University of Lethbridge

2008-09 Annual Report

For the year ended March 31, 2009

University of Lethbridge

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The University of Lethbridge 2008-09 Annual Report to Alberta Advanced Education and Technology

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Accountability Statement

The University of Lethbridge Annual Report for the year ended March 31, 2009 was prepared under the Board's direction in accordance with the Government Accountability Act and ministerial guidelines established pursuant to the Government Accountability Act. All material economic, environmental, or fiscal implications of which we are aware have been considered in preparing this report.

Mr. Robert Turner, Chair, Board of Governors

Date:

Management's Responsibility for Reporting

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

The Annual Report has been developed under the oversight of the 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 in accordance to generally accepted accounting principles.

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

Date:

Annual Report 2008 – 2009

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Message from the Board of Governors

This report is an essential element of the University of Lethbridge's accountability to our various stakeholders, including Advanced Education and Technology. It connects the institution's actual performance and the results projected in the business plan. This report is submitted in accordance with the requirements of the *Post-secondary Learning Act* and the *Government Accountability Act*.

The University of Lethbridge once again distinguished itself in 2008-09. Academically, the University continued to offer high quality undergraduate and graduate programs designed to meet the needs of our students and of the outside community. As a comprehensive institution in the system of Alberta universities, we further developed our graduate programming, while maintaining the intimacy and quality of undergraduate education that is a cornerstone of the University of Lethbridge's mandate. The 2008/09 fiscal year also saw many research highlights, notably the addition of two renowned researchers, Dr. Susan McDaniel and Dr. Bruce McNaughton.

Thanks to strong leadership, dedicated faculty members, enthusiastic students and alumni, and committed staff, we made progress on our goals, as identified in the *University of Lethbridge 2008-2012 Business Plan*. This year was not only focused on past goals, but on developing new ones. Over 2008-09, a new Strategic Plan was developed and adopted as a plan for our future. An important element of the process was input from students, faculty, staff, and community. This plan will provide a foundation for all our decisions, and will be a map to remind us of who we are, what we strive to be, and the directions we will take to get there.

With the adoption of the new Strategic Plan in 2009, we reaffirmed our commitment to create an even better, more exciting environment for our students, faculty, staff, and community. Throughout the planning process, we were once again reminded of all the things we have to be proud of at the University of Lethbridge and of the different challenges we face. This Annual Report highlights some of the reasons we have to be proud and the ways in which we tackle challenges.

University of Lethbridge

2008 - 2009 Academic Year in Review

MAY 2008

To start off the new academic year, we welcomed over 1500 students into the U of L Alumni community. Convocation ceremonies on May 29 and 30 celebrated the accomplishments of these students as well as the contributions of our faculty and of new Honorary Degree Recipients.

JUNE 2008

Four U of L students and alumni (Vanessa Esau, Brett Holmes, Kelly Kennedy, and Allan Hall) began a cycling trip across Canada to promote U of L and connect with U of L alumni.

JULY 2008

The University welcomed a new dean of the Faculty of Fine Arts, Dr. Desmond Rochfort. Dr. Rochfort was most recently the head of the School of Fine Arts at the University of Canterbury in Christchurch, New Zealand.

Heavy rain on July 1 not only dampened community events in the city, but also caused extensive flood damage to 1st Choice Savings Centre for Sport & Wellness. The heavy rains also wreaked havoc on construction projects around campus.

AUGUST 2008

The departments of Native American Studies and Theatre and Dramatic Arts partnered with the Centre for Indigenous Theatre from Toronto to offer Summer School West. This introduction to performing arts techniques from a uniquely Aboriginal perspective culminated in a performance of the Centre's newest presentation, KSAAHOMM.

Pronghorn Athletics athlete Jim Steacy and Track & Field coach Larry Steinke proudly represented the University community at the 2008 Beijing Summer Olympic Games. Jim made it to the finals for hammer throw, finishing 10th.

This summer also welcomed a new University Librarian, Ms. Alison Nussbaumer.

SEPTEMBER 2008

September was full of new faces at the U of L. In addition to welcoming back over 5900 continuing or returning students, 2419 new students became members of the U of L community. Groups from around campus came together to help ease the transition, offering initiatives such as online check-in and "Jump the Line". As well, a Foundations program was offered by the International Centre to assist international students adjust not only to the University , but to life in a new country.

The U of L also made new community connections. Nexen Endowment funded a significant endowment at the University of Lethbridge. The $600,000 will fund water research and associated graduate students, a combination of Nexen's generous $300,000 donation and matching funds from the province's Access to the Future Fund.

OCTOBER 2008

The University was pleased to announce that Dr. Bruce McNaughton, one of the world's foremost experts in neurophysiology, was joining the Canadian Centre for Behavioural Neuroscience (CCBN). This was made possible through the Alberta Heritage Foundation for Medical Research (AHFMR) Polaris Award, along with matching funding.

The celebrations continued through the month as we honoured 330 new alumni at our Fall Convocation ceremonies.

NOVEMBER 2008

November was a winning month for the University of Lethbridge. Our Pronghorn's Women's Rugby team repeated as CIS National Champions. As the host team, the National Championships saw great support for the team from the University and the Lethbridge community.

Maclean's released its annual university rankings and the University of Lethbridge continued to place in the top ten, finishing seventh among primarily undergraduate institutions.

DECEMBER 2008

Between classes winding down, exams getting underway, and winter break, December was a busy month. Despite the busy time of year, Pronghorn Athletics put on Operation Red Nose for the 14^{th} year. This service sees members of the teams as well as University and community volunteers provide rides over the holiday season to individuals who have been drinking or who do not feel fit to drive. In addition to being a safe driving campaign, Operation Red Nose is a fund-raising activity for Pronghorn Athletics as donations are accepted for the service.

JANUARY 2009

The new year brought with it a new Strategic Plan for the University. Officially launched in February, the new plan provides the direction, goals, and priorities for the University community.

U of L made its mark in a new arena as it debuted on iTunes U.

FEBRUARY 2009

The University of Lethbridge and the University of Calgary joined forces to create the Institute for Space Imaging Science (ISIS), a new institute to lead Canada in innovative space imaging technologies and their applications to advance our understanding of space. Lethbridge's research contribution to ISIS is headed by Dr. David Naylor.

Maclean's magazine released the results of the 2009 Canadian University Survey Consortium (CUSC) data and the results for the University of Lethbridge show high marks ranging from 96 per cent to 87 per cent on seven indicators of student satisfaction, including class sizes, availability of professors, and overall quality of education, among other results.

MARCH 2009

Dr. Olga Kovalchuk (Biological Sciences/Board of Governors Research Chair) was among six individuals in Canada to receive a prestigious Research Chair in New Perspectives in Gender, Sex and Health from the Canadian Institute of Health Research (CIHR) and its Institute of Gender and Health (IGH). Dr. Kovalchuk is one of two Albertans named as a Chair, a position that comes with $750,000 in funding over five years.

President Bill Cade announced that he would not seek a third term and would end his tenure as U of L President on July 1, 2010.

APRIL 2009

The University of Lethbridge, with the support of the Board of Directors of the Prentice Institute for Global Population and Economy, appointed internationally recognized sociology researcher and demographics expert Dr. Susan McDaniel as its Director. The Prentice Institute for Global Population and Economy is a unique research institute housed at the University of Lethbridge and founded to promote the research of big-picture issues relating to global population change and demographics, among other topics.

Awards & Honours

President's Award for Service Excellence

Naomi Cramer
Charlene Janes

Senate Volunteer Award

Dr. Dennis Connolly

Ingrid Speaker Medal for Distinguished Research, Scholarship, or Performance

Dr. Brian Titley

Distinguished Teaching Award

Dr. Ian McAdam

Board of Governors' Teaching Chair

Dr. Rick Mrazek

Alumnus of the Year

Dr. Douglas Schmitt

2009 Alumni Honour Society Inductees

Christine Burton
Douglas Colwell
Delia Cross Child
L. Dean Gallimore
Cecily Kenwood
A. Guy McNab

Honorary Degree Recipients

Fall 2008
Constance (Connie) Prentice
Ben Heppner

Spring 2009
Robert Best
Ralph Himsl
Samantha Nutt
Mobina Jaffer
Joan Stebbins
Ross Watson

Operational Overview

STUDENTS

The U of L continued a tradition of academic excellence, striving to meet its comprehensive mandate by balancing liberal education with undergraduate professional programs and with an increasing commitment to graduate education. This commitment includes making sure that programs are accessible to as many qualified students as possible and that they meet the needs of students and future employers.

Accessibility

The University of Lethbridge will continue to provide access to quality academic programs for as many qualified students from the secondary school system and college transfer programs as we can accommodate.

Overall enrolment saw a slight decrease in 2008, from 8069 students in Fall 2007 to 7877 in Fall 2008 (-2.4%). Despite this drop, 2008 enrolment remains above 2004 levels. The decline in enrolment is attributable to decreasing undergraduate enrolment. The trend of decreasing enrolment by out-of-province students and students from the Edmonton area continued. After a number of years of growth, enrolment of Calgary students dropped slightly but remains well above 2004 levels, while Lethbridge students and students from elsewhere in Alberta remain relatively constant.

The University's commitment to increasing graduate opportunities for students is reflected in a third annual increase in the number of graduate students. Not only has the number of graduate students increased, but the ratio of undergraduate students to graduate students has also improved from 25:1 to 20:1.

While the University of Lethbridge has continued to attract students from Alberta, the University is committed to increasing internationalization on campus. We have been particularly successful at attracting international graduate students, significantly exceeding the 7% target of international students compared to the overall student body (see Fig. 5).

Academic Excellence

The University of Lethbridge will retain and enhance its national reputation as an outstanding primarily undergraduate university. We will continue to be a student-centred institution, committed to offering the best possible programs and services.

The University of Lethbridge continued its commitment to academic excellence through the development of new programs at all levels of study, combining institutional areas of strength with learner, societal, and economic demand.

In the Maclean's magazine ranking of Canadian universities, the University of Lethbridge continued to perform well. After jumping from 14th to sixth place last year, U of L hovered around the same mark in 2008 finishing 7th among primarily undergraduate universities.

In the 2009 Globe Canadian University Report, the U of L was once again rated highly across the board. U of L scored an "A" for recreation and athletics and class size, and an "A-" grading for student satisfaction, quality of education, quality of teaching, student faculty interaction, ease of course registration, and campus technology.

University of Lethbridge

Student Services

The University of Lethbridge will identify the needs of students and employers when developing student services, and will respond to student and community concerns and requirements whenever possible.

The University's shift from a primarily undergraduate university to a comprehensive institution has brought new challenges for student services. The University has worked hard to balance the diverse needs of all student groups and to provide new and continuing students with the supports they need.

A shift was made within Recruitment and Liaison, with the unit renamed as Recruitment and Student Life and the addition of a new Student Life unit. The goal of these units is to enhance the student community on campus. Student retention literature shows that students make their connection to the institution in the first six to nine weeks of their first semester of attendance, so that is where many support initiatives have been focused. Several new and enhanced support services target prospective and newly-admitted students. ROSS has increased contact with these students through email, student mentors, and personal phone calls. Once newly-admitted students arrive on campus, student mentors lead groups of them in a variety of activities designed to introduce them to University life and make connections with fellow students.

RESEARCH

Research Excellence

The University of Lethbridge is committed to excellence in research for students and faculty. We will develop a more balanced funding approach, and will increase research support in the social sciences and humanities.

The University extended its commitment to social science and humanities research with CREDO (Community of Research Excellence Development Opportunities), a new grant development program to support Social Science and Humanities research within the faculties of Arts and Science, Education, Fine Arts, Management and the School of Health Sciences. CREDO will enable these faculty to develop their strategic research programs and become more competitive in attracting external research funding. In the spirit of building a community of scholars, successful applicants will have the opportunity to work with a member of the SSHRC Leadership Committee, who are all successful grant recipients and senior scholars, for the duration of the grant.

The U of L became the inaugural recipient of the Alberta Heritage Foundation for Medical Research Polaris Award, which brought Dr. Bruce McNaughton, one of the world's foremost experts in neurophysiology, and $20 million in research funding to the U of L's Canadian Centre for Behavioural Neuroscience (CCBN). The Polaris Award recognizes the excellence of the U of L's neuroscience programs.

Dr. Susan McDaniel also joined the U of L to lead the new Prentice Institute for Global Population and Economy, the product of a multi-million dollar endowment from Alberta agribusiness entrepreneur, the late Dr. John Prentice (LLD '06) and his family.

OUR COMMUNITY

Community and Public Relations

The University of Lethbridge will continue to build and enhance a strong University presence in the local and provincial community.

The University of Lethbridge plays an important role in the Southern Alberta community. The institution continued to engage community members through educational, recreational, and fine arts programming.

The 1st Choice Savings Centre for Sport and Wellness is now firmly established after it opened in 2007 and it continues to attract large community involvement through its programming and facilities. In 2008-09, the facility saw increased memberships both for the U of L users and for Community Members. The increase in memberships was reflected in an increase in the number of unique visits by Community Members (2008/09: 4622).

In addition to the 1st Choice Savings Centre, the University continued to build ties with the Southern Alberta sports community as construction proceeded on a new Stadium Complex, a joint initiative between the University and the City of Lethbridge, with the support of the Province.

The University's Discovery Lecture Series, a major lecture series for the University and the general public, presented two lectures in 2008-09: Naomi Klein and John Raulston Saul. In addition, a number of other public lectures were presented.

The Theatre season offered four plays over the year: "The Age of Arousal", "Much Ado About Nothing", "The BFG (Big Friendly Giant)", and "Arcadia".

Facilities and Equipment Renewal

Expand and upgrade academic, research, and support facilities to sustain enrolment growth. Address essential infrastructure and building renewal needs, based on available opportunities and resources.

The University continued to work to ensure that the proper facilities, equipment, and infrastructure are available to meet the academic, research, and support needs of the institution.

Phase 1 of the Alberta Water and Environmental Science Building was officially opened in November 2008. The 5,300 square metre research facility includes labs and offices for researchers and their assistants, equipment rooms, and an aquatic research facility.

Construction continued on Markin Hall, the future home to the faculties of Management and Health Sciences. The lower two-floors will house student and teaching spaces with academic offices on the upper two floors, connected through a multi-level atrium.

Work also continued on the Sports Field and Stadium project. When complete, this facility will provide fields and seating for soccer, rugby, football, and track for the University and for the local community.

In April 2009 construction began on a campus day care facility. Funded by University contributions, contributions from the Students' Union, Graduate Students Association and Faculty Association, and an Alberta Children and Youth Services grant, the Day Care Centre will provide child care services for children of students, faculty, and staff. Children of students and faculty members receive top priority for the 51 day care spaces.

Operate Responsively and Responsibly

The University of Lethbridge will operate in a manner that is fiscally responsibly, forward thinking, and responsive to the needs of students, faculty, government, society, and the economy.

The U of L's budgeting process is based on a four-year rolling budget model, in which budgets are projected for four years into the future. In conjunction with the instructional tuition allocation model, which allocates instructional fees to the faculties based on credit hours taught, the budgeting process has been very successful and allows the University to be in a position to anticipate and respond to various budget scenarios. The U of L is dedicated to cost containment, continuous quality improvement, and fiscal responsibility.

University of Lethbridge

U of L by the Numbers

Results in Relation to Goals, Expected Outcomes, and Performance Measures

NOTE: Indicators marked with * were identified in the U of L 2008-12 Business Plan as key performance measures to assess progress related to the institution's goals, strategies, and expected outcomes.

STUDENTS

Enrolment*

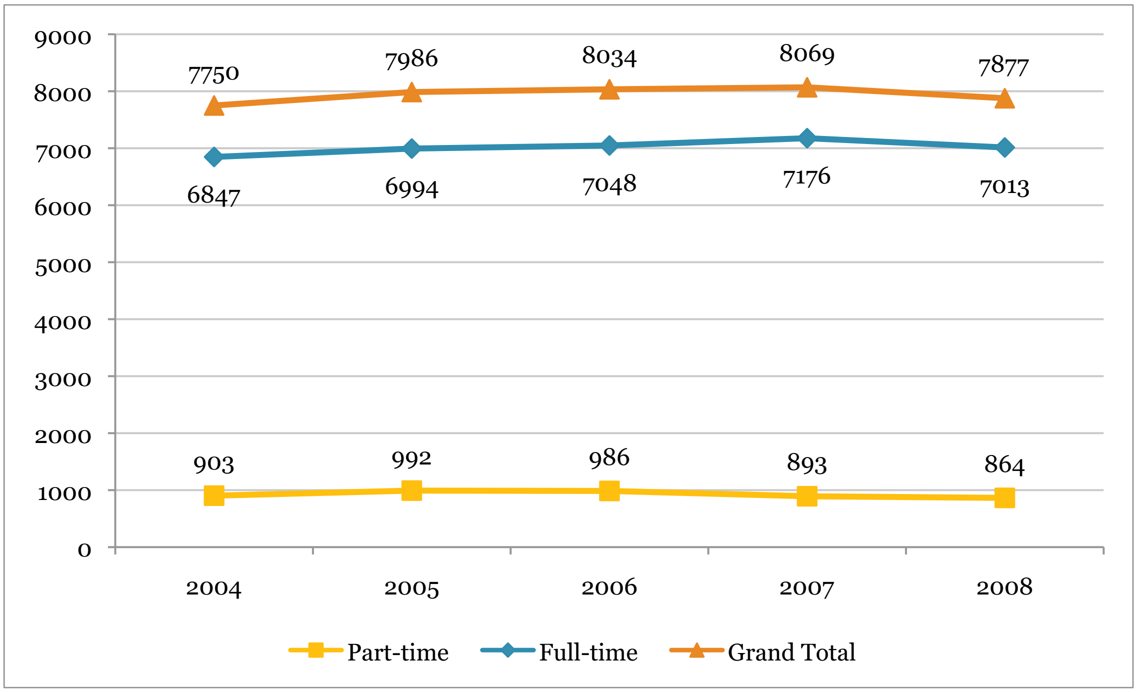


Figure 1: Fall Enrolment, 2004 to 2008

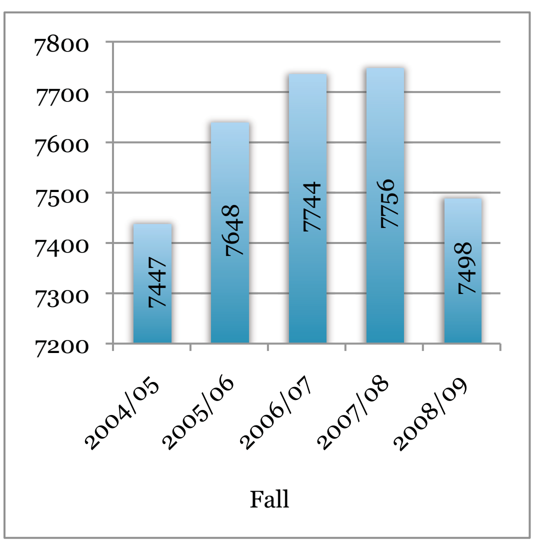


Figure 2: Total Undergraduate Students

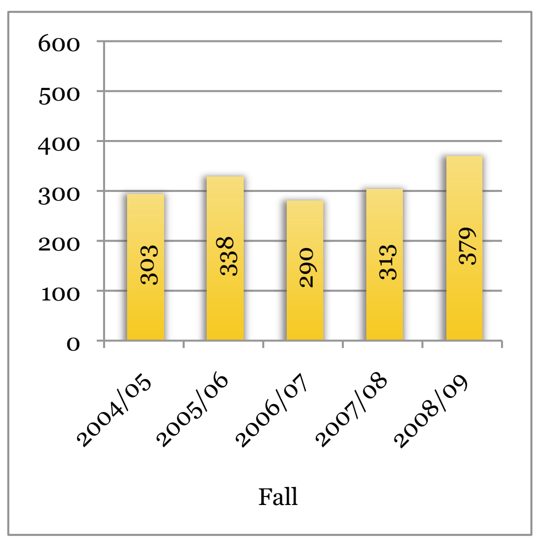


Figure 3: Total Graduate Students

Geographic Source of Students

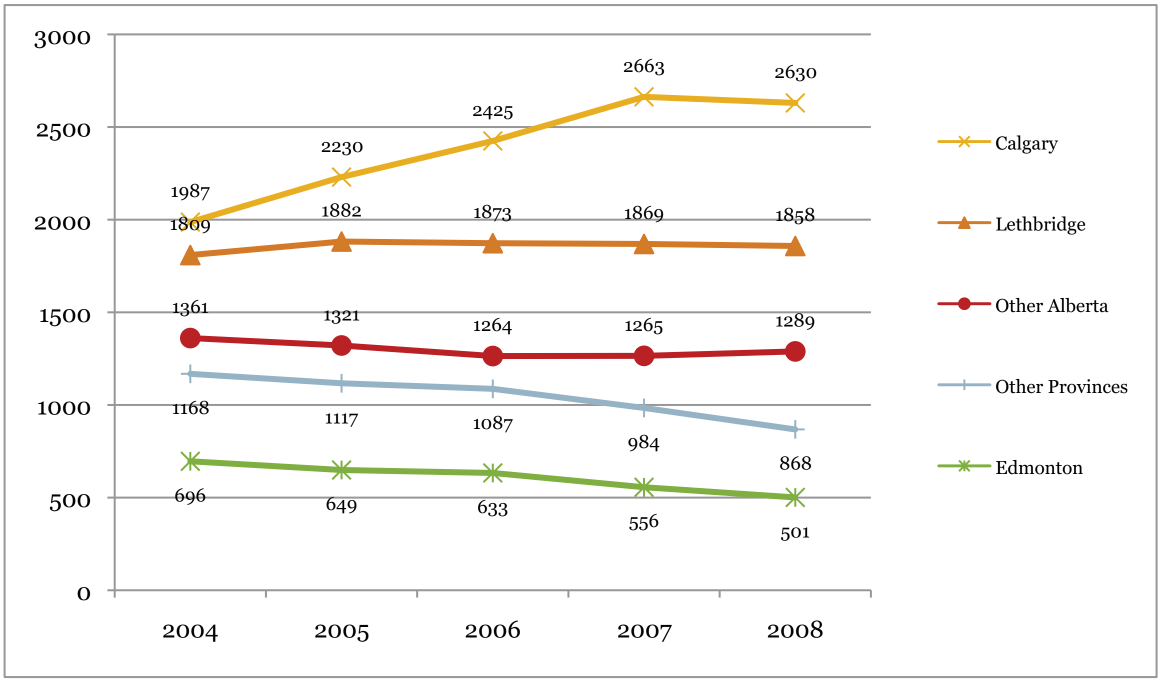


Figure 2: Geographic Source of Undergraduate Students, Fall 2004 to 2008

International Students

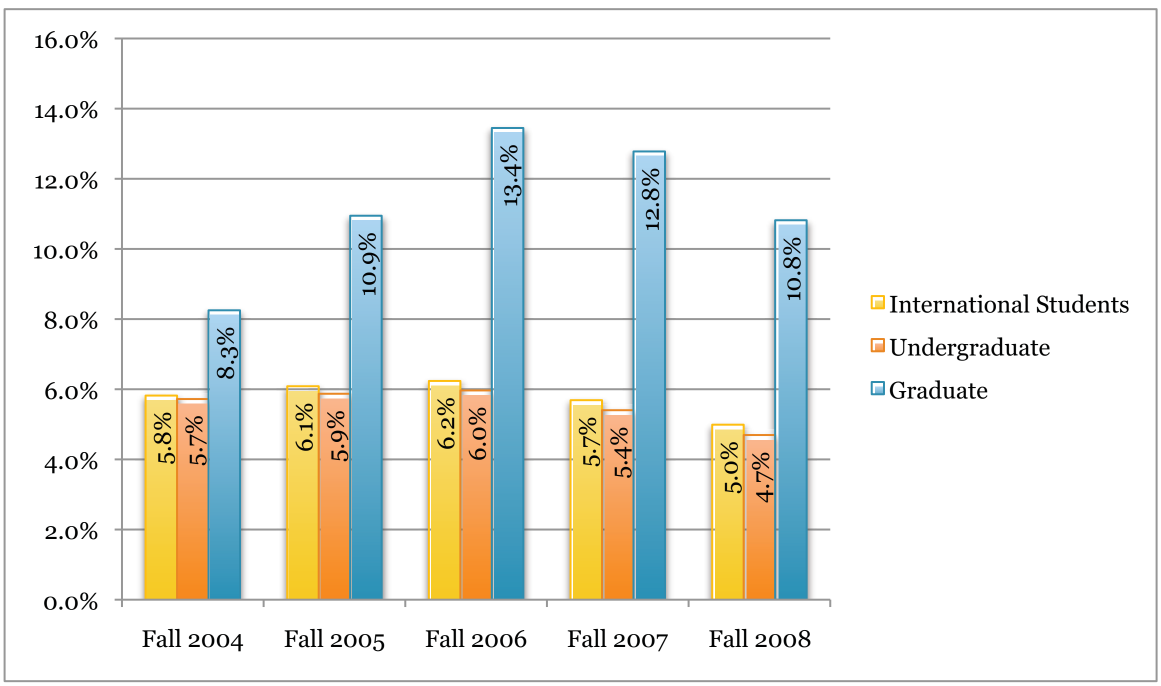


Figure 3: International Student Enrolment as a Percentage of Total Enrolment

GRADUATES

Degree, Diplomas, and Certificates Awarded, 2004/05 – 2008/09

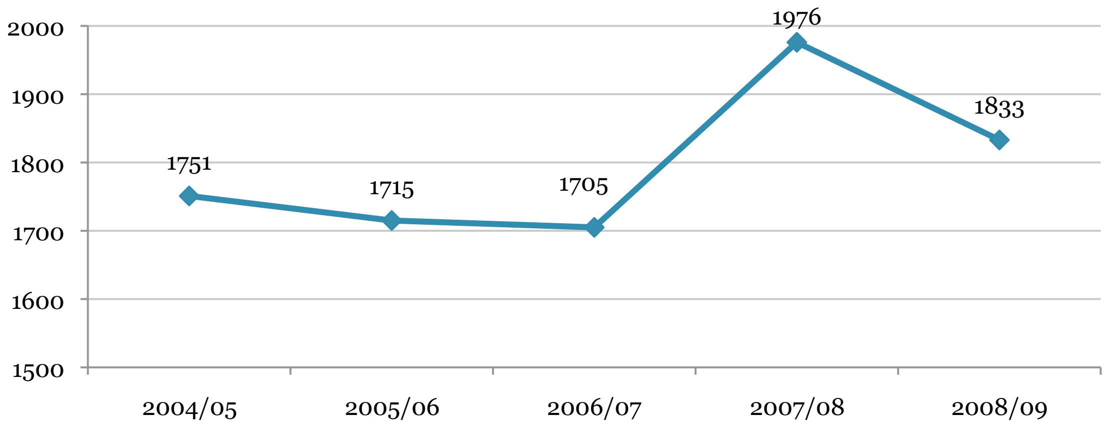


Figure 4: Undergraduate Degrees

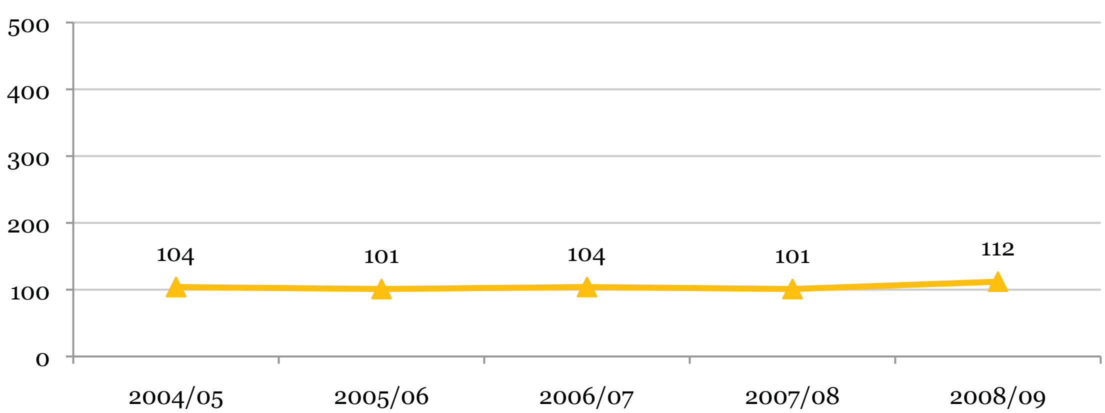


Figure 5: Graduate Degrees

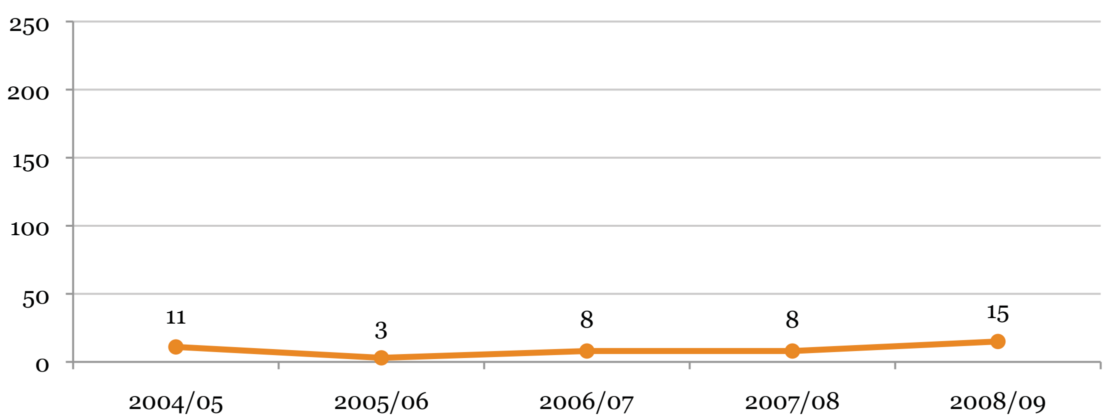


Figure 6: Diplomas and Certificates

Graduate Satisfaction*

In conjunction with other Alberta universities and university colleges, the University of Lethbridge conducts surveys of graduates, including a rating of how satisfied graduates are with the education they received at the University of Lethbridge.

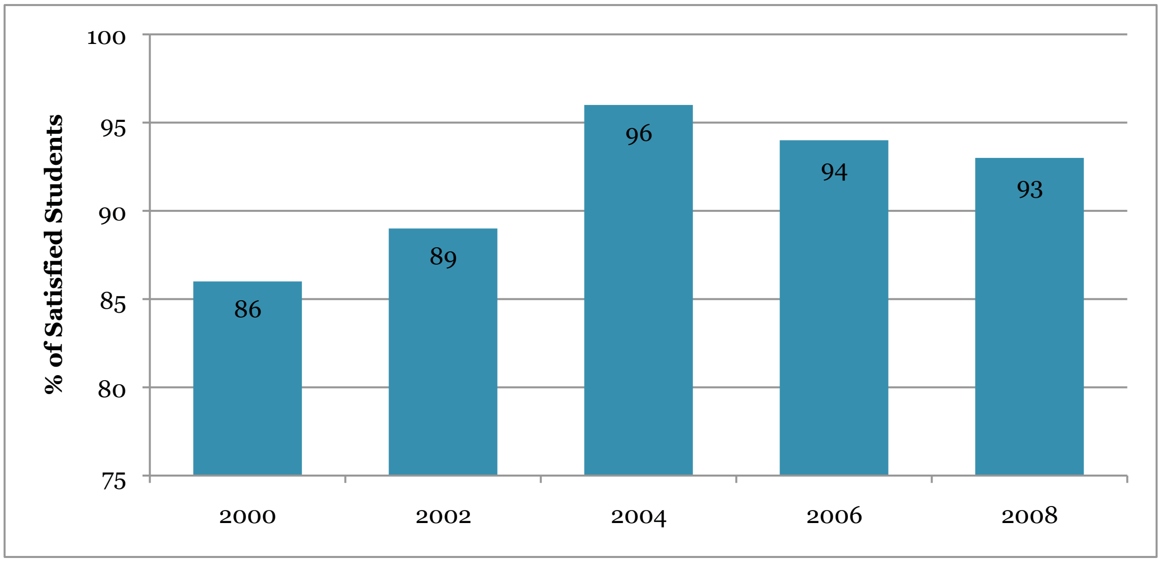


Figure 7: Student Satisfaction with Overall Quality of Educational Experience, 2000 to 2008

Graduate Participation & Employment Rate*

This performance measure tracks how well U of L graduates fare in the workforce. The participation rate is the proportion of graduates who are active in the workforce (i.e. employed or seeking employment). The employment rate shows the proportion of these active participants that are currently employed.

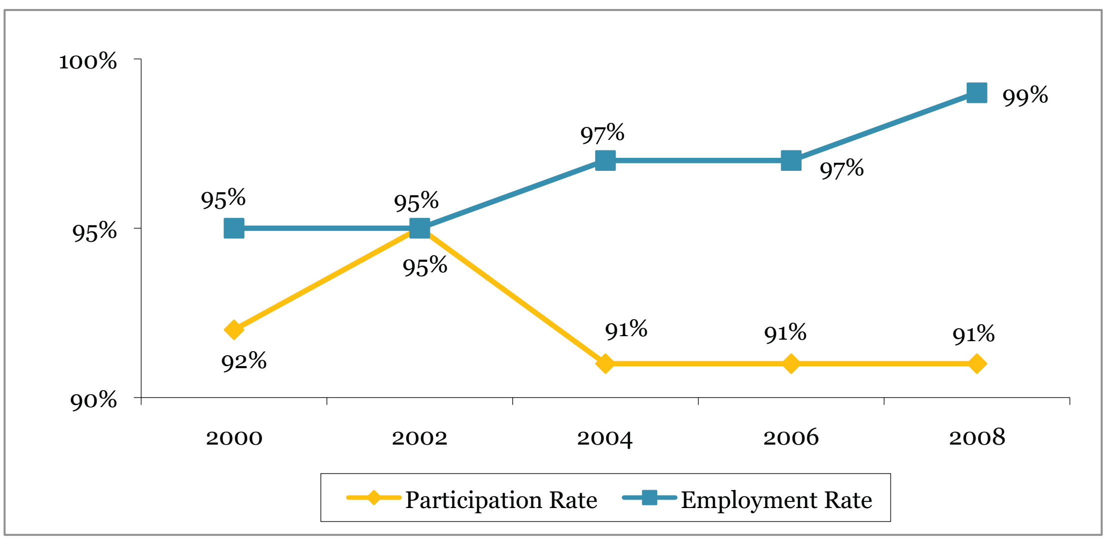


Figure 8: Graduate Participation and Employment Rates, 2000 to 2008

RESEARCH

Research Grants

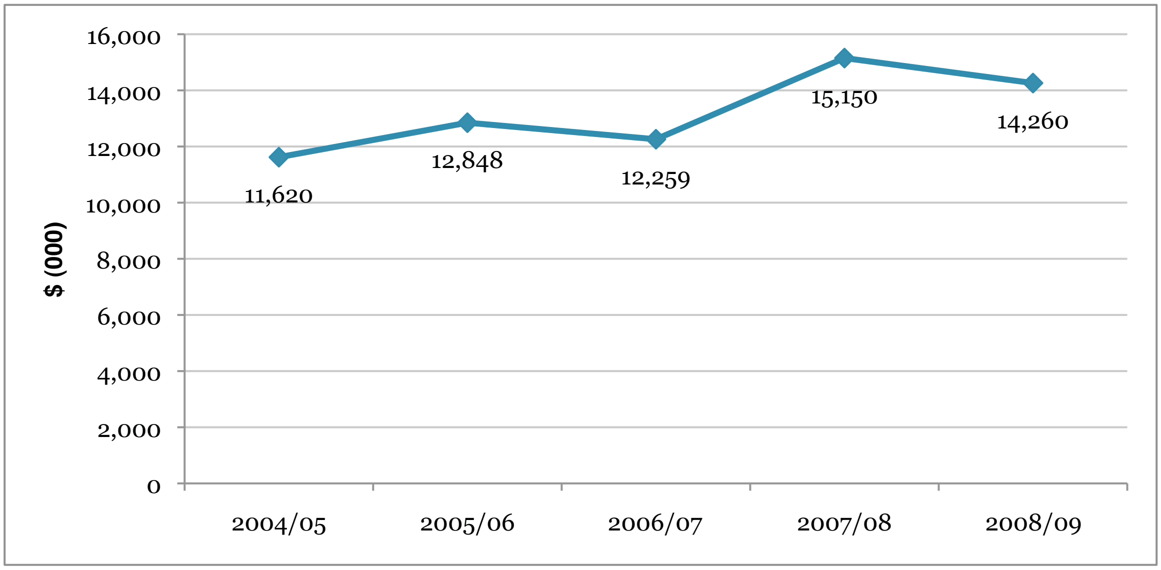


Figure 9: Total Value of Research Grants Received

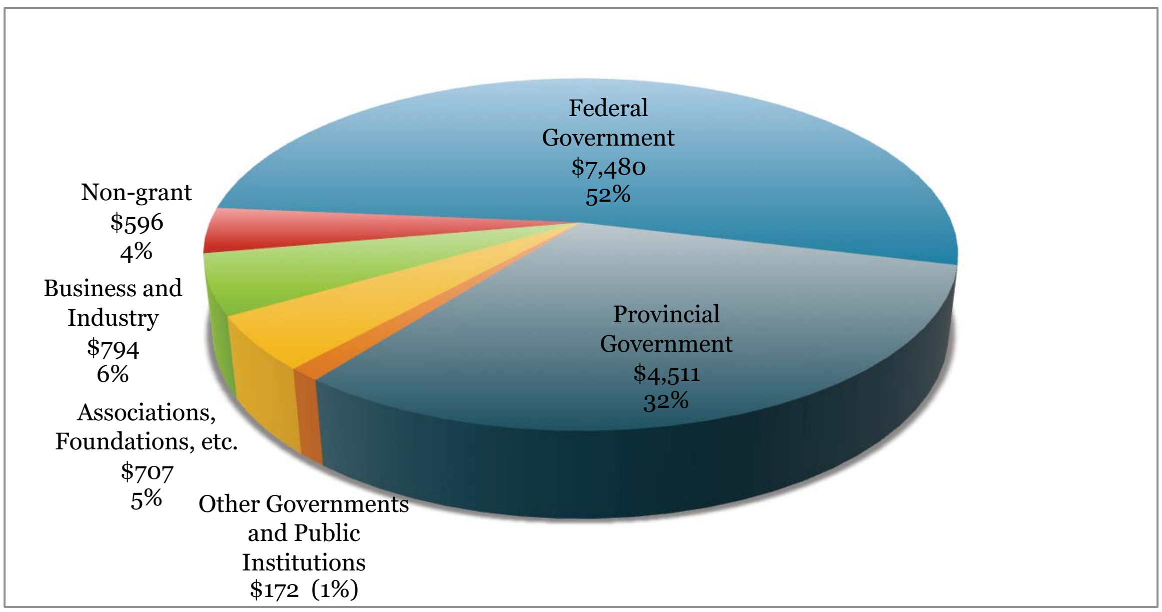


Figure 10: Source of Research Revenue, 2008/09 (thousands of dollars)

Research Council Grants

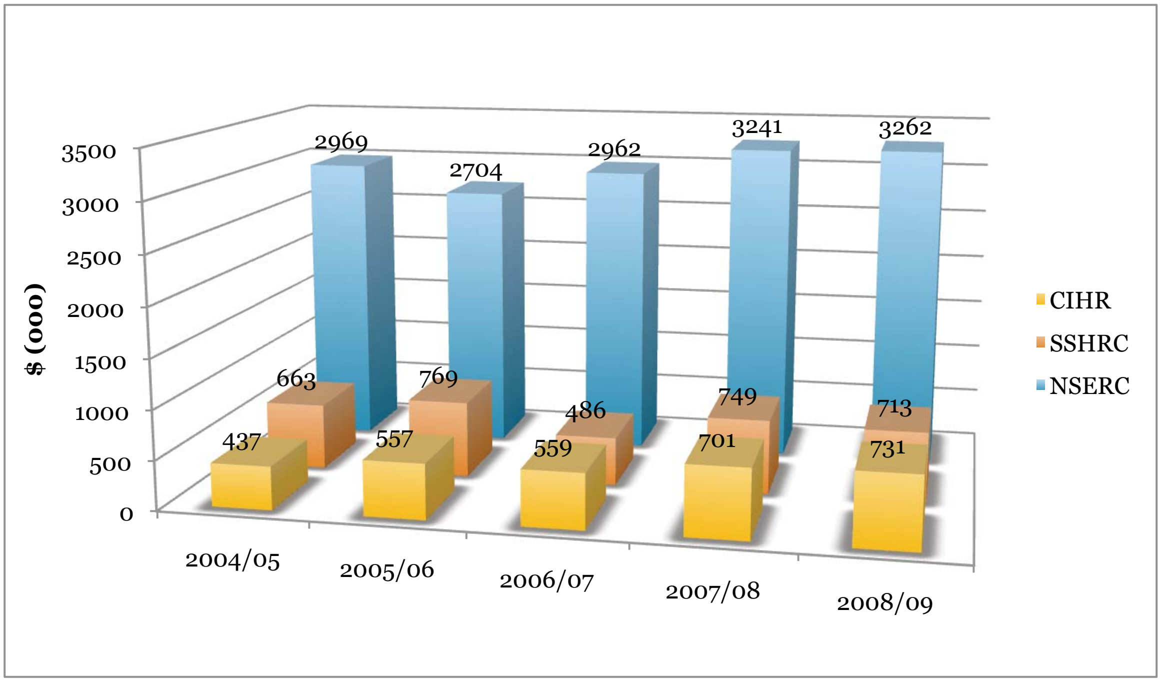


Figure 11: NSERC, SSHRC, and CIHR Grants, 2004/05 - 2008/09

Research Intensity*

Research intensity data represents the value of sponsored research from external agencies compared to the value of provincial operating grants. The University's operating grants have increased at a higher percentage than research grants, thus the slight decrease in the percentage of research grants over operating grants.

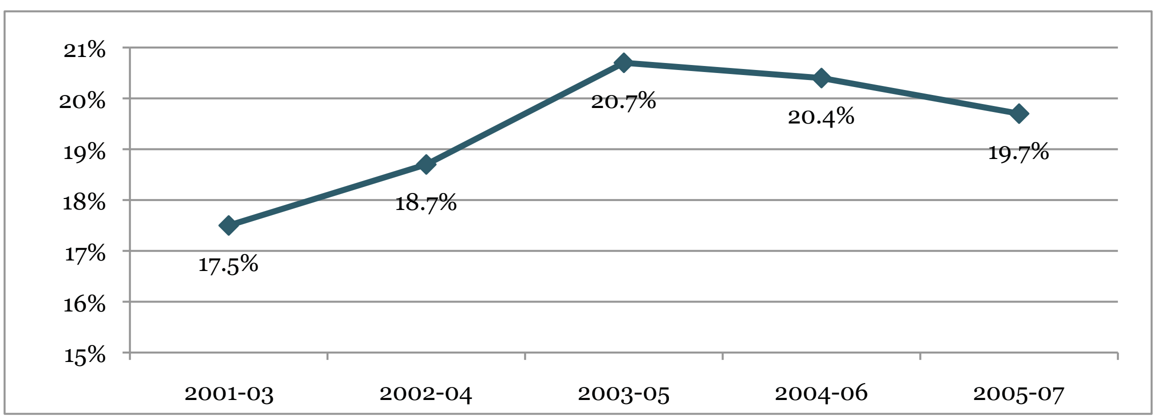


Figure 12: Research Intensity, 2001-03 to 2005-07 (Three Year Moving Average)

Research Impact*

This measure shows how well the U of L attracts research money from community and industry sources. Research impact is calculated by dividing the value of community and industry sponsored research by the value of total sponsored research.

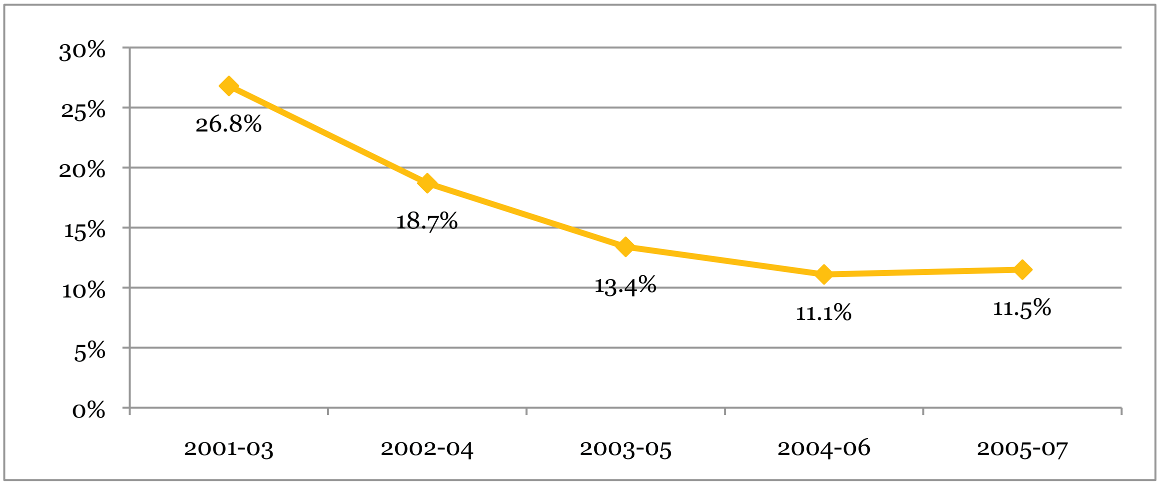


Figure 13: Research Impact, 2001-02 to 2005-07 (Three Year Moving Average)

ADMINISTRATION

Faculty & Staff

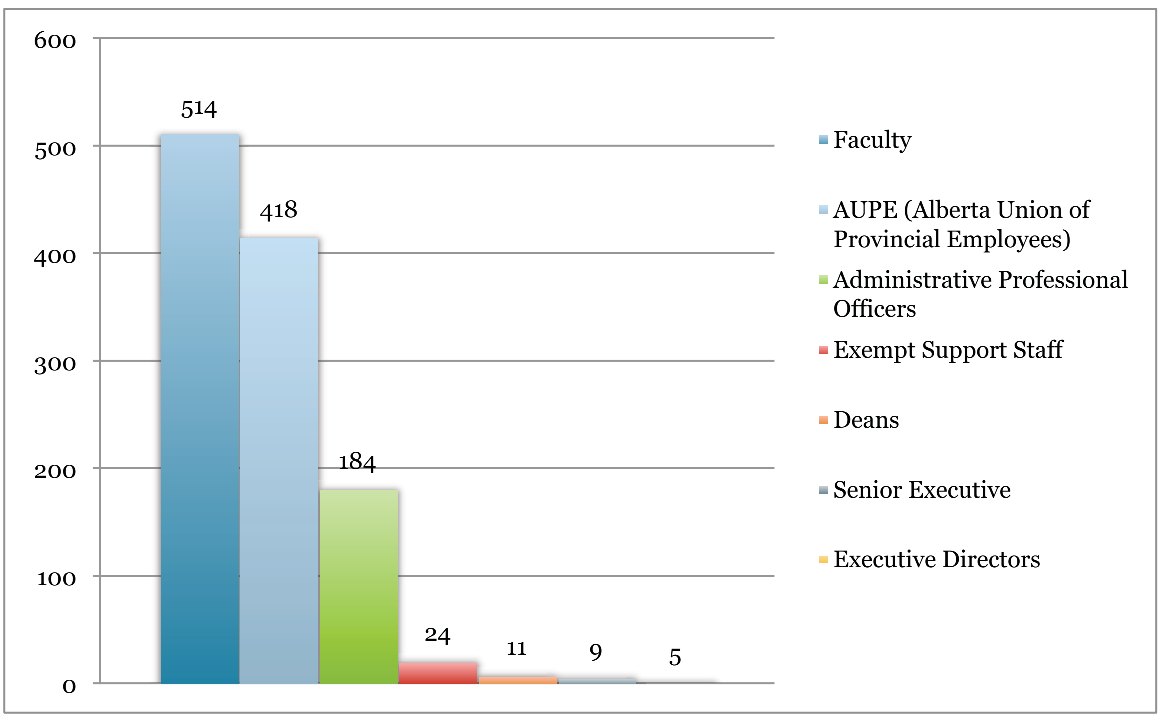


Figure 14: Total Number of Employees by Employee Group, 2009

Administration Expenditures*

This measure shows the percentage of administrative expenses to total operating expenses. The University strives to keep its administrative expenses relative to other operating expenditures to a minimum and over the period 2002-2005 managed to reduce its administrative costs overall. The administrative ratio of 10.5% in 2008-09 is still below the average administrative ratio of approximately 11-12% at other similar sized institutions.

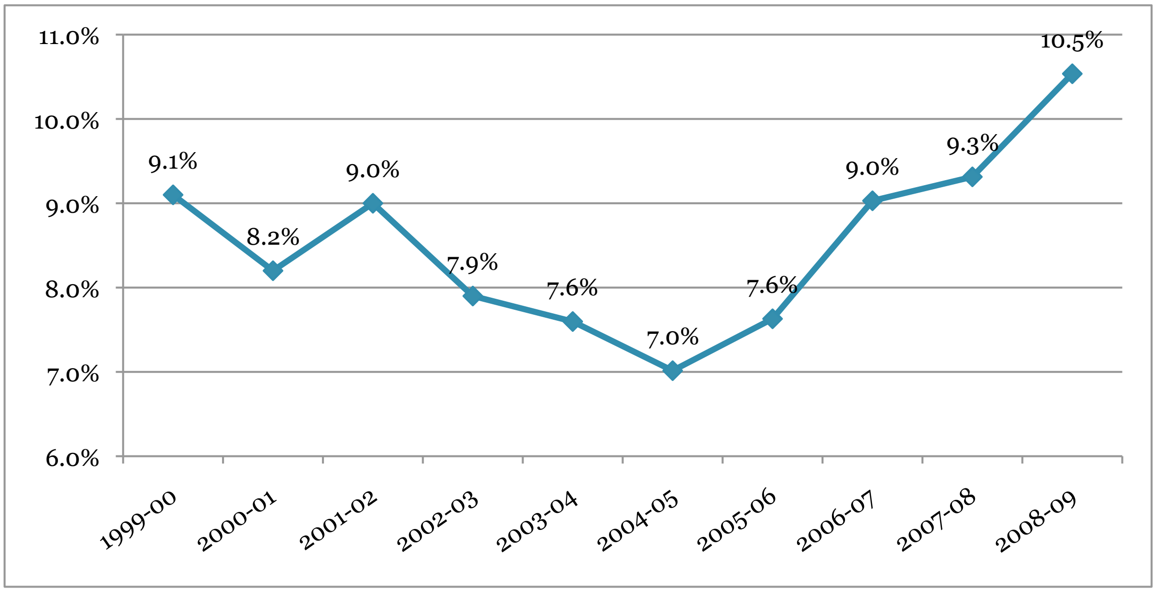


Figure 15: Administration Expenditure as a Percentage of Total Expenditure less Ancillary Expenditures, 1999-00 to 2008-09

Note: The 2008-09 increase in administration expenditure as a percentage of total expenditure is a result of the change in accounting policy for Employee Future Benefits. It is due to the recording of UAPP since this amount was recorded as a central administration expense instead of allocating it to all of the departments.

Management Discussion & Analysis

This Management Discussion and Analysis is a supplement to the information contained in the University's annual audited financial statements. As such, it should be read in conjunction with the audited financial statements. These financial highlights provide management's analysis of the University's financial performance and other relevant information for the fiscal year ending March 31, 2009.

FINANCIAL HIGHLIGHTS 2008/09

Financial Statement Presentation

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

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

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

Financial Management

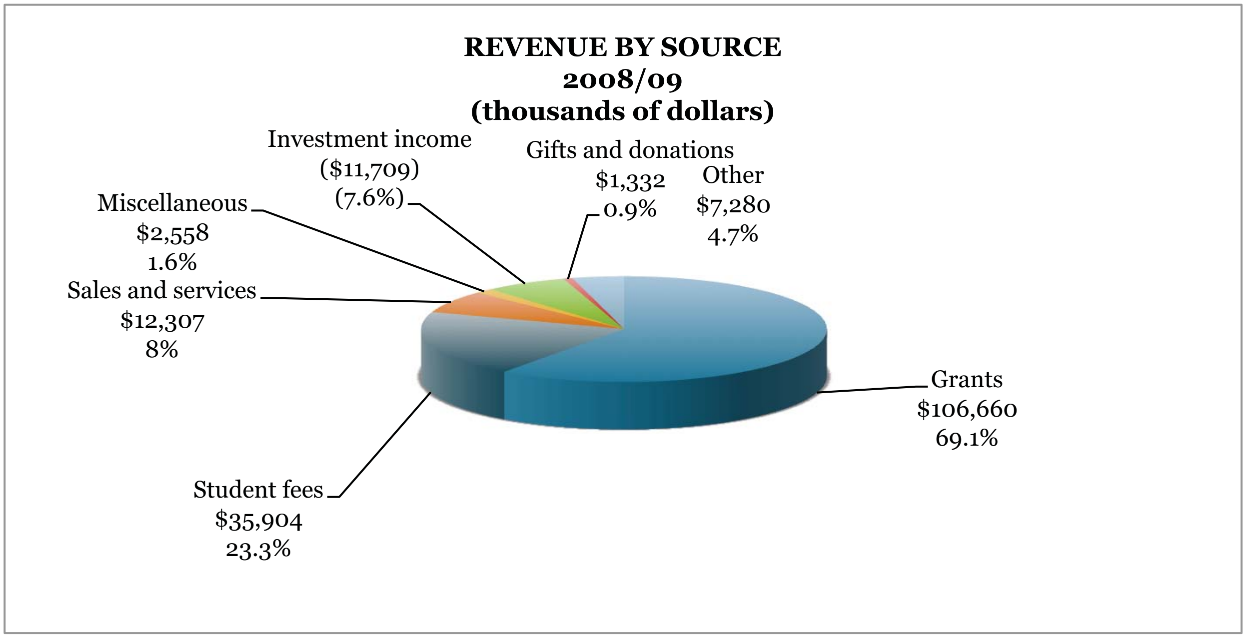
The University's budget process is based on a four-year rolling budget model whereby budgets are estimated for four years into the future. In conjunction with the instructional tuition allocation model, which allocates instructional fees to the faculties based on credit hours taught, the budgeting process has been very successful. This has allowed the University to be in a position to respond to various budget scenarios and to achieve positive financial results year after year.

Statement of Operations

The University ended the 2009 year with a $6.1 million deficiency of revenue over expense (2008: $8.3 million excess). The major contributor to this loss was $11.7 million investment loss (2008: $1.2 million loss).

Revenue

University revenue totaled $154.3 million in fiscal 2009, an increase of 2% over the previous year.



Grant Revenue

Grant revenue increased by $10.2 million or 11% over the previous year, due to an increase in provincial government grant of $9 million. Grants represented 69.1% of total revenue (2008: 63.7%).

Advanced Education and Technology operating grants increased by $9 million or 11% in 2009 due primarily to a 6% increase in the base operating grant ($4.5 million) and new enrolment planning envelope grants. Advanced Education and Technology suspended the Performance Envelope funding for 2009 (2008: $1.1 million).

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

Table 1: Provincial Grants to the U of L, 2007/08 and 2008/09

Provincial Grants	2008/09	2007/08
	(thousands of dollars)	
General operating	$74,514	$67,722
Tuition Fee rebate	5,141	4,801
Performance funding envelope	-	1,109
Access (operating)	11,622	8,532
Other unrestricted funding	3,313	1,834
Conditional funding	54,599	47,215
Deferred conditional funding	(51,842)	(44,782)
Total	**$97,347**	**$86,431**

The conditional funding included $49.5 million from Advanced Education and Technology for capital needs for Markin Hall ($45 million), Infrastructure Maintenance Program ($3.3 million), Access to the Future Fund for facilities for learning and research purposes ($1.2 million), as well as funding from Access to the Future Fund for scholarships ($1.8 million). The Access to the Future Fund is a grant program designed to provide matching payments to stimulate contributions to the advanced education system. In accordance with not-for-profit accounting principles, any conditional funding not spent by the end of the fiscal year is deferred and recognized in revenue in the year(s) in which the related expenditures are incurred.

Tuition Revenue

Tuition and related fees revenue increased by approximately 1.3% ($0.48 million) due to an increases of 4.6% in undergraduate and graduate fees that is offset by a decrease in enrolment in summer 2008, fall 2008 and spring 2009 by 6.32%, 3.33% and 2.31% respectively. The number of graduate students has increased by 17.57% and this has resulted in an increase in revenue of $0.3 million (21%).

Sales and Services

Sales and services revenue decreased by 2.7% ($0.3 million) over the prior year. The major sources of sales and services revenue are Ancillary Services ($7.5 million), Sport and Recreation Services programs and services ($1.5 million) and parking fees ($1.2 million). The Faculty of Management discontinued the management executive program as of June 2008 and this resulted in a decrease of ($0.4 million) in revenue.

Investment Revenue

The loss from investments for the year was $18.8 million. Of this total, $6.3 million was deducted directly from endowment principal. Realized investment earnings as measured on a cash basis was 2.59% in 2009 (2008: 7.93%).

Gifts and Donations

Total donations received during the year were $5.3 million (2008: $2.9 million). Of this total, $1.8 million (2008: $0.4 million) in donations was added directly to endowment principal and $2.2 million (2008: $1.7 million) was deferred for spending in future years.

In 2009, the University received $3 million from the Access to the Future Fund (provincially funded matching grant).

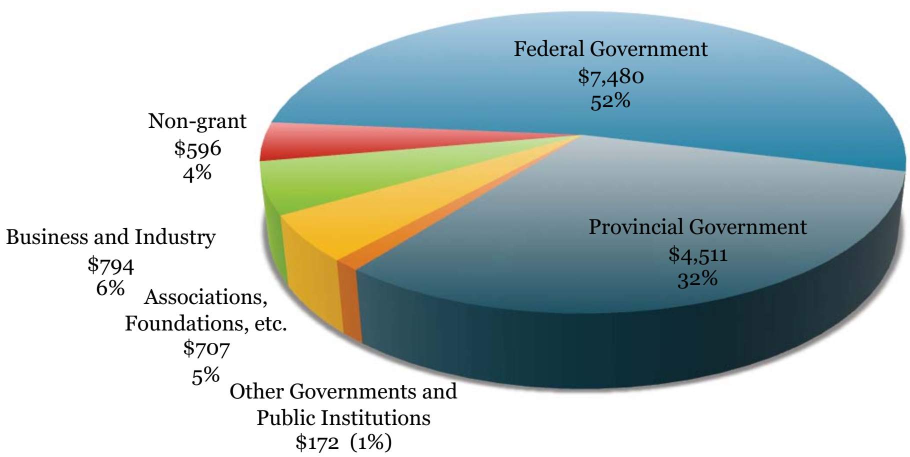
There is an additional $4.9 million in pledges as of March 31, 2009, for capital projects and scholarships that have not been recorded in the financial statements.

Research Funding

Sponsored research revenue totaled $14.3 million, a decrease of $0.89 million or 5.9% over the previous year. At the end of the year, $3.4 million of unspent research grant revenue was deferred (2008: $4.9 million deferred).

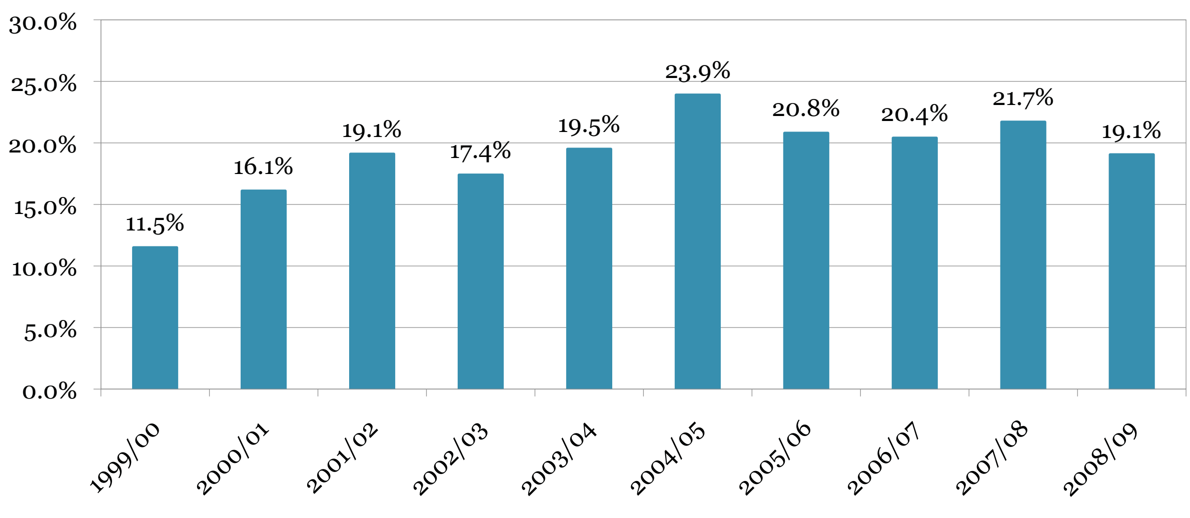
Research continues to be funded primarily by federal and provincial government agencies. In 2009 Alberta Heritage Foundation for Medical Research was awarded the first Polaris Award for $10 million, $1 million to be awarded each year for the next 10 years.

SOURCES OF RESEARCH REVENUE 2008/09 (thousands of dollars)



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

RESEARCH GRANTS AS A % OF OPERATING GRANTS



In 2009, the University also received $1.7 million (2008: $1.5 million) from the federal Canada Research Chairs Indirect Costs Program based on research grants funded by federal government research granting agencies. The Indirect Costs Program was established in recognition of the growing indirect costs of conducting publicly funded academic research, and the resulting grants will enable the University to secure additional support for the indirect costs of conducting research so that the teaching and community services mandates of universities can continue to be met.

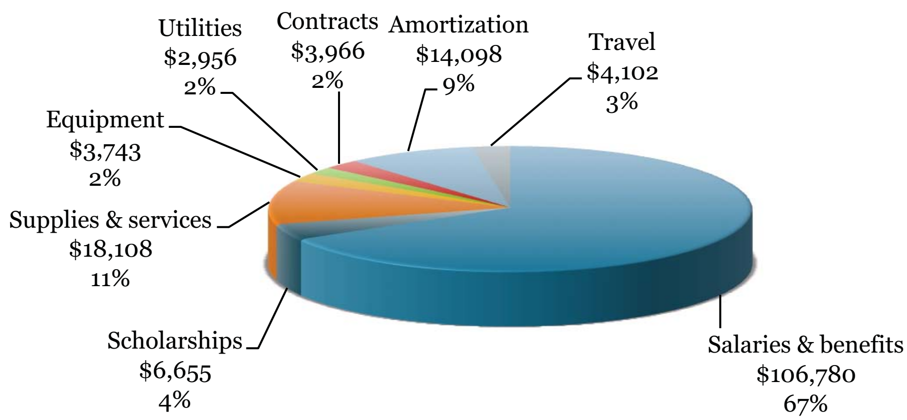
Other Revenue

Other income of $7.3 million (2008: $6.3 million) represents amounts brought into income for accounting purposes from the amortization of capital assets purchased in prior years using externally restricted contributions.

Expense

University expenses totaled $160.4 million in 2009, an increase of $17.1 million or 12% over the previous year.

EXPENSE BY TYPE
2008-09
(thousands of dollars)



Salaries & Benefits

Salaries expense increased by 9% over the previous year. This increase resulted from a combination of salary increases due to merit and negotiated cost-of-living adjustments and the hiring of 52 new faculty and staff positions in 2009. Benefits expense increased by $3.7 million (31%). The primary reason for the benefits increase is the recording of the Universities Academic Pension Plan unfunded liability. Salaries and benefits continue to be the major component of the cost of operating the University. Despite the pressure to remain competitive in labour markets and the increasing cost of benefits, the University's salaries and benefits expense ratio has been fairly consistent over the past five years at around 66% of total expense.

Scholarships

The amount of scholarships, fellowships and bursaries awarded in 2009 was $6.7 million (2008: $5 million). This was made up of $3.8 million in scholarships and bursaries (2008: $2.6 million) and $2.9 million in fellowships (2008: $2.4 million). The University increased scholarships funded from operating sources by $0.4 million in 2008.

Supplies & Services

Supplies and services increased by $0.8 million and the major contributing factor for this increase was a $0.4 million increase in advertising to stimulate enrolment levels.

Repairs & Maintenance

Repairs and maintenance increased by $1.6 million. The increase is mainly in the operating fund and is due to the Canada Day flood in the 1st Choice Savings Centre for Sport and Wellness and sewage damage repairs.

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

Statement of Financial Position

Assets

Total assets increased by $44 million during the 2009 fiscal year. Cash and short-term investments increased by $18.8 million, receivables decreased $8.9 million, long-term investments increased by $3.7 million, and capital assets $31 million.

Cash flow requirements for construction projects have necessitated maintaining a higher balance in cash and short-term investments over the past five fiscal years.

There is a significant decrease in the receivables since the 2008 amount includes research and operating government receivables of $7.4 million.

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

Table 2: Composition of Investment Portfolio, 2008/09

Funding Source	**2008/09**
	(thousands of dollars)
Externally restricted fund balances:	
Endowments	$28,952
Sponsored research	7,495
Special purpose	4,791
Scholarships, bursaries & trust	1,683
Capital & infrastructure	65,356
Internally restricted net assets	6,240
Unrestricted net assets and operating cash flow	6,647
Total	**$121,164**

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

Capital assets of $45 million were added during the year, including major capital projects (Markin Hall - $18.5 million, Alberta Water and Environmental Science building - $9.6 million, Sports Field Complex - $1.4 million and Park Way Service complex - $1 million). Library acquisitions totaled $2.1 million and computer, scientific and other equipment $5.6 million. Amortization expense totaled $14 million.

Art works donated in 2009 totaled $0.6 million. The University has an impressive art collection, which contains approximately 14,000 objects with a book value of $34 million. The collection is used for both educational and public exhibition purposes.

Liabilities and Net Assets

Current liabilities totaled $40 million in 2009 (2008: $32 million). Accounts payable and accrued liabilities increased over the prior year by $1.4 million, mainly due to an increase in construction holdbacks. Deferred contributions of $17.5 million at March 31, 2009 (2008: $14 million) primarily consisted of restricted balances in the research fund ($6.6 million), trust funds for scholarships and bursaries and other specific purposes ($5.7 million) and the Infrastructure Maintenance Program ($5.2 million). These contributions will be recognized in revenue as the spending restrictions are met.

Long-term liabilities increased by $16.6 million mainly due to an increase in deferred capital contributions, which totaled $15.6 million at March 31, 2009 (2008: $24 million). The deferred capital contributions balance represents externally restricted amounts received from grants and donations for capital projects including Markin Hall ($34.6 million), Life Safety Systems ($22.5 million) and Water and Environmental Science Building ($2 million).

Liabilities include an asset retirement obligation of $0.8 million that represents the estimated fair value of the legal obligation associated with the removal of asbestos from University Hall and a capital lease for $0.3 million.

Net assets decreased by a total of $10 million during the year as a result of endowment principal decline of $3.2 million, a decrease in internally restricted net assets of $7.1 million and a decrease in unrestricted net assets (operating reserves) of $1.2 million that is offset by an increase in investment (equity) in capital assets of $1.5 million

Endowment balances declined to a balance of $28.9 million at March 31, 2009. The decline in value is mainly due to a decline in the market value of the investments. The $6.3 million decline in market value of the endowments is offset by external donor gifts and contributions from University sources.

Table 3: Growth of Endowment Principal, 2000 to 2009 (thousands of $)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Opening Balance (1)	**$32,174**	**$29,797**	**$13,663**	**$11,975**	**$11,227**	**$10,762**	**$10,224**	**$9,585**	**$9,064**	**$8,475**
Endowment gifts	2,730	1,613	8,825	1,292	409	123	125	249	125	141
Capitalized investment earnings	(6,333)	(265)	1,996	306	249	202	323	290	308	251
University contributions	381	1,029	53	90	90	140	90	100	88	197
Closing Balance	**$28,952**	**$32,174**	**$24,537**	**$13,663**	**$11,975**	**$11,227**	**$10,762**	**$10,224**	**$9,585**	**$9,064**

(1) Beginning of year balance for 2008 was restated to include $5.260 million adjustment for financial instruments.

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

Internally restricted net assets totaled $6.2 million as of March 31, 2009. These represent operating surpluses from prior years that have been set aside by the Board of Governors to provide for capital and maintenance needs and to cover contingencies and one-time expenditures aimed at increasing efficiency and/or reducing costs.

Unrestricted net assets of $26 million (2008: $27.2 million) represent accumulated operating surpluses and are used primarily to fund capital asset additions required to maintain the education and services available to our students and the local community. The change in accounting policy to record the

Universities Academic Pension Plan resulted in a prior period adjustment of $9.1 million in 2008 and $7.7 million recording of unfunded liability in 2009.

Deferred Maintenance

Deferred maintenance on University facilities is estimated at $109,877 based on a facility condition report completed by the University in 2009. Advanced Education and Technology provided $25,915 in capital grants to address deferred maintenance projects and the unexpended revenue to date is $22,513. Deferred maintenance is not reflected in these financial statements since they are not liabilities or commitments for accounting purposes.

AUDITOR GENERAL *Alberta*

Auditor's Report

To the Board of Governors of the University of Lethbridge

I have audited the statement of financial position of the University of Lethbridge as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on the 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 financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2009 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
June 10, 2009

University of Lethbridge

Financial Statements

For the Year Ended March 31, 2009

Statement of Financial Position

(thousands of dollars)

As At March 31	2009	2008 Restated
Current Assets		
Cash and short term investments (note 4)	$ 44,852	$ 26,035
Accounts receivable	7,744	16,675
Inventories	669	518
Prepaid expenses	1,405	1,025
	54,670	44,253
Deposit on capital assets	-	1,104
Investments (note 5)	120,409	116,705
Contributions receivable - long-term portion (note 6)	3,121	3,178
Capital assets and collections (note 7)	262,458	231,320
	$ 440,658	$ 396,560
Current Liabilities		
Accounts payable and accrued liabilities	$ 10,147	$ 8,724
Employee future benefits (note 8)	6,548	4,499
Deferred revenue	4,522	4,373
Deferred contributions, research and other (note 9)	17,532	13,953
Current portion of long term obligations (note 10)	840	818
	39,589	32,367
Long Term Liabilities		
Long-term obligations (note 10)	4,358	4,571
Employee future benefits (note 8)	16,764	14,667
Deferred contributions, research capital (note 9)	918	1,761
Deferred contributions, capital (note 9)	60,120	44,534
	82,160	65,533
Unamortized deferred capital contributions (note 11)	149,380	119,515
Net Assets		
Investment in capital assets and collections	107,880	106,416
Endowments (note 12)	28,952	32,173
Internally restricted (note 13)	6,240	13,335
Unrestricted (note 14)	26,457	27,221
	169,529	179,145
	$ 440,658	$ 396,560

The accompanying notes are part of these financial statements.

Statement of Operations

(thousands of dollars)

For the Year Ended March 31	Original Budget (Unaudited)	2009	2008 Restated
Revenue			
Grants	$ 103,257	$ 106,660	$ 96,482
Tuition and related fees	36,398	35,904	35,427
Sales of services and products	13,384	12,307	12,655
Miscellaneous	1,219	2,558	1,211
Investment income (loss) (note 15)	5,432	(11,709)	(1,212)
Gifts and donations	1,457	1,332	701
Amortization of unamortized deferred capital contributions	6,500	7,280	6,284
	167,647	154,332	151,548
Expense			
Salaries	105,110	90,950	83,064
Employee benefits	14,278	15,830	12,090
Scholarships, fellowships and bursaries	2,151	6,655	5,091
Supplies and services	12,160	9,056	8,202
Repairs and maintenance	1,090	2,772	1,159
Cost of goods sold	3,388	3,141	3,122
Equipment	5,597	3,743	4,270
Travel	3,229	4,102	4,046
External contracted services	2,449	3,966	3,196
Utilities	2,835	2,956	3,063
Professional fees	623	1,800	1,651
Interest on long term obligations	1,000	653	570
Insurance	641	477	458
Property taxes	221	142	196
Loss (gain) on disposal of capital assets	-	68	254
Amortization of capital assets	12,699	14,098	12,832
	167,471	160,409	143,264
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	$ 176	$ (6,077)	$ 8,284

The accompanying notes are part of these financial statements.

Statement of Cash Flows

(thousands of dollars)

For the Year Ended March 31	2009	2008 Restated
Cash provided by (used in) operating activities:		
Excess (deficiency) of revenue over expense	$ (6,077)	$ 8,284
Non cash transactions:		
Amortization of unamortized deferred capital contributions	(7,280)	(6,284)
Amortization of capital assets	14,098	12,832
Loss on disposal of capital assets	68	254
Unrealized investment loss (gain)	16,437	(3,416)
Increase (decrease) in long term employee benefit liabilities	2,097	(796)
Increase (decrease) non-cash working capital (note 17)	14,768	(4,939)
	34,111	5,935
Cash provided by (used in) investing activities:		
Purchase of investments (net)	(27,299)	(25,182)
Capital asset additions:		
Internally funded	(8,085)	(10,433)
Externally funded	(36,917)	(25,342)
Deposit on capital assets	1,104	(1,104)
Proceeds on disposal of capital assets	37	15
	(71,160)	(62,046)
Cash provided by (used in) financing activities:		
Capital contributions	51,640	50,695
Endowment contributions	2,730	1,614
Capitalized investment earnings (loss)	824	(3,150)
Increase (decrease) in capital construction holdbacks	832	(1,744)
Decrease in long term receivable	57	180
Repayment of long term obligations	(217)	(426)
	55,866	47,169
Increase (decrease) in cash and short-term investments	18,817	(8,942)
Cash and short-term investments, beginning of period	26,035	34,977
Cash and short-term investments, end of period	$ 44,852	$ 26,035

The accompanying notes are part of these financial statements.

Statement of Changes in Net Assets

(thousands of dollars)

For the Year Ended March 31	2009 Investment in capital assets	2009 Endowments	2009 Internally restricted	2009 Unrestricted	2009 TOTAL	2008 TOTAL
BALANCE, beginning of year as previously stated	$ 106,416	$ 32,173	$ 13,335	$ 34,871	$ 186,795	$ 178,503
Change in accounting policy (note 3)	-	-	-	(7,650)	(7,650)	(9,120)
As Restated	106,416	32,173	13,335	27,221	179,145	169,383
Excess (deficiency) of revenue over expense	-	-	-	(6,077)	(6,077)	8,284
Non-amortizable collection and acquisition donations	64	-	-	-	64	130
Endowment contributions	-	2,730	-	-	2,730	1,614
Investment loss on endowments	-	(6,333)	-	-	(6,333)	(266)
Transfers	-	382	-	(382)	-	-
Capital asset additions	8,086	-	(2,436)	(5,650)	-	-
Net book value of capital asset disposals	(106)	-	-	106	-	-
Amortization	(6,818)	-	-	6,818	-	-
Repayment of long-term debt	238	-	-	(238)	-	-
Allocation to internally restricted net assets	-	-	2,766	(2,766)	-	-
Expenditure of internally restricted net assets	-	-	(7,425)	7,425	-	-
	-	-	-	-	-	-
BALANCE, end of year	$ 107,880	$ 28,952	$ 6,240	$ 26,457	$ 169,529	$ 179,145

The accompanying notes are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars)

Note 1 Authority and Purpose

University of Lethbridge operates under the *Post-Secondary Learning Act* of the Province of Alberta to provide post-secondary and graduate education and to engage in research and public service. The University is a registered charity, and under section 149 of the *Income Tax Act of Canada*, is exempt from the payment of income tax.

Note 2 Significant Accounting Policies

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. Such estimates have been made using judgments determined by the University's administration. Employee future benefit liabilities, amortization of capital assets, amortization of unamortized capital contributions and asset retirement obligations are the most significant items based on estimates. In administrations' 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) Interest in joint ventures

These financial statements use the equity method to record the University's interest in jointly controlled entities. Currently there are no joint ventures recorded using the equity method. Joint ventures where the University does not maintain control are disclosed in Note 18.

c) Revenue Recognition

The financial statements record the following items as revenue - at the following times:

- Unrestricted contributions - when received, or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Unrestricted investment income – earned interest and dividends, realized and unrealized gains and losses.
- Revenues received for services and products - when the services or products are provided.
- Tuition fees - when the instruction is delivered.
- Restricted contributions - based on the deferral method.
- Pledges that can be reasonably estimated and where ultimate collection is reasonably assured are recorded as an asset, with the corresponding amount being recorded as gifts and donations revenue, deferred contributions, deferred capital contributions or endowment as applicable. Contributions are disclosed in Note 6.

Restricted contributions – deferral method
Contributions, including investment income on the contributions, that 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 restricted to the acquisition of capital assets with limited life are recorded as deferred capital contributions when received, and when expended, 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 allocated to endowment principal, under agreements with benefactors or the *Post-Secondary Learning Act*, are also recognized as direct increases in endowment net assets.

Note 2 Significant Accounting Policies (continued)

c) Revenue Recognition (continued)

Contributions restricted to the acquisition of land and permanent collections are recorded as deferred contributions when received, and when expended, are recognized as direct increases in investment in capital assets and collections.

d) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in first-out basis.

e) Capital Assets and Collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair market value when a fair value can be reasonably determined.

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:

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

Permanent collections are not amortized and consist of works of art.

f) Employee Future Benefits

The University participates in the Public Service Pension Plan (PSPP) and Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings.

The University does not have sufficient plan information on the PSPP required to follow defined benefit plan accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year; which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's respective future benefits.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of pensionable earnings.

The University has a number of defined benefit plans that provide pension, other retirement and post-employment benefits to most of its employees. These include the Early Retirement Plan, the Senior Administrative Leave Plan, Long-Term Disability Plans and pension plans. In addition, the University provides a supplementary benefit plan to some employees, which is accounted for as a defined contribution plan. The early retirement plan is closed to new members and no future service benefits are being accrued. The actuarial determination of the accrued benefit obligations for other employee future benefits uses either the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors) or the accumulated benefit method where future salary levels or cost escalations do not affect the amount of employee future benefits.

Note 2 Significant Accounting Policies (continued)

g) Contributed Services

Volunteers and University staff contribute an undeterminable number of hours each year to assist the University in achieving its mandate. Such contributions are not recognized in the financial statements.

h) Asset Retirement Obligation

The discounted present value of a liability for an asset retirement obligation is recognized in the period incurred if a reasonable estimate of fair value can be made.

Upon initial recognition of an asset retirement obligation, the same amount is recognized as an increase in the carrying amount of the related asset. The asset retirement cost is allocated to expense over its estimated useful life or as the cost of retiring the asset is incurred, if applicable.

i) Classification and Accounting for Financial Instruments

The University's financial assets and liabilities are classified as follows:

Financial Statement Components	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair Value
Investments	Held for trading	Fair Value
Accounts receivable	Loans and Receivables	Amortized cost
Other long-term assets	Loans and Receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost
Long-term liabilities	Other liabilities	Amortized cost

Other balance sheet accounts have not been classified as they are not within the scope of the accounting standards.

The University's financial instruments are recognized on their trade date and fair values have been recorded for all assets in transit. Transaction costs related to all financial instruments are expensed as incurred. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the statement of financial position date. For securities where market quotes are not available, estimation techniques are used to determine fair value. Estimation techniques used include discounted cash flows, internal models that utilize observable market data or comparisons with other securities that are substantially the same.

The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. As permitted for Not-for-Profit Organizations under the standard, the University has elected to not apply the standards on non-financial contracts or derivatives embedded in non-financial contracts, leases and insurance contracts, and the University has elected to adopt handbook section 3861 rather than sections 3862 and 3863.

The University is exposed to risk through the normal course of operations. These risks are managed through internal policies, guidelines and procedures. These risks include:

Market Risk
The University is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the University has established a target mix of investment types designed to achieve the optimal returns within reasonable risk tolerances.

Note 2 Significant Accounting Policies (continued)

i) Classification and Accounting for Financial Instruments (continued)

Liquidity Risks
The University maintains a short-term line of credit with the Bank of Montreal that is designed to ensure sufficient available funds to meet current and forecasted financial requirements as cost effectively as possible. As at March 31, 2009 the University had committed borrowing facilities of $5 million, none of which had been drawn.

Credit Risk
The credit risk for accounts receivable is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricting enrollment activities for students with delinquent balances and maintaining standard collection procedures.

Interest Rate Risk
Interest rate risk is the risk to the University's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates. This risk is managed by contractually setting interest rates with banking institutions.

Commodity Price Risk
The University is exposed to commodity price risk as a result of substantial electricity and natural gas usage required to operate the institution's facilities. To mitigate these risks, the University has entered into a five year fixed price electricity contract that commenced January 1, 2006.

Note 3 Accounting Policy Developments

a) Capital Disclosures, Section 1535
Effective April 1, 2008 the University adopted Section 1535, Capital Disclosures which prescribes standards for disclosing information about entity's objectives, policies and procedures for managing capital. The additional disclosures required as a result of adopting this standard are included in Note 21.

b) Cash Flow Statements, Section 1540

Effective April 1, 2008 the University adopted Section 1540 Cash Flow Statements that establishes standards for the classification and presentation of cash flow statements. The adoption of this standard resulted in the removal of non-cash transactions from investing and financing activities in the Statement of Cash Flows of the current and prior year.

c) Change in Accounting Policy for Employee Future Benefits

In previous years, the University had accounted for its pension costs in the Universities Academic Pension Plan (UAPP) based on employer paid contributions. Although the total UAPP pension liability was known; there was significant measurement uncertainty with respect to each participant's share.

The Universities and the Province of Alberta have made their best estimate to allocate to each University their respective shares of the unfunded liability as at March 31, 2009. As a result, the University has changed its accounting policy from defined contribution to defined benefit accounting to provide more complete and transparent financial information.

These changes have been applied retroactively with restatement of comparative numbers. The impact on the prior year's financial statements as a result of the change in accounting policy is as follows:

(in thousands of dollars)

Note 3 Accounting Policy Developments (continued)

c) Change in Accounting Policy for Employee Future Benefits (continued)

	As Previously Recorded	Adjustment Recorded	2008 (as restated)
Increase (decrease) in:			
Statement of Financial Position			
Unrestricted Net Assets, beginning of the year	$ 18,664	$ (9,120)	$ 9,544
Unrestricted Net Assets, end of the year	$ 34,871	$ (7,650)	$ 27,221
Employee Future Benefits	$ 7,017	$ 7,650	$ 14,667
Statement of Operations			
Employee benefits	$ 13,560	$ (1,470)	$ 12,090

Note 4 Cash and Short-term Investments

Cash and short-term investments are invested in high quality Canadian money market instruments. The carrying value of cash and short-term investments approximate fair value.

	2009 Cost	Effective Yield	2008 Cost	Effective Yield
Cash and cash equivalents	$ 44,852	2.24%	$ 26,035	4.23%
	$ 44,852		$ 26,035	

Short-term investments are held on average for less than one year and bonds are held on average for less than two years.

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

Note 5 Investments

The long-term investment portfolio includes endowment assets as well as the portion of non-endowment assets that will not be required for spending in the short-term. The primary objective of this portfolio is a rate of return that, in real terms, exceeds the endowment spending allocation at an acceptable risk level.

	2009		2008	
	Annual Market Yield	Market Value	Annual Market Yield	Market Value
Cash and cash equivalents	1.50%	$ 22,554	3.74%	$ 22,463
Bonds	3.06%	43,668	4.32%	31,839
Canadian equity	-32.50%	32,819	-0.20%	36,999
Foreign equity	-31.96%	21,234	-12.70%	25,269
Other investments		134		135
		$ 120,409		$ 116,705

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

Cash and cash equivalents are held for less than one year and government and corporate bonds currently hold terms to maturity ranging from less than 1 year to more than 39 years.

(in thousands of dollars)

Note 6 Contributions Receivable

		2009		2008
1st Choice Savings and Credit Union Ltd.	$	1,950	$	2,100
University of Lethbridge students		2,129		2,317
University of Lethbridge graduate students		57		-
		4,136		4,417
Discount to present value		(660)		(889)
Current portion included in accounts receivable		(355)		(350)
	$	3,121	$	3,178

The 1st Choice Savings and Credit Union Ltd. is the naming sponsor for the 1st Choice Savings Centre for Sport and Wellness and is contributing a total of $2,250 over a 15-year period. University of Lethbridge students are contributing $2,500 towards the 1st Choice Savings Centre for Sport and Wellness, to be collected over a period of approximately 11 years. Graduate students of the University of Lethbridge are contributing $60 towards the construction of the Day Care facility, to be collected over a period of approximately 13 years. These contributions have been discounted to their present value using market interest rates. The revenue from these contributions will be recognized in the financial statements as the building is amortized. The discount on the contributions will be recognized in future years as interest income.

In addition to the contributions above, there are pledges of $4,857 (2008 - $4,186) for capital projects and scholarships that have not been recorded in the financial statements.

Note 7 Capital Assets and Collections

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings and land improvements	$ 291,628	$ 87,479	$ 204,149	$ 254,360	$ 79,747	$ 174,613
Equipment and furnishings	60,728	46,074	14,654	57,230	43,561	13,669
Library materials	30,469	21,414	9,055	28,573	20,071	8,502
Capital assets subject to amortization	382,825	154,967	227,858	340,163	143,379	196,784
Land	913		913	913		913
	383,738	$ 154,967	228,771	341,076	$ 143,379	197,697
Permanent collections	33,687		33,687	33,623		33,623
Capital assets and collections	$ 417,425		$ 262,458	$ 374,699		$ 231,320

Included in buildings and land improvements is $28,066 (2008- $17,743) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions during the year included in-kind contributions (such as learning resources and equipment) in the amount of $279 (2008 - $376).

(in thousands of dollars)

Note 8 Employee Future Benefits

	2009	2008 Restated
Vacation and overtime pay	$ 3,704	$ 3,439
Maternity and parental leaves	268	129
Other payroll liabilities	1,471	151
Early retirement benefit plans	216	250
Senior administrative leaves	5,897	5,576
Supplementary benefit plan	1,814	1,490
Long-term disability benefits	472	481
UAPP pension liability	9,470	7,650
	23,312	19,166
Less current portion	(6,548)	(4,499)
	$ 16,764	$ 14,667

The University has defined benefit plans that provide future employment benefits, which include the Early Retirement Plan, Senior Administrative Leave, Long-Term Disability Plans and pension plans. In addition, the University provides a supplementary benefit plan to some employees, which is accounted for as a defined contribution plan.

Maternity and parental leave benefit obligations accrue when employees begin their leaves and are reduced as the benefits are subsequently paid to employees.

The Early Retirement Plan pays a fixed amount annually based on the salary and benefits in effect for each member at the date of retirement. This plan is closed to new members and no future service benefits are being accrued.

The Senior Administrative Leave Plan provides for certain senior administrators to accrue an entitlement to a leave of absence, for the purpose of professional development, at the end of their service in an administrative position. Upon leaving the post, the member's salary and benefits in effect at the end of the service are paid for the duration of the leave and are indexed at a rate determined by the University.

The Long-Term Disability Plans provide pension and non-pension benefits after employment, but before retirement. The University pays for the non-insured portion of the disability benefits.

The Supplementary Benefit Plan provides a termination benefit to certain employees over and above the benefits provided by the Universities Academic Pension Plan. The University contributes annually to the Supplementary Benefit Plan based on the employee's salary. Each employee's account is also adjusted annually by the realized rate of return on the University's long-term investments.

Total cash payments for employee future benefits for 2009, consisting of cash payments directly to beneficiaries for unfunded benefit plans and cash contributed to its multi-employer defined benefit plans, were $7,967 (2008- $7,279).

The University measures its accrued benefit obligations for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the employee future benefit plans was performed as of March 31, 2009.

(in thousands of dollars)

Note 8 Employee Future Benefits (continued)

The benefit plan obligations are as follows:

	2009				2008			
	Supplementary Benefit Plan	Early Retirement Plan	Senior Administrative Leave	Long-Term Disability Plan	Supplementary Benefit Plan	Early Retirement Plan	Senior Administrative Leave	Long-Term Disability Plan
Accrued benefit obligation:								
Balance, beginning of year	$ 1,490	$ 250	$ 5,576	$ 660	$ 1,199	$ 343	$ 5,064	$ 676
Current service cost	308	-	803	68	272	-	827	63
Past service cost	-	-	-	-	-	-	-	-
Interest cost	65	12	312	35	54	13	253	31
Benefits paid	(49)	(44)	(879)	(140)	(35)	(108)	(518)	(117)
Actuarial loss (gain)	-	(2)	85	98	-	2	(50)	7
Balance, end of year	1,814	216	5,897	721	1,490	250	5,576	660
Plan assets	-	-	-	-	-	-	-	-
Funded status - plan deficit	1,814	216	5,897	721	1,490	250	5,576	660
Unamortized net actuarial gain (loss)	-	-	-	(249)	-	-	-	(179)
Accrued benefit liability	$ 1,814	$ 216	$ 5,897	$ 472	$ 1,490	$ 250	$ 5,576	$ 481

The significant actuarial assumptions adopted in measuring the University's employee future benefit obligations are:

	2009				2008			
	Supplementary Benefit Plan	Early Retirement Plan	Senior Administrative Leave	Long-Term Disability Plan	Supplementary Benefit Plan	Early Retirement Plan	Senior Administrative Leave	Long-Term Disability Plan
Discount rate	n/a	5.70%	5.70%	5.70%	n/a	5.25%	5.25%	5.25%
Rate of compensation increase	n/a	n/a	6.00%	5.00%	n/a	n/a	6.00%	5.00%
Assumed benefit cost trend rates:								
Pension contributions	n/a	n/a	n/a	5.00%	n/a	n/a	n/a	5.00%
Benefits	n/a	n/a	4.50%	4.50%	n/a	n/a	4.50%	4.50%
Average remaining service period of active employees	6 years	4 years	4 years	5 years	7 years	2 years	5 years	4 years

The University participates in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings.

The PSPP 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, 2008, the PSPP reported an actuarial deficiency of $1,187,538 (2007 – deficiency of $92,070). An actuarial valuation of the PSPP was carried out as at December 31, 2005 and was then extrapolated to December 31, 2008. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of $1,188 for the year ended March 31, 2009 (2008 - $1,095).

The UAPP is a multi-employer contributory defined benefit pension plan for academic staff members and other eligible employees. At December 31, 2008, the UAPP reported an actuarial funding deficiency of $1,055,471 (2007 – deficiency of $535,843) consisting of a pre-1992 deficiency of $752,437 and a post-1991 deficiency of $303,034. Based on an extrapolation of the UAPP's financial position to March 31, 2009, this deficiency has increased to $1,299,860 at March 31, 2009 ($857,110 for pre-1992 service and $442,750 for post-1991 service). The University's portion, which has been allocated based on its plan members' percentage of pensionable earnings, is estimated to be $44,443 at March 31, 2009 ($19,880 – March 31, 2008). The University has recorded $7,430 of pension expense and deferred $34,960 of unamortized experience losses as permitted under the prescribed standards for accounting for employee future benefits.

(in thousands of dollars)

Note 8 Employee Future Benefits (continued)

The significant actuarial assumptions used to value the UAPP's total accrued benefit liability are as follows:

	2009	2008
Accrued benefit obligation as of March 31:		
Discount rate	6.70%	6.70%
Average compensation increase - short-term	6.00%	6.00%
Average compensation increase - long-term	3.00%	3.00%
Benefit costs for years ended March 31:		
Discount rate	6.70%	6.75%
Average compensation increase	6.00%	6.00%

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2007 – 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 1.74% (2007 – 2.28%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 1.08% (2007 – 2.64%) of salaries shared equally between employees and employers until December 31, 2017. The special payments will decrease to 1.38% of pensionable earnings on January 1, 2018 and continue until December 31, 2019.

Note 9 Deferred Contributions

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

	2009			2008 Restated
	Capital	Research and Other	Total	Total
Balance, beginning of year	$ 44,534	$ 15,714	$ 60,248	$ 32,199
Grants and donations received	49,126	20,510	69,636	66,980
Recognized as revenue	(86)	(14,079)	(14,165)	(12,744)
Non-amortizable collection additions	-	(4)	(4)	(4)
Transferred to unamortized deferred capital contributions (Note 11)	(33,454)	(3,691)	(37,145)	(26,183)
Balance, end of year	60,120	18,450	78,570	60,248
Less amounts included in current liabilities	-	(17,532)	(17,532)	(13,953)
	$ 60,120	$ 918	$ 61,038	$ 46,295

(in thousands of dollars)

Note 10 Long-Term Obligations

	Amount Outstanding 2009	Amount Outstanding 2008
Alberta Capital Finance Authority	$ 3,387	$ 3,524
Asset retirement obligation	1,427	1,382
Capital lease	384	483
	5,198	5,389
Current portion	(840)	(818)
	$ 4,358	$ 4,571

The Alberta Capital Finance Authority debenture was borrowed for student residences in the amount of $4,000 at 6% interest and is due April 15, 2023. The debenture is secured by cash flows generated from the Residence Park, Aperture Park and University Hall residences.

Debenture principal and interest repayments are as follows:

	Principal	Interest	Total
2010	$ 146	$ 203	$ 349
2011	154	195	349
2012	164	185	349
2013	173	176	349
2014	184	165	349
2015 to maturity	2,566	921	3,487
	$ 3,387	$ 1,845	$ 5,232

Interest on the debenture of $202 was charged to expense in fiscal 2009 (2008 - $212).

The asset retirement obligation represents the estimated present value of the legal obligation associated with the removal of asbestos from University Hall.

Reconciliation of the asset retirement obligation:

March 31, 2008 beginning balance	$ 1,382
Liabilities settled during the period	(218)
Accretion expense	21
Increase to obligation	242
March 31, 2009 ending balance	$ 1,427

Estimating the liability requires judgment by University administration related to the amount of work required to remove the asbestos, the cost of the work and inflationary increases over the term of the obligation. Costs are expected to be incurred over the next four fiscal years, with an undiscounted value of approximately $1.5 million. The credit-adjusted risk-free rate used for discounting the liability was 1.5%. The asset retirement obligation will reduce as the asbestos is removed from the building and amortized through the statement of operations. Further costs of removing asbestos cannot be reasonably estimated at this time, but will be recorded in the period in which there is sufficient information to estimate fair value.

The capital lease obligation relates to a contractual lease agreement of land and property from 2008 - 2012, where ownership will transfer to the University at the end of the lease.

(in thousands of dollars)

Note 11 Unamortized Deferred 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:

	2009	2008
Balance, beginning of year	$ 119,515	$ 99,616
Additions from deferred contributions (Note 9)	37,145	26,183
Amortization to revenue	(7,280)	(6,284)
Balance, end of the year	$ 149,380	$ 119,515

Note 12 Endowments

Endowments consist of:
- Internal allocations by the Board of Governors (internally restricted).
- Restricted donations to the University - the principal must be maintained intact in perpetuity (externally restricted).

The investment income earned on internally restricted endowments is used to fund scholarship endowments as directed by Board of Governors resolutions. The purpose of the internally restricted endowments cannot be changed without approval of the Board of Governors.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the externally restricted endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of externally restricted endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

If, in any year, the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. This amount is expected to be recovered by future investment income.

	2009			2008		
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total
Cumulative contributions	$ 21,930	$ 3,232	$ 25,162	$ 20,024	$ 2,672	$ 22,696
Cumulative capitalized earnings	3,448	342	3,790	9,026	451	9,477
	$ 25,378	$ 3,574	$ 28,952	$ 29,050	$ 3,123	$ 32,173

(in thousands of dollars)

Note 12 Endowments (continued)

During the 2009 fiscal year, the investment loss on externally restricted endowments of $6,333 was charged to endowment funds and $820 was transferred from endowments to Unrestricted Net Assets to fund approved net endowment spending.

The Board of Governors approved the permanent endowment of four Faculty of Education scholarships as well as the funding of endowment deficits and transferred $1,202 (2008- $1,342) from unrestricted net assets to externally restricted endowments.

Note 13 Internally Restricted Net Assets

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

	2009	2008
OPERATING		
Academic development	$ 7	$ 49
Campus planning studies	55	55
Utilities contingency - rate increases	55	55
Program development	88	88
	205	247
CAPITAL		
Capital replacement - Ancillary Services	3,583	3,207
Housing Services - residences	867	447
Buildings, plant, capital equipment [1]	322	8,513
Site and utilities	73	73
Utility conservation	157	157
Self insurance	33	208
Parking	852	447
Service vehicles and equipment	148	36
	6,035	13,088
	$ 6,240	$ 13,335

[1] The Board of Governors set aside $8,483 for funding of capital projects in 2008

Note 14 Unrestricted Net Assets

Unrestricted Net Assets represents amounts neither internally nor externally restricted for specific purposes. At March 31, 2009, the balance of $26,457 (2008 - $27,221) represents $35,927 (2008 - $34,871) for general unrestricted amounts offset by an unrestricted deficit of $9,470 (2008 – deficit $7,650) associated with future pension obligations.

(in thousands of dollars)

Note 15 Investment Income (Loss)

Income (loss) on investments held for endowments		
Externally restricted	$ (6,333)	$ (265)
Internally restricted	(109)	97
	(6,442)	(168)
Loss from other investments	(12,354)	(18)
Total investment loss	(18,796)	(186)
Amounts allocated from (to) deferred contributions	754	(1,291)
Income capitalized to endowment principal	6,333	265
Total investment income (loss)	$ (11,709)	$ (1,212)

Note 16 Salaries and Employee Benefits

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of salary and benefit information of all executive and vice presidents who are in the senior decision making group.

	2009				2008 Restated
	Base Salary [1]	Other Cash Benefits[2]	Other Non-Cash Benefits[3]	Total	Total
Chairman of Board [4]	$ -	$ -	$ -	$ -	$ -
Board Members[4]	-	-		-	-
President[5]	338	80	93	511	474
Executive/Vice Presidents					
Vice President (Academic) [5]	242	32	43	317	330
Vice President (Finance & Administration)	258	-	48	306	282
Vice President (Research)	211	-	40	251	228
Vice President (University Advancement)	178	-	35	213	194
Administrative leave benefit [6]					
President[5]				179	131
Vice President (Academic)[5]				55	101
Vice President (Finance & Administration)				59	64
Vice President (Research)				67	67

(1) Salary includes pensionable base pay.

(2) Other cash benefits include housing allowances and research allowances.

(3) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, extended health benefits, group life insurance, long-term disability plans, professional memberships, supplementary benefit plan (as per note 7 below) and professional supplement allowance.

(in thousands of dollars)

Note 16 Salaries and Employee Benefits (continued)

(4) The Chairman and members of the Board of Governors receive no remuneration for participation on the Board.

(5) An adjustment was made to the prior year to include the research allowance.

(6) Administrative leaves are accrued for certain executive officers at a rate of one month for every five months served. If the leave is granted, all salaries and benefits excluding any housing allowances are paid on a monthly basis over the duration of the leave. Cash payments in lieu of administrative leave are not permitted, nor is it possible under Board policy to work for another institution or organization while on leave. Normally, administrative leave is taken immediately after leaving office. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on service, a discount rate based on market interest rates and management's best estimates of salary and benefit increases to the assumed retirement or termination date. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. The amounts shown include current and prior service costs.

(7) Under the terms of the supplementary benefit plan (SBP), certain senior executive officers will receive supplemental retirement payments. The costs detailed below are non-cash payments in the period but are a period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide a payment at termination of employment with the University. The SBP is a defined contribution plan. The University contributes annually to the SBP based on the employee's salary and this benefit earns interest at the annual realized rate of return on the University's long-term investments. The interest accrued on benefit obligations is equal to the realized earnings rate on the University's long-term investments of 4.15% in 2009 (2008 – 4.18%).

SUPPLEMENTARY BENEFIT PROGRAM

	2009			2008
	Current Service Cost	Interest Accrued	Total	Total
President	$ 50	$ 10	$ 60	$ 57
Executive/Vice Presidents				
Vice President (Academic)	12	1	13	13
Vice President (Finance & Administration)	13	3	16	14
Vice President (Research)	9	1	10	8
Vice President (University Advancement)	5	-	5	3

The accrued obligation for each executive under the Supplementary benefit program is outlined in the following table:

	Accrued obligation March 31, 2008	Changes in accrued obligation	Accrued obligation March 31, 2009
President	$ 241	$ 60	$ 301
Executive/Vice Presidents			
Vice President (Academic)	11	13	24
Vice President (Finance & Administration)	62	16	78
Vice President (Research)	37	10	47
Vice President (University Advancement)	7	5	12

(in thousands of dollars)

Note 17 Change in Non-Cash Working Capital

	2009	2008
Accounts receivable	$ 8,931	$ (8,430)
Inventories	(151)	(71)
Prepaid expenses	(380)	(238)
Accounts payable, accrued liabilities and holdbacks	591	523
Employee future benefits	2,049	392
Deferred revenue	149	(67)
Deferred contributions	3,579	2,952
Increase (decrease) in non-cash working capital	$ 14,768	$ (4,939)

Note 18 Related Party Transactions

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

	2009	2008
Advanced Education and Technology	$ 145,864	$ 127,276
Alberta Heritage Foundation for Medical Research	1,554	531
Alberta Solicitor General and Public Security	741	305
Alberta Cancer Board	375	290
Alberta Education	94	420
Alberta Tourism, Parks, Recreation and Culture	15	2,000
Other	546	391
Total contributions received	149,189	131,213
Less: Deferred contributions	(51,842)	(44,782)
Revenue from provincial government	$ 97,347	$ 86,431

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

The University of Lethbridge has accounts receivable from the Province of Alberta of $1,436 (2008 - $5,362) and accounts payable to the Province of Alberta of $581 (2008 - $144).

In 2008 and 2009 the University participated in offering certain courses with other public colleges, universities and institutes. The revenues and expenses incurred for these courses have been included in the statement of operations but have not been separately disclosed.

The University owns 90% of the common shares in Alberta Terrestrial Imaging Corp. (ATIC), a company formed in June 2005 to provide satellite imagery to Canadian academic markets. The University has one-third of the voting control of ATIC. At March 31, 2009 the University had a loan receivable from ATIC of $635 (2008 - $968) resulting from paying certain operating expenses on ATIC's behalf. These amounts are included in the University's statement of financial position as accounts receivable.

The University has significant influence in the Canada School of Energy and Environment (CSEE), a corporation formed in partnership with the University of Calgary and University of Alberta to facilitate the integration of research discoveries in energy and environmental research across various institutions through receipt of grant funding. The university holds one-third of the Board member seats with the ultimate control being held by the other two partners. At March 31, 2009 the University submitted $82 in research expenses to be funded by CSEE grants.

Note 19 Scholarships, Fellowships and Bursaries

In addition to the amount recognized, scholarships and bursaries totaling $2,863 (2008 - $2,437) were awarded to 1,954 (2008 - 1,756) University of Lethbridge students through the Alberta Scholarship Program. These amounts are not included in the financial statements.

Note 20 Commitments and Contingencies

a) The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Administration has concluded that none of the claims meet the criteria for being recorded under GAAP.

b) The University is one of fifty-six members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2008 CURIE had a surplus of $17,748 (2007 - $16,825). This surplus is an accumulation of four different underwriting periods. The University participates in three of these underwriting periods, which have an accumulated surplus of $13,771 as of December 31, 2008 (2007 - $13,737). The University held a 1.06% share in CURIE at December 31, 2008 and this is not recorded in the financial statements.

c) The University leases teaching facilities in Edmonton and Calgary. In fiscal 2009 basic rent on the property in Edmonton totaled $169 (2008 - $146), and occupancy costs were $207 (2008 - $181). A renewable five-year lease on this property began July 1, 2007. The new lease includes a 46% increase in the amount of space rented due to expansion requirements. Under the new lease, annual basic rent will start at $122 and increase by 3% each year thereafter, and occupancy costs will start at $180 and increase at a rate of 5% per year. The Calgary lease is a one year lease beginning July 1, 2008 with a 2 year option to renew where rates are subject to change. In fiscal 2009 the lease costs on facilities in Calgary totaled $139 (2008- $110). Lease costs are expected to increase for fiscal 2010 due to rising rental costs and additional space requirements.

d) In order to manage its exposure to the volatility in the electrical industry, the University has entered into two contracts to fix its electrical cost at an average of $.055 per KWh, one of which expires on December 31, 2010 and the other on May 31, 2016. The total cost of electrical power for the year ending March 31, 2010 is expected to be $1,937. The cost of electricity included in these statements for fiscal 2009 is $1,977 (2008 - $1,890).

e) As at March 31, 2009, the University had contractual commitments payable in subsequent years that total $34,713 (2008 - $13,049) related to various capital projects. The most significant of these commitments are for Markin Hall for Health Sciences and Management ($25,962), the Stadium and Sports Field Complex ($5,010), and the Daycare Facility ($1,662). These commitments are not recorded in the financial statements.

f) Under agreements and/or contracts with a number of employee groups, the University provides Professional Supplement funds for activities related to teaching, research, professional development or general University-related duties. At March 31, 2009 approximately $1,559 (2008 - $1,433) of such allowances is committed for expenses not yet incurred.

g) The University of Lethbridge has entered into a 10 year lease commencing February 26, 2003 of public land for the purpose of conducting research. The terms of the agreement obligate the University to reclaim all disturbed land surfaces to their original state within two growing seasons. The full impact and associated costs cannot be reasonably estimated at this time.

Note 20 Commitments and Contingencies (continued)

h) The University has committed to contribute $30 annually to the operating and capital costs of CYBERA, Alberta Cyberinfrastructure for Innovation, a non-profit organization mandated to provide provincial leadership in integrating, leveraging and sustaining investments in Cyberinfrastructure technologies in Alberta.

i) The University entered into a lease agreement for a warehouse bay for Sport and Recreation Services in Lethbridge, commencing October 1, 2007 for a five year term. In fiscal 2009 lease costs on the property totaled $41 and operating costs totaled $6.

Note 21 Capital Disclosures

The University defines capital as the amounts included in its deferred contributions (Note 9), endowment net assets (Note 12) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded primarily by Alberta Education and Technology. The University has investment policies (Note 5), spending policies and cash management procedures to ensure the University meets its obligations.

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

Note 22 Comparative Figures

Certain 2008 figures have been reclassified to conform to 2009 financial statement presentation.

Note 23 Approval of Financial Statements

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