



**excellence**  
**innovation** &



**Lethbridge College Annual Report • 2009-10**



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## Accountability Statement

The Lethbridge College's Annual Report for the year ended June 30, 2010 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 the preparation of this report.

January 31, 2011

**R. L. (Randy) Jespersen**  
Chair, Board of Governors  
Lethbridge College

## Board of Governors

Mr. R. L. (Randy) Jespersen  
Mr. Brandon Buscholl  
Ms. Dawna Coslovi  
Dr. Tracy L. Edwards  
Mr. John C. Jacobson  
Mr. Scott Lehbauer

Mr. Mark Lencucha  
Dr. Douglas Myhre  
Mr. Aaron Roth  
Ms. Jennifer Stark  
Mr. Douglas Stroh

## Management Responsibility for Reporting

Lethbridge College'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, are executed in accordance with all relevant legislation, regulations and policies, reliable financial records are maintained, and assets are properly accounted for and safeguarded. The Annual Report has been developed under the oversight of the institution audit 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 prepared in accordance with generally accepted accounting principles.

**Dr. Tracy L. Edwards**, President & CEO, Lethbridge College  
January 31, 2011

# Message from the President

**Lethbridge College continues to grow and evolve as a comprehensive post-secondary institution focused on excellence and innovation, serving the needs of southern Alberta and beyond.**

Our enrolment is again trending upward, surpassing the institutional target of 4,000 FLEs. With creative scheduling and space utilization, we are endeavouring to provide as much access as possible to the learners who select Lethbridge College as their first choice.

As a mid-sized institution, we are well-positioned to be nimble and responsive to student needs and those of our employers. Our national award-winning Wind Turbine Technician program continues to grow in alignment with southern Alberta's economic development strategy in alternative energy. The adoption of the Chinook Educational Consortium has allowed us to provide even better service in our stewardship region.

New residence construction added 109 units to our campus inventory. Even with these new beds, we were still full and waitlisted in early spring. The "Warm, Safe, Dry" project has allowed our aging Trades facility to function for several more years until it can be replaced. We also benefited from the partnership between the provincial and federal governments in funding much needed technical and system upgrades through the Knowledge Infrastructure Program.

As we sit proudly resident in traditional Blackfoot territory, we provided specific programs and services to enhance the success of our First Nation, Metis and Inuit students.

We also demonstrated our commitment to being good stewards of the environment by signing the Pan-Canadian Sustainability protocol through the Association of Canadian Community Colleges.

Our new Academic Vision for the future took flight, with a focus on providing different modalities of learning, campus-wide student outcomes and the creation of a profile of the "faculty member of the future." As student expectations change, so do we.

We are proud of our growing Applied Research initiatives that engage faculty and students in solving real-world problems. Our Natural Science and Engineering Research Council of Canada (NSERC) certification validates the rigorous standards we have surpassed to earn this accreditation.

We were thrilled to receive the largest private donation in the college's 53-year history as we kicked off the most significant capital campaign ever undertaken at the institution.

Even in tight economic times, **Lethbridge College continues to grow enrolment, create strategic partnerships and most importantly, provide exceptional learning experiences for our students.**



Dr. Tracy L. Edwards

# Strategic Direction

## Vision

To be recognized as one of Canada's finest comprehensive colleges providing world-class education and training through commitment to **excellence** and **innovation**.

## Mission

Lethbridge College provides **high quality, innovative** programs and services enabling learners to achieve their educational and career goals.

## Values

### People

We value people by:

- promoting trust and respect among all stakeholders
- supporting their professional development
- celebrating their accomplishments.

### Excellence

We do things well by:

- providing exceptional instruction
- offering effective learner support services
- remaining responsive and innovative.

### Success

We promote learner success by:

- offering current and relevant programs
- using instructional technology creatively
- employing flexible delivery systems.

## Principles

**Sustainability:** To cultivate a college environment that is positive, collaborative, and sustaining.

**Accessibility:** To create and maintain flexible learning pathways that enable students to achieve their educational and career goals.

**Quality:** To ensure the highest standards of performance and innovation in all areas of the institution, including programs, services, applied research, and scholarly activity.

**Diversity:** To provide educational opportunities for a diverse population of learners, including Aboriginal and international students.

**Collaboration:** To develop strategic alliances with business, industry, government, agencies, and other post-secondary institutions to enhance student learning, mobility, and employment.

# Operational Overview

## Opportunities and Challenges

Several uncertainties are impacting our ongoing operations and future direction. The following are a few highlights of how we are responding, but there are many more examples woven through the list of accomplishments.

- As expected, enrolments increased as the economy declined and, in the short term, we have been able to accommodate the increase with existing capacity and resources. The Bachelor of Nursing program experienced a 20 per cent decline in first-year enrolments, which appears to be attributed to perceived employment prospects.
- To respond to the expected decline in direct entries from high school, we continue to collaborate with regional high schools and other groups to find ways to increase participation rates. The FNMI Strategy identifies specific initiatives to support participation and success in the growing FNMI population.
- The H1N1 health event in the fall of 2009 escalated the need to develop a Pandemic Plan for the college. This was done while actually living the event. Subsequent initiatives and training further enhanced our level of preparedness for other uncontrollable potential events.
- Changing technology and the new generation of learners are on our radar. The Academic Vision is a direct response to opportunities presented by these environmental factors.
- Sustainability and social responsibility continue to fuel our passion for a better place for future generations. We continue to examine what and how we do things to find opportunities to be a better educator and corporate citizen of sustainable and socially responsible practices.
- A major challenge for the college is our Trades Building, which is well beyond its expected life. Although a project initiated this year focused on keeping the building warm, safe and dry, it only allows us to continue instruction in the facility on a short-term basis. Securing funding for the renewal and expansion of the building is a significant challenge for the college, and is a major focus of our capital fundraising campaign.

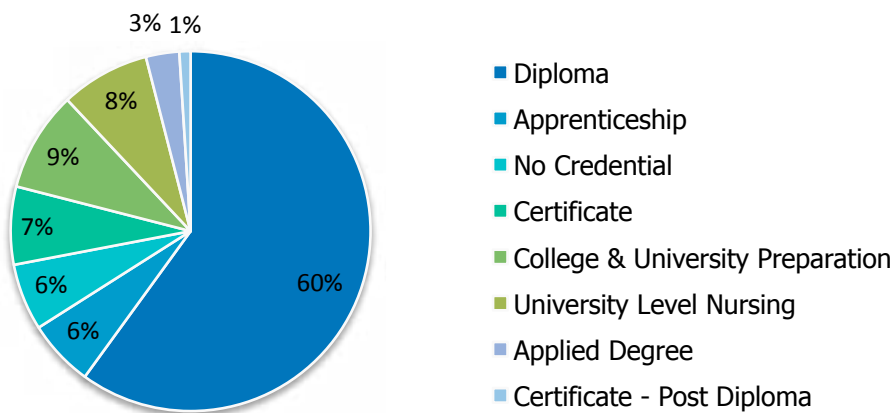
## Consultation

The college recognizes the role and benefits of consultation within the post-secondary system and with community and regional groups. The following are some examples of the types of consultation and collaboration we engaged in throughout the year.

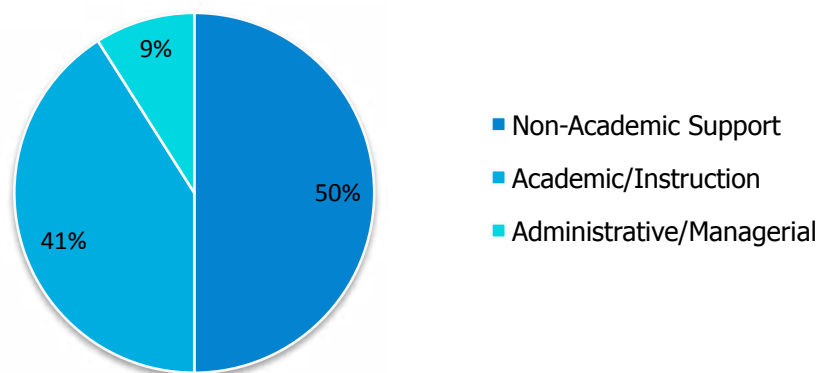
- Discussions with other post-secondary institutions ranged from exploring joint international marketing initiatives, creating pathways for students seeking additional post-secondary education, brokering agreements and exchanging curricula, to implementing joint liaison committees.
- The Regional Advisory Council (RAC) model used by the Chinook Educational Consortium for the community consultations has been replicated within the Comprehensive Community Institution (CCI) stewardship region of the college for this area. A similar model is being considered for the remaining portions of the region.
- Discussions have occurred between the Community Adult Learning Councils and the Adult Literacy groups within the region.
- The college has had continuous consultation with regional school districts through direct discussions with administration and partnerships in initiatives such as the Chinook Regional Career Transitions for Youth.
- Discussions with industry continue through direct contact or through the various program advisory councils.

# Operational Highlights

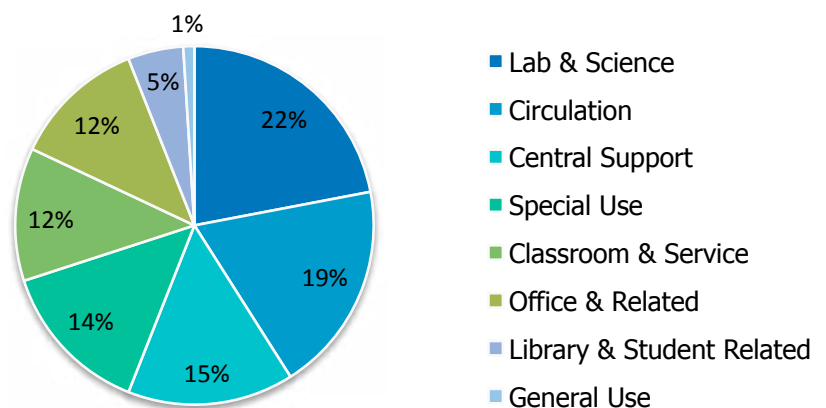
## Enrolment by Area of Study



## Human Resource Profile

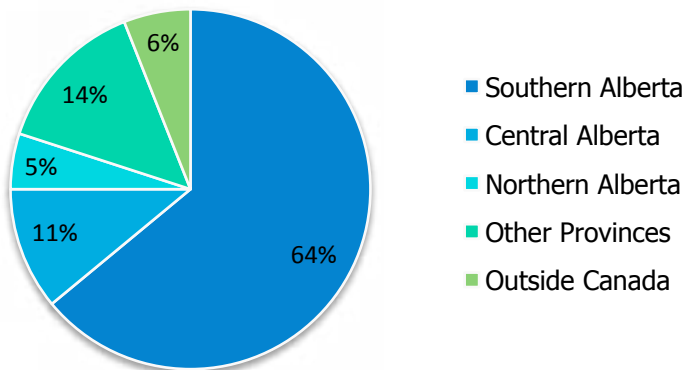


## Facility Usage Profile

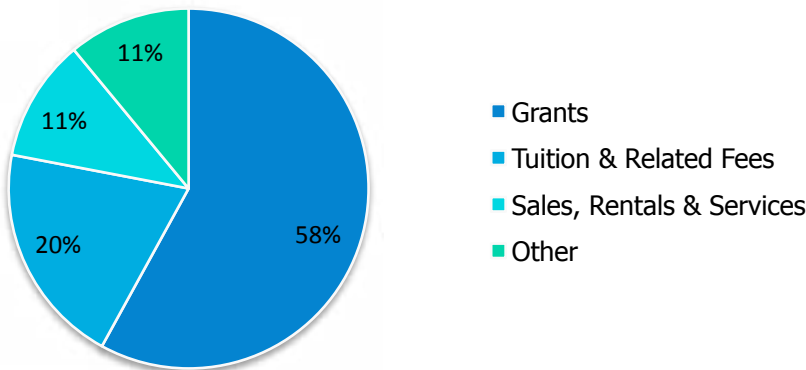




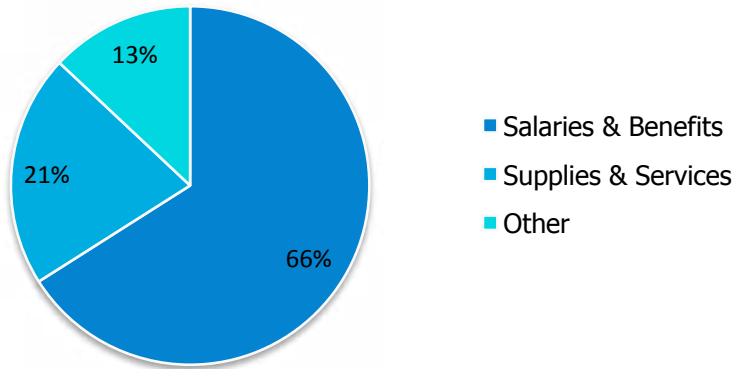
# Geographic Source of Students



# Revenue



# Expense



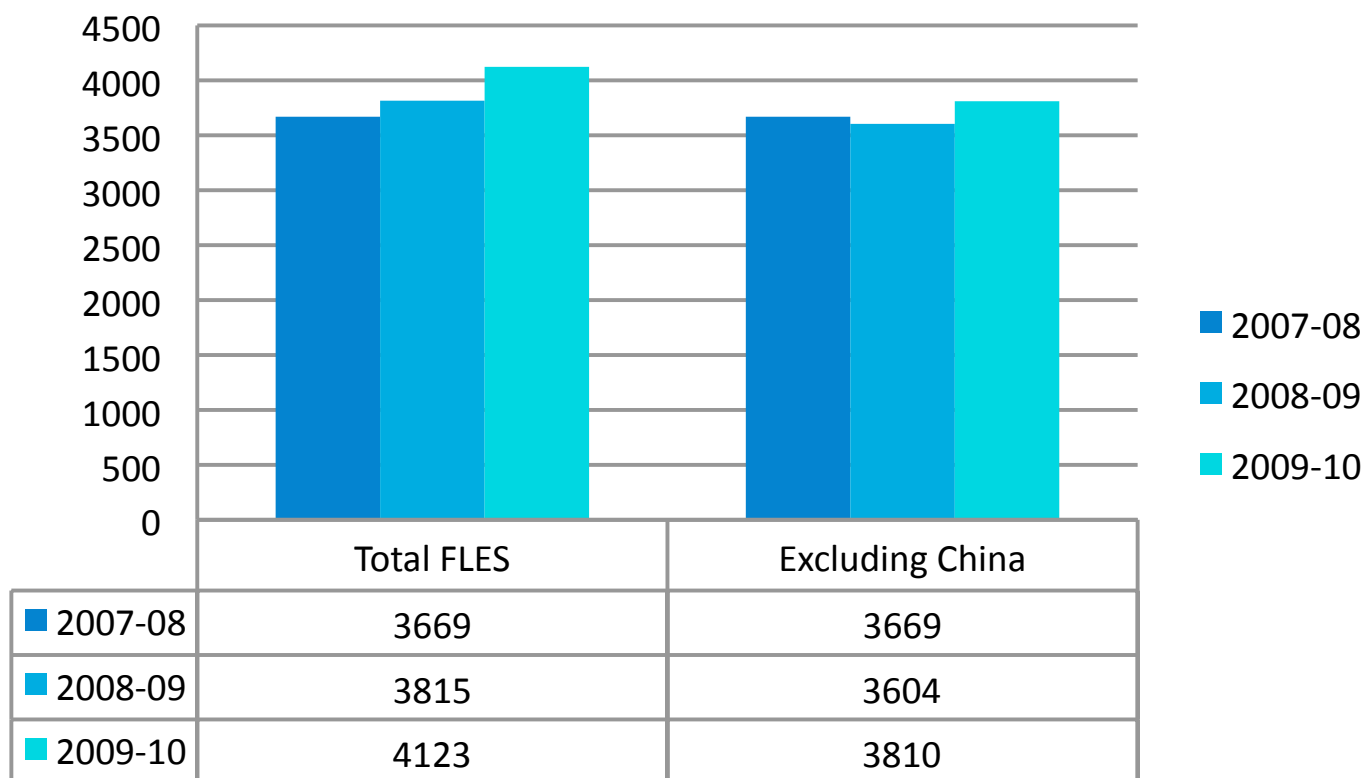
## Enrolments and Tuition Fees

As predicted, enrolments have increased with the downturn in the Alberta economy. In addition, strategic initiatives focused on recruitment, and retention increased enrolments in targeted program areas. Enrolments increased eight per cent over 2008-09, and were five per cent higher than planned. While overall enrolments were up, there were significant shifts within the programming areas.

- On-campus post-secondary programming was up eight per cent with significant increases in College and University Preparation (27 per cent), Policing (17 per cent) and Practical Nursing (12 per cent).
- Apprenticeship enrolments were down 24 per cent year over year. The decline in the economy has hit this sector particularly hard, with the most significant declines in Welding and Heavy Equipment Technician programs. However, the Carpentry, Electrician and Automotive Service Technician programs have remained relatively stable.

Student and related fees under the Alberta Advanced Education and Technology Regulation, remains the same as 2008-09 at 19 per cent of applicable expenses.

### Student Full Load Equivalents



# Accomplishments

## New and Emerging Programs

### International Wind Energy Academy (IWEA)

The college continued its focus on a vision of green-careers education with development in programming, training resources, and strategic partnerships. Specific achievements in 2009-10 include the following.

- The emerging Wind Turbine Technician program continued to exceed expectations. Work in the current year will move this program from pre-employment status to a post-secondary certificate program in 2010-11. Demand for the new program continues to exceed capacity.
- A 22-metre wind turbine tower was erected on campus and is the only training tower in North America specific to the wind turbine industry. The design accommodates the different styles and makes of turbine units so that students are familiar with the specifics of each brand. The tower allows students to practise ascents and descents, a key training element and vital for their future safety on the job.
- The college applied for, and was awarded, \$1.2 million from the Rural Alberta Development Fund to establish southern Alberta as a world leader in the wind-energy sector. This multi-year project will focus on development of long-term durable training programs, educational products and stakeholder coalitions, and will support economic development in rural communities.

### Community Learning Centres

With the transition of the Chinook Educational Consortium (CEC) into college operations in January 2010, the focus has been on meeting the goals and priorities of Campus Alberta with respect to economic prosperity, preparing Albertans for lifelong learning, increasing innovation and building a skilled workforce. We are exploring ways to leverage our strengths in facilities, programming, technological equipment, and staffing, to enhance learning opportunities for the region previously served by the CEC and to create a model for other rural communities within our geographic area.

### Other New and Emerging Programs

The post-degree Nursing program in collaboration with the University of Lethbridge was launched successfully, meeting initial enrolment targets.

The Natural Resource Compliance diploma, in year two of implementation, continued to exceed initial targets.

A new Physical Education and Leadership major was approved for our General Studies program.

## Facilities and Technology

- Kodiak House, the college's newest residence, a five-storey "green" facility, opened in September 2010. It includes 109 suites and a lounge on the top floor increasing total student housing by 25 per cent. Sustainability played a major role in the design.
- The Technology Wing renewal project started in the spring of 2010. It is a complete upgrade of the heating, ventilation and air-conditioning systems, emergency power generator and main electrical distribution systems.
- Student self-service online registration was implemented in 2010.
- The college website was redesigned and realigned as a recruitment tool in 2010.

# Mapping the Future

## Academic Visioning

It was a year to take a step back and reflect on some key foundational elements. The biggest accomplishment was the planning work around our Academic Vision. The vision creates a strategic direction that will move the institution forward, a direction where the primary focus is on the learner and learning. Various strategies and plans make up the Academic Vision.



## **Sustainability**

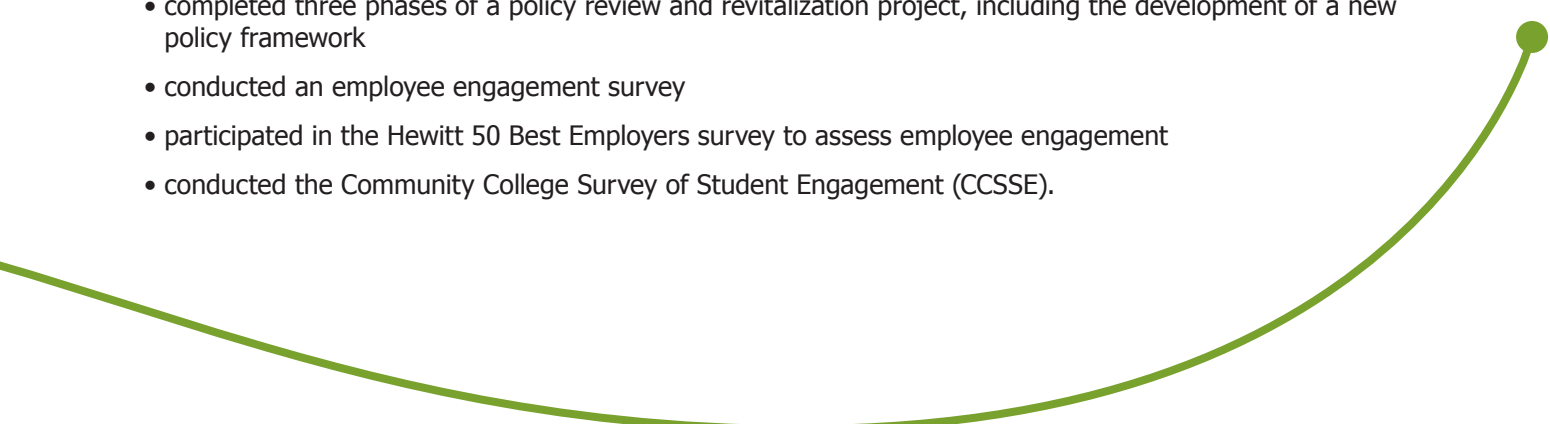
- Lethbridge College officially added its signature to the Pan-Canadian Protocol for Sustainability, developed by the Association of Canadian Community Colleges, in September 2009. Signatories to the protocol agree to provide leadership to their internal and external communities to maximize their contribution to a sustainable future.
- The college conducted a sustainability audit to identify, assess and document existing sustainable initiatives and practices across the campus. The audit examined sustainability, utilizing a comprehensive, triple-bottom-line approach, capturing environmental, economic and social data and activity in three key areas: curriculum and research; operations and maintenance; and planning and administration.
- The college, partnering with the Eco-Collective, a students' club focused on sustainability, and in conjunction with the Environmental Science faculty, completed phase one of the Cousins Outdoor Living Theatre, a xeriscaping demonstration garden of drought-tolerant native plants. The "living classroom" amphitheatre is open to the community and used for instructional purposes.
- The college signed an agreement with Durham College, Nova Scotia Community College, and Okanagan College to advance training and innovation in sustainable building technologies and renewable energy.
- The Board of Governors initiated a new Executive Limitation for an Environmental Policy.

## **Research and Innovation**

- The college received approval to receive funding through the Natural Sciences and Engineering Research Council of Canada. This opens the door for college researchers - students and faculty - to apply for the Idea to Innovation Program. In addition the college will be eligible for institutional programs such as the College and Community Innovation program.
- The Hubbard Wildlife Collection was digitized, providing a unique learning resource accessible to our students and those around the world. It is one of the most comprehensive digital wildlife information sites in Canada.
- The college filed its first patent: Simleggings. Designed by a nursing instructor and her collaborator, Simleggings increases the realism of patient simulation for students in the health-care profession.

## **Operational Excellence**

During the year, Lethbridge College:

- trained 270 employees in violence threat/risk assessment
  - developed and implemented a pandemic plan
  - completed crisis incident management training (45 participants)
  - developed framework for a building evacuation team
  - completed phase 1 of hazard assessment
  - contracted training for excellence in customer service with Joseph Michelli, author of "The New Gold Standard"
  - completed three phases of a policy review and revitalization project, including the development of a new policy framework
  - conducted an employee engagement survey
  - participated in the Hewitt 50 Best Employers survey to assess employee engagement
  - conducted the Community College Survey of Student Engagement (CCSSE).
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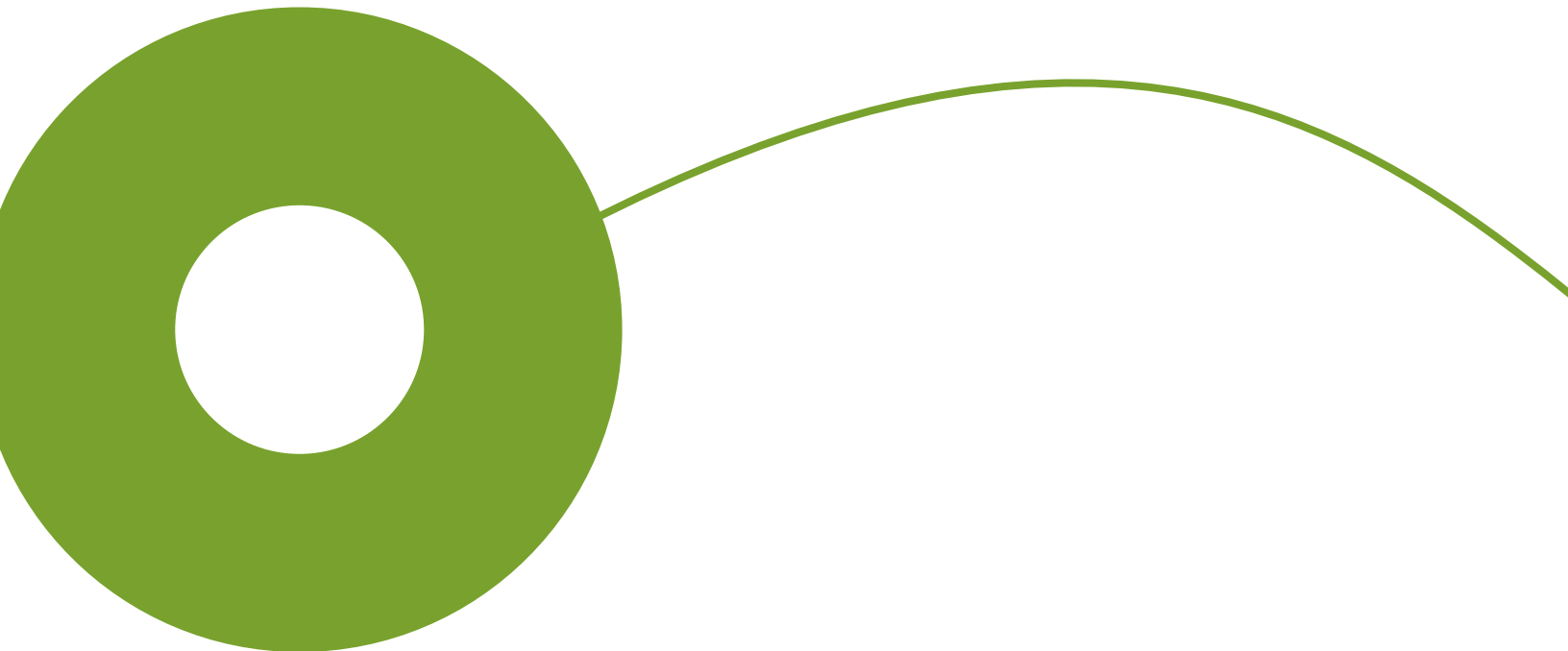
## Strategic Partnerships

During the year, Lethbridge College:

- collaborated with First Nations to implement an Elder program in support of the FNMI learner population
- completed work on the South Africa water-based sanitation project, which helped parents in South Africa supply clean drinking water and toilet facilities at their children's schools. This will improve the educational prospects and quality of life for many South African children for many years
- received our single largest gift in 2009-10 and, in recognition, developed the Crooks School of Transportation. The gift and partial matching by Alberta's Access to the Future Fund, supports the capital campaign with a major focus on re-visioning and re-tooling Lethbridge College's Centre of Trades and Sustainable Technologies.

## Awards and Recognition

- The Living Home project won the 2010 Award of Recognition for Innovation from SouthGrow's *Creating Opportunities*.
- The China project was recognized with a 2009 Outstanding Program in International Education award.
- Kodiaks athletics continued to win recognition on the provincial and national stage. The cross-country running team finished first and second at the Canadian Colleges Athletic Association cross-country championships after winning all four gold medals at the Alberta Colleges Athletic Conference championships; Kodiaks runners figured in all six medal categories at the national event. Our Kodiaks women's basketball team qualified for the final eight at the CCAA championships.
- Cheryll Oakes, Early Childhood Education instructor, and Jacalynne Glover, Nursing Education in Southwestern Alberta instructor, received National Institute for Staff and Organizational Development Excellence in Learning Leadership Awards.
- President and CEO Dr. Tracy L. Edwards received a 2010 Women of Distinction Award for her commitment to the community.
- Dr. Tracy L. Edwards was honoured with a traditional Blackfoot name for her work with the FNMI community.
- Our Educational Enhancement Team won the Innovation of the Year 2009-10 award from the League of Innovation.



# Goals, Expected Outcomes and Performance Measures

	Key Indicator	2007-08 Actual	2008-09 Actual	2009-10 Actual	2009-10 Target
<b>Grow and Maintain Enrolments</b>					
Grow enrolments to meet the educational needs of the community and maintain sustainability	Number & percentage change in full load equivalents (Learner Enrolment Reporting System (LERS))	3,669	4%	8%	4%
Grow off-campus international enrolments	Number of off-shore enrolments (LERS)		211	319	250
Target growth by enhancing the student communications plan	Application conversion rates – Percentage of attending to admission offers (Internal iStrategy system)	82%	81%	82%	82%
<b>Enhance the Student Experience</b>					
Learners are prepared for career and life success through high quality, innovative, learning environments	Graduate satisfaction rates with overall quality of educational experience (Bi-annual Grad Survey, Key Performance Indicator Reporting System (KPIRS))	NA	93%	NA	NA
Learners have skills, knowledge, and opportunities to obtain jobs related to their career.	Percentage of graduates that obtain employment (Bi-annual Grad Survey, KPIRS)	NA	96%	NA	NA
Cultivate a culturally rich learning environment for all learners.	Percentage of visa learners at post-secondary level (head count - iStrategy)	4%	3.9%	3.7%	5.0%
	Percentage of FNMI learners – Credit programming (head count - iStrategy)	7%	6.6%	5.9%	7.0%
<b>Grow or Create Strategic Partnerships</b>					
Enhance applied learning opportunities through research initiatives	Research revenue (in thousands)	\$274	\$285	\$300	\$285
Provide quality lifelong learning opportunities for community members	Number of non-credit course registrations (KPIRS)	11,019	10,726	10,808	11,500
<b>Achieve Operational Excellence</b>					
Maintain a healthy Net asset position	Net Assets (unrestricted and internally restricted) as percentage of total assets	15%	15%	15%	12%
Maximize revenue opportunities to support non-funded programming and sustainability	Enterprise revenue as a percentage of government grants (KPIRS)	21.9%	19.7%	19.5%	20.0%
Raise the profile of the college brand nationally	Percentage of applicants from outside the catchment area (Fall Application Submission Initiative)	44%	45%	44%	46%
Engage employees, students, and the community in the cultivation of an environment of volunteerism	The number of volunteer hours logged through the Totally Lethbridge College (TLC) program	1,680	2,266	2,030	1,850
Administration efficiency	Administration expenditures as a percentage of total expenditures less ancillary expenditures (KPIRS)	9.6%	10.0%	10.7%	11.0%

# Management Discussion and Analysis

This Management Discussion and Analysis (MD&A) should be read in conjunction with the Lethbridge College annual audited financial statements and accompanying notes. The MD&A and audited financial statements are reviewed and approved by the Lethbridge College Board of Governors on the recommendation of the Lethbridge College Audit Committee.

The college has reported a \$3.8 million surplus for the year ended June 30, 2010. This compares to a \$2.3 million surplus for the year ended June 30, 2009. The year-end net asset position is \$38.1 million as compared to last year's \$33.7 million.

Total revenue increased by \$7.9 million (10.6 per cent) to \$82.2 million while total expenditures increased by \$6.4 million (9.0 per cent) to \$78.5 million. The predominant changes in revenue include increases of \$5.3 million in Government of Alberta grants and \$1.2 million in student tuition and fees. The main increases in expense categories include increases in salaries and benefits of \$4.9 million and \$1.9 in materials, supplies and services. These increases are offset by a decrease in amortization expense of \$1.8 million primarily relating to the college's computer system.

This MD&A provides an overview of the results Lethbridge College achieved in 2010 with a detailed discussion and analysis of the institution's:

- 1. Operating Environment**
- 2. Business Planning and Management**
- 3. Financial / Budget Information**
- 4. Areas of Significant Financial Risk**
- 5. Progress in Capital Projects**

## 1. Operating Environment

Over the past several years, Lethbridge College has taken its place among Canada's post-secondary institutions as evident from its ranking on a number of provincial, national and international measures related to students and staff and athletics awards of excellence. The college continues to derive much of its strength from its role within the Campus Alberta post-secondary system. Located within Lethbridge and the province of Alberta, the college provides a range of 50 career-training programs, applied degrees and apprenticeships to students both at home and abroad.

Lethbridge College operates in an environment characterized by considerable political, economic, social, technological, and environmental change. The recession is just one of a number of factors contributing to increased student demand in 2009-2010 as more people move from the workforce to post-secondary education. Meeting this demand over the next few years, particularly in areas of strategic priority, will be challenging since much of the funding for planned program expansions across the Campus Alberta system is no longer available.

The staffing challenges of recent years eased in 2009-2010. However, longer term demographics suggest that these pressures will re-emerge and the college will need to take strategic actions now to ensure that it is prepared. As the public sector typically lags behind the private sector, the college will remain in this period of wage restraint as the private sector is emerging from it.

Investment returns were lower than normal; and government grant and tuition revenue grew at rates less than the inflationary cost of program delivery, and the resulting desire of government to target funds and regulate student fees provide evidence that the college must continue to work to achieve the appropriate balance between institutional autonomy and public accountability.

## 2. Business Planning and Management

Lethbridge College's four-year business plan lays out the framework and provides the resources for the institution to achieve its teaching, research, interdisciplinary, and service goals and objectives. Within this plan, the college describes its operating environment as well as the strategies it will engage in to further enhance its quality, reputation, profile and distinctive character, as our vision is to become a "college of distinction".

Performance measures are used to monitor plan progress. As the college refines its plans, these measures are updated to ensure they continue to assess performance against desirable outcomes. Together, this plan and the annual report form part of an accountability relationship with many stakeholders; students and staff, the Board of Governors, the business community, various public communities, other post-secondary institutions, and the provincial and federal governments.



### 3. Financial/Budget Information

#### Revenues

Total revenues have increased by \$7.9 million (10.6 per cent) to \$82.2 million from the \$74.3 million recorded in 2009. The following table shows the composition of the college's total revenues for the 2010 fiscal year with comparative information for 2009 in \$000s:

Revenue by Source	2010	2009
Government of Alberta grants	47,736	42,377
Federal and other government grants	1,261	793
Student tuition and fees	16,769	15,649
Sales of services and products	8,893	8,408
Contract programs	3,118	2,736
Donations and other contributions	470	308
Investment income	706	878
Amortization of external capital contributions	3,268	3,170
<b>Total Revenue</b>	<b>82,221</b>	<b>74,319</b>

#### Government Grants

The college's single largest source of revenue is Government of Alberta grants, which increased by \$5.3 million (12.6 per cent) from \$42.4 million to \$47.7 million in 2010.

Grants received during the year from Alberta Advanced Education and Technology increased by \$2.3 million (6.0 per cent) from \$38.0 million in 2009 to \$40.3 million in 2010. In addition, enrolment planning envelope (EPE) funding increased by \$1.3 million from \$2.8 million in 2009 to \$4.1 million in 2010. Other miscellaneous grants increased by \$1.7 million.

#### Student Tuition and Fees

Total student tuition and fees revenue increased by \$1.2 million (7.2 per cent) from \$15.6 million in 2009 to \$16.8 million in 2010. The Government of Alberta Tuition Policy provided for a 4.1 per cent increase in regulated tuition (2009 - 4.6 per cent). Further, increased student enrolment resulted in additional general tuition and visa differential revenue. The 2010 tuition budget provided for an enrolment increase of 308 (8.0 per cent) full load equivalent students in support of the college objective to expand access in response to population growth and market demand. A significant shift in programs occurred as well. As expected, apprenticeship registrations declined consistent with the cyclical economic environment.

#### Investment Income

The average rate of return on investments for the year was 2.5 per cent (2009 - 3.1 per cent).

## Expenses

Total expenditures increased by \$6.5 million (9.0 per cent) from \$72.0 million in 2009 to \$78.5 million in 2010. The following table shows the composition of the college's total expenses for the 2010 fiscal year with comparative information for 2009 (\$000s):

Expense by Category	2010	2009
Salaries and benefits	51,528	46,582
Materials, supplies and services	11,725	9,762
Interest on long-term debt	489	342
Utilities	1,553	1,557
Maintenance and repairs	4,799	3,902
Cost of goods sold	3,582	3,341
Scholarships, bursaries and awards	371	314
Amortization of capital assets	4,424	6,217
<b>Total Expenses</b>	<b>78,471</b>	<b>72,017</b>

### Salaries and Benefits

At 65.7 per cent of total expenditures (2009 - 64.7 per cent), salaries and benefits represent the single largest operating expenditure. Salaries increased in 2010 by \$4.9 million or 10.6 per cent over 2009 as a result of salary rate increases as well as increased head count due to hiring for special projects where portions of salary costs are recovered from external sources.

Expenditure on benefits increased by \$700,000 (10 per cent) over the prior year. The cost of benefits to total salaries has remained constant at 13.9 per cent in 2010 compared to 2009.

### Materials, Supplies and Services

Expenditure on materials, supplies and services increased \$1.9 million (20.1 per cent) from \$9.8 million in 2009 to \$11.7 million in 2010. During the year the Chinook Education Consortium was transitioned into college operations. Other costs adding to this increase include recruitment costs, health and safety initiatives, consulting services and implementation of the Alberta Post-Secondary Application System. The college also re-engineered its website.

### Maintenance and Repairs

Expenditure on repairs is \$897 higher than last year at \$4.8 million. This is due to several large maintenance projects carried out during the year.

### Amortization of Capital Assets

Amortization of capital assets in 2010 is less than 2009 by \$1.8 million primarily due to the college's computer system being fully amortized in the previous year.

### Budget to Actual

The 2010 actual surplus of \$3.8 million, compared to the budget surplus of \$1 million is a result of overall cumulative favourable variances.

Actual revenues for 2010 were broadly in line with budget. However, certain expenditures were less than budgeted, resulting in favourable variances.

## Financial Position

### Net Assets

The college's net assets totaled \$38.1 million at June 30, 2010. This is an increase of \$4.4 million over 2009. The net asset balance is reported in the following four major categories:

#### Net Assets - Unrestricted

The college's unrestricted net assets (or "equity") at year-end is in a surplus position of \$3.6 million, a decrease of \$3.8 million from the 2009 surplus of \$7.4 million. The decrease is primarily the result of transfers to internally restricted net assets for future initiatives, a net gain on investments and current year surplus.

#### Net Assets - Internally Restricted

Internally restricted net assets represent amounts set aside by the college for specific purposes. The balance increased by \$5.3 million from \$9.4 million in 2009 to \$14.7 million in 2010. The increase is due primarily to internal restrictions established in 2010 to fund future initiatives and commitments. The following table shows the composition of internally restricted net assets (\$000s):

Net Assets - Internally Restricted	
Professional development	1,857
New residence (Kodiak House)	2,814
Center for trades – sustainable technology	5,962
Distance learning strategy	862
Information systems re-architecture	1,598
Library revitalization	252
Future commitments and strategic reinvestments	1,314
<b>Total</b>	<b>14,659</b>

#### Net Assets - Investment in Capital Assets and Collections

Investments in capital assets increased from \$10.0 million in 2009 to \$12.9 million in 2010. Acquisitions of \$4.0 million include construction of the new student residence, Kodiak House, and equipment.

#### Net Assets - Endowments

Net assets restricted for endowment purposes increased by \$130 thousand to \$6.9 million. The increase is the result of new contributions and investment income.

The college endowment funds are permanent endowments received from donors with the stipulation that the principal remains intact and is invested in perpetuity to produce income to be expended for the purposes specified by the donors. The purposes are primarily the funding of scholarships.

## Working Capital

Current assets consist primarily of cash and cash equivalents, operating investments and accounts receivable. Total current assets increased by \$6.9 million due to funds owed to the college for capital projects.

Current liabilities increased from \$9.5 million in 2009 to \$14.7 million in 2010. This \$5.2 million increase represents amounts due to suppliers for construction costs of capital assets, and an increase in deferred contributions received from external sources for specific future purposes.

## Investments

Investments are made in short-term money markets, notes and treasury bills, Canadian bonds and Canadian and foreign equities. The college's long-term investments increased \$2.0 million, to \$32.7 million at June 30, 2010 from \$30.7 million in 2009. This increase was primarily due to unrealized gains on investments in the value of bonds and equities held and receipt of new funds through gifts and transfers.

Bond and equity investments represent a substantial component of the college's long-term investment portfolio. The investment gain relating to externally restricted endowments was transferred to cumulative capitalized endowment earnings.

The college uses endowment funds to support operations to maintain a balance between generating a predictable stream of annual support for current needs and to preserve the purchasing power of the endowment funds for future periods.

The impact of losses in the endowments was muted by the college spending policy, which seeks to insulate college operations from expected volatility in the capital markets and provide for a stable and predictable level of spending for endowments.

# 4. Areas of Significant Financial Risk

## Deferred Maintenance

The magnitude of deferred maintenance and an aging infrastructure means emergency repairs may be unavoidable. Deferred maintenance continues to be a major issue for the college. The college spent \$700 on capital projects within the Infrastructure Maintenance Program funded by the Province of Alberta. Based on current Facilities Condition Index data compiled for the college, the college estimates it needs to spend approximately \$6.8 million (1.5 per cent of current replacement value) per year in order to properly address the capital renewal requirements of its existing buildings. The college is limited in its ability to make adequate progress on its deferred maintenance issues.

## Budgetary Pressure

The college's future finances are under pressure as a result of several factors including:

- the expectation that there will be no increases in operating funding in the foreseeable future
- potential for operating grant funding reductions in the foreseeable future
- loss of incremental Enrolment Planning Envelope funding impacting new programming and tuition revenues
- potential for negotiated salaries in excess of funding
- a tuition policy that limits tuition to rates below inflation rates
- potential for volatility with regards to investment returns
- maintaining a positive unrestricted net asset position.

The college continues to be committed to address these budgetary pressures and will work closely with the Board of Governors and the government to develop long-term strategies to ensure that it can continue to deliver on its mandate.

Freezes in government funding, coupled with small incremental increases to tuition revenue, will not be sufficient to sustain current levels of operations. The share of funding from students, 20 per cent of total revenue, has been declining since the change in the tuition fee policy in 2006-2007. If this continues, an unsustainable system will result and could prevent or delay new initiatives.

## 5. Progress in Capital Projects

During 2009-2010 Lethbridge College purchased \$17.5 million in capital assets, of which \$3.6 million was funded from internal funds, \$6.4 million from Alberta Advanced Education (including Alberta Infrastructure), \$0.3 from donations, \$2.0 million from the City of Lethbridge and \$5.2 million funded through long-term debt. Capital asset additions include replacement of equipment, renovation and construction of facilities.

This year saw the construction of a new student residence with a budget of \$13.5 million. Kodiak House opened in September 2010 in time to welcome 109 additional students living on campus, a 25% increase in accommodation. The residence was funded with a blend of college funds \$6.7, debt proceeds of \$4.8 million and a conditional grant from the City of Lethbridge of \$2.0 million.

Lethbridge College is embarking on a major fundraising campaign, to contribute towards the building of a new Trades and Technology Building and Learning Center.



# Consolidated Financial Statements

**Lethbridge College**

**Years Ended June 30, 2010 and June 30, 2009**

Auditor's Report

Consolidated Statements of Financial Position

Consolidated Statements of Revenue and Expense

Consolidated Statements of Changes in Net Assets

Consolidated Statements of Cash Flow

Notes to the Consolidated Financial Statements



## Auditor's Report

To the Board of Governors of Lethbridge College

I have audited the consolidated statements of financial position of Lethbridge College as at June 30, 2010 and 2009 and the consolidated statements of revenue and expense, changes in net assets and cash flow for the years 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 audits.

I conducted my audits 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, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta  
October 15, 2010

Original signed by  
Merwan N. Saher, CA  
Auditor General

**Lethbridge College**  
**Consolidated Statements of Financial Position**  
**Years Ended June 30**  
**(thousands of dollars)**

**ASSETS**

**Current**

	2010	2009
Cash and cash equivalents (note 3)	\$ 10,851	\$ 9,732
Accounts receivable	8,695	2,440
Inventories and prepaid expenses	1,310	1,756
	<u>20,856</u>	<u>13,928</u>
Investments (note 4)	32,775	30,732
Capital assets and collections (note 5)	72,005	58,927
	<u>\$ 125,636</u>	<u>\$ 103,587</u>

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable and accrued liabilities	\$ 7,301	\$ 3,694
Employee future benefit liabilities (note 6)	1,207	1,067
Deferred contributions (note 7)	4,285	2,499
Unearned revenue	1,486	2,050
Current portion of long-term liabilities (note 8)	383	192
	<u>14,662</u>	<u>9,502</u>
Long-term liabilities (note 8)	9,839	5,255
External capital contributions (note 7)	14,193	11,710
Unamortized external capital contributions (note 9)	48,832	43,395
	<u>72,864</u>	<u>60,360</u>
	<u>87,526</u>	<u>69,862</u>

**Net Assets**

Unrestricted		
Accumulated excess of revenue over expenses	4,298	8,805
Accumulated net unrealized gain (loss) on investments (note 10)	(731)	(1,399)
Internally restricted (note 11)	14,659	9,431
Investment in capital assets and collections (note 12)	12,951	10,085
Endowments (note 13)	6,933	6,803
	<u>38,110</u>	<u>33,725</u>
	<u>\$ 125,636</u>	<u>\$ 103,587</u>

Signed on behalf of the Board of Governors:



R.L. (Randy) Jespersen, Board Chair



Dr. Tracy L. Edwards, President

The accompanying notes and schedules are part of these financial statements.



**Lethbridge College**  
**Consolidated Statements of Revenue and Expense**  
**Years Ended June 30**  
**(thousands of dollars)**

	Budget 2010 (note 16)	2010	2009
<b>REVENUE</b>			
Government of Alberta grants	\$ 49,906	\$ 47,736	\$ 42,377
Federal and other government grants	861	1,261	793
Student tuition and fees	17,243	16,769	15,649
Sales of services and products	7,948	8,893	8,408
Contract programs	2,249	3,118	2,736
Donations and other contributions	205	470	308
Investment income (note 17)	970	706	878
Amortization of external capital contributions (note 9)	2,998	3,268	3,170
	<u>82,380</u>	<u>82,221</u>	<u>74,319</u>
<b>EXPENSE</b>			
Salaries and benefits	49,936	51,528	46,582
Materials, supplies and services	10,984	11,725	9,762
Interest on long-term liabilities	330	489	342
Utilities	1,609	1,553	1,557
Maintenance and repairs	9,023	4,799	3,902
Cost of goods sold	3,126	3,582	3,341
Scholarships, bursaries and awards	252	371	314
Amortization of capital assets	6,082	4,424	6,217
	<u>81,342</u>	<u>78,471</u>	<u>72,017</u>
Excess of revenue over expense	<u>\$ 1,038</u>	<u>\$ 3,750</u>	<u>\$ 2,302</u>

**Lethbridge College**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended June 30**  
**(thousands of dollars)**

	Excess (Deficiency) of Revenue Over Expenses	Net Unrealized Gain (Loss) on Investments	Internally Restricted Net Assets	Investment in Capital Assets and Collections	Endowments	Total
<b>NET ASSETS (deficiency), June 30, 2008</b>	\$ 12,240	\$ (797)	\$ 3,713	\$ 9,947	\$ 6,048	\$ 31,151
Excess of revenue over expense	2,302	-	-	-	-	2,302
Investment income (note 17)	(52)	-	-	-	52	-
Transfer to net assets internally restricted	(5,718)	-	5,718	-	-	-
Contributions of assets not subject to amortization (note 12)	-	-	-	171	-	171
Net investment in capital assets (note 12)	(2,830)	-	-	2,830	-	-
Amortization of internally funded capital assets	3,052	-	-	(3,052)	-	-
Repayment of debenture	(180)	-	-	180	-	-
Payments on capital lease	(9)	-	-	9	-	-
Endowment contributions	-	-	-	-	703	703
Net realized loss (gain) on available-for-sale investments arising during the year	-	(831)	-	-	-	(831)
Reclassification adjustments for gains and losses included in deficiency of revenue over expense	-	229	-	-	-	229
<b>NET ASSETS (deficiency), June 30, 2009</b>	\$ 8,805	\$ (1,399)	\$ 9,431	\$ 10,085	\$ 6,803	\$ 33,725
Excess of revenue over expense	3,750	-	-	-	-	3,750
Investment income (note 17)	(41)	-	-	-	41	-
Transfer to net assets internally restricted (note 11)	(8,285)	-	8,285	-	-	-
Net investment in capital assets (note 12)	(680)	-	(2,935)	3,615	-	-
Amortization of internally funded capital assets	1,184	-	-	(1,184)	-	-
Repayment of debenture	(433)	-	-	433	-	-
Payments on capital lease	(2)	-	-	2	-	-
Transfers to deferred contributions	-	-	(122)	-	-	(122)
Endowment contributions	-	-	-	-	89	89
Net realized loss (gain) on available-for-sale investments arising during the year	-	966	-	-	-	966
Reclassification adjustments for gains and losses included in deficiency of revenue over expense	-	(298)	-	-	-	(298)
	<u>\$ 4,298</u>	<u>\$ (731)</u>	<u>\$ 14,659</u>	<u>\$ 12,951</u>	<u>\$ 6,933</u>	<u>\$ 38,110</u>

**Lethbridge College**  
**Consolidated Statements of Cash Flow**  
**Years Ended June 30**  
**(thousands of dollars)**

	2010	2009
<b>CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of revenue over expense	\$ 3,750	\$ 2,302
Add (deduct) non-cash items		
Amortization of capital assets	4,452	6,217
Amortization of deferred capital contributions	(3,268)	(3,170)
Gain on disposal of capital assets	(28)	-
Change in unrealized gain (loss) on investments	222	(201)
Total non-cash items	5,128	5,148
Net change in non-cash working capital	(1,062)	(1,172)
	4,066	3,976
<b>CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES</b>		
Purchase of capital assets and collections		
Internally funded	(3,615)	(2,830)
Externally funded	(8,683)	(3,152)
Capital assets transferred from Chinook Educational Consortium	(22)	-
Funded by long-term liabilities	(5,210)	-
Proceeds from disposal of capital assets	30	5
(Decrease) Increase in unrealized loss on available-for-sale investments		
other net assets	668	(602)
Increase in long-term investments	(2,043)	(138)
	(18,875)	(6,717)
<b>CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES</b>		
Endowment contributions	89	703
Capital contributions	12,103	6,776
Transfers to deferred contributions	(939)	(207)
Deferred capital assets transferred	(122)	(171)
Capital lease repayment	(2)	(9)
Transfers to capital assets	22	-
Proceeds on long-term liabilities	5,210	-
Principal repayment of long-term liabilities	(433)	(180)
	15,928	6,912
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,119	4,171
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	9,732	5,561
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (note 3)</b>	\$ 10,851	\$ 9,732

**(\*) Net change in non-cash working capital:**

Decrease (increase) in accounts receivable	\$ (6,255)	\$ 167
(Increase) decrease in inventories and prepaid expenses	446	(606)
Increase in accounts payable and accrued liabilities	3,607	50
Increase in employee future benefits	140	112
Increase (decrease) in deferred contributions	1,564	(1,358)
(Decrease) increase in unearned revenue	(564)	463
	\$ (1,062)	\$ (1,172)

# Lethbridge College

## Notes to the Consolidated Financial Statements

### Years Ended June 30, 2010 and June 30, 2009

#### Note 1 Authority and Purpose

The Board of Governors of Lethbridge College is a corporation which manages and operates Lethbridge College ("the College") 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 President, who is an *ex officio* member. Under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, the College is a comprehensive community institution offering diploma and certificate programs as well as a full range of continuing education programs and activities. The College 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 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, known as GAAP. 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. College management uses judgment to determine such estimates. The most significant items based on estimates include employee future benefit liabilities and amortization of capital asset and collections. In management'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

The financial statements are prepared on a consolidated basis and include the accounts of Lethbridge College Foundation. Inter-entity balances and transactions have been eliminated on consolidation.

##### (c) Financial Instruments

The College financial assets and liabilities are classified and measured as follows:

<u>Financial Assets and Liabilities</u>	<u>Classification</u>	<u>Measurement</u>
Cash and cash equivalents	Held for trading	Fair Value
Investments	Available for sale	Fair Value
Accounts receivable	Loans and receivables	Amortized Cost
Accounts payable	Other financial liabilities	Amortized Cost
Long-term debt	Other financial liabilities	Amortized Cost

The College's financial instruments are recognized on their trade date and transaction costs related to all financial instruments are expensed as incurred. Financial assets classified as available-for-sale are measured at fair value with changes in fair values recognized in the Statement of Changes in Net Assets or deferred contributions as appropriate until realized, at which time the cumulative changes in fair value are recognized in the Statement of Operations.

The carrying value of cash, receivables, payables, and accruals approximate their fair value due to the relatively short periods to maturity of the instruments.

When the market value of an investment falls below its cost and the decline is determined to be other-than-temporary, the cumulative loss that had been recognized directly in net assets is removed and recognized in the Statement of Operations even though the financial asset has not been derecognized. Impairment losses recognized in the Statement of Operations for a financial instrument classified as available-for-sale are not reversed in subsequent years.

All derivative financial instruments of the College are classified as held for trading. The College does not use foreign currency forward contracts or any other types of derivative financial instruments for trading or speculative purposes. As permitted for Not-for-Profit Organizations, the College has elected to not apply the standards on derivatives embedded in non-financial contracts, and the College has elected to continue to follow CICA 3861: *Disclosure and Presentation*.

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate. Revenues and expenses are recorded at the exchange rate determined by purchases of US dollars. Gains or losses from these translations are included in the statement of operations.

Financial instruments are exposed to credit risk, interest rate risk, foreign exchange risk, market risk, commodity price risk, and liquidity risk. Each of these risks is managed through the College's collection procedures, investment guidelines, banking arrangements and other internal policies, guidelines and procedures. It is management's opinion that the College is not exposed to significant credit, interest rate, foreign exchange, market, commodity or liquidity risks arising from its financial instruments.

#### **(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 current replacement cost. Cost is determined using the weighted average method for the Bookstore and first-in, first-out method for all other inventories.

#### **(e) Capital Assets and Collections**

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair value at the time of receipt. Permanent collections are not amortized and include works of art and museum specimens for research and public exhibition purposes.

Construction in progress includes the 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>Useful Life</u>
Buildings and site improvements	40 years
Furnishings and equipment	10 years
Library	10 years
Vehicles	5 years
Computer equipment and software	5 years
Audio and visual equipment	2 years

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

#### **(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 carrying amount 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.
- Operating grants - when received or receivable, or where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period.
- Unrestricted investment income - when earned; this includes interest, dividends, and realized gains and losses.
- Pledges - when collected.
- 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 to acquire capital assets with limited lives are first recorded as deferred capital contributions 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 deferred and 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) Employee Future Benefits**

The College participates with others in the Local Authorities Pension Plan (LAPP). 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.

The College does not have sufficient plan information on the LAPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the LAPP 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. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

**(i) Capital Disclosures**

The College defines its capital as the amounts included in deferred contributions, external capital contributions, endowment net assets and internally and unrestricted net assets. A significant portion of the College's capital is externally restricted and the College's unrestricted capital is funded primarily by Alberta Advanced Education and Technology. The College has investment policies, spending policies, and cash management procedures to ensure the College can meet its capital obligations.

Under the *Post-Secondary Learning Act*, the College must receive ministerial approval for a deficit budget, borrowing and the sale of any land or buildings.

**(j) Contributed Services**

Volunteers as well as members of the staff of the College 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.

**Note 3 Cash and Cash Equivalents**

Cash and cash equivalents, with maximum maturity of 90 days at date of purchase are as follows:

	2010	2009
Cash	\$ 119	\$ 9,732
Term Deposits <sup>(i)</sup>	10,732	-
	<u>\$ 10,851</u>	<u>\$ 9,732</u>

(i) Term Deposits are with Bank of Montreal and cashable on the 15<sup>th</sup> of each month with an effective interest rate of 0.85%.

**Note 4 Investments**

The composition and fair value on investments are as follows:

	2010			2009		
	Cost Base	Unrealized Gain (Loss)	Market Value	Cost Base	Unrealized Gain (Loss)	Market Value
Money market funds, short-term notes, treasury bills	\$ 7,009	\$ (5)	\$ 7,004	\$ 6,563	\$ (17)	\$ 6,546
Canadian bonds	13,014	189	13,203	11,363	146	11,509
Canadian equity	8,386	(526)	7,860	8,070	(1,001)	7,069
Foreign equity	5,385	(677)	4,708	6,645	(1,037)	5,608
	<u>\$33,794</u>	<u>\$ (1,019)</u>	<u>\$32,775</u>	<u>\$32,641</u>	<u>\$ (1,909)</u>	<u>\$30,732</u>

The College has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The Vice President Corporate Services has been delegated authority for oversight of the College's investments to regularly monitor investments, to review investment manager performance, to ensure compliance with the College's investment policy and to evaluate the continued appropriateness of the College's investment policy. A monitoring report is forwarded annually to the College's Board of Governors from the President and Chief Executive Officer regarding the compliance.

**Note 5 Capital Assets and Collections**

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings and site improvements	\$ 106,669	\$ 57,244	\$ 49,425	\$ 103,842	\$ 54,525	\$ 49,317
Furnishings and equipment	15,572	10,398	5,174	14,802	9,634	5,168
Land	475	-	475	475	-	475
Vehicles	1,311	1,127	184	1,190	1,011	179
Computer equipment and software	14,676	13,706	970	14,053	13,132	921
Audio and visual equipment	1,289	1,215	74	1,114	1,016	98
Library	1,332	1,031	301	1,313	1,018	295
Other permanent collections	502	-	502	502	-	502
Capital projects in progress	14,900	-	14,900	1,972	-	1,972
Capital assets and collections	<u>\$ 156,726</u>	<u>\$ 84,721</u>	<u>\$ 72,005</u>	<u>\$ 139,263</u>	<u>\$ 80,336</u>	<u>\$ 58,927</u>

Acquisitions during the year included certain donations in kind contributions in the amount of \$228 (2009 - \$81).

**Note 6 Employee Future Benefit Liabilities**

Employee future benefit liabilities are comprised of the following:

	2010	2009
Vacation Payable	\$ 1,133	\$ 1,067
Professional Development	74	-
	<u>\$ 1,207</u>	<u>\$ 1,067</u>

The Local Authority Pension Plan (LAPP) is a multi-employer contributory defined benefit pension plan for support staff members and is accounted for on a defined contribution basis. At December 31, 2009, the LAPP reported an actuarial deficiency of \$3.998 billion (2008 - \$4.413 billion deficiency). An actuarial valuation of the LAPP carried out as at December 31, 2008 and was then extrapolated to December 31, 2009. The pension expense recorded in these financial statements is \$3,033 (2009 – \$2,818).

**Note 7 Deferred Contributions**

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

	2010		2009	
	Capital	Other	Capital	Other
Balance, beginning of the year	\$ 11,710	\$ 2,499	\$ 8,464	\$ 3,959
Grants and donations received	12,103	4,523	6,776	1,097
Investment income	39	314	-	268
Recognized as revenue	(939)	(3,352)	(207)	(2,536)
Transferred to unamortized				
external capital contributions (note 9)	(8,683)	-	(3,152)	-
Investment income on endowments and scholarships	-	119	-	-
Transfer to endowments	(15)	-	-	-
Transfer to deferred capital		-	-	(88)
Transfer to investment in net assets	-	-	(171)	-
Transfer to capital assets	(22)	(22)	-	-
Transfer to unearned revenue	-	(18)	-	-
Change in unrealized gain (loss) on			-	-
investments relating to deferred contributions	-	222	-	(201)
	<u>\$ 14,193</u>	<u>\$ 4,285</u>	<u>\$ 11,710</u>	<u>\$ 2,499</u>



**Note 8 Long-term Liabilities**

	Maturity date	Interest rate %	Amount outstanding 2010	2009
Debtentures payable to Alberta Capital				
Financing authority:				
Debtenture 1 (i)	Mar 1, 2026	6.13	5,254	5,445
Debtenture 2 (ii)	Dec 15,2039	4.67	4,763	-
			<u>10,017</u>	<u>5,445</u>
Finance contract (iii)	May 1, 2012	10.00	205	-
Obligations under capital lease			<u>-</u>	<u>2</u>
			10,222	5,447
Less current portion			<u>(383)</u>	<u>(192)</u>
			<u>\$ 9,839</u>	<u>\$ 5,255</u>

(i) & (ii) Security pledged for the loan includes all future cash flows generated through the operation of the student residence.

(iii) The finance contract is for Oracle database licenses and is for a term of 3.5 years with an imputed interest rate of 10% and a maturity date of May 1, 2012.

The principal portion of long-term debt repayments required over the next five years is as follows:

2011	\$383
2012	\$399
2013	\$313
2014	\$331
2015	\$350

Interest expense on long-term obligations is \$489 (2009 - \$342). All long-term obligations have fixed interest rates. The weighted average interest rate is 5.32% (2009 – 6.13%).

**Note 9 Unamortized External Capital Contributions**

Unamortized deferred capital contributions represent the unamortized grants and donations received 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:

	2010	2009
Balance, beginning of the year	\$ 43,395	\$ 43,413
Additions from deferred capital contributions (note 7)	8,683	3,152
Transferred from Chinook Education Consortium	22	-
Amortization to revenue	(3,268)	(3,170)
Balance, end of the year	<u>\$ 48,832</u>	<u>\$ 43,395</u>

**Note 10 Net Unrealized Gains on Available-For-Sale Investments**

	2010			2009
	Endowment Net Assets, recorded in deferred contributions	Other Net Assets	Total	Total
Net unrealized gain (loss) on available-for-sale investments beginning of year	\$ (510)	\$ (1,399)	\$(1,909)	\$(1,106)
Net unrealized gain (loss) on available-for-sale investments during the year	222	966	1,188	(1,032)
Transfer of net realized loss on investments to revenue	-	(298)	(298)	229
Net unrealized gain (loss) on available-for-sale investments, end of year	<u>\$ (288)</u>	<u>\$ (731)</u>	<u>\$(1,019)</u>	<u>\$(1,909)</u>

**Note 11 Internally Restricted Net Assets**

Internally restricted net assets represent amounts set aside by the College's Board of Governors for specific purposes. Those amounts are not available for other purposes without the approval of the Board and do not have interest allocated to them. Internally restricted net assets are summarized as follows:

	Balance at beginning of year	Appropriations from (returned to) unrestricted net assets	Disbursements during the year	Balance at end of year
Appropriation for capital activities:				
New Student Residence	\$ 5,214	\$ 1,486	\$ 3,886	\$ 2,814
Centre for Trades-Sustainable Technology	-	5,962	-	5,962
Library Revitalization	-	252	-	252
Information Technology	150	-	110	40
Residence Life	225	18	8	235
Wind Turbine Development	217	-	16	201
Information Technology	1,426	172	-	1,598
Other Capital Initiatives	187	395	28	554
	<u>7,419</u>	<u>8,285</u>	<u>4,048</u>	<u>11,656</u>
Appropriation for operating activities:				
Distance Learning Strategy	-	862	-	862
Professional Development	1,426	600	169	1,857
Web Infrastructure	305	-	205	100
Lethbridge College Foundation Reserves	-	33	-	33
Scholarships	281	(81)	49	151
	<u>2,012</u>	<u>1,414</u>	<u>423</u>	<u>3,003</u>
	<u>\$ 9,431</u>	<u>\$ 9,699</u>	<u>\$ 4,471</u>	<u>\$ 14,659</u>

**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.

	2010	2009
Capital assets and collections at net book value	\$ 72,005	\$ 58,927
Unamortized external capital contributions (note 9)	(48,832)	(43,395)
Long-term liabilities related to capital expenditures	(10,222)	(5,447)
Investment in capital assets and collections, end of year	<u>\$ 12,951</u>	<u>\$ 10,085</u>
	2010	2009

The changes during the year are as follows:

Investment in capital assets and collections, beginning of year	\$ 10,085	\$ 9,947
Acquisition of capital assets and collections	8,825	2,830
Long-term liabilities - repayment	435	189
Long-term liabilities - new financing	(5,210)	-
Amortization of internally funded capital assets	(1,184)	(3,052)
Contributions of assets not subject to amortization	-	171
Increase for the year	<u>2,866</u>	<u>138</u>
Investment in capital assets and collections, end of year	<u>\$ 12,951</u>	<u>\$ 10,085</u>

**Note 13 Endowments**

Endowments consist of externally restricted donations received by the College and internal allocations by the College'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 college 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 College 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 College and does not impair the long-term value of the fund.

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.

**Note 13 Endowments continued**

The composition of endowments is as follows:

	2010	2009
Balance, beginning of year	\$ 6,803	\$ 6,048
Gifts of endowment principal	89	703
Transfer to endowments	41	52
Balance, end of year	<u>\$ 6,933</u>	<u>\$ 6,803</u>
Cumulative contributions	\$ 5,539	\$ 5,450
Cumulative capitalized income	1,394	1,353
	<u>\$ 6,933</u>	<u>\$ 6,803</u>

During the year, capitalized income of \$41 (2009-\$52) was added to the principal amount of certain endowments as the investment income generated from endowments must be used in accordance with various purposes established by the donors or the Board.

**Note 14 Contingent Liabilities**

- (a) The College is a defendant in legal proceedings. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the College believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the College. Administration has concluded that none of the claims meet the criteria for being recorded under GAAP.
- (b) The College has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the College may be required to take appropriate remediation procedures to remove the asbestos. As the College 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 obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these assets will be recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation.

**Note 15 Contractual Obligations**

The College has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met.

	2010	2009
Capital projects	\$ 6,067	\$ 14,141
Information systems and technology	-	48
Long-term leases	1,349	1,260
	<u>\$ 7,416</u>	<u>\$ 15,449</u>

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Capital Projects	Long-term Leases	Total
2011	\$ 6,067	\$ 808	\$ 6,875
2012	-	412	412
2013	-	107	107
2014	-	22	22
	<u>\$ 6,067</u>	<u>\$ 1,349</u>	<u>\$ 7,416</u>

**Note 16 Budget Comparison**

The College's 2009-2010 budget was approved by the Board of Governors as presented to the Minister of Advanced Education and Technology as part of the College's submission of its 2009-2013 Business Plan. Certain budget figures from the College's 2009-2010 Business Plan have been reclassified to conform to the presentation adopted in the 2010 financial statements.

**Note 17 Investment Income**

	<u>2010</u>	<u>2009</u>
Investment income earned	\$ 951	\$ 1,317
Investment income earned on endowment assets	(41)	(52)
Recognized as donations	(39)	-
Less amounts deferred:		
Capital	(39)	(202)
Endowments and scholarships	(119)	(158)
Other	(7)	(27)
Investment income	<u>\$ 706</u>	<u>\$ 878</u>

**Note 18 Related Party Transactions and Balances**

The College operates under the authority and statutes of the Province of Alberta. Transactions and balances between the College and the Government of Alberta (GOA) are measured at the exchange amount and summarized below.

	<u>2010</u>	<u>2009</u>
Contributions from GOA		
Advanced Education and Technology:		
Operating grants	\$ 46,100	\$ 41,417
Capital grants	7,187	5,453
Access to the Future Fund (matching grants)	1,200	1,200
Other	43	27
Total Advanced Education and Technology	<u>54,530</u>	<u>48,097</u>
Other GOA departments and agencies grants:		
Alberta Employment and Immigration	589	287
Alberta Transportation	274	65
Persons with Developmental Disabilities South Region Community Board	226	211
Child and Family Services Authority	281	272
Other	113	159
Total other GOA departments and agencies	<u>1,483</u>	<u>994</u>
Total contributions received	56,013	49,091
Less: deferred contributions	5,933	5,719
Less: Unamortized deferred capital contributions	2,697	836
	<u>\$ 47,383</u>	<u>\$ 42,536</u>
Accounts receivable		
Advanced Education and Technology	4,234	118
	<u>4,234</u>	<u>118</u>
Accounts payable		
Advanced Education and Technology	-	-
Other GOA departments and agencies	-	-
	<u>-</u>	<u>-</u>

The College has long-term liabilities with Alberta Finance and Alberta Capital Finance Authority as described in note 8.

**Note 19 Funds Held on Behalf of Others**

The College holds the following funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements.

	2010	2009
Lethbridge College Student Association	\$ 1,587	\$ 1,393
Chinook Consortium	-	893
Other agencies	113	109
	<u>\$ 1,700</u>	<u>\$ 2,395</u>

**Note 20 Salaries and 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.

	2010				2009
	Base salary <sup>(1)</sup>	Other cash benefits <sup>(2)</sup>	Other non-cash benefits <sup>(3) (5)</sup>	Total	Total
<b>Governance</b>					
Chair of the Board of Governors	\$ 2	\$ -	\$ -	\$ 2	\$ 3
Members of the Board of Governors	9	-	10 1	13 10	13
<b>Executive</b>					
President <sup>(4)</sup>	231	10	23	264	244
Vice-Presidents:					
Academic	182	28	23	233	214
Corporate and International Services	177	56	8	241	175
Corporate Services <sup>(5)</sup>	21	11	5	37	-
Executive Director of Advancement	162	-	23	185	171

(1) Base salary includes pensionable base pay

(2) Other cash benefits include lump sum payments, and honoraria, car allowance

(3) Other non-cash benefits include:

a. Share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental disability and dismemberments insurance, professional memberships and tuition.

b. Employer's share of the cost of additional benefits including sabbaticals or other special leave with pay, car allowances, and club memberships.

(4) An executive compensation includes professional development and an automobile provided to the President. No dollar amount is included in other non-cash benefits figures.

(5) A new Vice President, Corporate Services was hired in 2010, compensation is for two months.

**Note 21 Comparative Figures**

Certain 2009 figures have been reclassified to conform with the presentation adopted in the 2010 financial statements.

**Note 22 Approval of Financial Statements**

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

# On a final note



In 2006, **Weatherford Canada** approached **Lethbridge College** to create training tools to help its employees develop better driving attitudes. The service supplier to the oil-and-gas industry was determined to cut down on road accidents and determined Lethbridge College had the expertise required to help it achieve its goals.

Weatherford was looking for significant changes to driving habits that would produce rapid but sustainable results. Psychology instructor Jennifer Davis, an experienced researcher, began surveying select driver groups, matching drivers' psychological profiles and attitudes behind the wheel to their driving records to determine what factors combine to increase the potential for motor vehicle accidents.

The result of Davis's work will be safer Weatherford employees and a program that could help other companies lower their motor vehicle accident rates.



*Over the past two years, Weatherford International has embarked on a cutting-edge research project to identify driving behaviours, which will be a leading model for industry and government in reducing collisions and saving lives. The Lethbridge College team has made remarkable progress in identifying various personalities which will now be applied to all of our drivers. This dynamic team is now embarked on research to address aggressive behaviours and other tendencies, which will reduce the risk exposure for all road users. I fully anticipate this research to be the most advanced in North America in reducing collisions."*

**Andy Barnes, Weatherford Canada**



**The Living Home**, a partnership between Lethbridge College, the City of Lethbridge, and a local home builder, was constructed from concepts developed at Lethbridge College as a research project aimed at testing "green" construction theories.

Designing the home brought together students from several disciplines, chief among them Engineering technologies and Interior Design. The goal was to construct a residential building that will minimize the life-cycle environmental footprint, enhance quality of life within the home, and act as a model for the community. The design minimized the environmental impact of the construction, maintenance, and operation of a single-family residential home using proven practices and technologies.



*Working with Lethbridge College on the Living Home Project has been a tremendously rewarding, gratifying, and informative experience. We are proud to partner with such a forward-thinking and innovative organization. The research attained from this project will benefit our local home building industry for years to come."*

**Lonny Hoy, owner, Cedar Ridge Homes**





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