

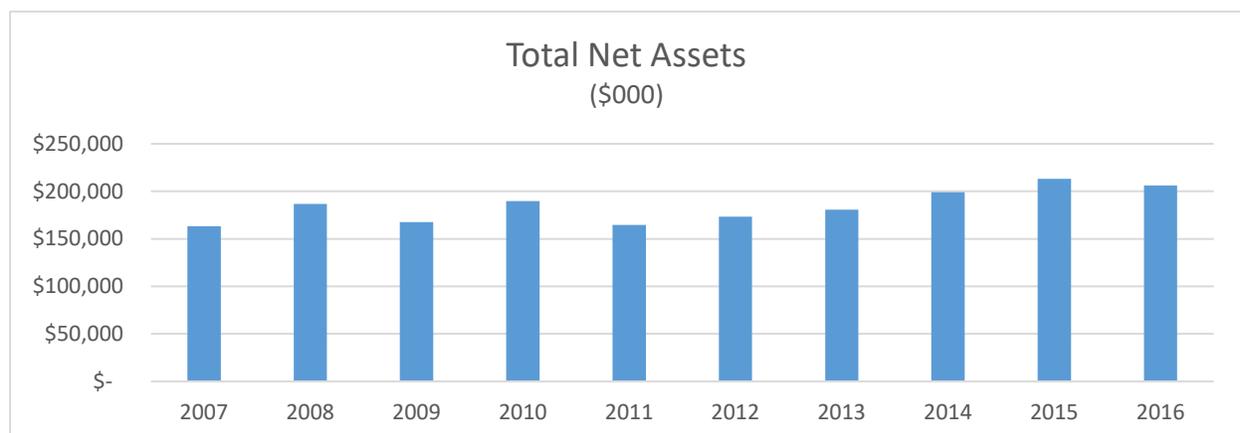
UNIVERSITY NET ASSETS

A defining characteristic of public sector financial reporting is that the University's equity is referred to as net assets on the [Statement of Financial Position](#). The statement of financial position is a "snapshot" of the assets, liabilities and net assets of the University at a point in time and highlights such issues as whether current cash needs are able to be met, future cash requirements, reserves available and the overall financial health of the University. The financial health of the University guides budget decisions and allocations in the preparation of the University's budget.

Net assets is the value of the University's assets (what we own) over and above the University's liabilities (what we owe). It consists of endowment principal which remains intact in perpetuity, accumulated remeasurement gains and losses, investment in capital assets, internally restricted surpluses set aside for strategic priorities by the Board of Governors, and unrestricted surpluses from operations. The growth in the total net assets over the past ten years has been primarily as result of the growth in endowment and internally restricted surpluses.

Each of these net assets is explained further in this brief.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
NET ASSETS										
Accumulated surplus *	\$ 138,921	\$ 154,621	\$ 138,629	\$ 155,189	\$ 125,083	\$ 132,032	\$ 129,199	\$ 132,295	\$ 133,907	\$ 148,054
Endowments	\$ 24,537	\$ 32,174	\$ 28,952	\$ 34,581	\$ 39,446	\$ 41,277	\$ 45,595	\$ 52,031	\$ 58,735	\$ 56,810
Accumulated remeasurement gains and losses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,961	\$ 14,864	\$ 20,619	\$ 1,410
	\$ 163,458	\$ 186,795	\$ 167,581	\$ 189,770	\$ 164,529	\$ 173,309	\$ 180,755	\$ 199,190	\$ 213,261	\$ 206,274
* ACCUMULATED SURPLUS FROM OPERATIONS										
Investment in capital assets	\$ 102,499	\$ 106,416	\$ 107,880	\$ 112,759	\$ 77,873	\$ 78,353	\$ 95,446	\$ 101,923	\$ 102,742	\$ 98,948
Internally restricted surplus	\$ 17,758	\$ 13,335	\$ 6,240	\$ 15,480	\$ 35,691	\$ 33,271	\$ 22,958	\$ 30,248	\$ 31,165	\$ 48,641
Unrestricted surplus	\$ 18,664	\$ 34,870	\$ 24,509	\$ 26,950	\$ 11,519	\$ 20,408	\$ 10,795	\$ 124	\$ -	\$ 465
	\$ 138,921	\$ 154,621	\$ 138,629	\$ 155,189	\$ 125,083	\$ 132,032	\$ 129,199	\$ 132,295	\$ 133,907	\$ 148,054

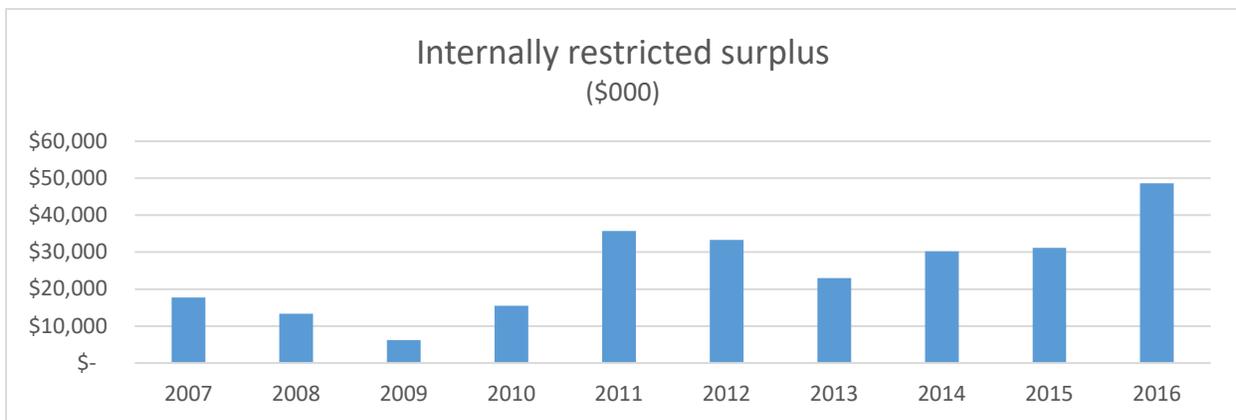




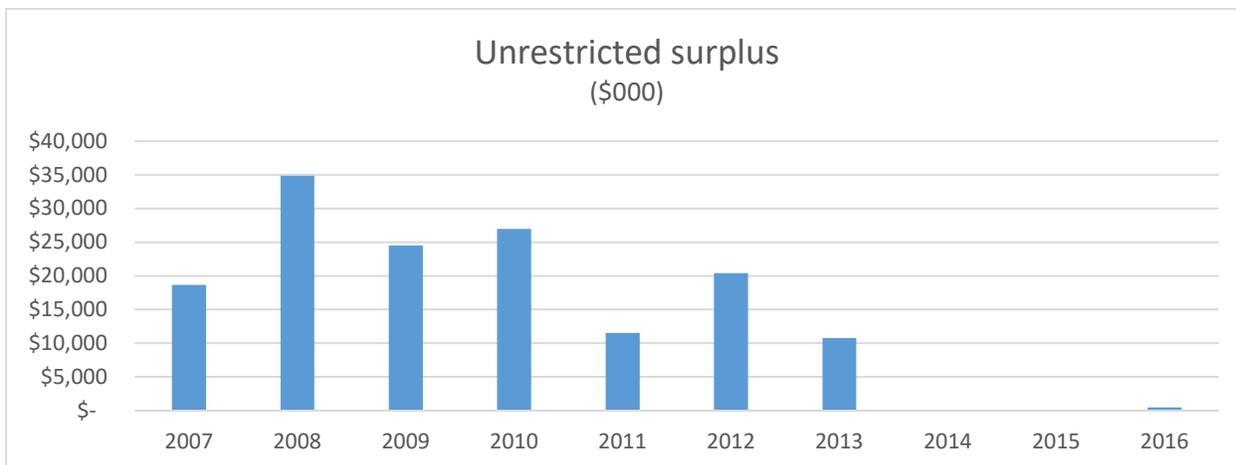
BUDGET BRIEF CONTEXT FOR 2017-18 BUDGET

Investment in Capital Assets represents the amount of funding that has been spent on tangible capital assets (i.e. buildings, equipment, furniture, etc.) offset by debt related to those assets. For example, if the University owned a house worth \$200,000 and there is a mortgage against the house of \$75,000, the University's investment in the capital asset is \$125,000 (\$200,000 - \$75,000). These funds have already been spent.

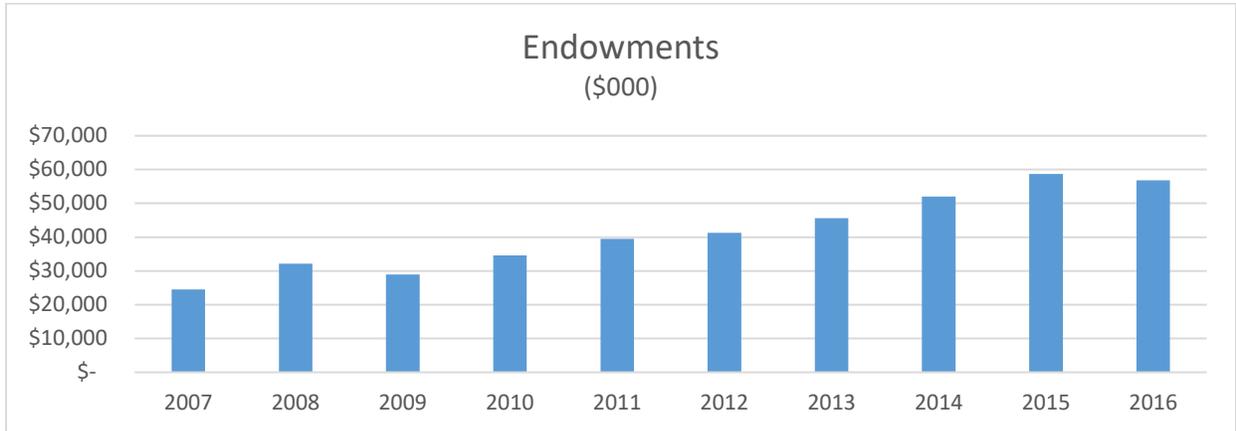
Internally Restricted Surplus represent amounts set aside by the University's Board of Governors for specific purposes and is sometimes referred to as "reserves". These amounts are not available for other purposes without the approval of the Board of Governors. The internally restricted surplus of \$48.6 million has been allocated for specific projects in alignment with the University's strategic priorities, including the Destination Project, replacement or purchase of capital assets, information technology systems upgrades and limited term position funding.



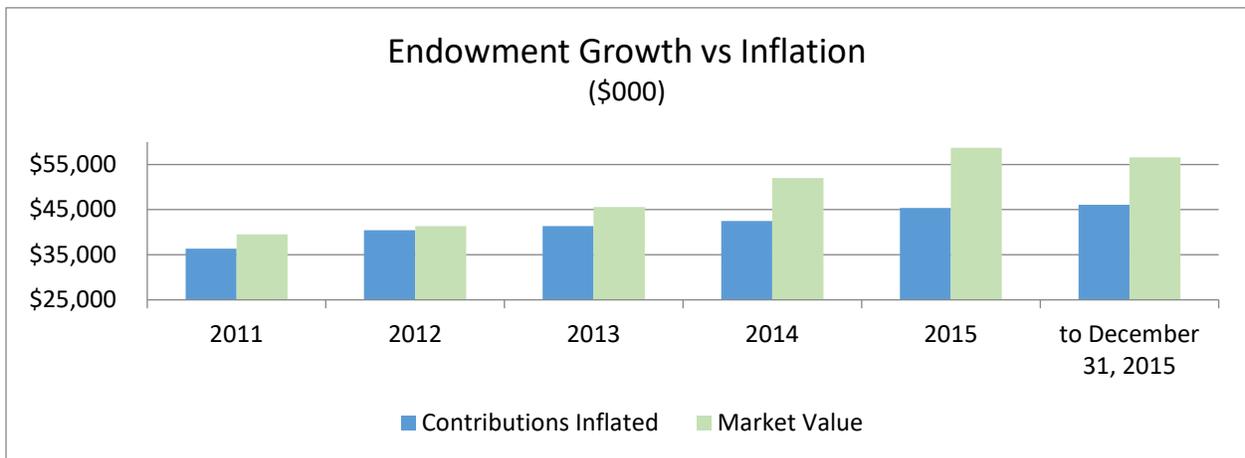
Unrestricted Surplus is the accumulated balance of excess revenue over expense since inception of the University and represents the surplus that is not subject to internal or external restrictions (i.e. funds that have not been committed to specific projects). There was no unrestricted surplus at the end of March 31, 2015 due to the accrual (recording) of \$29 million which represents the University of Lethbridge's share of the unfunded pension liability in the Universities Academic Pension Plan (UAPP). The unfunded pension liability is the result of greater pension payment obligations than funds in the pension plans.



Endowments are donations, government transfers and non-government contributions that must be maintained forever. Investment income attributable to endowments is added to the endowment balances each year.



The University's [Endowment Management Policy](#) has the objective of protecting the real value of the endowments by limiting the amount of income expended and by reinvesting unexpended income. At March 31, 2016 the fair value of the Endowment pool assets exceeded the cumulative endowed contributions indexed by inflation by \$10.6 million (2015: \$13.4 million) (this means that the value of the University's endowments has grown faster than inflation).



Accumulated Remeasurement Gains and Losses are unrealized gains and losses on portfolio investments. New financial reporting standards were introduced in 2013 with the requirement to record the accumulated remeasurement gains and losses in a separate financial statement. This statement is used to record accumulated unrealized changes in the fair market value of financial instruments, such as portfolio investments and foreign exchange, and when the financial instruments are sold or disposed of the fair market value changes will then be recorded in the Statement of Operations. The unrealized remeasurement gains and losses is not "cash" that the University can spend.



BUDGET BRIEF CONTEXT FOR 2017-18 BUDGET

WHY DOES THE UNIVERSITY NOT TAP INTO ITS NET ASSETS/RESERVES TO MEET BUDGETARY SHORTFALLS?

Questions arise from the University community as to why the University does not tap into net assets/reserve balances to fund any budget deficits? It is important to understand that reserves are funds that are available only on a one-time basis and would not provide funds to cover on-going or continuing deficits that exist in the University's operating budget. Similar to savings that individuals may have in their bank account, these funds serve as an important cushion in the case of an emergency or unexpected need for cash. Savings should not be used for on-going expenditures or eventually the savings will be depleted to zero and there would still be an annual operating deficit that needs to be addressed.

It would be fiscally irresponsible to use reserves as a long-term solution to cover on-going budget deficits as this would only solve the deficit problem for the short term and not address the issue of expenses in excess of revenue.