NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars)

Note 1 Authority and Purpose

The University of Lethbridge operates under the *Post-Secondary Learning Act 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. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

b) 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 - when earned; this includes interest, dividends, realized 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.

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 to acquire capital assets with limited life are first recorded as deferred contributions when received, and when expended, they are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-Secondary Learning Act of Alberta* allocated to endowment principal, are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are deferred and recognized as revenue when the conditions of the endowment are met.

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

c) Inventories

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

(in thousands of dollars)

Note 2 Significant Accounting Policies (continued)

d) Investments

Short-term investments are held at the lower of cost or market.

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

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

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

f) Pension and Other Employee Future Benefit Plans

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. 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. Defined contribution plan accounting is applied to these pension plans as the University has insufficient information to apply defined benefit plan accounting. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits.

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.

Actuarial gains (losses) arise from experience different from that assumed or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the benefit obligation is amortized over the average remaining service period of active employees. The average remaining service life of the active employees covered by the non-pension employee future benefit plans ranges from two to seven years.

g) Pledges Receivable

Pledges receivable are not recorded as assets in these financial statements. Pledges are disclosed in Note 18.

h) Contributed Services

Volunteers and University staff contribute services each year to assist the University in achieving its mandate. The financial statements do not record the value of these services.

i) Fair Value of Financial Instruments

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

(in thousands of dollars)

Note 2 Significant Accounting Policies (continued)

j) Credit, Interest Rate and Market Risk

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

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

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

k) Foreign Currency Translation

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate. Revenues and expenses are translated at average weekly exchange rates. Gains or losses from these translations are included in operations.

Note 3 Investments and Cash

Cash and cash equivalents and short-term investments are invested in highly secure Canadian money market instruments.

The mid-term investments are invested in high quality Canadian denominated bonds and debentures.

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.

The carrying values of investments are as follows:

	2006	2005
Cash, short-term notes and treasury bills	$ 30,196	$ 22,885
Bonds	20,365	18,695
Stocks	31,630	27,542
Other investments	439	399
	82,630	69,521
Less amounts reported as:		
Cash	16,121	6,078
Short-term investments	12,407	12,118
Total	$ 54,102	$ 51,325

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

As at March 31, 2006, the average effective yields and the terms to maturity are as follows:

- Short term notes and treasury bills: 2.35% (2005 – 3.58%); term to maturity: less than one year.
- Government and corporate bonds: 5.03% (2005 – 5.11%); term to maturity: range from less than one year to more than 30 years.

NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars)

Note 4 Interest in Joint Venture

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

The University's equity in the accumulated earnings of the joint venture at March 31, 2006 is $316 (2005 - $291) and is included in Other Investments (Note 3).

At March 31, 2006 the University's share of the joint venture's assets and liabilities are:

	2006	2005
Current assets [1]	$ 581	$ 458
Capital assets	3	4
	$ 584	$ 462
Current liabilities	$ 265	$ 167
Unamortized deferred capital contributions	1	3
Investment in capital assets	2	1
Joint venture interest	316	291
	$ 584	$ 462

[1] included in current assets is a receivable of $398 (2005 - $223) from the University of Lethbridge for operating funds that are being administered on behalf of the joint venture.

The University's share of joint venture earnings for the year ending March 31, 2006 is $105 which is one-third of the net of total revenues of $2,025 less total expenses of $1,710.

Note 5 Capital Assets and Collections

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings and land improvements	$ 197,562	$ 66,864	$ 130,698	$ 179,052	$ 60,993	$ 118,059
Equipment and furnishings	52,366	39,202	13,164	50,966	36,788	14,178
Library materials	25,405	17,621	7,784	23,313	16,607	6,706
Capital assets subject to amortization	275,333	123,687	151,646	253,331	114,388	138,943
Land	638		638	638		638
	275,971	$ 123,687	152,284	253,969	$ 114,388	139,581
Permanent collections	33,442		33,442	33,194		33,194
Capital assets and collections	$ 309,413		$ 185,726	$ 287,163		$ 172,775

Included in buildings and land improvements is $19,645 (2005 - $2,656) 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 $268 (2005 - $186).

At April 1, 2005 the University increased its threshold for capitalization of assets from one thousand to five thousand dollars. This change is being applied to the current and future periods. The effect on the current period's statement of operations was an increase in equipment expense of $1,763.

(in thousands of dollars)

Note 6 Employee Benefit Liabilities

	2006	2005
Vacation and overtime pay	$ 3,668	$ 3,366
Maternity and parental leaves	209	143
Other payroll liabilities	151	425
Early retirement benefit plans	560	853
Senior administrative leaves	4,839	3,990
Supplementary benefit plan	921	762
Long-term disability benefits	476	417
	10,824	9,956
Less current portion	(4,656)	(4,411)
	$ 6,168	$ 5,545

Note 7 Pension and Other Employee Future Benefit Plans

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 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, normally at the end of their service in an administrative position. During the administrative leave, the member's salary and benefits in effect prior to taking the leave or 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.

a) Benefit Plans

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, 2006.

The benefit plan obligations are as follows:

	2006				2005			
	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	$ 695	$ 850	$ 3,996	$ 462	$ 626	$ 1,257	$ 3,428	$ 115
Current service cost	206	-	843	116	168	-	682	340
Past service cost	15	-	-	-	-	-	-	-
Interest cost	45	24	166	19	33	24	126	10
Benefits paid	(40)	(316)	(188)	(85)	(65)	(428)	(246)	(48)
Actuarial loss (gain)	-	2	22	76	(67)	(3)	6	45
Balance, end of year	921	560	4,839	588	695	850	3,996	462
Plan assets	-	-	-	-	-	-	-	-
Funded status - plan deficit	921	560	4,839	588	695	850	3,996	462
Unamortized net actuarial gain (loss)	-	-	-	(112)	67	3	(6)	(45)
Accrued benefit liability	$ 921	$ 560	$ 4,839	$ 476	$ 762	$ 853	$ 3,990	$ 417

(in thousands of dollars)

Note 7 Pension and Other Employee Future Benefit Plans (continued)

Total cash payments for employee future benefits for 2006, consisting of cash payments directly to beneficiaries for unfunded benefit plans and cash contributed to its multi-employer defined benefit plans, were $5,826 (2005 - $5,146).

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	2006				2005			
	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	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Rate of compensation increase	n/a	n/a	6.00%	5.00%	n/a	n/a	7.25%	6.25%
Assumed benefit cost trend rates:								
Pension contributions	n/a	n/a	n/a	5.00%	n/a	n/a	n/a	6.25%
Benefits	n/a	4.50%	4.50%	4.50%	n/a	n/a	4.50%	4.50%
Average remaining service period of active employees	7 years	2 years	6 years	5 years	6 years	2 years	7 years	5 years

b) Pension plans

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings. The pension expense recorded in these financial statements is equivalent to the University's annual contributions of $5,197 for the year ended March 31, 2006 (2005 - $4,359) including UAPP contributions of $4,327 (2005 - $3,542) and PSPP contributions of $870 (2005 - $817).

At December 31, 2005, the Universities Academic Pension Plan reported an actuarial deficiency of $537,415 (2004 - $643,979) consisting of a pre-1992 deficiency ($460,286) and a post-1991 deficiency ($77,129). An actuarial valuation of the UAPP was carried out as at December 31, 2004 and the liability was extrapolated to December 31, 2005. The UAPP undertakes an actuarial valuation of the Plan every two years. The unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25% (2004 - 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.28% (2004 – 1.76%) of salaries required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows that the present value at December 31, 2004 of the Province of Alberta's obligation for the future additional contributions was $183,400. Effective July 1, 2005, the unfunded liability for service after December 31, 1991 is being financed by special payments of 2.64% (2004: 1.26%) of salaries shared equally between employees and employers over 15 years from the date of valuation until December 31, 2017. The special payments will decrease to 1.38% for the period January 1, 2018 to December 31, 2019.

At December 31, 2005, the Public Service Pension Plan reported an actuarial deficiency of $187,704 (2004 - $450,068). An actuarial valuation of the Public Service Pension Plan was performed as of December 31, 2002 and was extrapolated to December 31, 2005. An actuarial valuation is being performed as at December 31, 2005. The actuarial deficiency of $435 million as determined by the actuarial funding valuation as at December 31, 2002 is being funded by a special payment of 2.76% of pensionable earnings shared equally between employees and employers until December 31, 2017.

(in thousands of dollars)

Note 8 Deferred Contributions

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

	2006			2005
	Capital	Research and Other	Total	Total
Balance, beginning of the year	$ 4,834	$ 10,748	$ 15,582	$ 12,008
Grants and donations received	15,874	14,981	30,855	16,039
Recognized as revenue	-	(12,383)	(12,383)	(10,233)
Transferred to unamortized deferred capital contributions	(8,123)	(4,577)	(12,700)	(2,232)
Balance, end of the year	12,585	8,769	21,354	15,582
Less amounts included in current liabilities	-	(8,192)	(8,192)	(9,879)
	$ 12,585	$ 577	$ 13,162	$ 5,703

Note 9 Long Term Debt

	Rate of Interest	Original Advance	Amount Outstanding 2006	Amount Outstanding 2005
Alberta Capital Finance Authority debenture for student residences, due April 15, 2023	6%	4,000	$ 3,776	$ 3,891
Current portion			(122)	(115)
			$ 3,654	$ 3,776

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

Interest on the debenture of $227 was charged to expense in fiscal 2006 (2005 - $233).

Principal payments on the debenture over the next five fiscal years are as follows: 2007 - $122; 2008 - $130; 2009 - $137; 2010 - $146; 2011 - $154.

Note 10 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:

	2006	2005
Balance, beginning of year	$ 84,437	$ 88,358
Additions from deferred contributions (Note 8)	12,700	2,232
Amortization to revenue	(6,034)	(6,153)
Balance, end of the year	$ 91,103	$ 84,437

NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars)

Note 11 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 the University of Lethbridge Scholarship Endowment and the International Entrance Award 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 endowments must be protected through allocations of investment income earned to reflect changes in purchasing power of the endowment principal. Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of an endowment to enable income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

	2006			2005		
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total
Cumulative contributions	$ 9,958	$ 1,342	$ 11,300	$ 8,666	$ 1,252	$ 9,918
Cumulative capitalized earnings	2,189	174	2,363	1,915	142	2,057
	$ 12,147	$ 1,516	$ 13,663	$ 10,581	$ 1,394	$ 11,975

During the year the University capitalized $274 (2005 - $221) of investment income related to externally restricted endowments. A portion of this amount was added to externally restricted endowments through the authority provided to the University under the Post-Secondary Learning Act. The University intends that this portion be maintained in perpetuity.

(in thousands of dollars)

Note 12 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.

	2006	2005
OPERATING		
Staff training and development	$ 31	$ 42
Academic development	242	182
Campus planning studies	160	160
Utilities contingency - rate increases	55	50
Program development	235	228
	723	662
CAPITAL		
Capital replacement - Ancillary Services	2,176	1,603
Capital replacement - Sports & Recreation Services	245	315
Housing Services - residences	895	1,074
Capital equipment	1,508	1,246
Buildings and plant [1]	10,353	8,198
Site and utilities	71	59
Utility conservation	270	264
Self insurance	195	189
Service vehicles and equipment	105	103
	15,818	13,051
	$ 16,541	$ 13,713

[1] The Board of Governors set aside $10,000 for funding of capital projects in 2006 (2005: $8,200).

Note 13 Investment Income

	2006	2005
Income on investments held for endowments		
Externally restricted	$ 715	$ 314
Internally restricted	76	30
	$ 791	$ 344
Income on other investments	3,204	2,220
Total investment income	$ 3,995	$ 2,564
Amounts allocated (to) from deferred contributions	(235)	246
Income capitalized to endowment principal	(274)	(221)
Total investment income recognized as revenue	$ 3,486	$ 2,589

NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars)

Note 14 Salaries and Employee Benefits

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

	2006				2005
	Base Salary [1]	Other Cash Benefits[2]	Other Non-Cash Benefits[3]	Total	Total
Chairman of Board [4]	$ -	$ -		$ -	$ -
Board Members[4]	-	-		-	-
President	271	30	81	382	341
Executive/Vice Presidents					
Vice-President (Academic)	235	12	54	301	284
Vice-President (Finance & Administration)	193	-	45	238	221
Dean of Management [5]	229	-	44	273	191
Dean of Graduate Studies	185	-	34	219	202
Administrative leave benefit [6]					
President				63	56
Vice-President (Academic)				55	51
Vice-President (Finance & Administration)				46	43
Dean of Management [5]				47	38
Dean of Graduate Studies				43	39

(1) Salary includes pensionable base pay

(2) Housing allowance

(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 and professional supplement allowance.

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

(5) Two individuals held the position in the current year. Both held the position for a two-month period during the transition.

(6) Leaves are accrued for senior administrators 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 administrative leave benefit reflects the current service cost of the benefit.

(in thousands of dollars)

Note 15 Change in Non-Cash Working Capital

	2006	2005
Accounts receivable	$ (475)	$ (1,430)
Inventories	44	65
Prepaid expenses	(71)	(19)
Accounts payable and accrued liabilities	(126)	1,261
Employee benefit liabilities	245	(17)
Deferred revenue	(441)	753
Deferred contributions	(1,687)	(848)
Decrease in non-cash working capital	$ (2,511)	$ (235)

Note 16 Budget

A Treasury Board Directive under the Financial Administration Act requires universities to disclose their annual approved budgets in their financial statements.

	Actual	Budget	Variance
Revenue:			
Grants	$ 77,961	$ 68,687	$ 9,274
Credit course tuition and related fees	35,060	35,820	(760)
Sales of services and products	13,039	14,449	(1,410)
Donations and investment income	4,199	4,201	(2)
	130,259	123,157	7,102
Amortization of deferred capital contributions	6,034	8,305	(2,271)
	136,293	131,462	4,831
Expense:			
Salaries and benefits	87,216	85,985	(1,231)
Materials, supplies, services and other expenses	26,892	30,921	4,029
Amortization of capital assets	12,087	12,385	298
	126,195	129,291	3,096
Excess of revenue over expense	$ 10,098	$ 2,171	$ 7,927

(in thousands of dollars)

Note 17 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. Transactions between the University and the Province of Alberta are disclosed as follows:

	2006			2005
	Unrestricted	Restricted	Total	Total
Advanced Education:				
Operating grants	$ 53,928	$ -	$ 53,928	$ 48,095
Access grants	7,861	-	7,861	7,729
Centennial Tuition Fee Rebate grant	2,426	-	2,426	-
Performance funding	803	-	803	604
Other	69	9,123	9,192	305
Total Advanced Education	65,087	9,123	74,210	56,733
Other provincial ministries, departments and agencies:				
Alberta Infrastructure	-	3,134	3,134	2,273
Alberta Innovation and Science	-	2,239	2,239	431
Alberta Ingenuity	-	1,117	1,117	982
Alberta Heritage Foundation for Medical Research	-	608	608	915
Alberta Gaming	305	28	333	403
Alberta Children's Services	-	142	142	128
Education	90	-	90	-
Other	-	282	282	51
Total other provincial ministries, departments and agencies	395	7,550	7,945	5,183
Total contributions received	65,482	16,673	82,155	61,916
Less: Deferred contributions	-	(7,023)	(7,023)	(1,778)
Revenue from Province of Alberta	$ 65,482	$ 9,650	$ 75,132	$ 60,138

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 $1,714 (2005 - $809) and accounts payable of $0 (2005 - $138).

In 2006 and 2005 the University participated in offering certain courses with other public colleges, universities and institutes. The revenues and expenses incurred for these courses have been included in the statement of operations but have not been separately disclosed.

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

In 2006 the University acquired a 90% interest in the Alberta Terrestrial Imaging Corporation (ATIC), a not-for-profit organization that was created to provide satellite images to be used in research related to greenhouse gases. Transactions between ATIC and the University are recorded at their fair value. The University's share of revenue and expenses are recorded using the equity method of accounting. The University has accounts receivable from the Alberta Terrestrial Imaging Corporation of $208 (2005: $0).

(in thousands of dollars)

Note 18 Pledges Receivable

As of March 31, 2006 the estimated realizable value of pledges is $7,370 in support of the following campaigns:

Management & Health Sciences Building	$	3,341
Regional Health & Wellness Centre		2,514
Scholarships		1,246
Other		269
	$	7,370

The pledges are expected to be received over the next several years and have not been recorded as accounts receivable in the financial statements.

Note 19 Scholarships and Bursaries

Included in these financial statements are scholarships totalling $1,566 (2005 - $1,055) that were awarded to 1,293 students (2005 - 1,184) from University of Lethbridge scholarship accounts.

Scholarships and bursaries totalling $2,176 (2005 - $2,284) were awarded to 1,560 (2005 - 1,577) 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, 2005 CURIE had a surplus of $11,175 (2004 - $5,995). 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 $8,372 as of December 31, 2005 (2004 - $3,262). The University held a 1.0% share in CURIE at December 31, 2005.

c) The University has contractual commitments for facilities leased for teaching purposes in Calgary and Edmonton. The lease for facilities in Calgary is negotiated yearly while the Edmonton lease expires on June 30, 2012. Lease costs totalled $290 in fiscal 2006 (2005: $282).

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, 2007 is expected to be $1,551. The cost of electricity included in these statements for fiscal 2006 is $1,846 (2005 - $2,148).

Note 20 Commitments and Contingencies (continued)

e) As at March 31, 2006, the University had contractual commitments payable in subsequent years that total $18,179 (2005 - $2,624) related to various capital projects. The most significant of these commitments are for the Regional Health and Wellness Centre ($11,711), expansion of the Canadian Centre for Behavioural Neuroscience ($1,620) and the Alberta Water and Environmental Science building ($1,958). 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, 2006 approximately $881 (2005 - $827) of such allowances is committed for expenses not yet incurred.

Note 21 Deferred Maintenance

Deferred maintenance on University facilities is estimated at $87,000 based on a facility condition audit completed by the University in January 2005. An allowance for deferred maintenance is not included in these financial statements.

Note 22 Comparative Figures

Certain 2005 figures have been reclassified to conform to 2006 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.