304,993
	$ 518,897	$ 502,696
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 12,439	$ 11,302
Current portion of employee future benefit liabilities (Note 7)	1,194	2,243
Current portion of long-term liabilities (Note 8)	436	398
Deferred contributions, research and other (Note 9)	24,209	27,231
Deferred revenue	4,937	4,809
	43,215	45,983
Employee future benefit liabilities (Note 7)	24,019	21,831
Long-term liabilities (Note 8)	10,054	3,083
Deferred contributions, capital (Note 9)	30,694	29,688
Unamortized deferred capital contributions (Note 10)	191,123	189,648
	299,105	290,233
Net Assets		
Endowments (Note 11)	41,350	39,519
Investment in capital assets and collections (Note 12)	112,926	111,864
Internally restricted (Note 13)	33,271	35,691
Unrestricted	32,245	25,389
	219,792	212,463
	$ 518,897	$ 502,696

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.

Statement of Operations

Year ended March 31, 2012
(thousands of dollars)

	2012 Budget (unaudited) (Note 16)	2012	2011
Revenue			
Government of Alberta grants	$ 100,611	$ 107,597	$ 105,133
Federal and other government grants	10,653	9,462	9,043
Sales of services and products	13,862	14,070	14,122
Student tuition and fees	39,314	40,047	39,383
Donations and other grants	3,605	3,489	3,526
Investment income (Note 17)	8,126	1,836	10,011
Amortization of deferred capital contributions (Note 10)	9,000	12,410	10,313
	185,171	188,911	191,531
Expense			
Salaries	107,603	108,673	102,397
Employee benefits	20,571	19,444	17,937
Materials, supplies and services	31,401	23,782	22,320
Utilities	3,456	3,551	3,325
Maintenance and repairs	1,299	1,559	1,511
Scholarships and bursaries	4,657	5,396	5,885
Cost of goods sold	3,572	3,208	3,487
Amortization of capital assets	14,181	19,105	17,692
	186,740	184,718	174,554
Excess/(deficiency) of revenue over expense	$ (1,569)	$ 4,193	$ 16,977

The accompanying notes are part of these financial statements.

Statement of Changes in Net Assets

Year ended March 31, 2012
(thousands of dollars)

	Endowments	Investment in Capital Assets and Collections	Internally Restricted Net Assets	Unrestricted Net Assets
Net Assets, March 31, 2010	$ 34,581	$ 112,759	$ 15,480	$ 26,950
Excess of revenue over expense	-	-	-	16,977
Investment income (loss) (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
Contribution 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**
Excess of revenue over expense	-	-	-	4,193
Investment income (loss) (Note 17)	(390)	-	-	-
Endowment contributions	1,790	-	-	-
Net transfers	(740)	-	862	(122)
Transfer to endowments from deferred contributions	1,171	-	-	-
Net change investment in capital assets (Note 12)	-	497	(844)	347
Contribution of assets not subject to amortization (Note 12)	-	565	-	-
Net expenditures of internally restricted net assets	-	-	(2,438)	2,438
Net Assets, March 31, 2012	**$ 41,350**	**$ 112,926**	**$ 33,271**	**$ 32,245**

The accompanying notes are part of these financial statements.

University of Lethbridge

Statement of Cash Flows

Year ended March 31, 2012
(thousands of dollars)

	2012	2011
Cash provided from (used in) operating activities:		
Excess of revenue over expense	$ 4,193	$ 16,977
Add (deduct) non-cash items:		
Amortization of capital assets	19,105	17,692
Amortization of deferred capital contributions	(12,410)	(10,313)
(Gain) /Loss on disposal of capital assets	75	6
Change in employee future benefit liabilities	2,189	(672)
Change in unrealised gain on investments	3,240	(5,671)
Total non-cash items	12,199	1,042
Net change in non-cash working capital (*)	(10,824)	12,056
	5,568	30,075
Cash provided from (used in) investing activities:		
Purchase of capital assets and collections, net of proceeds from disposals	(27,980)	(29,448)
Purchases of long-term investments, net of sales	(2,603)	(735)
Endowment investment earnings	1,031	576
	(29,552)	(29,607)
Cash provided from (used in) financing activities:		
Endowment contributions	1,790	2,090
Capital contributions	14,477	5,827
Long-term liabilities - new financing, net of repayments	7,230	(250)
Change in other long-term assets	110	167
	23,607	7,834
Increase / (Decrease) in cash	(377)	8,302
Cash and cash equivalents, beginning of year	35,043	26,742
Cash and cash equivalents, end of year (Note 3)	$ 34,666	$ 35,044

(*) Net change in non-cash working capital:		
Increase in short-term investments	$ (10,748)	$ (751)
Decrease in accounts receivable	1,337	3,592
Decrease / (Increase) in inventories and prepaid expenses	211	(216)
(Decrease) / Increase in accounts payable and accrued liabilities	1,137	(3,250)
(Decrease) / Increase in current portion of employee future benefits liabilities	(1,049)	307
(Decrease) / Increase in deferred contributions, research and other, net of transfer to endowments	(1,840)	12,052
Increase in deferred revenue	128	322
	$ (10,824)	$ 12,056

The accompanying notes are part of these financial statements.

University of Lethbridge

Notes to the Financial Statements
Year ended March 31, 2012
(thousands of dollars)

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, and amortization of deferred capital contributions 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, 2012 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 using a first-in, first-out method.

(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 unrealised 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 donations and other grants 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 liabilities 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 but 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 Canadian Public Sector Accounting Board (PSAB) has issued a framework of financial reporting for government not-for-profit organizations. The framework will be effective for fiscal years beginning on or after January 1, 2012. Effective April 1, 2012, the University will adopt the Canadian Public Sector Accounting (PSA) standards without the public sector PS 4200 not-for-profit series of standards. As a result, management has identified the major differences between current and Canadian PSA accounting and reporting standards. Management is developing a transition plan and continues to work through the remaining differences. The qualitative impact of the transition cannot be fully and reasonably determined at this time.

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 one year at March 31.

	2012	2011
Cash	$ 33,375	$ 29,339
Money market funds and short-term notes	1,291	5,704
	$ 34,666	$ 35,043

Note 4 Investments

	2012 Market Value	2011 Market Value
Money market and short-term funds	$ 25,095	$ 15,104
Canadian bonds	51,107	46,624
Canadian equity	52,914	58,439
Foreign equity	29,675	29,880
Other	117	168
	$ 158,908	$ 150,215
Short-term investments	$ 15,318	$ 4,567
Long-term investments	143,590	145,648
	$ 158,908	$ 150,215

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

- Money market funds and short-term notes: 1.58% (2011 - 1.32%); terms to maturity: June 27, 2014.
- Canadian government and corporate bond funds: 3.61% (2011 - 5.10%); terms to maturity: range from less than one year to more than 40 years.

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.

(thousands of dollars)

Note 5 Other Long-term Assets

	2012	2011
University of Lethbridge undergraduate students	$ 1,425	$ 1,496
1st Choice Savings and Credit Union Ltd.	1,368	1,407
University of Lethbridge graduate students	36	40
University of Lethbridge Faculty Association	150	146
Deposits	17	17
Current portion in Accounts Receivable	(358)	(358)
	$ 2,638	$ 2,748

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 $3,512 (2011 - $2,593) 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

	2012			2011		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings, land and leasehold improvements	$ 364,966	$ 116,062	$ 248,904	$ 343,667	$ 105,902	$ 237,765
Furnishings and equipment	78,595	59,527	19,068	75,709	53,888	21,821
Library materials	36,734	26,211	10,523	34,395	24,480	9,915
Land	1,470	-	1,470	1,501	-	1,501
Permanent collections	34,574	-	34,574	33,991	-	33,991
	$ 516,339	$ 201,800	$ 314,539	$ 489,263	$ 184,270	$ 304,993

Included in buildings, land and leasehold improvements is $4,941 (2011 - $825) 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 $746 (2011 - $3,998).

Note 7 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2012	2011
Universities Academic Pension Plan (UAPP)	$ 15,792	$ 14,793
Long-term disability	766	669
Early retirement plan	164	1,068
Senior administrative leaves	5,681	4,913
Supplementary benefit plan	2,624	2,481
Other	186	150
	25,213	24,074
Less current portion	(1,194)	(2,243)
Long-term portion	$ 24,019	$ 21,831

(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, 2010. This was then extrapolated to the plan's year end of December 31, 2011 and further extrapolated to the University's year end of March 31, 2012. The

(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

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

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, 2013.

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2011 - 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.34% (2011 - 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 $297,444 at March 31, 2012. The unfunded deficiency for service after December 31, 1991 is financed by special payments on pensionable earnings of 5.24% (2011 - 5.09%) until December 31, 2021, 1.46% (2011 - 1.01%) for 2022 and 2023, and 0.45% (2011 - NIL%) for 2024 and 2025, all shared equally between employees and employers.

Early retirement plan

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, 2012. 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, 2013.

Senior administrative 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, 2012. The next actuarial evaluation will be carried out for March 31, 2013.

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, 2012. 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 $887, increased by current service costs of $158 and interest costs of $41 which were offset by amortization of net actuarial losses of $53 and benefits paid of $118 for an accrued benefit obligation at the end of the year of $915. The long-term disability plan has unamortized net actuarial losses of $149. The next actuarial evaluation will be carried out for March 31, 2013.

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

	2012				2011			
	UAPP	Early retirement plan[1]	Senior administrative leaves	Supplementary benefit plan	UAPP	Early retirement plan[1]	Senior administrative leaves	Supplementary benefit plan
Expenses								
Current service cost	$ 5,685	$ (874)	$ 913	$ 365	$ 4,978	$ (479)	$ 856	$ 334
Interest cost	1,960	6	222	52	1,909	8	261	57
Amortization of net actuarial losses (gains)	1,340	(2)	693	-	1,068	(3)	(127)	-
Total expense	$ 8,985	$ (870)	$ 1,828	$ 417	$ 7,955	$ (474)	$ 990	$ 391
Financial position								
Accrued benefit obligation, beginning of year	$ 120,527	$ 1,068	$ 4,913	$ 2,481	$ 107,877	$ 1,576	$ 5,712	$ 2,113
Current service cost	5,685	(874)	913	365	4,978	(479)	856	334
Interest cost	8,027	6	222	52	7,613	8	261	57
Benefits paid	(5,432)	(34)	(1,060)	(274)	(5,032)	(34)	(1,789)	(23)
Actuarial (gain) loss	2,973	(2)	693	-	5,091	(3)	(127)	-
Balance, end of year	131,780	164	5,681	2,624	120,527	1,068	4,913	2,481
Plan Assets	(97,008)	-	-	-	(92,066)	-	-	-
Plan deficit	34,772	164	5,681	2,624	28,461	1,068	4,913	2,481
Unamortized net actuarial gain (loss)	(18,980)	-	-	-	(13,668)	-	-	-
Accrued benefit liability	$ 15,792	$ 164	$ 5,681	$ 2,624	$ 14,793	$ 1,068	$ 4,913	$ 2,481

[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:

University of Lethbridge

Notes to the Financial Statements
Year ended March 31, 2012
(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

	2012				2011			
	UAPP	Early retirement plan	Senior administrative leaves	Supplementary benefit plan	UAPP	Early retirement plan	Senior administrative leaves	Supplementary benefit plan
Accrued benefit obligation:								
Discount rate	6.50%	3.20%	3.20%	n/a	6.50%	4.20%	4.20%	n/a
Long-term average compensation increase	3.50%	n/a	6.50%	n/a	3.50%	n/a	4.00%	n/a
Benefit cost:								
Discount rate	6.50%	3.20%	3.20%	n/a	6.50%	4.20%	4.20%	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	10.2 yrs	1 yr	5 yrs	n/a	11.3 yrs	2 yrs	5 yrs	n/a

(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 $274 (2011 - $23).

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 $1,950 (2011 - $1,841).

An actuarial valuation of the PSPP was carried out as at December 31, 2010 and was then extrapolated to December 31, 2011. At December 31, 2011, the PSPP reported an actuarial deficiency of $1,790,383 (2010 - $2,067,151) 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	2012	2011
Alberta Capital Finance Authority payable:					
Student housing debenture	(1)	April 15, 2023	6.0%	$ 2,924	$ 3,087
Student housing debenture - Phase 3	(1)	March 15, 2037	3.263%	$ 7,500	$ -
Other liabilities					
Capital lease	n/a	Sept. 30, 2012	5.0%	66	175
Asset retirement obligation	n/a	n/a	n/a	-	219
				10,490	3,481
Less current portion				(436)	(398)
				$ 10,054	$ 3,083

(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: 2013 - $436; 2014 - $388; 2015 - $406; 2016 - $425; 2017 - $444; 2018 and thereafter - $8,391

Interest paid on long-term obligations is $189 (2011 - $202).

The asset retirement obligation associated with the planned removal of asbestos in University Hall has been completed. 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 of the removal liability. Reconciliation of the asset retirement obligation is as follows:

(thousands of dollars)

Note 8 Long-term Liabilities (continued)

	2012	2011
Asset retirement obligation	$ 219	$ 558
Liabilities settled during the period	(89)	(346)
Accretion expense	-	10
Decrease in obligation	(130)	(3)
Asset retirement obligation, end of the year	$ -	$ 219

Note 9 Deferred Contributions

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

	2012		2011	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	$ 29,688	$ 27,231	$ 47,836	$ 15,179
Grants and donations received	13,535	20,124	5,550	32,126
Transfer to endowments (Note 11)	-	(1,171)	-	-
Investment income	28	(1,377)	319	759
Recognized as revenue	(997)	(18,273)	(4,947)	(12,347)
Transferred to unamortized deferred capital contributions (Note 10)	(11,560)	(2,325)	(19,070)	(8,486)
Balance, end of the year	$ 30,694	$ 24,209	$ 29,688	$ 27,231

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:

	2012	2011
Balance, beginning of the year	$ 189,648	$ 172,405
Additions from deferred contributions (Note 9)	13,885	27,556
Amortization of deferred capital contributions to revenue	(12,410)	(10,313)
Balance, end of the year	$ 191,123	$ 189,648

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.

(thousands of dollars)

Note 11 Endowments (continued)

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.

The composition of endowments is as follows:

	2012 Externally restricted	2011 Externally restricted
Balance, beginning of the year	$ 39,519	$ 34,581
Endowment contributions	1,790	2,090
Encroachment	(740)	(13)
Transfer from deferred contributions (Note 9)	1,171	-
Investment gain (loss)(Note 17)	(390)	2,861
Balance, end of the year	$ 41,350	$ 39,519
Cumulative contributions	$ 32,639	$ 29,668
Cumulative capitalized income	8,711	9,851
	$ 41,350	$ 39,519

As at March 31, 2012, cumulative capitalized income of $740 (2011- $-) was required to cover the spending allocation. During 2011, final repayments of $13 were made to unrestricted net assets from externally restricted endowments per the 2010 Board of Governors approval to fund endowment deficits.

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.

	2012	2011
Capital assets and collections (Note 6)	$ 314,539	$ 304,993
Less amounts financed by:		
Unamortized deferred capital contributions (Note 10)	(191,123)	(189,648)
Long-term liabilities related to capital expenditures (Note 8)	(10,490)	(3,481)
Investment in capital assets and collections	$ 112,926	$ 111,864

The changes during the year are as follows:

	2012	2011
Investment in capital assets and collections, beginning of the year	$ 111,864	$ 112,759
Acquisition of capital assets and collections	14,539	5,507
Long-term liabilities - repayment	273	260
Proceeds of long-term debt	(7,500)	-
Net book value of asset disposals	(49)	(28)
Disposal of land	(31)	-
Amortization of investment in capital assets	(6,735)	(7,399)
Net investment in capital assets	497	(1,660)
Contribution of assets not subject to amortization	565	765
Increase for the year	1,062	(895)
Investment in capital assets and collections, end of the year	$ 112,926	$ 111,864

University of Lethbridge

Notes to the Financial Statements
Year ended March 31, 2012
(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	$ 13,333	$ (4,979)	$ 1,612	$ 6,742
Ancillary	4,423	1,001	276	5,148
Capital replacement	4,104	322	-	4,426
Facility enhancement	871	2,494	-	3,365
Telecommunication equipment	356	428	150	634
Parking	1,188	265	864	589
Service vehicles and equipment	454	75	103	426
Support units equipment	189	27	-	216
Self insurance	82	140	53	169
Utility conservation	1,454	(1,293)	100	61
IT systems	901	(870)	-	31
	27,355	(2,390)	3,158	21,807
Operating activities				
Strategic initiatives	7,540	1,104	-	8,644
Academic investment	-	1,577	-	1,577
Staff replacement	444	101	-	545
Enrolment management	-	200	-	200
Staff training and development	-	176	-	176
Short-term disability	216	-	64	152
Legal liability	-	80	-	80
Academic development	63	-	5	58
Faculty mediation	-	32	-	32
IT framework	18	(18)	-	-
Utilities	55	-	55	-
	8,336	3,252	124	11,464
Total	$ 35,691	$ 862	$ 3,282	$ 33,271

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 $26 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.

(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.

	2012	2011
Service contracts	$ 5,379	$ 7,286
Capital projects	14,875	5,432
Information systems and technology	835	989
Long-term leases	1,191	1,149
	$ 22,280	$ 14,856

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
2013	$ 1,947	$ 14,875	$ 241	$ 307	$ 17,370
2014	1,947	-	226	274	2,447
2015	1,478	-	176	274	1,928
2016	7	-	120	128	255
2017	-	-	26	49	75
Thereafter	-	-	46	159	205
	$ 5,379	$ 14,875	$ 835	$ 1,191	$ 22,280

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, 2011 CURIE had a surplus of $48,586 (2010 - $43,288). 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 $44,984 as of December 31, 2011 (2010 - $39,737) of which the University's proportionate share is approximately 1.15% (2010 - 1.12%) at December 31, 2011. 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 (2011 - $73) per megawatt hour. The two (2011 - two) contracts totaling $7,970 (2011 - $7,970) expire in December 2014 and May 2016.

Note 16 Budget Comparison

The University's 2011/12 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 2011/12 to 2013/14 Comprehensive Institutional Plan. Certain budget figures from the University's 2011/12 to 2013/14 Comprehensive Institutional Plan have been reclassified to conform to the presentation adopted in the 2012 financial statements.

Note 17 Investment Income

	2012	2011
(Loss) Income on investments held for endowments	$ (390)	$ 3,678
Income on other investments	301	10,131
	(89)	13,809
From (to) deferred contributions	1,535	(937)
Transfer of (income) loss to endowments (Note 11)	390	(2,861)
Investment income	$ 1,836	$ 10,011

(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:

	2012	2011
Revenue from GOA		
Advanced Education and Technology:		
Operating grants	$ 98,473	$ 97,363
Capital grants	11,547	3,772
Alberta Innovates - Health Solutions	2,792	2,238
Research grants	2,278	2,287
Alberta Innovates Solutions - Energy & Environment	819	985
Alberta Innovates - Technology Futures	724	819
Other	195	236
Alberta Innovates - Bio Solutions	187	150
Access to the Future Fund (matching grants)	-	3,000
	117,015	110,850
Other GOA departments and agencies:		
Alberta Human Services	424	378
Alberta Gaming and Liquor Commission	355	387
Alberta Cancer Foundation	267	9
Alberta Education	90	90
Alberta Culture and Community Spirit	62	25
Alberta Foundation for the Arts	49	37
Alberta Environment	41	-
Alberta Sustainable Resource Development	40	-
Alberta Rural Development Network	32	50
Alberta Livestock and Meat Agency	16	124
Alberta Health Services	6	212
Alberta Sport, Rec, Parks, Wildlife Foundation	(18)	10
Alberta Health and Wellness	-	6,000
Advances from other Provincial Institutes	281	349
	1,645	7,671
Total contributions received	118,661	118,521
Less deferred contributions	(11,064)	(12,898)
Less transfer to endowments	-	(490)
	$ 107,597	$ 105,133
Accounts receivable		
Advanced Education and Technology	$ 438	$ 412
Other GOA departments and agencies	115	45
	$ 553	$ 457
Accounts payable		
Other GOA departments and agencies	$ -	$ 164

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. Effective January 1, 2012, ATIC research employees became University of Lethbridge employees, operating on the University of Lethbridge campus, using ATIC Corporations research and computer equipment, and are funded from existing ATIC grant and contract revenue. The University is paying all operating cost under the University's ATIC Centre. At March 31, 2012 the corporation commenced windup proceedings due to the inability to secure contracts and grants to operate on its own. At March 31, 2012 the University has recorded uncollectable accounts receivable owing from ATIC as a bad debt expense ($394) pertaining to operating expenses paid by the University, leaving accounts receivable of $24 that is estimated to be collectable.

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

(thousands of dollars)

Note 18 Related Party Transactions (continued)

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, 2012 the University submitted $ 110 (2011 - $ 124) in expenses to be funded by CSEE grants.

The University has significant influence in the Alberta Gambling Research Institute (AGRI), a consortium formed in partnership with the University 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, 2012 the University received $226 (2011 - $295) in grants of which there were $288 (2011 - $304) 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.

	2012				2011
	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)	344	55	79	478	579
Vice-President Academic and Provost	280	32	55	367	342
Vice-President Finance and Administration	285	-	58	343	328
Vice-President Research	219	30	45	294	282
Vice-President Advancement	199	-	43	242	232
Administrative leave benefit (7)					
President(5)	-	-	110	110	133
Vice-President Academic and Provost	-	-	106	106	47
Vice-President Finance and Administration	-	-	309	309	49
Vice-President Research	-	-	64	64	47
Vice President Advancement (8)	-	-	-	-	-

(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 2011.

(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 2.20% in 2012 (2011 – 2.57%).

(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 executive under the Senior Administrative Leave is as follows:

	Accrued Obligation March 31, 2011	Service cost	Interest cost	Actuarial loss (gain)	Accrued Obligation, March 31, 2012
President	$ 24	$ 73	$ 4	$ 33	$ 134
Vice-Presidents:					
Provost and Vice-President Academic	258	52	13	41	364
Vice-President Finance and Administration	557	78	27	204	866
Vice- President Research	76	48	5	11	140
Vice-President University Advancement [8]	-	-	-	-	-

[8] This position does not accrue administrative leave.

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

The current service cost and accrued obligation for each executive under the Supplementary Benefit Plan is as follows:

	Accrued Obligation March 31, 2011	Service cost	Interest cost	Actuarial loss (gain)	Accrued Obligation March 31, 2012
President	$ 27	$ 39	$ 1	$ -	$ 67
Vice Presidents:					
Provost and Vice-President Academic	52	17	1	-	70
Vice-President Finance and Administration	113	18	3	-	134
Vice-President Research	14	10	-	-	24
Vice-President University Advancement	26	7	1	-	34

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

Note 20 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:

	2012	2011	2010	2009	Total
Contributions	$ -	$ 459	$ 1,378	$ -	$ 1,837
Total Eligible Costs	$ 145	$ 1,692	$ -	$ -	$ 1,837

Note 21 Scholarships and Bursaries

In addition to the amount recognized, scholarships and bursaries totaling $3,146 (2011 - $3,112) were awarded to 2,165 (2011 - 2,175) University of Lethbridge students through the Alberta Scholarship Program. These amounts are not included in the financial statements.

Note 22 Comparative Figures

Certain 2011 figures have been reclassified to conform to the presentation adopted in the 2012 financial statements.