

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2004

(thousands of dollars)

Note 1 Authority and Purpose

The University of Lethbridge (the "University") operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, chapter P-19.5. The University is dedicated to quality undergraduate and graduate studies in the tradition of liberal education, research and public service. The University is a registered charity and is exempt from payment of income tax.

Note 2 Summary of Significant Accounting Policies and Reporting Practice:

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results.

(b) Revenue Recognition

Operating grants are recognized when receivable. Revenues received for the provision by the University of goods and services are recognized in the period in which the goods are provided or the services rendered.

Deferred Contributions - Externally restricted non-capital and non-endowment contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Deferred Capital Contributions and Unamortized Deferred Capital Contributions - Contributions externally restricted for the acquisition of capital assets having limited lives are deferred and recorded as deferred capital contributions in the period in which they are received. Deferred capital contributions are transferred to unamortized deferred capital contributions when expended and are amortized to revenue over the useful lives of the related assets.

Endowments - Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost or replacement cost.

(d) Investments

Investments are recorded at cost or amortized cost where applicable. Amortization of premiums or discounts is calculated on a straight-line basis from acquisition date to maturity. Capital gains or losses are recognized in the year of disposal or when there is other than a temporary decline in the value of the investment.

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

(e) Capital Assets

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at fair values when a fair value is reasonably determinable. Where a fair value is not reasonably determinable the assets are recorded at nominal value.

Capital assets, except construction projects which are amortized upon completion, are amortized on a straight-line basis over the assets' estimated useful lives.

The estimated useful lives are as follows:

Land improvements	10-25 years	Computer equipment	3-5 years
Buildings - Exterior	40 years	Electrical equipment	20 years
Buildings - Interior	20 years	Software	3-5 years
Leasehold improvements	15 years	Vehicles	6 years
Furnishings and equipment	5-10 years	Learning resources	10 years

(f) Collection

Collection assets purchased by the University are recorded at cost. Donated collection assets are recorded at fair values.

The collection consists of works of art which are held for educational and public exhibition purposes.

(g) Employee Future Benefits

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the Universities Academic Pension Plan and the Public Service Pension Plan. The University's portion of the pension plans' deficit or surplus is not recorded by the University.

The University has a number of defined benefit plans providing maternity and/or parental leave, long-term disability, early retirement incentives and administrative leaves.

The cost of benefits earned by employees in the maternity/parental and administrative leave plans is determined using the projected benefit method prorated on service and management's best estimate of salary escalation. Net experience gains (losses) are recognized immediately. The cost of benefits earned by employees receiving long-term disability and early retirement benefits is determined using the accumulated benefit method, a market interest rate and management's best estimate of expected health care and pension costs and the period of employee disability.

(h) Pledges Receivable

Pledges receivable are not recorded as assets in these financial statements.

(i) Contributed Services

Volunteers, as well as members of the staff of the University, contribute an indeterminable number of hours per year to assist the institution in carrying out its mission of post secondary and graduate education, research and public service. Such contributed services are not recognized in the financial statements.

(j) Financial Instruments

The carrying values of financial assets and financial liabilities approximate fair value unless otherwise disclosed.

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

(k) Credit, Interest Rate and Market Risk

The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the University's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

The market risk is the risk to the University's earnings that arises from the fluctuations and degree of volatility in the market value of its long term investments.

Note 3 Investments

	2004				2003			
	Carrying Value	Market Value	Realized Return	Market Return	Carrying Value	Market Value	Realized Return	Market Return
Cash and short term deposits	\$ 4,488	\$ 4,490	1.76%	0.28%	\$ 6,491	\$ 6,491	0.76%	0.90%
Bonds and debentures	18,737	20,212	6.05%	11.04%	18,861	19,425	6.41%	10.40%
Stocks	24,277	29,120	2.27%	24.10%	23,248	23,366	6.25%	-23.56%
Other investments	313	313			219	219		
	<u>\$ 47,815</u>	<u>\$ 54,135</u>			<u>\$ 48,819</u>	<u>\$ 49,501</u>		

Realized return includes interest and dividend income and gains and losses incurred on disposal of investments. Market return includes both realized return and unrealized gains and losses on investments due to market fluctuations.

Foreign exchange losses of \$299 were realized during the year (2003 - \$45 foreign exchange gain realized). As of March 31 net unrealized exchange losses totalled \$1,920 (2003 - \$608).

Bonds and debentures consists of the following:

	2004			2003		
	Carrying Value	Market Value	Effective Yield	Carrying Value	Market Value	Effective Yield
Short term (three years or less to maturity)	\$ 1,006	\$ 1,043	1.99%	\$ 151	\$ 154	3.30%
Medium term (four to ten years to maturity)	12,464	13,452	5.58%	13,221	13,660	5.61%
Long term (greater than ten years to maturity)	5,267	5,717	5.81%	5,489	5,611	5.86%
	<u>\$ 18,737</u>	<u>\$ 20,212</u>	5.45%	<u>\$ 18,861</u>	<u>\$ 19,425</u>	5.66%

The Board of Governors, through its Finance Committee, monitors the performance of the investment manager as well as compliance to the Investment Management Policy which includes benchmarks for performance and standards for quality, type and diversification of investments. The prime directive of the Committee is to protect the University's assets, provide a stream of income and maintain reasonable costs related to managing the investments. An external consultant is appointed by the Committee to measure and report, on a quarterly basis, the investment portfolio's performance and the investment manager's compliance to the Policy.

Investments are managed by an investment manager. The investment portfolio consists of a balanced fund.

The balanced fund policy mix standard is as follows:

<u>Permissible assets</u>	<u>Policy Standard</u>	<u>Allowable Ranges</u>
Short term/cash	5%	0% - 40%
Bonds	35%	25% - 70%
Canadian equities	20%	10% - 40%
U.S. equities	25%	10% - 50%
Global equities	15%	0% - 30%
	<u>100%</u>	

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Note 3 Investments (continued)

Bond investments must have a rating of BBB-plus or better and the short term portfolio must be rated at least R-1, mid (or equivalent) as per the Dominion Bond Rating Service.

Short term investments are held on average for less than one year and bonds are held on average less than four years. Bonds in the portfolio have maturity dates between two and twenty-six years, with an average maturity date of six years.

Note 4 Interest in Joint Venture

The University has a one-third joint venture interest in the Campus Alberta: Graduate Program in Counselling. Three Alberta universities formed the joint venture to develop and deliver a Collaborative Alberta Graduate Counselling Program.

The University's equity in the accumulated earnings of the joint venture at March 31, 2004 is \$217 (2003 - \$123) and is included in Other Investments (Note 3).

At March 31, 2004 the University's share of the joint venture's assets and liabilities are:

	2004	2003
Current assets ⁽¹⁾	\$ 411	\$ 282
Capital assets	8	10
	<u>\$ 419</u>	<u>\$ 292</u>
Current liabilities	\$ 194	\$ 159
Deferred capital contributions	7	10
Investment in capital assets	1	-
Joint venture interest	217	123
	<u>\$ 419</u>	<u>\$ 292</u>

⁽¹⁾ included in current assets is a receivable of \$160 (2003 - \$137) from the University of Lethbridge for operating funds that are being administered on behalf of the joint venture

The University's share of joint venture earnings for the year ending March 31, 2004 is \$134 which is one-third of the net of total revenues of \$1,545 less total expenses of \$1,143.

The University of Lethbridge

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Note 5 Capital Assets

	2004			2003	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Land	\$ 638	\$ -	\$ 638	\$ 638	
Buildings and land improvements	175,027	55,855	119,172	116,293	
Construction projects	200	-	200	1,011	
Furnishings and equipment	47,257	33,280	13,977	14,567	
Learning resources	21,785	15,360	6,425	6,089	
	<u>\$ 244,907</u>	<u>\$ 104,495</u>	<u>\$ 140,412</u>	<u>\$ 138,598</u>	

Construction projects include planning costs for the Regional Health and Wellness Centre, Centre for Leadership and Innovation, Environment and Water Resource building and Art Gallery building.

Capital asset additions during the year included \$24 in donations in kind for learning resources (2003: \$73).

Note 6 Collection

	2004	2003
Balance, beginning of year	\$ 32,905	\$ 32,424
Donations	92	479
Acquisitions	-	2
Balance, end of year	<u>\$ 32,997</u>	<u>\$ 32,905</u>

The art collection contains approximately 14,000 objects.

Note 7 Employee Benefit Liabilities

	2004	2003
Vacation and overtime pay	\$ 3,304	\$ 3,148
Maternity and parental leaves	144	116
Other payroll liabilities	198	124
Early retirement benefit plans	1,257	1,658
Senior administrative leaves	3,428	3,042
Supplementary benefit plan	626	510
Long-term disability benefits	115	101
	<u>9,072</u>	<u>8,699</u>
Less current portion	<u>(4,428)</u>	<u>(4,691)</u>
	<u>\$ 4,644</u>	<u>\$ 4,008</u>

The University's defined benefit plans provide post-employment benefits to most employees. This includes pension plans, early retirement benefit plans and long-term disability benefit plans, as well as administrative leave plans for certain senior administrators. The University's defined benefit plans, other than the pension plans, are unfunded. The supplementary benefit plan is a defined contribution plan. Information about these plans is as follows:

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Note 7 Employee Benefit Liabilities (continued)

	2004				2003			
	Early Retirement Plan	Senior Administrative Leaves	Supplementary Benefit Plan	Long-term Disability	Early Retirement Plan	Senior Administrative Leaves	Supplementary Benefit Plan	Long-term Disability
Accrued benefit obligation:								
Balance, beginning of year	\$ 1,658	\$ 3,042	\$ 510	\$ 101	\$ 2,300	\$ 2,975	\$ 355	\$ 100
Current service cost	-	897	182	56	-	585	165	31
Benefits paid	(555)	(794)	(61)	(42)	(748)	(727)	(76)	(24)
Interest cost	154	283	(5)	-	106	209	66	(6)
Balance, end of year	\$ 1,257	\$ 3,428	\$ 626	\$ 115	\$ 1,658	\$ 3,042	\$ 510	\$ 101

Accrued early retirement benefits, senior administrative leaves, the supplementary benefit plan and long-term disability benefits are carried at their present value. The significant assumptions used to measure these obligations are as follows:

	Senior Administrative Leaves	Supplementary Benefit Plan	Long-term Disability
Rate of compensation increase	8.25%	n/a	n/a
Rate of benefits increase	4.50%	5.00%	4.00%
Pension contributions increase			4.00%

The discount rates used in accruing the benefits were market interest rates in effect at March 31 on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Senior administrative leaves are accrued based on years of service to the University as a senior administrator. These leaves are normally taken at the end of the administrative service.

Payments in the next five years under the defined benefit and defined contribution plans are approximately as follows: 2005 - \$783; 2006 - \$761; 2007 - \$528; 2008 - \$381; 2009 - \$362.

Note 8 Deferred Contributions

Deferred contributions represent contributions received for restricted purposes that remain unspent at March 31. Changes in the deferred contributions balance are as follows:

	2004	2003
Balance, beginning of year	\$ 10,058	\$ 12,006
Contributions received	10,971	10,747
Transfer to:		
Revenue	(8,253)	(7,906)
Endowments	-	(19)
Deferred Capital Contributions (Note 10)	(2,050)	(4,770)
Balance, end of year	\$ 10,726	\$ 10,058

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Note 8 Deferred Contributions (continued)

The deferred contributions balance consists of:

	2004	2003
Restricted Operating	\$ 3,716	\$ 4,070
Sponsored Research	4,304	3,554
Special Purpose	698	526
Scholarships, Bursaries and Other Trust Funds	2,008	1,908
	<u>\$ 10,726</u>	<u>\$ 10,058</u>

Note 9 Long Term Debt

	Rate of Interest	Original Advance	Amount Outstanding	
			2004	2003
Alberta Capital Financing Authority debenture for student residences, due April 15, 2023	6.00%	4,000	\$ 4,000	\$ -
Current portion			(109)	-
			<u>\$ 3,891</u>	<u>\$ -</u>

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

Interest on the debenture of \$231 was charged to expense in fiscal 2004.

Principal payments on the debenture over the next five fiscal years are as follows: 2005 - \$109; 2006 - \$115; 2007 - \$122; 2008 - \$130; 2009 - \$137.

Note 10 Deferred Capital Contributions

Deferred capital contributions represent capital funds received from external sources for specific purposes that remain unspent at March 31. Changes in the deferred capital contributions balance are as follows:

	2004	2003
Balance, beginning of year	\$ 1,038	\$ 819
Contributions received	682	381
Transfers from (to):		
Revenue	(43)	(9)
Deferred Contributions (Note 8)	2,050	4,770
Unamortized Deferred Capital Contributions (Note 11)	(2,445)	(4,923)
Balance, end of year	<u>\$ 1,282</u>	<u>\$ 1,038</u>

The deferred capital contributions balance includes donations received for capital projects including the Regional Health and Wellness Centre, the Centre for Leadership and Innovation and the Art Gallery Building.

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Note 11 Unamortized Deferred Capital Contributions

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

	2004	2003
Balance, beginning of year	\$ 92,175	\$ 93,346
Transfer from (to)		
Deferred Capital Contributions (Note 10)	2,445	4,923
Revenue		
Amortization of deferred capital contributions	(6,258)	(6,009)
Capital asset disposals (net)	(4)	(85)
Balance, end of year	<u>\$ 88,358</u>	<u>\$ 92,175</u>

Note 12 Endowments

	2004			2003		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Contributions	\$ 8,258	\$ 1,162	\$ 9,420	\$ 8,085	\$ 1,072	\$ 9,157
Capitalized investment income	1,693	114	1,807	1,514	91	1,605
	<u>\$ 9,951</u>	<u>\$ 1,276</u>	<u>\$ 11,227</u>	<u>\$ 9,599</u>	<u>\$ 1,163</u>	<u>\$ 10,762</u>

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

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Note 13 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the Board of Governors for specific needs such as one-time expenditures for increasing efficiency, reducing costs or providing for contingencies.

	2004	2003
OPERATING:		
Staff training and development	\$ 84	\$ 175
Academic development	43	20
Campus planning studies	160	160
International affairs	6	6
Utilities contingency - rate increases	50	50
Program development	200	146
	<u>543</u>	<u>557</u>
CAPITAL:		
Capital replacement - Ancillary Services	1,449	2,168
Capital replacement - Sports & Recreation Services	285	-
Housing Services - residences	1,044	895
Capital equipment	983	725
Buildings and plant	276	193
Site and utilities	48	37
Utility conservation	258	170
Self insurance	184	178
Parking services	225	273
Service vehicles and equipment	104	64
	<u>4,856</u>	<u>4,703</u>
	<u>\$ 5,399</u>	<u>\$ 5,260</u>

Note 14 Investment Income

	2004	2003
Total investment income for the year	\$ 2,163	\$ 2,944
Transfers to:		
Endowments - externally restricted	(180)	(274)
Deferred contributions	(43)	(61)
Total investment income recognized as revenue	<u>\$ 1,940</u>	<u>\$ 2,609</u>

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Note 15 Salaries and Employee Benefits

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of certain salary and employee benefit information.

	2004			2003
	Salary ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total	Total
Board of Governors ⁽³⁾	\$ -	\$ -	\$ -	\$ -
President ⁽⁴⁾	217	83	300	270
Executives				
Vice-President (Academic) ⁽⁴⁾	204	64	268	238
Vice-President (Finance & Administration)	165	35	200	181
Dean of Management ⁽⁵⁾	164	27	191	238
Dean of Graduate Studies	160	29	189	172
Accrual of senior administrative leaves ⁽⁶⁾				
President		89	89	58
Vice-President (Academic)		136	136	77
Vice-President (Finance & Administration)		55	55	43
Dean of Management		58	58	33
Dean of Graduate Studies		136	136	65

⁽¹⁾ Salary includes regular base pay, administrative stipends and any other direct remuneration.

⁽²⁾ Benefits and allowances include employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, vision care plan, supplementary benefit plan and professional supplement allowance.

⁽³⁾ Members of the Board of Governors receive no remuneration for participation on the Board.

⁽⁴⁾ Benefits and allowances figure includes housing allowance.

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

⁽⁶⁾ Leaves are accrued for senior administrators at a rate of one month for every five months served. During the leave, all salaries and benefits excluding any housing allowances are paid. 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 accrual is a function of the cumulative number of months of leave earned to March 31 and current salary and benefit rates. The nominal value is projected to the date the leave is expected to be taken, and discounted back to the present using a market interest rate.

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Note 16 Pension Costs

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings. The pension expense recorded in these financial statements is equivalent to the University's annual contributions payable of \$3,442 for the year ended March 31, 2004 (2003 - \$2,850) including UAPP contributions of \$2,757 (2003 - \$2,300) and PSPP contributions of \$685 (2003 - \$550).

At December 31, 2003, the Universities Academic Pension Plan reported an actuarial deficiency of \$538,352 (2002 - restated \$409,672) consisting of a pre-1992 deficiency (\$455,421) and a post-1991 deficiency (\$82,931). An actuarial valuation of the UAPP was carried out as at December 31, 2002 and was then extrapolated to December 31, 2003. The next actuarial valuation of the UAPP is required to be completed by December 31, 2005. The unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25% (2002 - 1.25%) of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions of 1.75% (2002 - 0.14%) of salaries required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows that the present value at December 31, 2002 of the Province of Alberta's obligation for the future additional contributions was \$164,200. Effective January 1, 2004, the unfunded liability for service after December 31, 1991 is being financed by special payments of 1.26% of salaries shared equally between employees and employers over 15 years from the date of valuation until December 31, 2017.

At December 31, 2003, the Public Service Pension Plan reported an actuarial deficiency of \$596,213 (2002 - \$175,528). An actuarial valuation of the Public Service Pension Plan was performed as of December 31, 2002 and was then extrapolated to December 31, 2003. Effective September 1, 2003 employer and employee contribution rates both increased by 1.5% of salary on earnings up to the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan and 2.26% of salary on earnings over the YMPE.

Pension expense for fiscal 2005 is expected to total \$4,031.

Note 17 Change in Non-Cash Working Capita

	2004	2003
Accounts receivable	\$ (425)	\$ 1,046
Inventories	(26)	161
Prepaid expenses	(204)	(77)
Accounts payable	28	(220)
Employee benefit liabilities	(263)	41
Deferred revenue	92	(110)
Deferred tuition fees	397	323
Deferred contributions	668	(1,949)
Increase (decrease) in non-cash working capital	<u>\$ 267</u>	<u>\$ (785)</u>

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Note 18 Budget

The University is required to submit a budget, approved by the Board of Governors of the University, to the Minister of Alberta Learning for approval. The 2003/04 budget was approved by the Board on March 20, 2003.

Unrestricted Funds Budget

	2004								2003	
	General Operating		Ancillary Services		Access & Other		Total		Original Budget	Total Actual
	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual		
REVENUE										
Grants	\$ 42,974	\$ 48,542	\$ -	\$ -	\$ 7,476	\$ 6,305	\$ 50,450	\$ 54,847	\$ 47,420	\$ 49,603
Tuition and related fees	24,019	27,886	858	-	3,278	2,297	28,155	30,183	24,753	27,143
Sales of services and products	2,760	2,197	6,659	7,391	-	256	9,419	9,844	11,151	9,331
Miscellaneous	371	1,936	43	-	97	363	511	2,299	1,970	1,950
Investment income	2,000	1,714	48	46	-	22	2,048	1,782	1,682	2,295
Gifts and donations	-	64	-	-	-	163	-	227	-	214
Amortization of deferred capital contributions	6,668	6,262	-	-	-	-	6,668	6,262	4,898	6,094
	78,792	88,601	7,608	7,437	10,851	9,406	97,251	105,444	91,874	96,630
EXPENSE										
Salaries and benefits	51,189	58,591	2,075	1,828	7,156	4,364	60,420	64,783	59,343	58,210
Scholarships, fellowships and bursaries	553	1,146	-	-	-	179	553	1,325	538	1,283
Supplies and services	4,689	4,158	442	903	2,566	1,181	7,697	6,242	9,838	5,876
Cost of goods sold	185	177	2,849	2,864	-	-	3,034	3,041	2,778	2,862
Travel	1,071	1,649	42	26	138	528	1,251	2,203	1,309	2,118
Utilities	2,853	2,380	594	541	370	100	3,817	3,021	3,165	2,770
External contracted services	896	1,534	808	270	-	241	1,704	2,045	1,393	2,018
Repairs and maintenance	2,654	1,066	-	127	-	147	2,654	1,340	-	1,109
Professional fees	327	439	-	103	-	8	327	550	334	522
Interest on long term liabilities	528	604	125	83	-	-	653	687	546	1,419
Insurance	232	266	9	9	-	22	241	297	547	219
Property taxes	-	3	181	186	-	9	181	198	153	158
Loss on disposal of capital assets	-	7	-	-	-	-	-	7	-	199
Unrealized loss on write-down of investments	-	85	-	-	-	-	-	85	-	2,755
Amortization of capital assets	8,275	11,385	133	172	-	-	8,408	11,557	9,686	10,922
Provisions	5,340	-	-	-	621	-	5,961	-	1,897	-
	78,792	83,490	7,258	7,112	10,851	6,779	96,901	97,381	91,527	92,440
EXCESS OF REVENUE OVER EXPENSE	\$ -	\$ 5,111	\$ 350	\$ 325	\$ -	\$ 2,627	\$ 350	\$ 8,063	\$ 347	\$ 4,190

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

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Note 18 Budget (continued)*Restricted Funds Budget*

	2004		2003	
	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE				
Grants	\$ 4,239	\$ 7,812	\$ 2,063	\$ 7,328
Tuition and related fees	-	-	-	-
Sales of services and products	-	-	-	-
Miscellaneous	250	246	1,827	118
Investment income	300	158	800	314
Gifts and donations	1,000	80	869	155
Amortization of deferred capital contributions	-	-	-	-
	<u>5,789</u>	<u>8,296</u>	<u>5,559</u>	<u>7,915</u>
EXPENSE				
Salaries and benefits	3,100	3,879	2,568	3,181
Scholarships, fellowships and bursaries	710	1,261	531	1,074
Supplies and services	1,100	1,455	1,231	1,330
Cost of goods sold	-	-	-	-
Travel	640	598	656	537
Utilities	4	1	3	1
External contracted services	235	154	531	389
Repairs and maintenance	-	902	-	1,344
Professional fees	-	50	37	55
Interest on long term liabilities	-	-	-	-
Insurance	-	1	2	1
Property taxes	-	1	-	3
Loss on disposal of capital assets	-	(6)	-	-
Unrealized loss on write-down of investments	-	-	-	-
Amortization of capital assets	-	-	-	-
Provisions	-	-	-	-
	<u>5,789</u>	<u>8,296</u>	<u>5,559</u>	<u>7,915</u>
EXCESS OF REVENUE OVER EXPENSE	\$ -	\$ -	\$ -	\$ -

Total Unrestricted and Restricted Fund Budgets

	2004		2003	
	Original Budget	Total Actual	Original Budget	Total Actual
	\$ 54,689	\$ 62,659	\$ 49,483	\$ 56,931
	28,155	30,183	24,753	27,143
	9,419	9,844	11,151	9,331
	761	2,545	3,797	2,068
	2,348	1,940	2,482	2,609
	1,000	307	869	369
	<u>6,668</u>	<u>6,262</u>	<u>4,898</u>	<u>6,094</u>
	<u>103,040</u>	<u>113,740</u>	<u>97,433</u>	<u>104,545</u>
	63,520	68,662	61,911	61,391
	1,263	2,586	1,069	2,357
	8,797	7,697	11,069	7,206
	3,034	3,041	2,778	2,862
	1,891	2,801	1,965	2,655
	3,821	3,022	3,168	2,771
	1,939	2,199	1,924	2,407
	2,654	2,242	-	2,453
	327	600	371	577
	653	687	546	1,419
	241	298	549	220
	181	199	153	161
	-	1	-	199
	-	85	-	2,755
	8,408	11,557	9,686	10,922
	5,961	-	1,897	-
	<u>102,690</u>	<u>105,677</u>	<u>97,086</u>	<u>100,355</u>
	<u>\$ 350</u>	<u>\$ 8,063</u>	<u>\$ 347</u>	<u>\$ 4,190</u>

Restricted funds include Restricted Operating, Restricted Capital, Sponsored Research, Special Purpose and Scholarships, Bursaries and Other Trust Funds. The revenue is provided to the University by third parties who place specific requirements on the funding. There is no excess of revenue over expense on these funds as any unused funds at the end of the fiscal period are transferred to Deferred Contributions and/or Deferred Capital Contributions. These deferred amounts can only be accessed in future years by meeting the restrictions of the funding.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2004

(thousands of dollars)

Note 19 Related Party Transactions

- a) University of Lethbridge Foundation

On January 27, 1999 the Trustees approved the wind-up of the Foundation in anticipation of the repeal of the Advanced Education Foundations Act. The Trustees have requested Alberta Learning to make provisions in legislation that any residual assets of the Foundation and any bequests, testamentary gifts or similar benefits to the University of Lethbridge Foundation become the property of the Board of Governors of The University of Lethbridge. Consequently, there was no activity in the Foundation during the year and no assets were held by the Foundation as at March 31, 2004.

- b) Province of Alberta

The University of Lethbridge is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the University and the Province of Alberta are disclosed as follows:

	2004			2003
	Unrestricted	Restricted	Total	Total
Alberta Learning:				
Operating grant	\$ 45,285	\$ -	\$ 45,285	\$ 42,272
Operations and maintenance grant	1,383	-	1,383	-
Access grants	6,388	-	6,388	7,000
Performance funding	487	-	487	-
Other	95	5	100	282
Total Alberta Learning	53,638	5	53,643	49,554
Other provincial ministries, departments and agencies:				
Alberta Heritage Foundation for Medical Research	-	987	987	1,041
Alberta Infrastructure	-	1,355	1,355	2,338
Alberta Ingenuity	-	244	244	-
Alberta Innovation and Science	-	650	650	607
Alberta Gaming	325	218	543	473
Alberta Agriculture	-	259	259	63
Other	-	94	94	79
Total other provincial ministries, departments and agencies	325	3,807	4,132	4,601
Total contributions received	53,963	3,812	57,775	54,155
Less: Deferred contributions	-	(1,344)	(1,344)	(1,744)
Revenue from provincial government	\$ 53,963	\$ 2,468	\$ 56,431	\$ 52,411

Restricted grants are recognized as revenue in the period in which the related expenses are incurred.

The total contributions received for unrestricted grants includes \$1,278 in accounts receivable.

In 2004 and 2003 the University participated in offering certain courses with other public colleges, universities and institutes. The revenues and expenses incurred for these courses have been included in the statement of operations but have not been separately disclosed.

The University has an arrangement with Athabasca University and University of Calgary to offer a graduate program in Counselling. These transactions were entered into on the same business terms as with non-related parties and are recorded at their fair value amounts. The University's share of revenue and expenses have been recorded using the equity method of accounting (Note 4).

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2004

(thousands of dollars)

Note 20 Pledges Receivable

Pledges to the University at March 31, 2004 are \$6,340 (2003 - \$530). These pledges are expected to be honoured over the next several years and have not been recorded as a receivable in the financial statements.

Note 21 Commitments and Contingencies

- (a) The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of management and the University's legal counsel that adequate provision for these proceedings has been made in the University's accounts. It is believed that the resolution of the proceedings will not have a material effect on the financial position of the University, however, should any additional loss result from the resolution of these proceedings, such amounts would be charged against earnings in the year incurred.
- (b) The University is one of fifty-six members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2003 CURIE had a surplus of \$100 (2002 - \$4,072). This surplus is an accumulation of four different underwriting periods. The University participates in three of these underwriting periods, which have an accumulated deficit of \$2,492 as of December 31, 2003 (2002 - \$1,595 surplus). The University's 0.99% share of this deficiency will be funded through increased premiums.
- (c) The University has a ten-year lease on teaching facilities used in Edmonton, expiring in October 2007 with an option to terminate upon six months' notice plus six months' basic rent and occupancy costs based on a proportionate share of total building costs. In fiscal 2004 and 2003 basic rent totalled \$90. In 2004 occupancy costs were \$97 (2003 - \$91). During the year the University also signed a new lease agreement with the Southern Alberta Institute of Technology for a two-year period expiring June 2005. Office and administrative rental charges under this lease are \$16 annually while classrooms are leased at an hourly rate. The cost of office and administration space in 2004 was \$13 (2003: \$4) and the cost of classroom space totalled \$59 (2003: \$30).
- (d) In order to manage its exposure to the volatility in the electrical industry, the University entered into a five-year contract (expiring December 31, 2005), to fix its electrical cost at an average cost of \$0.115 per kWh. The total cost for the year ending March 31, 2005 is expected to be \$2,300. The cost of electricity included in these statements for fiscal 2004 is \$2,142 (2003: \$1,964).
- (e) During the year the Board of Governors approved, in principle, a project to construct a Regional Health and Wellness Centre at a cost of \$20,650 to be completed in 2007. The proposed project is to be funded by the City of Lethbridge (\$5,300), fundraising (\$5,000) and University contributions (\$10,350). As at March 31, 2004, the University had contractual commitments totalling \$2,326 related to various capital projects including the Regional Health and Wellness Centre. These commitments are not recorded in the financial statements.
- (f) Under agreements and/or contracts with a number of employee groups, the University provides Professional Supplement funds for activities related to teaching, research, professional development or general University-related duties. At March 31, 2004 approximately \$755 (2003 - \$604) of such allowances is committed for expenses not yet incurred.

The University of Lethbridge

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2004

(thousands of dollars)

Note 22 Adjustment to Prior Period

Prior to the current fiscal year, unspent Professional Supplement entitlements available to certain employees under an employee agreement or contract were recorded as a liability and as a benefits expense. Professional Supplement policy allows employees to pre-spend future years' entitlements to purchase capital assets and these drawings were shown as a prepaid expense. During the current year, the University changed this accounting policy and now records Professional Supplement only as it is spent. This change has been applied retroactively and the financial statements of prior years have been restated as summarized in the following table:

	2003		
	As Previously Reported	Prior Period Adjustment	As Restated
Statement of Financial Position			
Increase (decrease) in:			
Prepaid expenses	\$ 495	\$ (125)	\$ 370
Accounts payable and accrued liabilities	4,865	(729)	4,136
Unrestricted net assets	12,854	604	13,458
Statement of Operations			
Increase (decrease) in:			
Employee benefits	9,032	(76)	8,956
Excess of revenue over expense	4,114	76	4,190

Note 23 Comparative Figures

Certain 2003 figures have been reclassified to conform to 2004 financial statement presentation.

Note 24 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.