

University of Lethbridge

Annual Report
2011/12



ACCOUNTABILITY STATEMENT

The University of Lethbridge Annual Report for the year ended March 31, 2012 was prepared under the Board's direction in accordance with the Government Accountability Act and ministerial guidelines established pursuant to the Government Accountability Act. All material economic, environmental, or fiscal implications of which we are aware have been considered in preparing this report.

Original Signed by Mr. Robert Turner

Mr. Robert Turner, Chair, Board of Governors

Date: June 14, 2012

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

University of Lethbridge's management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the Annual Report including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained by management to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Annual Report has been developed under the oversight of the Board of Governors Finance Committee, as well as approved by the Board of Governors and is prepared in accordance with the Government Accountability Act and the Post-secondary Learning Act.

The Auditor General of the Province of Alberta, the institution's external auditor appointed under the Auditor General Act, performs an annual independent audit of the consolidated financial statements in accordance to generally accepted auditing standards.

Original Signed by Ms. Nancy Walker

Ms. Nancy Walker, Vice-President (Finance and Administration)

Date: June 14, 2012

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MESSAGE FROM THE BOARD OF GOVERNORS

This Annual Report for 2011-12 highlights the University's current state and achievements over the year. We are proud of the progress that has been made towards the priorities found in the University of Lethbridge Strategic Plan, 2009-2013. Halfway through the life of this Plan, activities across campus continue to push us towards our goal: to be the institution of choice for those seeking an intimate and supportive environment, excellence in research and creative activity, an engaging and challenging learning experience, and respect for diversity.

Our students are at the heart of everything we do. Academic units completed the first year of Unit Academic Plans. These plans were an exciting reminder of the creativity and commitment to programming excellence in our Faculties, School of Graduate Studies, Library, and Registrar's Office and Student Services. Each unit identified its unique approaches to making our students' experiences and education even better. Taken together, they will help us to achieve the goals set out in the Strategic Plan and University Academic Plan. But more importantly, they demonstrate an unquestionable dedication to being the best institution we can be for our students.

These unit-level plans also form the foundation for a more strategic and transparent budget process. A task force was struck to consider how we can budget better to make sure that, as an institution, we are able to ensure that our resources are going towards those activities that have the most potential to improve the experience of our students and the broader University community.

Financial challenges have not held us back from planning for our future. With support from Advanced Education and Technology (now Enterprise and Advanced Education), the University began planning for a new Science Complex. This planning – the Destination Project – goes beyond just a new building but will include renovations to our iconic University Hall. It reflects the kind of university that we have worked so hard to become – a comprehensive institution that supports the best learning possible for our students and state-of-the-art research opportunities for our faculty and students.

Our commitment to the increasing role of graduate education at the University as we evolve into a truly comprehensive university is unwavering. A new Ph.D. in Education was approved through internal and external channels; a number of other new programs at the Masters and Ph.D. level are also under development. Hand in hand with our commitment to graduate studies is the role of research at the University. The University community approved a new University Strategic Research Plan 2012 – 2017 identifying our institutional priorities for research, including the importance of interdisciplinary research – always a strength of the University, and one upon which we will build our future as a Comprehensive Academic and Research Institution.

To point out every accomplishment we have had at the U of L over the past year would be a very long list. In this Annual Report, we hope you get a glimpse of the great things that are happening at the University and a sense of our well-founded pride in the U of L.

UNIVERSITY CONTEXT

VISION

The University of Lethbridge will continue to build a comprehensive university that advances its sense of community, engagement, diversity, and connection.

The University of Lethbridge will be the institution of choice for those seeking an intimate and supportive environment, excellence in research and creative activity, an engaging and challenging learning experience, and respect for diversity. We will continue to broaden the scope of our programs and research while staying committed to our founding principles of liberal education and retaining the intimate academic experiences on which we have established a tradition of excellence.

We will welcome our students to a community of scholars that offers relevant and academically challenging programs. Opportunities for engagement in learning and research will exist across all disciplines and levels of program, from undergraduate to graduate. Rigorous research and creative work will continue to form the basis for inquiry and teaching across the learning contexts we provide.

Our University will continue to increase the diversity of its scholarly activity and contributions. In achieving this we will be defined by collegiality.

The University of Lethbridge community – which includes all students, faculty, staff, and alumni who contribute to its operation and success – will extend beyond the walls of our institution. We will remain an integral part of our communities while fostering scholarly contributions of international excellence. We will support and enrich the diverse communities we serve with fresh insights and new directions.

MANDATE

The University of Lethbridge is a public, board-governed university operating as a Comprehensive Academic and Research Institution under the authority of the Post-secondary Learning Act of Alberta.

Founded on the principles of liberal education, the University of Lethbridge provides undergraduate and graduate programs in education, fine arts, health sciences, humanities, management, nursing, sciences, and social sciences, leading to bachelor's, master's, and doctoral degrees. The institution also provides certificate programs, post-baccalaureate certificate programs, post-graduate certificate programs, post-masters certificate programs, programs and degrees that lead to professional specialization, and open studies for lifelong learners.

The University of Lethbridge conducts pure and applied research and establishes and sustains facilities for pursuing original research. The University develops centres of research excellence in areas in which it has special expertise or that have particular relevance to the region or province. Programs of research, scholarship, and creative activity include the study of fundamental issues for their intrinsic intellectual, aesthetic, or philosophical interest, and of practical challenges of direct importance for social, cultural, economic, or environmental well-being. The University of Lethbridge protects free inquiry and scholarship, facilitates access to scholarly resources, and supports artistic expression and the free and open scholarly discussion of issues.

In support of Campus Alberta, the University of Lethbridge collaborates with other institutions to ensure transferability within the province's postsecondary education system and deliver seamless learning opportunities. As part of this commitment, the University works with other institutions to provide degree completion opportunities for university transfer students and diploma graduates.

Across the spectrum of intellectual pursuit, the University of Lethbridge continually develops innovative programs and research collections in existing and emerging disciplines to meet the needs of students, society, and the economy. This includes collaborating with First Nations, Métis, and Inuit peoples to develop programs and collections that are relevant and accessible to them.

The University of Lethbridge serves a variety of student groups: undergraduate and graduate students; transfer students; high school graduates; First Nations, Métis, and Inuit students; adult learners; international students; and immigrants. It also serves students on campuses in Edmonton and Calgary and, through distance learning technology, students across the province, the country, and the world. The University of Lethbridge strives to make university-level education available to all Albertans, including those living outside major urban centres and those who have traditionally not sought university education.

The University of Lethbridge fosters a learning community that meets the educational and personal growth needs of its students. This learning community emphasizes teaching excellence, exposure to research, information literacy, interaction with professors and instructors, effective academic advising and personal counselling, and a spectrum of cultural, recreational and extracurricular opportunities. The University of Lethbridge values a high quality of teaching and emphasizes the mutually beneficial relationship between teaching and research. Other facilities and services, such as the Library, student residences, health services, theatres and other performance spaces, and sports and recreation facilities support and enrich the student experience and the lives of community members while respecting environmental sustainability. The University strives to enhance its educational environment through innovation and creativity.

The University of Lethbridge builds mutually supportive relationships and partnerships, addresses the cultural and societal needs of the communities it touches, and advocates the critical role that education plays in the growth and well-being of an informed society. The University further contributes to society by discovering, preserving, synthesizing, and disseminating knowledge for the benefit of all.

Approved by the Deputy Premier and Minister of Advanced Education and Technology, June 24, 2010.

YEAR IN REVIEW

U OF L AT A GLANCE

	2011-12	2010-11	2009-10
STUDENTS (Headcount)			
> Undergraduate	7,826	7,850	7,657
> Graduate	533	553	552
> Total	8,359	8,403	8,209
FACULTY & STAFF			
> Faculty	505	503	513
> Academic & Support Staff	617	606	618
> Administration	23	22	24
DEGREES & DIPLOMAS			
> Undergraduate	1,658	1,593	1,678
> Graduate	202	152	91
> Post-graduate	12	10	4
SPONSORED RESEARCH INCOME			
> Total Externally Sponsored (\$000's)	17,144	22,161	15,501

AWARDS AND HONOURS

Honourary Degree Recipients

Spring 2011

Dr. Maude Barlow
 Dr. Clint Dunford
 Dr. Kim Phuc
 Dr. Gordon Semenov

Fall 2011

Dr. George Gemer
 Dr. John Kloppenborg

2011 President's Awards for Service Excellence

Jamie Chinn (Information Technology Services, Business Systems Analyst)
 Calgary Campus Administrative Team

2011 Senate Volunteer Award

Elisha Rasmussen

2011 Distinguished Teaching Award

Dr. Hans-Joachim (HJ) Wieden (Faculty, Chemistry & Biochemistry)

2011 Board of Governors' Teaching Chair

Dr. Jan Newberry (Faculty, Anthropology)

2011 Ingrid Speaker Medal for Distinguished Research, Scholarship, or Performance

Dr. Jennifer Mather (Faculty, Psychology)

Alumnus of the Year

J. Micheal Miltenberger

2010 Alumni Honour Society Inductees

Benjamin Cavilla

Michael A. Cavilla

Dr. A. Craig Loewen

Richard R. Masson

Dr. Marla K. Middleton Freltag

Terry T. Whitehead

OUR UNIVERSITY IN 2012

Tier I Canada Research Chair. Dr. Susan McDaniel (Sociology/Prentice Institute for Global Population and Economy) was named a Tier I Canada Research Chair in Global Population and Economy, the first Tier I in social sciences at the University.

iGEM Team top team in Canada. A team of eight U of L Chemistry/Biochemistry and Neurosciences students competed at the international genetically-engineered machines (iGEM) conference at the Massachusetts Institute of Technology (MIT) in Boston, finishing as gold medalists. As one of the few teams composed of mainly undergraduate students, the team was the top Canadian finisher at the conference.

Influencing Alberta. Dr. Robert Sutherland (Neuroscience) was named one of the 50 Most Influential Albertans for 2011.

CMA Distinguished Scholar. Dr. Gordon Hunter (Management) was named the first-ever CMA Alberta Distinguished Scholar, recognizing his advocacy for the CMA designation and significant contribution to the Lethbridge post-secondary community.

Healthy Food and Nutrition Research nets Premier's Award. Dr. Roman Przybylski (Chemistry and Biochemistry) was recognized with a special Premier's Award for contributing to leading edge research in the development of Omega-9 canola oil, a high-quality frying oil suitable for the same uses as traditional oils.

6th straight Canada West title for Pronghorns' Women's Rugby. The Pronghorns' Women's Rugby team continued to dominate Canada West play, capturing its 6th straight Canada West title.

University Recognition of Teaching and Research Excellence. The University recognized some of its own for their excellence in the classroom and in the field. Dr. Hans-Joachim Wieden was awarded with the University's Distinguished Teaching Award for 2011, while Dr. Jennifer Mather received the 2011 Ingrid Speaker Medal for Distinguished Research, Scholarship, or Performance. Dr. Jan Newberry was appointed the 2011 Board of Governors Teaching Chair

Coutts Centre for Western Heritage. The Coutts Centre for Western Canadian Heritage was launched thanks to the generous gift of Jim Coutts, a southern Alberta-based art collector, political advisor, and philanthropist. The gift, valued at more than \$2 million, is comprised of a quarter section of land, the original homestead, extensive gardens and restored outbuildings, as well as 194 items from his personal art collection.

Emmy Droog Chair in Complementary and Alternative Health Care. Enabled by a \$1 million gift from southern Alberta businessman Dr. Tom Droog (LLD '06), the Faculty of Health Sciences will broaden its research and teaching horizons in a unique research discipline with the establishment of a \$2 million endowment. The Emmy Droog Chair in Complementary and Alternative Health Care – the Faculty's first endowed Professorship – will enable evidence-based research to explore the issues and care practices associated with complementary and alternative medicine.

\$150,000 scholarship donation from the Galt School of Nursing. Galt School of Nursing alumni and University of Lethbridge officials announced the transfer of nearly \$150,000 in scholarship money to the University of Lethbridge in support of students enrolled in the U of L's nursing program. For nearly 70 years (1910 to 1979), the Galt School of Nursing trained more than 1,100 nurses who played -- and still play -- a key role in providing quality health care to the residents of southern Alberta.

\$150,000 gift from Scotiabank to U of L FNMI Mentorship Program. A \$150,000 investment from Scotiabank will help launch a mentorship program aimed at post-secondary students, as well as students in junior high and high schools in Lethbridge and reserve communities throughout southern Alberta. In the program U of L FNMI alumni will serve as mentors to Aboriginal students in the management and pre-management programs. In turn, the students being mentored will provide guidance to Aboriginal junior and senior high students in local city and reserve schools.

\$350,000 donation by TELUS to Pronghorns' Hockey. TELUS contributed \$350,000 to the U of L Pronghorns Hockey Program to support the expansion of the Nicholas Sheran Leisure Centre, providing the Pronghorn women's hockey program with a much-needed team room while enhancing the training facilities for both university and local minor hockey groups.

New Fiat Lux Alumni Ring. The U of L Alumni Association launched the Fiat Lux Ring. The design was done by U of L Fine Arts (New Media) student Eric Klempnauer.

Installation of Shirley McClellan as Chancellor. At the Spring Convocation ceremonies, Dr. Shirley McClellan was installed as the University of Lethbridge's 12th Chancellor. The veteran Alberta politician and former deputy premier of the Province of Alberta was selected in February 2011 by the University of Lethbridge Senate as the University's next Chancellor.

Senior Administration Appointments. A number of senior positions at the University were filled in 2011/12 including: Dr. Lesley Brown (Associate Vice-President, Research); Elaine Carlson (Associate Vice-President, Human Resources); Chris Eagan (Executive Director, Facilities); Don Hunt (University Registrar); Dr. Edward Jurkowski (Associate Dean, Faculty of Fine Arts); Dr. Judith Lapadat (Associate Vice-President, Students); Ken McInnes (Executive Director, Human Resources); Doug Spoulos (Associate Vice President, Finance); and Sharon Sproule (Legal Counsel).

Enhancement of the University Campus Master Plan. Consultation and development began on a new Campus Master Plan. Tied to the core directives of the current University Strategic Plan, the new Master Plan will act as a comprehensive plan for our entire main campus property to enhance and support the current academic core. Consultation took place with a wide range of participants from the campus community as well and with external representatives.

Facility upgrade and planning funding. Advanced Education announced \$7.9 million in funding to the University of Lethbridge. \$5.6 million is earmarked for facility upgrades, with the remaining \$2.3 million being dedicated to planning for a new science facility. The proposed science building has been on the U of L's facility development list for several years, and would allow for a significant expansion to laboratories and classroom spaces, as well as the ability to use the vacated spaces in University Hall for other purposes.

Launch of construction on Aperture Park Residence. Construction began on a new 11,589 sq.m. (124,743 sq. ft.) residence building. The facility will provide an additional 259 beds in four and two-bedroom configurations, with kitchens and double beds. Another 67 beds were added to University Hall residences.

South Anderson Hall renovation. Parts of Anderson Hall were renovated to provide more accessible student services. Groups who relocated to the renovated space include: Arts and Science Cooperative Education and Applied Studies; Career and Employment Services; Management Cooperative Education; Scholarships and Student Finance; and the School of Graduate Studies.

Max Bell Aquatic Centre upgrades. The Max Bell Regional Aquatic Centre celebrated its 25th anniversary with a \$4.6 million renovation to the support systems that control air handling, water circulation and other equipment in the facility.

University Centre for the Arts Air Quality and Ventilation Systems upgrades. The first phase of air quality and ventilation systems upgrades for the University Centre for the Arts were undertaken over the summer.

University's 45th anniversary. The University of Lethbridge is celebrating our 45th anniversary in 2012. Various events are planned throughout the year to celebrate this milestone.

Host of the 2011 Football Canada Cup. The U of L hosted the largest amateur football event in Canada – the Football Canada Cup. More than 400 amateur football players descended on the U of L Community Stadium in July, staying in our residence facilities with their coaches.

Student Leadership Conference. The inaugural University of Lethbridge Leadership Conference was put on by Recruitment and Student Life in 2011. The event gave students the opportunity to attend a series of thought provoking and inspiring sessions, speakers, panels and discussions. The goal of the conference was to provide students with skills, ideas and motivation they can use in all aspects of their lives.

PROGRESS ON STRATEGIC GOALS

The University of Lethbridge 2009-13 Strategic Plan identifies five broad strategic directions for the institution:

- Confirm our Place as a Comprehensive University
- Enhance the Student Experience
- Build Internal Community and Enhance Relationships with External Communities
- Promote Access to Quality Post-Secondary Education
- Enhance the Environmental Sustainability of the University

CONFIRM OUR PLACE AS A COMPREHENSIVE UNIVERSITY

- ✓ The first complete cycle of the **University Academic Plan** was implemented, drawing from priorities and action identified in the Strategic Plan and other institutional plans. Each of the five Faculties, the School of Graduate Studies, the Library, and the Registrar's Office and Student Services developed their own plans to contribute to both the Academic Plan and the Strategic Plan.
- ✓ Through cross-campus consultation, the University of Lethbridge **Strategic Research Plan** was developed and approved, similarly drawing on the Strategic Plan as the framework to advance our strategic directions.
- ✓ Planning for a **new academic facility and associated physical plant facility** was undertaken with funding for planning provided by the Government of Alberta.
- ✓ **Graduate programming** remains strong as we are maintaining student enrolment, have seen significant increases in graduate and post-graduate degree completion, and continue to develop new graduate and post-graduate programs. In 2011-12, the Campus Alberta Quality Council approved a new PhD in Education.

FIGURE 1:

FALL FTE ENROLMENT,
2007/08 -
2011/12

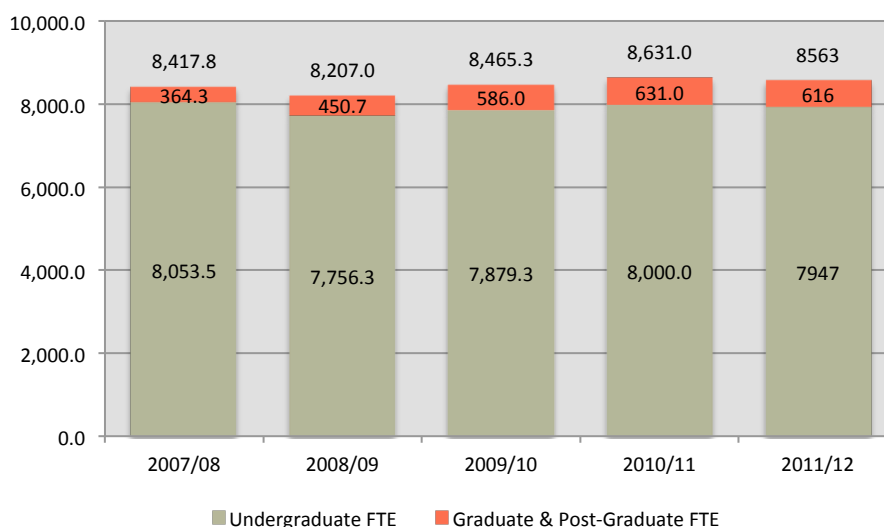


FIGURE 2:
GRADUATE STUDENT ENROLMENT, FALL 2007 - FALL 2011

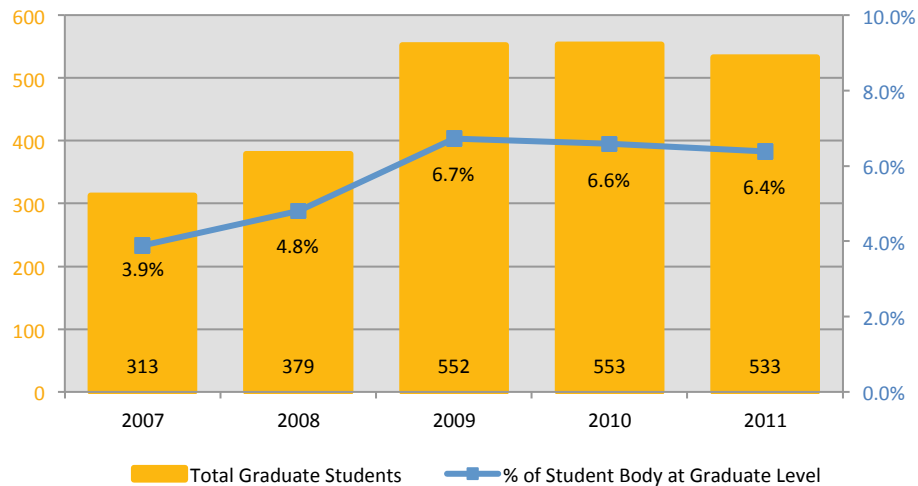


FIGURE 3:
INTERNATIONAL STUDENT ENROLMENT, FALL 2007 - FALL 2011

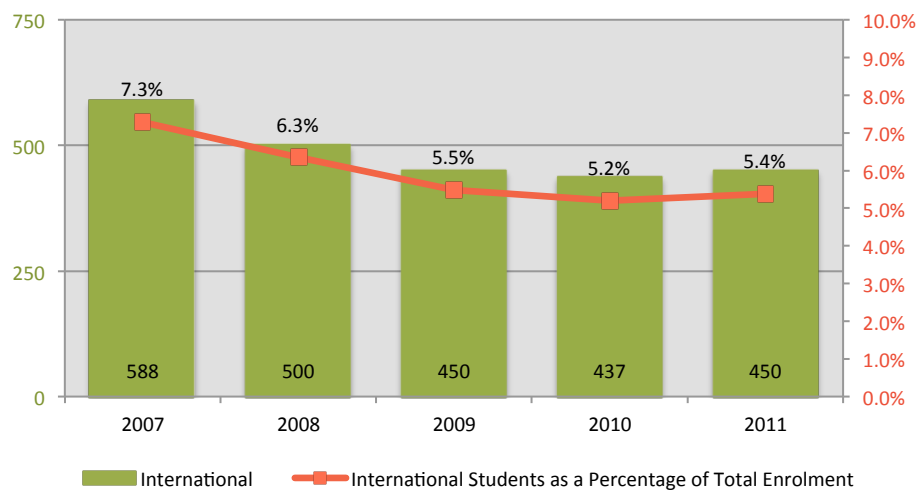
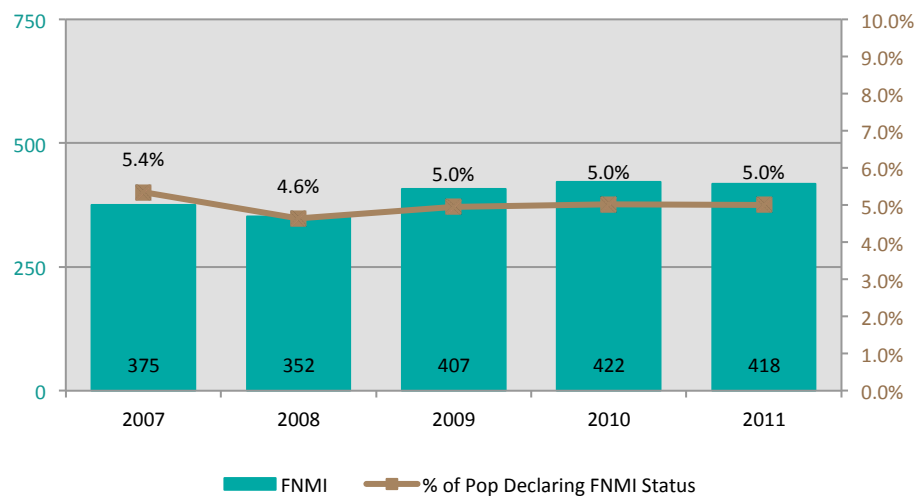


FIGURE 4:
SELF-DECLARED FIRST NATIONS, MÉTIS, AND INUIT (FNMI) STUDENT ENROLMENT, FALL 2007 - FALL 2011



ENHANCE THE STUDENT EXPERIENCE

- ✓ Construction began on a **new student residence** complex that will increase on-campus housing capacity. As well, 67 new beds were added to University Hall.
- ✓ The Registrar's Office and Student Services was restructured, with the approval and hiring of a **new Associate Vice-President (Students)** to provide leadership in this vital area for the University.
- ✓ The **Recruitment and Retention Project** continues to develop strategies to improve the overall retention of first year students to second year status.
- ✓ A **"one-stop" location** for many necessary student services was set up through renovations to Anderson Hall.

FIGURE 5:
UNDERGRADUATE PROGRAM COMPLETION RATE, 2000/01 - 2004/05

Note: The years in this figure represent the cohort by year of entry. Completion rate is based on the program length plus 3 years. Prior to 2001/02 B.N. was not included.

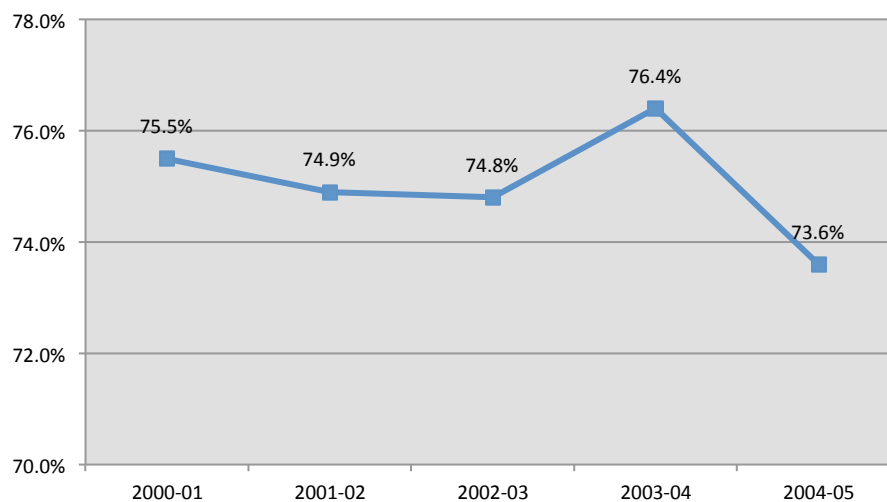
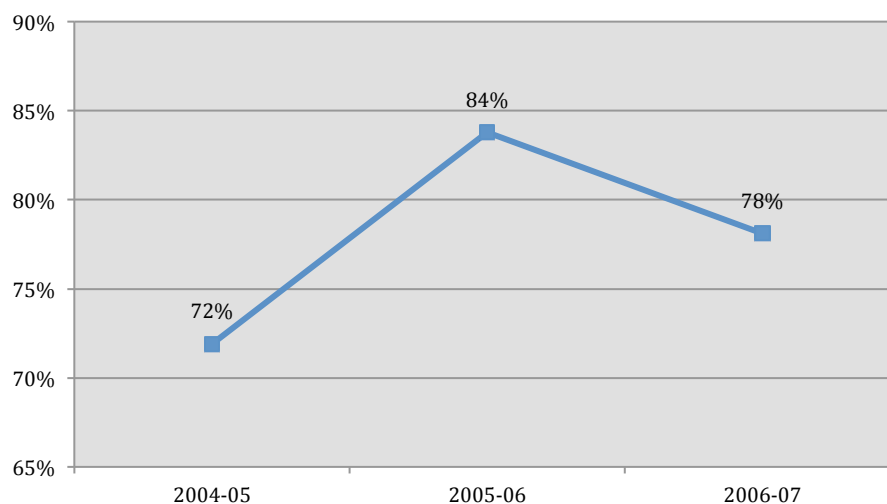


FIGURE 6:
GRADUATE PROGRAM COMPLETION RATE, 2002/03 - 2006/07

Note: The years in this figure represent the cohort by year of entry. Completion rate is based on the program length plus 3 years.

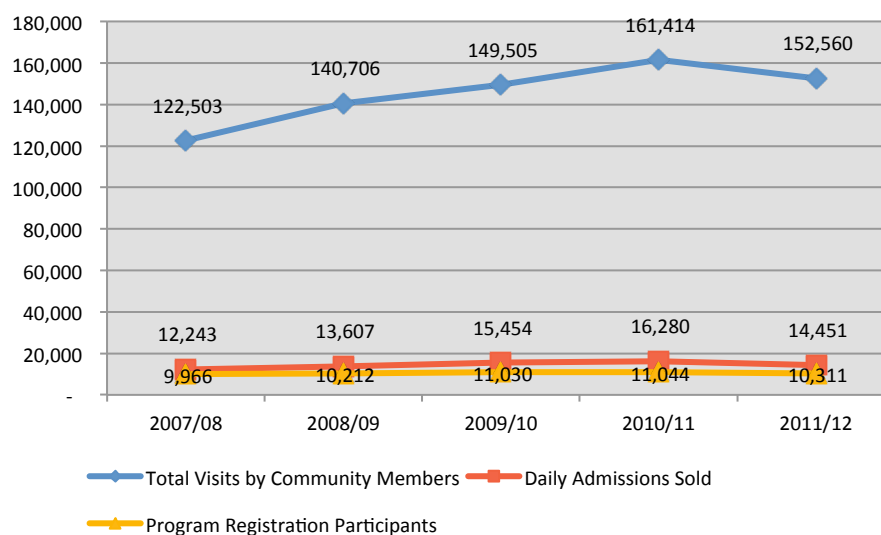


BUILD INTERNAL COMMUNITY AND ENHANCE RELATIONSHIPS WITH EXTERNAL COMMUNITIES

- ✓ The **Dr. Foster James Penny Building**, located in downtown Lethbridge, is home to a Student Art Gallery and renovations will take place in Summer 2012 to enhance our engagement and connection with the community. University Alumni department will be accommodated in the Penny Building in Fall 2012 and has become a face for the University within the community beyond our campus.
- ✓ We were presented with the gift of the **Coutts Centre for Western Canadian Heritage**. Plans for academic programming within the Centre are underway. The gift was further supported with a donation of 194 pieces of artwork.
- ✓ **“Supporting Our Students”**, an internal faculty and staff campaign that began in 2005 to raise funds for student scholarships and bursaries, surpassed the \$1 million mark in 2011 with the help of matching funds from the Government of Alberta. Approximately 300 faculty and staff members participate in the campaign.
- ✓ The President’s inaugural **Fiat Lux Address** began in September 2011 as a way to increase connection and communication with the campus community.

FIGURE 7:

COMMUNITY USE OF SPORT & RECREATION SERVICES FACILITIES, 2007/08 - 2011/12



PROMOTE ACCESS TO QUALITY POST-SECONDARY EDUCATION

- ✓ Providing accessible post-secondary education opportunities for Blackfoot and other **First Nations, Métis, and Inuit (FNMI) students** continues to be a priority for the University. Over 5% (Fall 2011) of our enrolment self-identified as aboriginal.
- ✓ **International students** comprise 5.4% (Fall 2011) of our enrolment. In the 2011/12 academic year, over 90 countries were represented amongst students at the U of L. The University continues to provide access to students from around the world.
- ✓ Our commitment to quality programs was confirmed in a review of our **quality assurance** policy and process.
- ✓ The U of L **campus in Calgary** relocated from SAIT to Bow Valley College and planning proceeded on new space within the new Campus Alberta partnership.

- ✓ The **Centre for the Advancement of Excellence in Teaching and Learning (CAETL)** works to promote the highest possible standards of teaching and learning to ensure that the U of L continues to provide outstanding learning experiences for our students. The 2011/12 Board of Governors Teaching Chairs were Dr. Jan Newberry (Anthropology) and Dr. Robin Bright (Education).

FIGURE 8:
GEOGRAPHIC SOURCE OF CANADIAN STUDENTS, 2007 - 2011

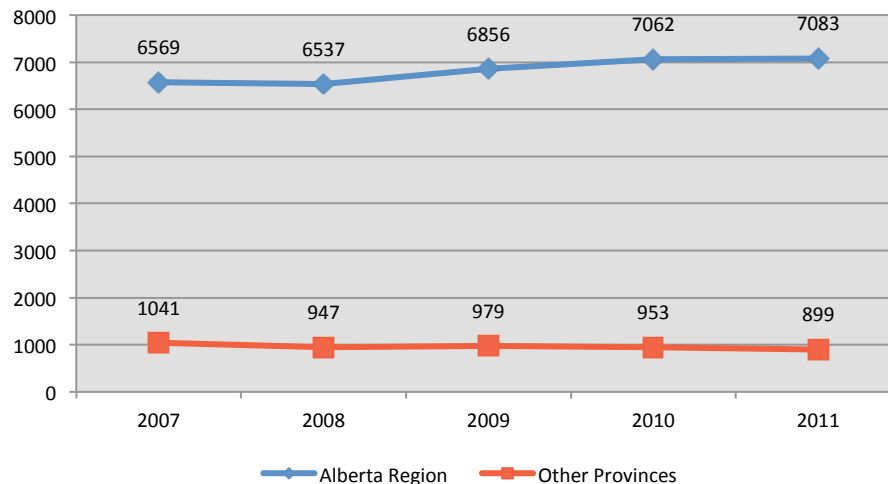
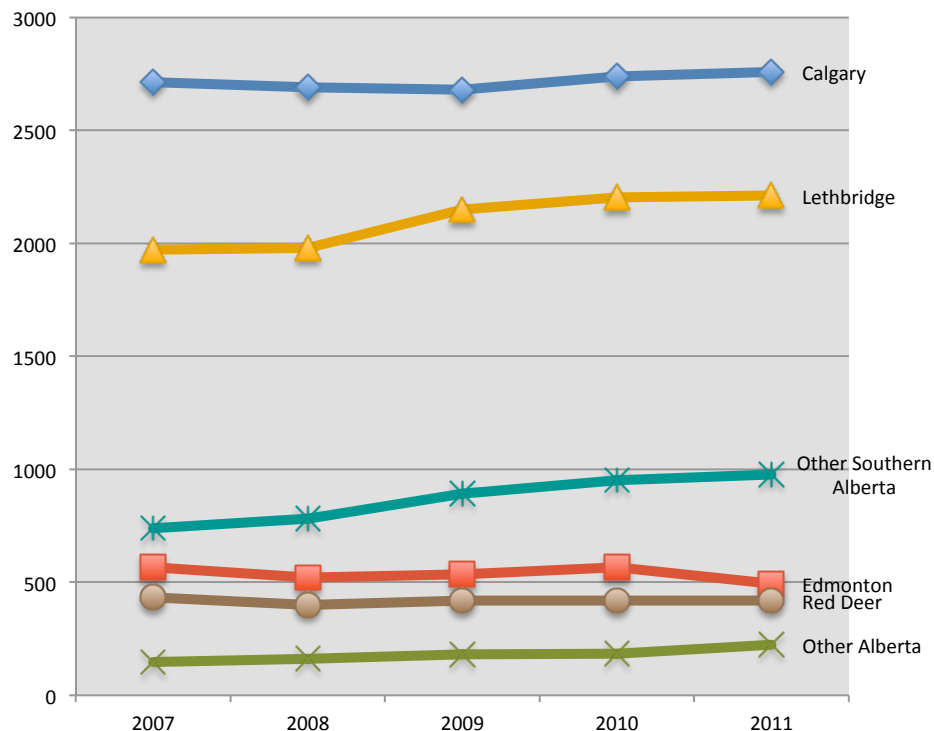


FIGURE 9:
GEOGRAPHIC SOURCE OF ALBERTA STUDENTS, 2007 - 2011



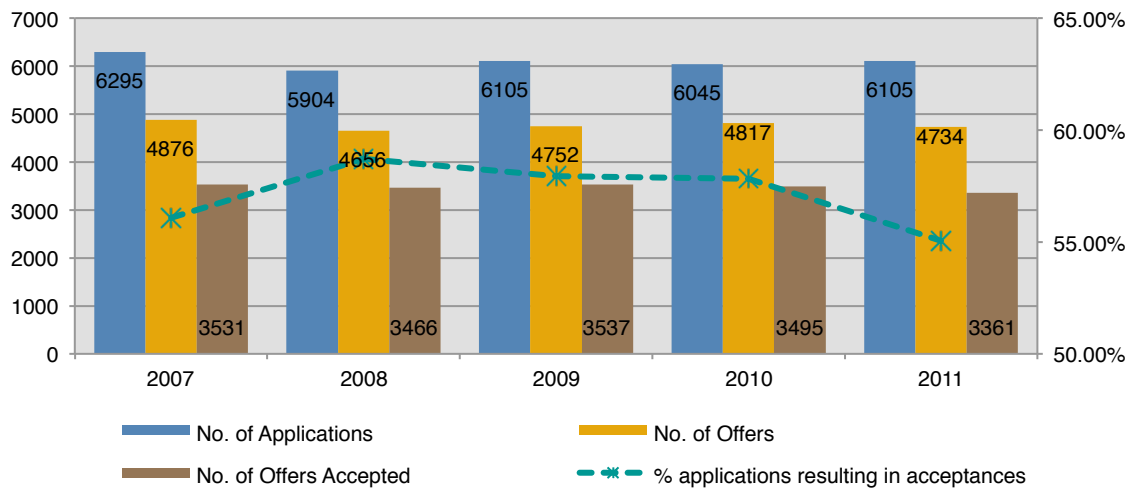


FIGURE 10: APPLICATIONS, OFFERS, AND ACCEPTED OFFERS, 2007 - 2011

ENHANCE THE SUSTAINABILITY OF THE UNIVERSITY

- ✓ The Sustainability and Energy Management Committee engaged with 5 applied studies students to produce a **planning template and scoping report** to provide direction to producing a campus-wide Sustainability Plan focused on environmental, social, and economic sustainability.
- ✓ A student-initiated **cooperative garden** on campus makes use of water from the irrigation pond and utilizes on-site composting.
- ✓ The U of L Students' Union, Housing Services, and Caretaking have created an **expanded composting program**.
- ✓ Our **Campus Master Plan** was reconsidered, incorporating sustainable features into new buildings to continue to decrease our carbon footprint, demonstrated by an overall decrease in the deferred maintenance of our campus buildings.

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis is a supplement to the information contained in the University's annual audited financial statements. As such, it should be read in conjunction with the audited financial statements. These financial highlights provide management's analysis of the University's financial performance and other relevant information for the fiscal year ended March 31, 2012.

FINANCIAL HIGHLIGHTS

The University of Lethbridge endeavours to present the audited financial statements in a manner that will lead to a better understanding by its readers. The University's financial statements conform to generally accepted accounting principles and the Canadian Institute of Chartered Accountants' standards for not-for-profit organizations.

A significant characteristic of university financial statement presentation is the method of revenue recognition. While operating grants and other types of unrestricted income are recognized as revenue when they are received or receivable, externally restricted grants, donations and contributions are deferred when received and are recognized as income in the year(s) in which the related expenses are incurred. These appear as deferred contributions on the Statement of Financial Position until spent in accordance with the funding restrictions or when the capital assets purchased using these funds are amortized.

Another defining characteristic of university financial reporting is that the organization's equity is referred to as net assets on the Statement of Financial Position. Net assets are made up of the university's investment in capital assets, endowment principal which remains intact in perpetuity, internally restricted reserves set aside for specific purposes by the Board of Governors, and unrestricted operating surpluses.

FINANCIAL MANAGEMENT

The University's budget process is based on a three-year rolling budget model whereby budgets are estimated for three years into the future. In conjunction with the instructional tuition allocation model, which allocates instructional fees to the faculties based on credit hours taught, the budgeting process has been successful. This has allowed the University to be in a position to respond to various budget scenarios and to achieve positive financial results year after year. While the current fiscal environment is unfavorable, the University is committed to directing resources in a way that promotes the strategic priorities of the institution.

STATEMENT OF FINANCIAL POSITION

ASSETS

Total assets increased by \$16.2 million during the 2012 fiscal year. This is due to a combination of an increase in short-term investments of \$10.7 million and capital assets and collections of \$9.5 million, which is offset by a decrease in accounts receivable of \$1.3 million and long-term investments of \$2 million.

Cash flow requirements for construction projects have required that a higher balance be maintained in cash and short-term investments.

The investment portfolio was made up of the following fund balances at March 31:

TABLE 1: COMPOSITION OF INVESTMENT PORTFOLIO, 2011/12

Funding Source	2011/12 (thousands of dollars)
Externally restricted fund balances:	
Endowments	\$41,350
Sponsored research	9,711
Special purpose	13,848
Scholarships, bursaries & trust	650
Capital & infrastructure	30,694
Internally restricted net assets	33,271
Unrestricted net assets and operating cash flow	14,066
Total	\$143,590

In accordance with the Board of Governors Finance Committee's Investment Management Policy, three external investment managers manage our investments. The Finance Committee, through an external consultant, monitors investment performance and compliance to the Investment Management Policy.

Capital assets of \$29 million were added during the year. The significant additions from major capital projects included \$4.6 million for the Regional Aquatic Centre facility upgrade and \$9 million for new student housing construction as well as renovation of existing housing facilities. Library acquisitions totaled \$2.6 million and computer, scientific and other equipment \$4 million. Amortization expense totaled \$19.1 million.

Art works donated in 2012 totaled \$0.6 million. The University has an impressive art collection, which contains approximately 14,000 objects with a book value of \$34.6 million. The collection is used for both educational and public exhibition purposes.

LIABILITIES AND NET ASSETS

Current liabilities totaled \$43 million in 2012 (2011: \$46 million). Accounts payable and accrued liabilities increased over the past year by \$1.1 million. Deferred contributions of \$24 million at March 31, 2012 (2011: \$27 million) consisted of restricted balances in the research fund (\$9 million) and trust funds for scholarships and bursaries and other specific purposes (\$15 million). These contributions will be recognized in revenue as the spending restrictions are met.

Employee future benefit liabilities increased by \$1 million, of which \$1.2 million is recorded as a current liability. The main contributors to this increase were the Universities Academic Pension Plan and the Senior Administrative Leaves actuarial losses. Long-term liabilities increased by \$7 million due to the inclusion of the \$7.5 million housing loan from Alberta Capital Finance Authority to construct a new 259 bed student residence, offset by principal payments made during the year.

The deferred capital contribution amounts, totaling \$31 million at March 31, 2012 (2011: \$30 million), represent the unspent portion of grants and donations externally designated for capital construction and renovations. The significant amounts include Life Safety Systems (\$14 million), Infrastructure Maintenance Program (\$5.9 million), Science Complex planning (\$2.2 million) and Physical Education upgrades (\$5.3 million).

Net assets increased by a total of \$7.3 million during the year as a result of endowment principal increase of \$1.8 million, an increase in investment (equity) in capital assets of \$1 million and an

increase in unrestricted net assets (surpluses) of \$6.9 million which was offset by a net usage of internally restricted net assets (reserves) of \$2.4 million.

Endowment increased to a balance of \$41.4 million (2011: \$39.5 million). The increase in value is mainly due to external donor gifts received which is offset by a \$740 encroachment on cumulative capitalized income to cover the annual spending allocation due to the unfavorable investment loss.

Endowment principal is required by law to be maintained intact in perpetuity. The investment income generated from endowments must be used in accordance with the purposes specified by the donors or the Board of Governors. University policy has been established with the objective of protecting the real value of the endowments by limiting the amount of income expended and reinvesting unexpended income. The majority of the University's endowments were created to fund student scholarships and visiting speakers. While capitalized investment earnings on endowment principal and University contributions have been a factor in the growth of the endowment balances, the University continues to seek donations for new and existing scholarships to help students fund a portion of their education.

At March 31, 2012 the market value of the Endowment pool assets exceed the cumulative endowed contributions indexed by inflation by \$0.9 million (2011: \$3.2 million).

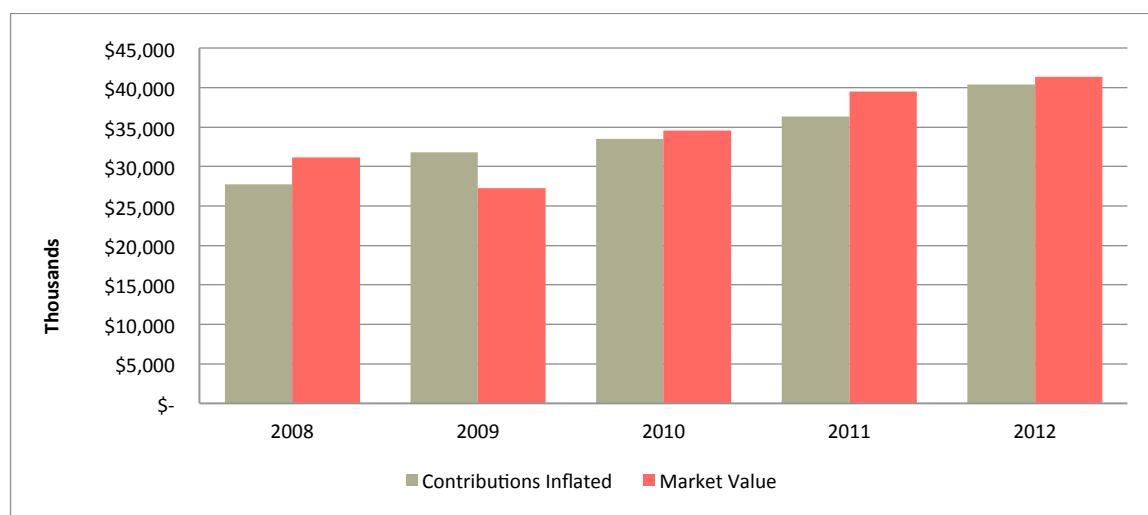


FIGURE 11: ENDOWMENT MARKET VALUE VS. CONTRIBUTIONS INDEXED BY INFLATION, 2008-2012

Internally restricted net assets totaled \$33.2 million (2011: \$35.7 million). These represent operating surpluses from prior years that have been set aside by the Board of Governors to provide for capital and maintenance needs and to cover contingencies and one-time expenditures that support the University's strategic priorities.

Unrestricted net assets of \$32 million (2011: \$25 million) represent accumulated operating surpluses and are used primarily to fund capital asset additions and operating expenses required to maintain the programs and services available to our students.

TABLE 2: UNRESTRICTED NET ASSETS, 2010/11 AND 2011/12

Unrestricted Net Assets	2011/12	2010/11
	(thousands of dollars)	
Unexpended funds:		
General operating	\$41,873	\$32,290
Non-recurring (special projects)	3,259	4,833
Research (internally funded)	2,143	2,000
Specific purpose	762	1,059
UAPP unfunded liability	(15,792)	(14,793)
Total	\$32,245	\$25,389

Deferred Maintenance

Through concerted efforts in capital projects and utilizing conditional grants from the Provincial Government, the University has been able to reduce the deferred maintenance balance of its academic facilities.

With these efforts combined with the new facilities on campus, our Facility Condition Index for academic buildings has been reduced from 15% to 8%.

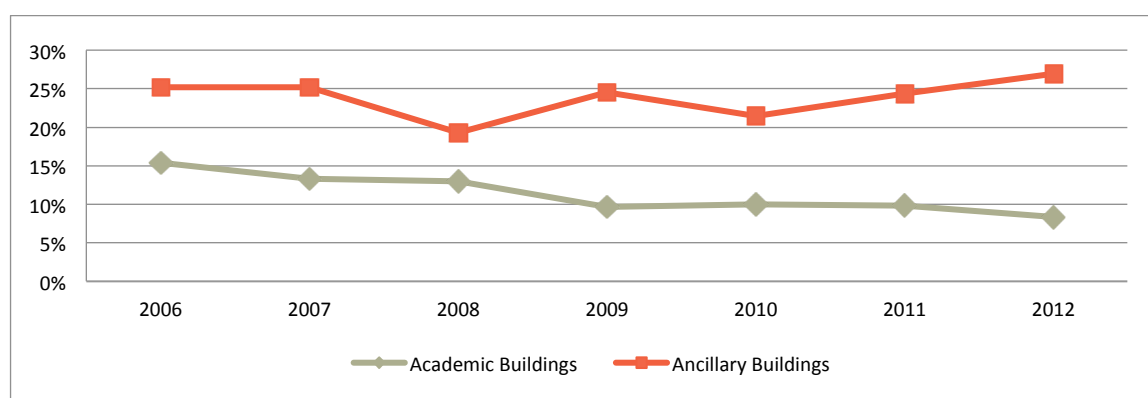


FIGURE 12: FACILITY CONDITION INDEX, 2006-2012

Deferred maintenance on University facilities is estimated at \$96 million (2011: \$102 million) based on a facility condition report completed by the University in 2011. In 2007/08 Advanced Education and Technology provided \$25 million in capital grants to address deferred maintenance projects in University Hall and the unexpended grant funds to date is \$15 million, which includes \$2 million in investment income. Deferred maintenance is not reflected in these financial statements since it is not a liability or a commitment for accounting purposes, and the balance of funding received for this purpose is recorded as deferred contributions, capital.

STATEMENT OF OPERATIONS

The 2012 excess of revenue over expense of \$4 million (2% of budget) resulted in a \$5.7 million positive variance between budget and actual.

REVENUE

University revenue totaled \$189 million in fiscal year 2012 (2011: \$192 million), a decrease of 1% over the previous year.

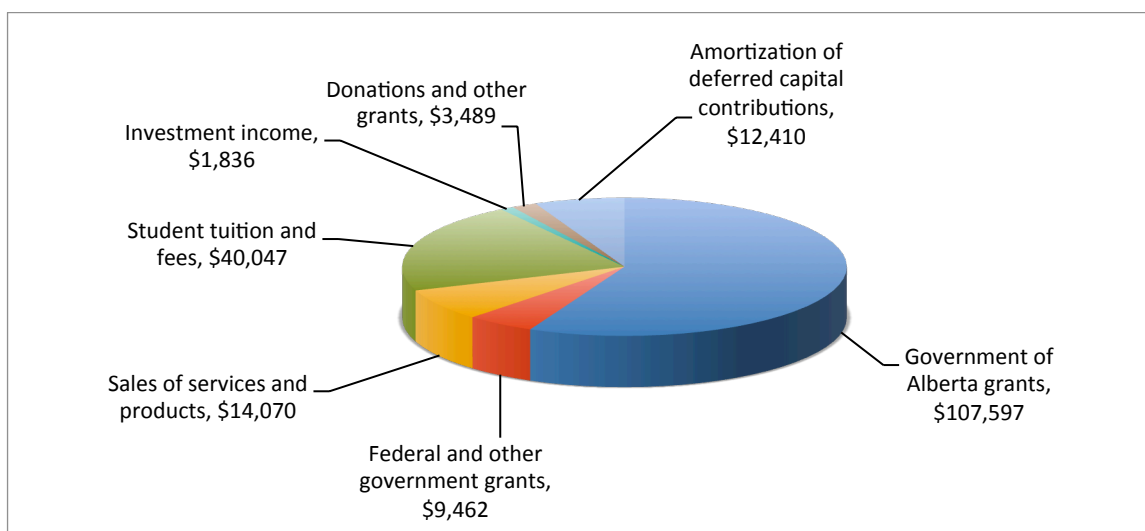


FIGURE 13: REVENUE BY SOURCE, 2011/12 (THOUSANDS OF DOLLARS)

Government Grants

Government grant revenue increased by \$2.9 million or 2% over the previous year, due to an increase in provincial government grants of \$2.5 million and an increase of \$0.4 million in federal and other government grants. Grants represented 61% of total revenue (2011: 59%).

Included in the Campus Alberta general operating grant was a \$1.4 million one-time grant received for lights on funding for Markin Hall, Dr. Foster James Penny building, Sports Stadium Complex and the Daycare facility and a \$1.2 million one-time facilities catch-up grant to address budget challenges associated with facility operation and maintenance costs.

The University received the following grants from the Province of Alberta, including Advanced Education and Technology and other provincial ministries, departments and agencies:

TABLE 3: GOVERNMENT OF ALBERTA GRANTS TO THE U OF L, 2010/11 AND 2011/12

Government of Alberta grants	2011/12	2010/11
	(thousands of dollars)	
Campus Alberta general operating	\$98,473	\$97,363
Other unrestricted funding	641	746
Conditional funding	19,547	20,412
Deferred conditional funding	(11,064)	(12,898)
Transfers to endowments	-	(490)
Total	\$107,597	\$105,133

The conditional funding included \$18.5 million from Advanced Education and Technology (AET) and \$1 million from other ministries. Significant Advanced Education and Technology conditional grants were received for the following purposes: Infrastructure Maintenance Program funding (\$3.6 million), planning for a new science and central plant facility (\$2.3 million), Physical Education building upgrade (\$5.6 million), support of the Polaris award (\$1.6 million) and Campus Alberta Innovation Program (\$0.8 million). Any conditional funding not spent by the end of the fiscal year is deferred and recognized as revenue in the year(s) in which the related expenditures are incurred.

Research Funding

Sponsored research revenue was \$17.1 million (2011: \$22.1 million), a 22% decrease over the previous year. At the end of the year, \$3 million of unspent research grant revenue was deferred (2011: \$8 million). The variance in sponsored research funding is comprised mainly due to the prior year one time Canadian Foundation for Innovation (CFI) funding of \$2.8 in addition to the \$1.6 million in gifts-in-kind revenue recorded as matching funding for the CFI and AET grants. Gifts-in-kind is the donations of equipment provided by vendors.

Research continues to be funded primarily by federal and provincial government agencies.

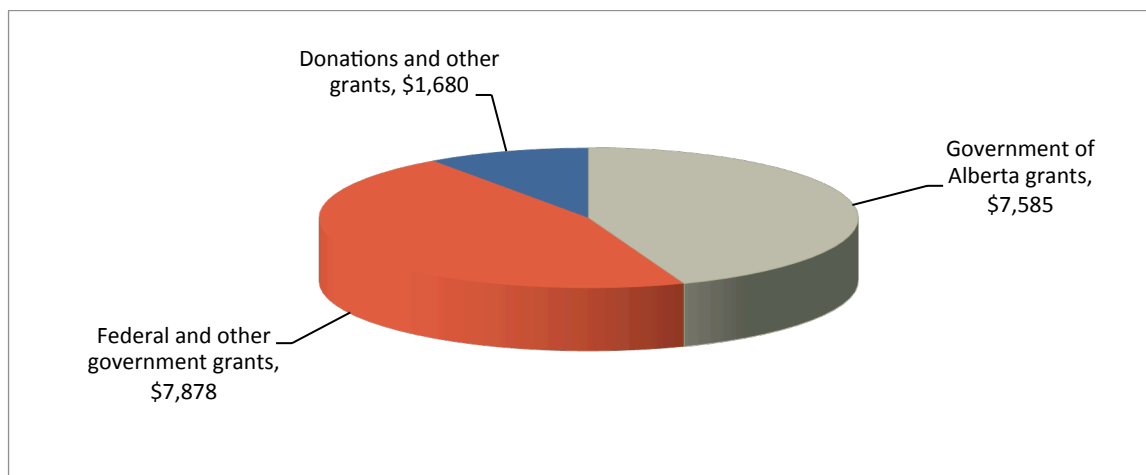


FIGURE 14: SOURCE OF RESEARCH REVENUE, 2011/12 (THOUSANDS OF DOLLARS)

The University has a strong commitment to research, which is reflected by the significant ratio of research funding relative to operating grants.

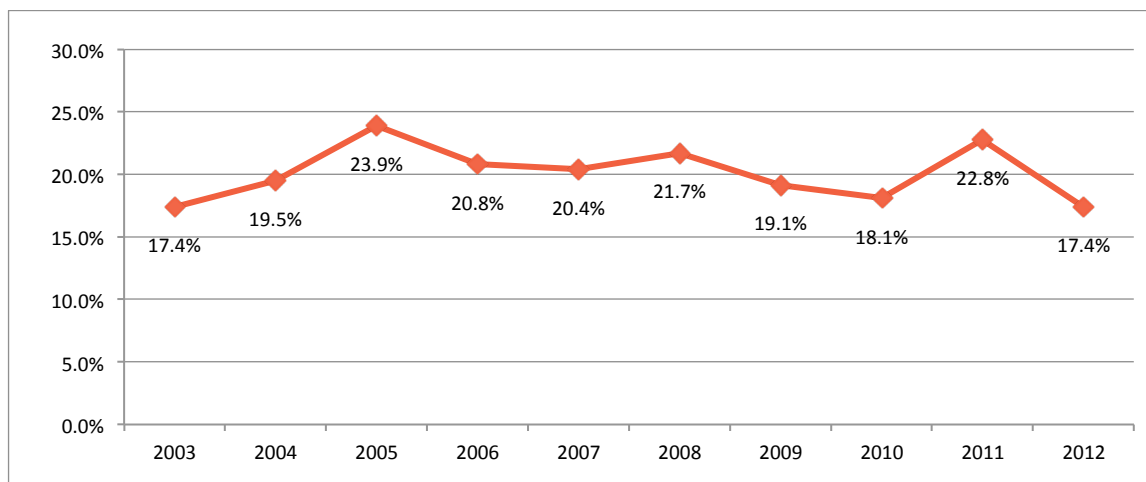


FIGURE 15: RESEARCH GRANTS AS A PERCENTAGE OF OPERATING GRANTS, 2002/03 TO 2011/12

In 2012, the University also received \$2 million (2011: \$1.9 million) from the federal Canada Research Chairs Indirect Costs Program based on the funding received by researchers from Natural Sciences and Engineering Research Council, Social Sciences and Humanities Research Council and the Canadian Institutes of Health Research. The Indirect Costs Program was established in recognition of

the growing indirect costs of conducting publicly funded academic research, and the resulting grants enable the University to secure additional support for the indirect costs of conducting research so the teaching and community services mandates of universities can continue to be met.

Student Tuition and Fees

Student tuition and fee revenue increased by approximately 1% (\$0.7 million) due to an increase of 0.35% in undergraduate and graduate tuition fees. Advanced Education and Technology's tuition fee policy limits tuition increases to changes in the annual Alberta Consumer Price Index.

Sales of Services and Products

Sales of services and products revenue decreased by 0.4% (\$0.05 million). The major source of sales of services and products revenue is Ancillary Services (\$8.5 million), Sport and Recreation Services programs and services (\$1.6 million), and parking permits, meters and fines (\$1.3 million). Ancillary Services generates revenue through full cost recovery units that consist of Bookstore, Printing, Housing, Catering and Food Services and Conference Services and Events.

Investment Income

The investment income, both realized and unrealized (adjustment to market value as of March 31, 2012), for the year was \$1.8 million (2011: \$10 million) which included \$1.5 million in cumulative investment income earned on trust funds from prior years that was recognized as revenue. In addition to the \$1.8 million there was \$0.4 million in investment loss which was recorded as a direct decrease to endowment principal. Realized investment earnings were 3.0% in 2012 (2011: 4.3 %).

Donations and Other Grants

Total donations and other grants received during the year was \$6.8 million (2011: \$9.7 million). Donations and other grants include charitable gifts from donors, gifts in kind, research grants from non-Canadian government agencies such as the U.S. Department of Energy \$0.5 million grant, as well as other contributions.

Of the \$6.8 million in total donations and other grants, \$1.8 million was added directly to endowment principal (2011: \$2.1 million) and \$1.5 million was deferred for spending in future years (2011: \$4.1 million) and therefore \$3.5 million (2011: \$3.5 million) was recognized as revenue. There is an additional \$3.5 million in pledges as of March 31, 2012 (2011: \$2.6 million), for capital projects and scholarships that have not been recorded in the financial statements as they do not meet the criteria for revenue recognition.

Amortization of Deferred Capital Contributions

Amortization of deferred capital contributions of \$12.4 million (2011: \$10.3 million) represents amounts brought into income for accounting purposes to match externally restricted contributions received for the purpose of purchasing capital assets with the amortization expense of those assets.

EXPENSE

University expenses totaled \$185 million in 2012, an increase of \$10 million (5%) over the previous year.

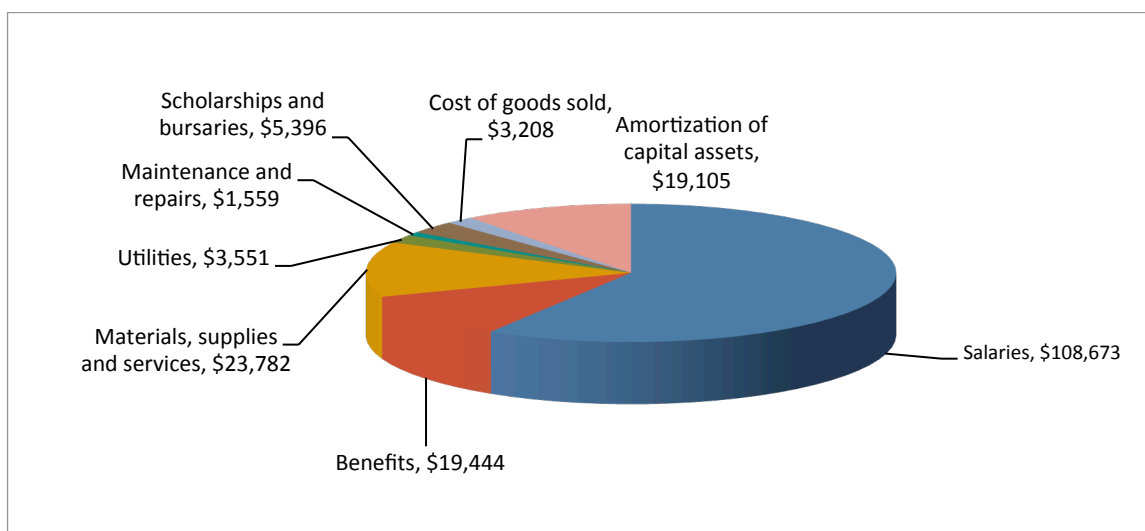


FIGURE 16: EXPENSE BY TYPE, 2011/12 (THOUSANDS OF DOLLARS)

Salaries and Employee Benefits

Salaries and benefits continue to be the major component of the cost of operating the University. Salaries expense increased by 6% over the previous year. This increase resulted from a combination of salary increases due to merit and negotiated cost-of-living adjustments and a slight increase in the number of continuing positions. Benefits expense increased by \$1.5 million (8%) primarily due to an increase in the Universities Academic Pension Plan (UAPP) unfunded liability expense of \$1 million. Despite the pressure to remain competitive in labour markets and the increasing cost of benefits, the University's salaries and benefits expense ratio has been fairly consistent over the past five years at around 69% of total expense.

Scholarships and Bursaries

The amount of scholarships and bursaries in 2012 was \$5.4 million (2011: \$5.9 million). The Alberta Scholarship Program also awards \$3 million in scholarships and bursaries to University of Lethbridge students which are not included in the financial statements.

Materials, Supplies, and Services

Materials, supplies, and services increased by \$1.5 million and the major contributing factors were student recruitment and new software contracts. This category includes supplies and services, travel, external contracted services, expendable equipment, professional fees, insurance, interest on long-term liabilities, property taxes and loss (gain) on disposal of capital assets.

Cost of Goods Sold

To enhance the student experience the Bookstore implemented a textbook rental program which resulted in a decline in cost of goods sold of \$0.3 million.

Amortization of Capital Assets

Amortization represents the portion of a capital assets value that relates to the estimated current period usage. Amortization increased by 8% over the previous year and a significant component of the increase is due to the amortization of new buildings such as Markin Hall that are now in use and being amortized.

Other Expenses

Amounts recorded in other expense categories were comparable to the prior year's expenses.

BUDGET TO ACTUAL

The 2012 excess of revenue over expense of \$4 million (2% of budget) resulted in a \$5.7 million positive variance between budget and actual.

Actual revenue was \$3.7 million above budget. The main contributing factors to this variance were Government of Alberta restricted grant recognition of \$5.8 million higher than budget, \$1.2 million in Advanced Education and Technology funding for a one-time facility grant, and \$3.4 million excess in amortization of deferred capital contribution over budget which is offset by unfavourable market conditions resulting in investment income being \$6 million below budget and Federal and other government restricted grant recognition of \$1.2 million less than budget. All other revenue budget to actual variances are a combined \$0.5 million.

Actual expenses were \$2 million below budget. The lower than expected materials, supplies and services expenditures are a result of departmental efficiency improvements and reduction in costs. The University contingency funds are also included in the materials, supplies and services expenditure budget.



Independent Auditor's Report

To the Board of Governors of the University of Lethbridge

Report on the Financial Statements

I have audited the accompanying financial statements of the University of Lethbridge, which comprise the statement of financial position as at March 31, 2012 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the University of Lethbridge as at March 31, 2012, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 7, 2012

Edmonton, Alberta



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
	<u>\$ 518,897</u>	<u>\$ 502,696</u>
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
	<u>299,105</u>	<u>290,233</u>
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
	<u>219,792</u>	<u>212,463</u>
	<u>\$ 518,897</u>	<u>\$ 502,696</u>
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)		2011
	(Note 16)	2012	
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
	<u>185,171</u>	<u>188,911</u>	<u>191,531</u>
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
	<u>186,740</u>	<u>184,718</u>	<u>174,554</u>
Excess/(deficiency) of revenue over expense	<u>\$ (1,569)</u>	<u>\$ 4,193</u>	<u>\$ 16,977</u>

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.



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
	<u>5,568</u>	<u>30,075</u>
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
	<u>(29,552)</u>	<u>(29,607)</u>
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
	<u>23,607</u>	<u>7,834</u>
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)	<u>\$ 34,666</u>	<u>\$ 35,044</u>
(*) 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
	<u>\$ (10,824)</u>	<u>\$ 12,056</u>

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.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2012

(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:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>
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

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2012

(thousands of dollars)

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.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2012

(thousands of dollars)

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.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2012

(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
	<u>\$ 34,666</u>	<u>\$ 35,043</u>

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
	<u>\$ 158,908</u>	<u>\$ 150,215</u>
Short-term investments	\$ 15,318	\$ 4,567
Long-term investments	143,590	145,648
	<u>\$ 158,908</u>	<u>\$ 150,215</u>

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.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2012

(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)
	<u>\$ 2,638</u>	<u>\$ 2,748</u>

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
	<u>\$ 516,339</u>	<u>\$ 201,800</u>	<u>\$ 314,539</u>	<u>\$ 489,263</u>	<u>\$ 184,270</u>	<u>\$ 304,993</u>

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
	<u>25,213</u>	<u>24,074</u>
Less current portion	(1,194)	(2,243)
Long-term portion	<u>\$ 24,019</u>	<u>\$ 21,831</u>

(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

University of Lethbridge

Notes to the Financial Statements

Year ended 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)

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 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)		
				<u>\$ 10,054</u>	<u>\$ 3,083</u>		

(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:

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2012

(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.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2012

(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	2011
	Externally restricted	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	<u>\$ 41,350</u>	<u>\$ 39,519</u>
Cumulative contributions	\$ 32,639	\$ 29,668
Cumulative capitalized income	8,711	9,851
	<u>\$ 41,350</u>	<u>\$ 39,519</u>

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	<u>\$ 112,926</u>	<u>\$ 111,864</u>

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	<u>\$ 112,926</u>	<u>\$ 111,864</u>

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.

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2012

(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
	<u>\$ 22,280</u>	<u>\$ 14,856</u>

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
	<u>\$ 5,379</u>	<u>\$ 14,875</u>	<u>\$ 835</u>	<u>\$ 1,191</u>	<u>\$ 22,280</u>

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	<u>\$ 1,836</u>	<u>\$ 10,011</u>

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2012

(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
	<u>117,015</u>	<u>110,850</u>
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
	<u>1,645</u>	<u>7,671</u>
Total contributions received	118,661	118,521
Less deferred contributions	(11,064)	(12,898)
Less transfer to endowments	-	(490)
	<u>\$ 107,597</u>	<u>\$ 105,133</u>
Accounts receivable		
Advanced Education and Technology	\$ 438	\$ 412
Other GOA departments and agencies	115	45
	<u>\$ 553</u>	<u>\$ 457</u>
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

University of Lethbridge

Notes to the Financial Statements

Year ended March 31, 2012

(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.

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Notes to the Financial Statements

Year ended March 31, 2012

(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.