

Lethbridge College

Consolidated Financial Statements

June 30, 2007

LETHBRIDGE COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Revenue and Expense

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements



Auditor's Report

To the Board of Governors of Lethbridge College

I have audited the consolidated statement of financial position of Lethbridge College as at June 30, 2007 and the consolidated statements of revenue and expense, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

FCA
Auditor General

Edmonton, Alberta
September 19, 2007

LETHBRIDGE COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2007

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current:		
Cash and cash equivalents (Note 3)	\$ 6,755,827	\$ 12,305,659
Accounts receivable (Note 4)	2,568,410	2,030,228
Accrued investment income	150,605	86,859
Inventories (Note 5)	474,921	583,022
Prepaid expenses	<u>334,116</u>	<u>413,552</u>
	10,283,879	15,419,320
Non-current cash and investments (Note 3)	19,402,335	13,272,743
Capital assets (Note 6)	<u>57,285,292</u>	<u>52,426,830</u>
	<u>\$ 86,971,506</u>	<u>\$ 81,118,893</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current:		
Accounts payable and accrued liabilities	\$ 5,533,996	\$ 3,759,189
Accrued vacation pay	869,426	830,933
Unearned revenue (Note 7)	2,107,611	1,594,929
Deferred contributions (Note 8)	2,326,523	2,217,296
Current portion of debenture payable (Note 10)	<u>169,491</u>	<u>159,708</u>
	11,007,047	8,562,055
External capital contributions (Note 8)	2,978,349	5,073,583
Debenture payable (Note 10)	5,625,333	5,794,824
Unamortized external capital contributions (Note 11)	<u>40,576,286</u>	<u>35,158,151</u>
	49,179,968	46,026,558
	<u>60,187,015</u>	<u>54,588,613</u>
Net assets:		
Operating:		
Unrestricted	7,179,059	7,282,367
Internally restricted (Note 12)	<u>2,758,458</u>	<u>2,317,193</u>
	9,937,517	9,599,560
Investment in capital assets (Note 6)	10,914,182	11,314,147
Endowments (Note 13)	<u>5,932,792</u>	<u>5,616,573</u>
	26,784,491	26,530,280
	<u>\$ 86,971,506</u>	<u>\$ 81,118,893</u>
Commitments and contingencies (Note 21)		

The accompanying notes are part of these consolidated financial statements.

LETHBRIDGE COLLEGE
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>2007</u>		<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 22)		
Revenue:			
Grants (Note 14)	\$ 35,275,040	\$ 36,264,959	\$ 32,272,134
Tuition and related fees	16,187,251	14,739,247	15,617,846
Sales, rentals and services (Note 15)	7,312,160	7,492,837	7,135,865
Contract programs	1,724,845	1,896,906	1,929,668
Investment income (Note 16)	801,116	1,269,064	661,395
Donations	344,820	111,100	224,312
Amortization of external capital contributions (Note 11)	<u>2,095,100</u>	<u>2,216,628</u>	<u>2,247,272</u>
	<u>63,740,332</u>	<u>63,990,741</u>	<u>60,088,492</u>
Expense (Note 17):			
Salaries and benefits (Note 18)	41,409,356	43,136,584	36,212,336
Supplies and services	11,431,283	11,105,311	9,840,394
Cost of sales, rentals and services (Note 15)	2,978,870	2,959,767	2,870,687
Utilities	1,611,750	1,416,440	1,548,185
Scholarships and bursaries	150,000	269,768	268,521
Debenture interest	371,460	361,454	370,860
Amortization of capital assets	<u>4,328,951</u>	<u>4,753,086</u>	<u>4,507,902</u>
	<u>62,281,670</u>	<u>64,002,410</u>	<u>55,618,885</u>
Excess (Deficiency) of revenue over expense	<u>\$ 1,458,662</u>	<u>\$ (11,669)</u>	<u>\$ 4,469,607</u>

The accompanying notes are part of these consolidated financial statements.

LETHBRIDGE COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	2007				2006
	Unrestricted	Internally Restricted (Note 12)	Investment in Capital Assets (Note 6)	Restricted for Endowment Purposes (Note 13)	Total
Balance at beginning of year	\$ 7,282,367	\$ 2,317,193	\$ 11,314,147	\$ 5,616,573	\$ 21,203,113
Excess (Deficiency) of revenue over expense	(11,669)	-	-	-	-
Transfer to net assets internally restricted	(441,265)	441,265	-	-	-
Capital assets acquired from internal funds	(1,983,985)	-	1,983,985	-	-
Amortization of internally funded capital assets	2,543,658	-	(2,543,658)	-	-
Repayment of debenture related to capital assets	(159,708)	-	159,708	-	-
Transfer to endowments	(50,339)	-	-	50,339	-
Endowment contributions received	-	-	-	265,880	265,880
Balance at end of year	\$ 7,179,059	\$ 2,758,458	\$ 10,914,182	\$ 5,932,792	\$ 26,784,491
					\$ 26,530,280

The accompanying notes are part of these consolidated financial statements.

LETHBRIDGE COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	2007		2006
	Budget	Actual	Actual
	(Note 22)		
Cash flows generated from operating activities:			
Excess (Deficiency) of revenue over expense	\$ 1,458,662	\$ (11,669)	\$ 4,469,607
Amortization of capital assets	4,328,951	4,753,086	4,507,902
Amortization of external capital contributions	(2,095,100)	(2,216,628)	(2,247,272)
	<u>3,692,513</u>	<u>2,524,789</u>	<u>6,730,237</u>
Changes in non-cash working capital:			
Accounts receivable	-	(538,182)	(869,974)
Accrued investment income	-	(63,746)	(27,206)
Inventories	-	108,101	(28,401)
Prepaid expenses	-	79,436	(98,574)
Accounts payable and accrued liabilities	-	1,774,807	1,242,853
Accrued vacation pay	-	38,493	88,227
Unearned revenue	-	512,682	648,690
Deferred contributions	-	109,227	914,376
	<u>-</u>	<u>2,020,818</u>	<u>1,869,991</u>
	<u>3,692,513</u>	<u>4,545,607</u>	<u>8,600,228</u>
Cash flows used by investing activities:			
Acquisition of capital assets:			
From internal funds	(2,121,647)	(1,983,985)	(1,711,856)
From external funds	(6,160,000)	(7,634,763)	(4,072,475)
Proceeds from disposal of capital assets	-	7,200	6,207
Decrease (Increase) in non-current cash and investments	-	(6,129,592)	(2,442,939)
	<u>(8,281,647)</u>	<u>(15,741,140)</u>	<u>(8,221,063)</u>
Cash flows generated from financing activities:			
Capital contributions received	3,244,000	6,121,717	9,037,346
Transfer from (to) deferred contributions	-	(582,188)	(365,249)
Debenture principal repayment	(159,709)	(159,708)	(150,491)
Endowment contributions received	500,000	265,880	857,560
	<u>3,584,291</u>	<u>5,645,701</u>	<u>9,379,166</u>
Increase (Decrease) in current cash and cash equivalents	(1,004,843)	(5,549,832)	9,758,331
Current cash and cash equivalents, beginning of year	<u>8,391,968</u>	<u>12,305,659</u>	<u>2,547,328</u>
Current cash and cash equivalents, end of year	<u>\$ 7,387,125</u>	<u>\$ 6,755,827</u>	<u>\$ 12,305,659</u>

The accompanying notes are part of these consolidated financial statements.

LETHBRIDGE COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2007

Note 1 Authority and Purpose

Lethbridge College was established as a board governed institution on April 17, 1957. The College operates under the authority of the Post Secondary Learning Act, Chapter P19.5, Statutes of Alberta 2003. The College provides educational programs to serve the career education and training needs of students and employers and to respond to personal and community development needs through an extensive offering of general interest courses and public service outreach activities. The College is a registered charity and is exempt from payment of income tax.

The Lieutenant Governor in Council of the Province of Alberta approved an Order in Council changing the name of Lethbridge Community College to Lethbridge College, effective February 14, 2007.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These consolidated financial statements include the accounts of Lethbridge Community College Foundation (doing business as Lethbridge College Foundation) ("the Foundation"), which operates under the Companies Act of Alberta. The Foundation is a registered charity and is exempt from payment of income tax. Certain administrative services are provided by the College without charge to the Foundation.

The accounts of the two organizations have been consolidated to reflect the financial position and results of operations as though they were a single economic entity, since the Foundation solicits, receives and administers donations for the advancement of the College. Inter-entity balances and transactions have been eliminated on consolidation.

(b) Revenue Recognition

Operating contributions, including grants from the Province of Alberta, are recognized as revenue in the period when they become receivable. Operating contributions received for a future period are reported as deferred contributions and recognized as revenue in the subsequent period.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Capital contributions, including capital grants from the Province of Alberta, are recorded as external capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the external capital contributions revenue are matched to indicate that the related amortization expense has been funded. Capital contributions invested in capital assets that will not be amortized are recognized as direct increases in net assets.

Externally restricted non-capital contributions and externally restricted interest earned on non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. If the contributors stipulate that the amounts cannot be expended, as is the case with endowments, the contributions are recorded as direct increases in net assets.

Donations, which are not externally restricted, are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Pledges are recorded in the year the donation is received.

Amounts received for tuition fees and sale of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

(c) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors to be used for designated purposes.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Investments

Temporary investments are recorded at the lower of cost or market value.

Investments intended to be held for longer term are recorded at cost. Gains and losses on investments are recognized as realized or when there is an other than temporary decline in the value of the investment.

The Canadian Institute of Chartered Accountants (CICA) has issued new accounting standards for Financial Instruments. These standards are effective for Lethbridge College beginning July 1, 2007. The principal impacts of the standards are as follows:

Financial assets can be classified as available for sale, held to maturity, trading or loans and receivables. Financial liabilities can be classified as trading or other. All Lethbridge College's financial assets and liabilities will be recorded on the consolidated statement of financial position at fair value. All financial investments will be classified as available for sale and will be accounted for at fair value with unrealized gains and losses reported as an adjustment to unrestricted net assets.

The opening change on adopting this new basis of accounting on July 1, 2007 will be a decrease in the net assets of Lethbridge College by \$1,975.

(e) 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 and replacement value. Cost is determined using the weighted average method for the Bookstore and the first in, first out method for all other inventories.

(f) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value at the time of the donation.

Capital assets are amortized on a straight-line basis as follows:

Buildings and site improvements	40 years
Furnishings and equipment	10 years
Library	10 years
Motor vehicles	5 years
Computer equipment and systems software	5 years
Audio and visual equipment	2 years

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(f) Capital Assets (continued)

The permanent art collection is recorded at the appraised value at the time of donation. The permanent art collection is not amortized. The collection is made up of numerous pieces of art that are held for display at the College.

Capital projects in progress are not amortized until the project is complete.

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College'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 which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's surplus or deficit is not recorded in the accounts.

(h) Financial Instruments

Unless otherwise noted, the carrying values of financial assets and liabilities approximate their fair values.

The College is exposed to currency risk due to fluctuations in foreign exchange rates, market interest rates and changes in market prices, as well as normal credit risk, as the College's accounts receivable are due from a diverse group of customers.

(i) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(j) Asset Retirement Obligations

Lethbridge College is subject to regulations requiring the repair, removal and disposal of asbestos. The obligation under these regulations meets the definition of a conditional asset retirement obligation.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(j) Asset Retirement Obligations (continued)

As a result of the longevity of the College's facilities, due in part to the College's maintenance procedures, and the fact that the College does not have plans for major changes that would require the removal of asbestos, the timing of the removal of asbestos in the College's facilities is indeterminate as at June 30, 2007. As a result, the College is currently unable to estimate the fair value of its asbestos removal and disposal obligation. Therefore, expenditures are recorded in accounts as they are incurred.

Note 3 Cash and Investments

The Board of Governors has approved an investment strategy with primary investment objectives being the preservation of capital and the generation of a competitive total return. The investment policy provides guidelines on the asset mix, diversification, quality and nature of securities, and the term of the fixed income securities. The guidelines are as follows:

a) Asset Class

Cash equivalents	from 0% to 60% of total portfolio
Fixed income securities	from 40% to 80% of total portfolio
Equities	from 0% to 50% of total portfolio

To measure investment performance and identify the return attributed to the asset mix and asset selection decisions, the College has established a portfolio benchmark of 5% cash equivalents, 60% fixed income securities and 35% equities. Further, it measures cash equivalent returns against the return from the historical treasury bill rate over a rolling four year period, fixed income returns against the return for the Scotia McLeod Universe Index, and equity returns against the return for the TSX 300 Index and the Morgan Stanley Capital International, Europe, Australia and Far East Index.

b) Diversification

No more than 10% of the total portfolio will be invested in any one money market issuer other than investments in issuers with a minimum BBB rating as defined by a recognized bond rating service or those guaranteed by the Government of Canada or the Province of Alberta. With these conditions, the maximum investment may be extended to 20% of the total portfolio. No more than 10% of the portfolio will be invested in any one government bond issue other than the Government of Canada or the Province of Alberta. A 30% maximum is placed on any single industry investment and a 4% maximum on any single issuer in the private sector.

Note 3 Cash and Investments (continued)

c) Quality and Nature of Securities

All money market securities will be rated "R-1" or equivalent by the Canadian Bond Rating or the Dominion Bond Rating Services. All corporate and government bonds will carry a rating of a minimum equivalent BBB rating by a recognized bond rating service.

	2007		2006	
	Carrying Value	Fair Value ⁽ⁱ⁾	Carrying Value	Fair Value ⁽ⁱ⁾
Cash and temporary investments:				
Cash	\$ 6,918,470	\$ 6,918,470	\$12,569,804	\$ 12,569,804
Short term investments	72,607	72,696	67,599	67,458
	<u>6,991,077</u>	<u>6,991,166</u>	<u>12,637,403</u>	<u>12,637,262</u>
Fixed income: ⁽ⁱⁱ⁾				
Federal guaranteed bonds	4,369,961	4,282,655	4,563,416	4,435,581
Provincial guaranteed bonds	1,197,871	1,164,640	1,246,826	1,201,011
Corporate bonds	<u>4,473,226</u>	<u>4,338,803</u>	<u>3,794,383</u>	<u>3,679,683</u>
	<u>10,041,058</u>	<u>9,786,098</u>	<u>9,604,625</u>	<u>9,316,275</u>
Equities: ⁽ⁱ⁾				
Canadian	5,160,014	5,364,521	2,236,736	2,520,734
Foreign	<u>3,966,013</u>	<u>4,014,402</u>	<u>1,099,638</u>	<u>1,057,779</u>
	<u>9,126,027</u>	<u>9,378,923</u>	<u>3,336,374</u>	<u>3,578,513</u>
	26,158,162	26,156,187	25,578,402	25,532,050
Less amounts not available for current purposes	<u>19,402,335</u>	<u>19,400,360</u>	<u>13,272,743</u>	<u>13,226,391</u>
Cash and cash equivalents	<u>\$ 6,755,827</u>	<u>\$ 6,755,827</u>	<u>\$12,305,659</u>	<u>\$ 12,305,659</u>

- (i) On a total basis, the market value of all investments is \$1,975 less than (2006 - \$46,352) carrying value. Within the investment portfolio, foreign equities, at market value of \$4,014,402 are \$48,389 greater than (2006 - \$41,859 less than) carrying value. The carrying value of certain securities have been written down to fair value because management has concluded, based on review of market information, that there is indication of impairment that is other than temporary. The carrying values of the remaining securities have not been written down to fair value as management has concluded that there is no obvious indication of impairment that is other than temporary.

Note 3 Cash and Investments (continued)

- (ii) The terms of the bond portfolio range from 1 year to 9 years with an average term to maturity of 5 years (2006 - 5 years). The average effective yield on the bond portfolio is 5.41% (2006 – 5.23%)

Note 4 Accounts Receivable

	2007	2006
Contract programs	\$ 805,419	\$ 407,064
Province of Alberta:		
Alberta Advanced Education	105,377	95,544
Alberta Infrastructure and Transportation	106,711	72,439
Other Alberta Government departments	101,644	95,662
Government of Canada - Goods and Services Tax	188,719	180,304
Tuition fees	906,407	979,327
Other	354,133	199,888
	<u>\$ 2,568,410</u>	<u>\$ 2,030,228</u>

Note 5 Inventories

	2007	2006
Bookstore	\$ 389,891	\$ 431,519
Cafeteria	54,061	51,461
Printing	-	2,508
Distance Education Centre	8,422	8,934
Other	22,547	88,600
	<u>\$ 474,921</u>	<u>\$ 583,022</u>

Note 6 Capital Assets

a) Summary of Cost and Net Book Value

	2007		2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 475,994	\$ -	\$ 475,994	\$ 475,994
Building and site improvements	88,858,367	49,568,022	39,290,345	40,762,897
Furnishings and equipment	11,077,505	8,414,252	2,663,253	2,176,465
Library	1,163,981	899,292	264,689	263,668
Motor vehicles	1,003,655	895,033	108,622	124,020
Computer equipment and systems software	12,984,277	8,707,494	4,276,783	5,346,750
Audio and visual equipment	698,684	617,664	81,020	16,505
Permanent art collection	439,634	-	439,634	439,634
	<u>116,702,097</u>	<u>69,101,757</u>	<u>47,600,340</u>	<u>49,605,933</u>
Capital projects in progress ⁽ⁱ⁾	<u>9,684,952</u>	<u>-</u>	<u>9,684,952</u>	<u>2,820,897</u>
	<u>\$ 126,387,049</u>	<u>\$ 69,101,757</u>	<u>57,285,292</u>	<u>52,426,830</u>
Less: Construction financed by debenture			5,794,824	5,954,532
Unamortized external capital contributions			<u>40,576,286</u>	<u>35,158,151</u>
Net investment in capital assets			<u>\$ 10,914,182</u>	<u>\$ 11,314,147</u>

⁽ⁱ⁾ Capital projects in progress:

During the year, major capital projects were continued which will be capitalized as part of building and site improvements and furnishings and equipment when completed. These projects are summarized as follows:

Cousins Building conversion, excluding asbestos removal (Note 21)	\$ 9,263,930
Science Equipment (Note 21)	388,562
Water fountain project	32,460
	<u>\$ 9,684,952</u>

b) Capital Acquisitions

Capital acquisitions during the year included certain donations in kind at fair value of \$33,268 (2006 - \$522,435).

Note 7 Unearned Revenue

	<u>2007</u>	<u>2006</u>
Contract programs	\$ 326,799	\$ 365,094
Tuition fees	1,569,823	1,107,583
Other	<u>210,989</u>	<u>122,252</u>
	<u>\$ 2,107,611</u>	<u>\$ 1,594,929</u>

Note 8 Deferred Contributions and External Capital Contributions

Deferred contributions and external capital contributions represent donations and contributions received relating to future years and unspent funds for externally restricted purposes. Changes in the balances are as follows:

	<u>2007</u>	<u>2006</u>
Contributions received:		
Grants, Province of Alberta	\$ 6,686,257	\$ 9,352,885
Other contributions	723,347	1,343,958
Investment income earned on net assets externally restricted for endowment purposes	275,265	218,789
Transferred to:		
Grants, Province of Alberta	(1,381,721)	(414,415)
Donations	(111,100)	(324,312)
Investment income (Note 16)	(275,265)	(218,789)
Endowments	(12,987)	(371,643)
Unamortized external capital contributions (Note 11)	<u>(7,899,803)</u>	<u>(4,072,475)</u>
Increase (decrease) during the year	(1,996,007)	5,513,998
Balance at beginning of year	<u>7,300,879</u>	<u>1,776,881</u>
Balance at end of year	<u><u>\$ 5,304,872</u></u>	<u><u>\$ 7,290,879</u></u>

The balances at end of year represent funds held for the following purposes:

	<u>2007</u>	<u>2006</u>
Deferred contributions:		
Scholarships, awards and bursaries	\$ 1,403,990	\$ 1,203,261
Enrolment planning envelope	617,948	935,086
Other	<u>304,585</u>	<u>78,949</u>
	<u>2,326,523</u>	<u>2,217,296</u>
External capital contributions:		
Conditionally funded projects: Buildings	1,762,703	4,842,181
Furniture and equipment	1,176,825	153,574
Enrolment planning envelope	37,750	75,381
Endowment earnings	<u>1,071</u>	<u>2,447</u>
	<u>2,978,349</u>	<u>5,073,583</u>
	<u><u>\$ 5,304,872</u></u>	<u><u>\$ 7,290,879</u></u>

Note 9 Pension Costs

The College participates in the Local Authorities Pension Plan which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of \$2,411,617 for the year ended June 30, 2007 (2006 - \$2,121,806).

The College is required to make current service contributions to the Local Authorities Pension Plan of 7.75% of pensionable earnings up to Canada Pension Plan Year's Maximum Pensionable Earnings and 10.64% for the excess. Employees are required to make current service contributions of 6.75% of the Canada Pension Plan Year's Maximum Pensionable Earnings and 9.64% for any portion of the pensionable salary in excess.

Note 10 Debenture Payable

The College Board received approval of the Lieutenant Governor in Council to borrow funds from the Alberta Capital Finance Authority (the "ACFA"), an authority controlled by the Province of Alberta, to finance the campus residence expansion project. A \$6,625,000 debenture (the "debenture") dated February 23, 2001, was issued by the College in favor of ACFA. The debenture is secured by a security agreement dated February 23, 2001 between the College and ACFA pursuant to which the College granted, in favor of ACFA, a security interest in all present and after acquired intangible accounts, monies, book debts, instruments, claims or rights and insurance proceeds related to the residence.

The debenture, bearing interest at the rate of 6.125% per annum, is to be repaid in annual installments of \$524,424, principal and interest. The debenture is due March 1, 2027.

	<u>2007</u>	<u>2006</u>
Debenture payable	\$ 5,794,824	\$ 5,954,532
Less current portion	<u>169,491</u>	<u>159,708</u>
	<u>\$ 5,625,333</u>	<u>\$ 5,794,824</u>

The aggregate maturities of principal required over the next five years and to maturity are as follows:

2008	\$ 169,491
2009	179,872
2010	190,889
2011	202,581
2012	214,989
Thereafter	<u>4,837,002</u>
Total debenture payable	<u>\$ 5,794,824</u>

Note 11 Unamortized External Capital Contributions

Unamortized external capital contributions represent the external funds invested in capital assets which will be recognized as revenue in future periods. Changes in the unamortized external capital contributions balance are as follows:

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	\$ 35,158,151	\$ 33,332,948
Add amount transferred from external capital contributions (Note 8)	7,899,803	4,072,475
Adjustment to prior year amount transferred from external capital contributions	(265,040)	-
Less amount amortized to revenue	<u>(2,216,628)</u>	<u>(2,247,272)</u>
Balance at end of year	<u>\$ 40,576,286</u>	<u>\$ 35,158,151</u>

Note 12 Net Assets Internally Restricted

Net assets internally restricted are held for the following purposes:

		Transfers to and from Unrestricted Net Assets		
	Balance at Beginning of Year	Deduct Funds Expended	Add Funds Appropriated	Balance at End of Year
Staff and program development	\$ 660,607	\$ 190,536	\$ 379,316	\$ 849,387
Foundation general reserve	49,846	839,952	792,618	2,512
College funded scholarships				
endowment earnings	139,112	4,500	11,746	146,358
Other endowment earnings	76,412	83,356	94,746	87,802
Kodiak Team fund	76,935	111,481	91,395	56,849
Other	-	1,330	1,330	-
	1,002,912	1,231,155	1,371,151	1,142,908
Capital replacement	1,314,281	1,771,455	2,072,724	1,615,550
	<u>\$ 2,317,193</u>	<u>\$ 3,002,610</u>	<u>\$ 3,443,875</u>	<u>\$ 2,758,458</u>

The net transfer from Unrestricted Net Assets for the year ended June 30, 2007 comprises:

Funds returned	\$ 3,002,610
Funds appropriated	<u>3,443,875</u>
	<u>\$ (441,265)</u>

Note 13 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Endowments comprise the following:

	2007			2006
	Externally Funded	Internally Funded	Total	Total
Ronald Tiffin Agricultural Endowment Fund	\$ 1,115,115	\$ 331,668	\$ 1,446,783	\$ 1,412,939
Scholarships	3,791,317	65,258	3,856,575	3,592,157
Kodiak Athletics Fund	210,148	89,021	299,169	290,365
Talbot Education Fund	115,565	50,082	165,647	161,740
Industrial Technology Fund	62,500	36,500	99,000	96,684
Native Canadian Fund	28,200	21,439	49,639	47,423
Environmental Fund	9,104	6,875	15,979	15,265
	<u>\$ 5,331,949</u>	<u>\$ 600,843</u>	<u>\$ 5,932,792</u>	<u>\$ 5,616,573</u>

Note 14 Grants

Grant revenue consists of amounts received from the following sources:

	2007		2006
	Budget (Note 22)	Actual	Actual
Alberta Advanced Education	\$ 33,781,108	\$ 34,233,721	\$ 30,557,394
Alberta Infrastructure and Transportation	98,000	862,543	358,878
Other Alberta Government departments	554,242	642,592	774,969
Government of Canada sources	585,220	341,700	460,998
Other sources	256,470	184,403	119,895
	<u>\$ 35,275,040</u>	<u>\$ 36,264,959</u>	<u>\$ 32,272,134</u>

Note 15 Sales, Rentals and Services

Sales, rentals and services revenue and direct expense are summarized as follows:

	2007				2006	
	Direct Expense			Total Direct Expense	Net	Net
	Revenue	Cost of Sales	Other			
Sales, rentals and non-ancillary services	\$ 1,219,285	\$ 445,285	\$ -	\$ 445,285	\$ 774,000	\$ 604,567
Ancillary services (Note 17):						
Bookstore	2,656,996	1,977,705	258,033	2,235,738	421,258	474,783
Cafeteria	846,602	524,297	260,961	785,258	61,344	47,716
Residence	1,700,057	-	1,916,378	1,916,378	(216,321)	(282,973)
Parking	482,013	-	193,236	193,236	288,777	258,512
Meat Store	-	-	-	-	-	(1,882)
Daycare centre	254,587	-	269,723	269,723	(15,136)	(16,750)
Physical Education building	204,876	12,480	365,242	377,722	(172,846)	(163,237)
Health services	88,040	-	149,826	149,826	(61,786)	(21,312)
Athletics - special events	40,381	-	39,027	39,027	1,354	38
	<u>6,273,552</u>	<u>2,514,482</u>	<u>3,452,426</u>	<u>5,966,908</u>	<u>306,644</u>	<u>294,895</u>
	<u>\$ 7,492,837</u>	<u>\$ 2,959,767</u>	<u>\$ 3,452,426</u>	<u>\$ 6,412,193</u>	<u>\$ 1,080,644</u>	<u>\$ 899,462</u>

Note 16 Investment Income

	2007	2006
Investment earnings on net assets restricted for endowment purposes (Note 8)	\$ 275,625	\$ 218,789
Add investment income from other sources	<u>993,439</u>	<u>442,606</u>
Total investment income recognized as revenue	<u>\$ 1,269,064</u>	<u>\$ 661,395</u>

Note 17 Expense by Function

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio-visual services. Student services include all scholarships, bursaries and activities or services to the student body of the College. Institutional support includes all activities that provide institution-wide support to other programs.

	2007		2006
	Budget	Actual	Actual
	(Note 22)		
Instruction	\$ 27,699,257	\$ 29,219,663	\$ 24,955,887
Academic support	5,016,108	4,750,681	4,052,405
Student services	3,080,998	4,383,878	3,937,011
Institutional support	12,083,151	11,467,457	9,526,318
Ancillary services (Note 15)	6,422,110	5,966,908	5,791,303
Computer services	4,013,586	3,814,627	3,206,526
Amortization of capital assets	4,328,951	4,753,086	4,507,902
	62,644,161	64,356,300	55,977,352
Less amortization of capital assets			
- Ancillary services	362,491	353,890	358,467
	<u>\$ 62,281,670</u>	<u>\$ 64,002,410</u>	<u>\$ 55,618,885</u>

Note 18 Salaries and Benefits

	2007					2006	
	Number of Individuals ^(a)	Base Salary ^(b)	Other Cash Benefits ^(c)	Other Non- Cash Benefits ^(d)	Total	Number of Individuals ^(a)	Total
Chairman of the Board of Governors	1.0		\$ 4,920	\$ 44	\$ 4,964	1.0	\$ 4,507
Board members ^(e)	9.0		19,700	628	20,328	9.0	17,770
	<u>10.0</u>		<u>24,620</u>	<u>672</u>	<u>25,292</u>	<u>10.0</u>	<u>22,277</u>
President ^(f)	1.0	166,770	-	19,028	185,798	1.0	189,678
Vice President							
Corporate Services	1.0	141,752	-	18,436	160,188	1.0	149,756
Vice President							
Enrolment Management	1.0	128,180	-	19,334	147,514	1.0	135,656
Vice President							
Academic & Chief Learning Officer	1.0	128,180	-	19,139	147,319	0.6	78,797
Dean							
Agriculture, Trades & Tech	-	-	-	-	-	0.4	50,283
Dean							
Applied Management	1.0	118,730	-	14,782	133,512	1.0	114,809
Dean							
Health, Justice & Human Serv	1.0	116,133	-	18,123	134,256	1.0	121,788
Dean							
Applied Arts & Sciences	1.0	112,520	-	18,131	130,651	1.0	118,699
Dean							
Teaching, Learning & Innovation	1.0	98,600	-	16,076	114,676	1.0	135,547
Executive Director							
Advancement	0.3	43,333	-	8,447	51,780	-	-
Directors/Managers	22.4	1,715,212	-	308,952	2,024,164	21.7	1,899,446
(average: 2007 - \$90,364, 2006 - \$87,532)							
Other salaried staff:							
Administration	31.5	2,188,399	61,622	316,603	2,566,624	33.6	2,283,275
(average: 2007 - \$81,480 2006 - \$67,955)							
Academic (average: 2007 - \$94,352 2006 - \$83,990)	193.7	15,551,712	56,118	2,668,163	18,275,993	188.1	15,798,631
Support (average: 2007 - \$45,586 2006 - \$45,104)	188.8	6,867,218	101,032	1,638,308	8,606,558	196.4	8,858,426
Non-salaried staff: ^(g)							
Administration		351,280	294	14,364	365,938		547,840
Academic		3,551,338	-	294,135	3,845,473		4,077,880
Support		2,444,071	26,682	168,030	2,638,783		1,483,038
	<u>444.7</u>	<u>33,723,428</u>	<u>270,368</u>	<u>5,560,723</u>	<u>39,554,519</u>	<u>447.8</u>	<u>36,065,826</u>
Other payroll adjustments:							
Severance payments ^(h)		-	-	-	-		158,126
Vacation accruals		38,494	-	-	38,494		88,227
Memberships and tuitions		-	-	(4,034)	(4,034)		(8,201)
Curriculum development costs in progress		(60,693)	-	-	(60,693)		(48,308)
Early Retirement Payments ^(h)		3,591,031	-	17,267	3,608,298		-
Addition on capital projects		-	-	-	-		(43,334)
		<u>\$ 37,292,260</u>	<u>\$ 270,368</u>	<u>\$ 5,573,956</u>	<u>\$ 43,136,584</u>		<u>\$ 36,212,336</u>

Note 18 Salaries and Benefits (continued)

- (a) Except for Board members, the number of individuals is expressed as full-time equivalents. The total actual discrete number of individual employees at June 30, 2007 was 1,463 (2006 – 1,471).
- (b) Salary includes regular base pay, shift differential, sick-time payments and any other direct cash remuneration.
- (c) Other cash benefits include bonuses, overtime, vacation payouts, lump sum payments and honoraria.
- (d) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, Employment Insurance, Workers' Compensation, health care, dental coverage, group life insurance, accidental disability and dismemberment, educational sabbaticals, vehicle allowances, professional memberships, club memberships and remission of tuition fees.
- (e) Board members include one representative from each of the academic and support staff. This includes their stipends as Board members, while their salaries and benefits as full-time employees are included under other salaried staff.
- (f) An executive compensation package includes an automobile provided to the President. The automobile is not included in the value of benefits disclosed on the schedule.
- (g) Non-salaried staff comprises individuals who work less than 29 hours per week; benefits consist of contributions to Employment Insurance, Canada Pension Plan and Workers' Compensation. In addition, for continuing employees working more than 15 hours a week, benefits also include health care, dental coverage, group life insurance, accidental death and dismemberment and vacation payouts.
- (h) Severance payments and early retirement payments include all monies paid, directly or on behalf of an employee, upon termination. During the year, the College offered an early retirement package for which 70 (2006 – 1 redundant position) employees accepted. The total estimated cost of \$3,608,298 (2006 – \$158,126) has been recorded as salaries and benefits expense on the 2007 statement of revenue and expense. As at June 30, 2007, 26 employees retired and were paid \$1,024,808. The balance of \$2,583,490 will be paid to the remaining 44 employees over the subsequent two years, and is included in accounts payable and accrued liabilities on the statement of financial position.

Note 19 Related Party Transactions

- a) The College is a Provincial Corporation as all members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Advanced Education. Transactions between the College and the Province are described in Notes 4, 8, 10, 14 and 19 d) to the financial statements.
- b) The College accounts for funds of certain associations and clubs related to College activities through Funds Held on Behalf of Others (Note 20). Certain administrative services are provided without charge to these entities.

Note 19 Related Party Transactions (continued)

- c) During the year, the College engaged the services of, and purchased goods from, organizations that are controlled or significantly influenced by members of its Board. Amounts of any such services were determined through fair and open competition in the normal course of operations. For the year ended June 30, 2007, the value of such goods and services was \$10,810 (2006 - \$12,397).
- d) During the year, the College engaged the services of, and purchased goods from, entities consolidated within the Government of Alberta. Amounts of any such services were determined through fair and open competition in the normal course of operations. For the year ended June 30, 2007, the value of such goods and services purchased was \$307,390 (2006 - \$323,897). The value of goods and services provided was \$1,270,248 (2006 - \$1,449,895).
- e) The College administers a program that permits advances to staff members for the specific purpose of acquiring and maintaining technological currency in computer hardware and software developments. Such advances are repaid over a maximum period of two years at the prescribed interest rate. The balance of advances outstanding as at June 30, 2007 was \$31,525 (2006 - \$22,176).

Note 20 Funds Held on Behalf of Others

Lethbridge College provides administrative services and administers funds on behalf of other organizations. These amounts are held in trust but are not included in the College's statement of financial position and are summarized as follows:

	2007	2006
Lethbridge College Students Association, clubs and activities	\$ 936,022	\$ 821,800
Chinook Educational Consortium	627,760	518,477
Associated agencies	24,747	147,437
Other agencies	231,150	96,785
Agricultural and research projects	23,419	44,919
	<u>\$ 1,843,098</u>	<u>\$ 1,629,418</u>

Note 21 Commitments and Contingencies

- a) The College leases facilities and equipment with lease terms up to five years. The minimum operating lease payments for each of the next five fiscal years are as follows:

2008	\$ 868,735
2009	544,859
2010	240,602
2011	24,898
2012	2,033

- b) During the year, Lethbridge College continued with two major capital projects, an administration technology infrastructure upgrade and a major conversion of the Cousins Building. As at June 30, 2007, the College had commitments in relation to these projects as follows:

	<u>Contract</u>	<u>Expended</u>	<u>Commitments</u>
Technology Infrastructure Upgrade:			
Consulting	\$ 5,588,811	\$ 5,188,324	\$ 400,487
Software and implementation	3,446,891	3,261,779	185,112
Technology Systems	<u>2,472,404</u>	<u>1,584,571</u>	<u>887,833</u>
	<u>11,508,106</u>	<u>10,034,674</u>	<u>1,473,432</u>
Cousins Building (Note 6):			
Consulting and design	750,000	729,886	20,114
Building renovations	9,732,776	8,534,044	1,198,732
Asbestos removal	531,662	531,662	-
Science equipment	<u>1,000,000</u>	<u>388,562</u>	<u>611,438</u>
	<u>12,014,438</u>	<u>10,184,154</u>	<u>1,830,284</u>
Total capital projects	<u>\$ 23,522,544</u>	<u>\$ 20,218,828</u>	<u>\$ 3,303,716</u>

- c) During the year, Lethbridge College entered into a contract in the amount of \$254,250 for renovations on a residence building. As at June 30, 2007, the College had a remaining commitment of \$109,280 on this project.

Note 21 Commitments and Contingencies (continued)

- d) The College, in conduct of its normal activities, is named a defendant in a legal proceeding. While the ultimate outcome of this proceeding cannot be predicted at this time, it is the opinion of the administration that adequate provision for this proceeding has been made in the College's accounts. It is believed that the resolution of the proceeding will not have a material effect on the financial position of the College, however, should any additional loss result from the resolution of this proceeding, such amounts would be expensed as the related amounts become known to the College.
- e) The College has not recognized a liability for certain obligations, primarily special handling for the removal and disposal of asbestos from facilities and equipment, except as related to the Cousins Building renovations. As at June 30, 2007, the College has expended \$531,662 for such removal. The fair value of the remaining obligations, if any, cannot be reasonably estimated as the settlement dates are unknown.

Note 22 Budget

The 2007 budget was approved by the Board of Governors on June 20, 2006 and submitted to the Minister of Advanced Education on June 28, 2006.

Note 23 Pledges

As at June 30, 2007, outstanding pledges comprise the following:

Endowments	\$ 135,610
Comprehensive fundraising campaign	75,500
Other	<u>90,377</u>
Total	<u>\$ 301,487</u>

These amounts have not been recognized as revenue in the financial statements. The pledges are expected to be collected over the next four years as follows:

2008	\$ 271,502
2009	28,590
2010	1,340
2011	<u>55</u>
Total	<u>\$ 301,487</u>

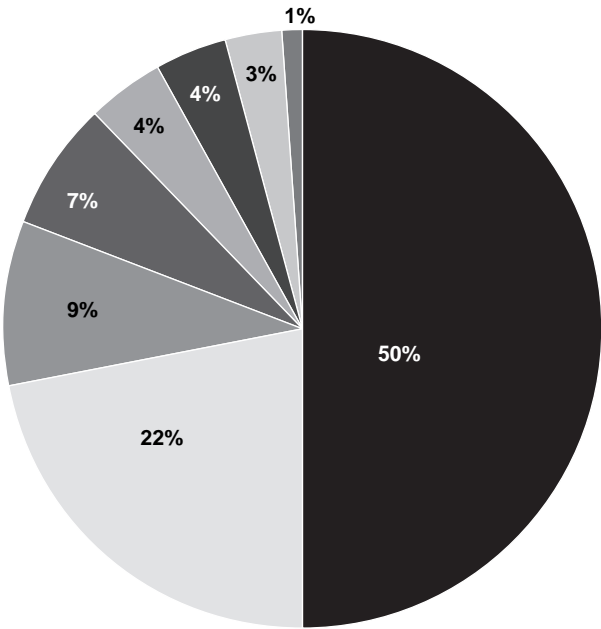
Note 24 Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statements presentation adopted in the current year.

Note 25 Approval of Consolidated Financial Statements

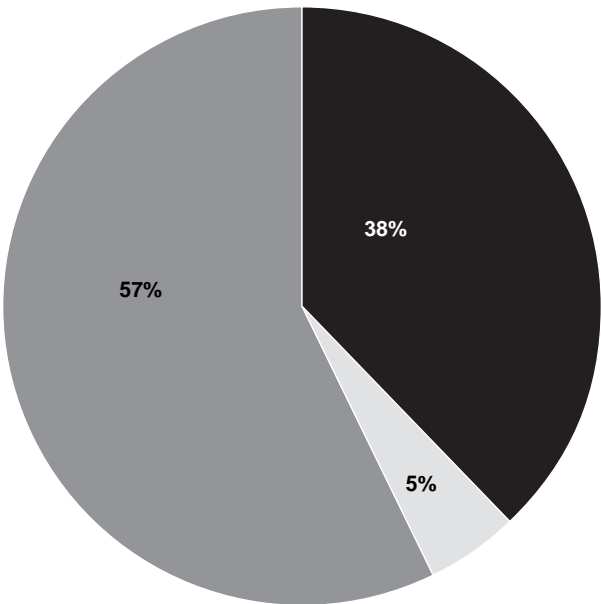
These consolidated financial statements have been approved by the Board of Governors.

Enrolment by Area of Study (Unaudited)



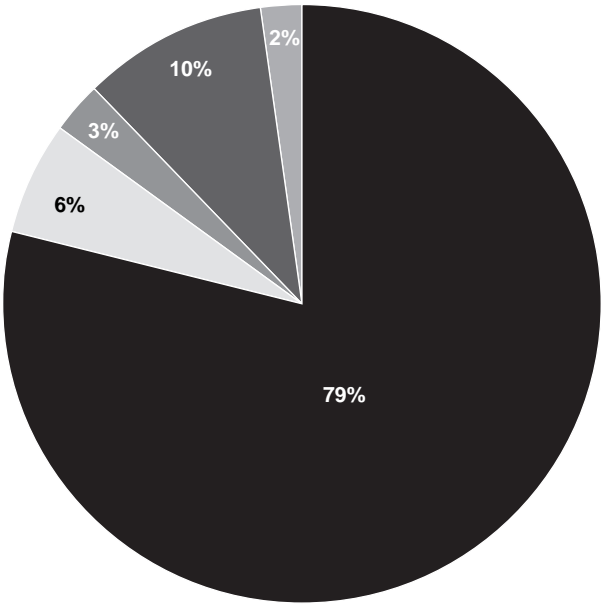
Diploma	50%
Certificate	22%
College & University Preparation	9%
No credential	7%
Applied Degree	4%
Apprenticeship	4%
University Level Nursing	3%
Certificate - Post Diploma	1%

Human Resource Profile (Unaudited)



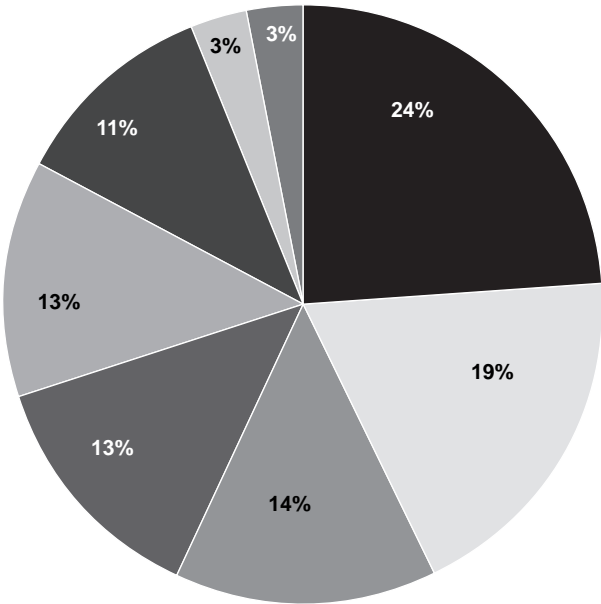
Non-Academic Support	57%
Academic/Instructional	38%
Administrative/Managerial	5%

Geographic Source of Students (Unaudited)



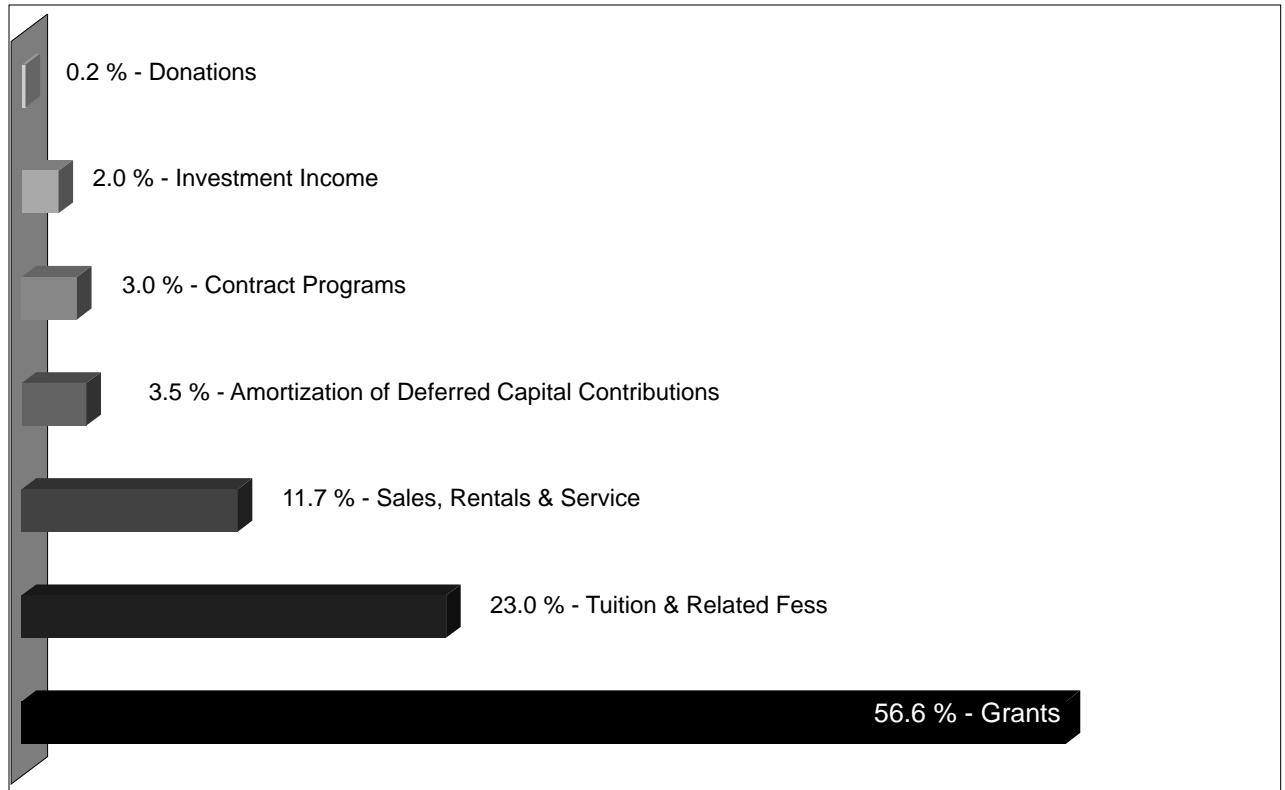
Southern Alberta	79%
Other Provinces	10%
Central Alberta	6%
Northern Alberta	3%
Outside Canada	2%

Facility Usage Profile (Unaudited)

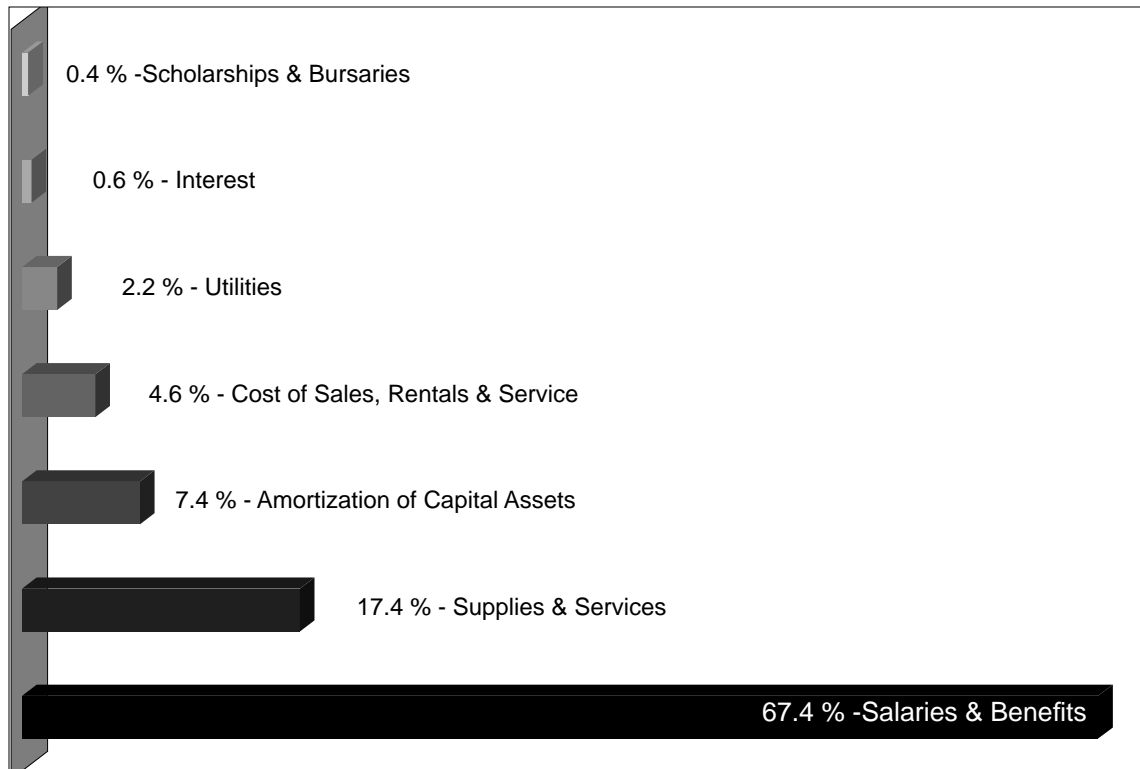


Lab & Service	24%
Circulation	19%
Special Use	14%
Classroom & Service	13%
Central Support	13%
Office & Related	11%
General Use	3%
Library & Student Related	3%

Sources of Revenue (Unaudited)



Sources of Expense (Unaudited)



Schedule of Student Tuition Fees
(subject to provincial tuition fee policy)
(Unaudited)

DESCRIPTIONS	2003-04	2004-05	2005-06	2006-07
Tuition and Related Fees	\$14,523,818	\$15,916,466	\$15,732,472	\$14,739,247
Less: Fees not Subject to Tuition Policy	<u>4,085,867</u>	<u>4,719,475</u>	<u>4,719,546</u>	<u>4,572,076</u>
Tuition Fees Subject to Tuition Policy	<u>\$10,437,951</u>	<u>\$11,196,991</u>	<u>\$11,012,926</u>	<u>\$10,167,171</u>
 Total Full Load Equivalent Students	 4,131	 4,097	 3,953	 3,726
Less: Full Load Equivalent's not applicable to Tuition Policy	<u>187</u>	<u>200</u>	<u>293</u>	<u>308</u>
Adjusted Full Load Equivalent Under Tuition Policy	<u>3,944</u>	<u>3,897</u>	<u>3,660</u>	<u>3,418</u>
 Credit Hour Rate	 \$62.00	 \$68.00	 \$68.00	 \$68.00
 Total Operating Expenses	 \$50,214,607	 \$52,195,675	 \$55,718,885	 \$64,002,410
Less: Expenses not applicable under Tuition Policy	<u>13,943,291</u>	<u>13,102,642</u>	<u>13,956,458</u>	<u>15,701,393</u>
Net Operating Expenses	<u>\$36,271,316</u>	<u>\$39,093,033</u>	<u>\$41,762,427</u>	<u>\$48,301,017</u>
 Tuition Policy Revenue/Expense Ratio	 28.8%	 28.6%	 26.4%	 21.1%