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 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.
- 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. Pledges 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 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 of Alberta*, are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are recognized as revenue when the conditions of the endowment are met.

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.

Note 2 Significant Accounting Policies (continued)

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.

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.

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) 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 of the active employees covered by the non-pension employee future benefit plans ranges from one to seven years.

g) 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.

(in thousands of dollars)

Note 2 Significant Accounting Policies (continued)

h) Fair Value of Financial Instruments

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

i) 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.

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.

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.

j) 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.

k) Asset Retirement Obligations

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

Note 3 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.

	2007 Cost	Effective Yield	2006 Cost	Effective Yield
Cash and cash equivalents	$ 17,278	3.95%	$ 16,305	2.66%
Treasury bills	16,032	4.20%	10,856	3.50%
Bonds	1,668	4.30%	1,367	5.50%
	$ 34,978		$ 28,528	

Short-term investments are held on average for less than one year and bonds are held on average less than two years. Bonds in the portfolio have maturity dates between one and eight years, with an average maturity date of 3.1 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.

NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars)

Note 4 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.

	2007 Book Value	2007 Market Value	2006 Book Value	2006 Market Value
Cash and cash equivalents	$ 12,053	$ 12,050	$ 3,035	$ 3,036
Bonds	21,965	22,556	18,998	19,819
Canadian equity	14,079	24,709	12,662	21,207
Foreign equity	21,358	25,184	18,968	21,429
Other investments	725	725	439	439
	$ 70,180	$ 85,224	$ 54,102	$ 65,930

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, 2007, the average effective yields and the terms to maturity are as follows:

- Cash and short-term notes: 3.98% (2006 – 2.44%); term to maturity: less than one year.
- Government and corporate bonds: 4.40% (2006 – 4.01%); term to maturity: range from less than one year to more than 34 years.
- Canadian equity realized return: 8.01% (2006 – 12.62%) Market return 13.70% (2006 – 22.91%)
- Foreign equity realized return: 5.23% (2006 – 0.76%) Market return 20.95% (2006 – 6.71%)

Note 5 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, 2007 is $597 (2006 - $304) and is included in Other Investments (Note 4).

At March 31, 2007 the University's share of the joint venture's assets and liabilities are:

	2007	2006
Current assets (1)	$ 647	$ 577
Capital assets	2	3
	$ 649	$ 580
Current liabilities	$ 50	$ 273
Unamortized deferred capital contributions	1	1
Investment in capital assets	1	2
Joint venture interest	597	304
	$ 649	$ 580

(in thousands of dollars)

Note 5 Interest in Joint Venture (continued)

(1) included in current assets is a receivable of $546 (2006 - $398) 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, 2007 is $382 (2006 - $92) which is one-third of the net of total revenues of $3,043 (2006 - $2,007) less total expenses of $1,896 (2006 -$1,730).

Note 6 Pledges Receivable

	2007	2006
1st Choice Savings and Credit Union Ltd.	$ 2,250	$ -
University of Lethbridge students	2,500	-
	4,750	-
Discount to present value	(992)	-
Current portion included in accounts receivable	(400)	-
	$ 3,358	$ -

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 construction of the 1st Choice Savings Centre for Sport and Wellness, to be collected over a period of approximately 10 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 pledges above, there is $4,340 for capital projects and scholarships that have not been recorded in the financial statements.

Note 7 Capital Assets and Collections

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings and land improvements	$ 224,351	$ 73,359	$ 150,992	$ 197,562	$ 66,864	$ 130,698
Equipment and furnishings	54,880	41,362	13,518	52,366	39,202	13,164
Library materials	27,008	18,794	8,214	25,405	17,621	7,784
Capital assets subject to amortization	306,239	133,515	172,724	275,333	123,687	151,646
Land	638		638	638		638
	306,877	$ 133,515	173,362	275,971	$ 123,687	152,284
Permanent collections	33,493		33,493	33,442		33,442
Capital assets and collections	$ 340,370		$ 206,855	$ 309,413		$ 185,726

Included in buildings and land improvements is $9,310 (2006 - $19,645) 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 $725 (2006 - $268).

(in thousands of dollars)

Note 8 Employee Benefit Liabilities

	2007	2006
Vacation and overtime pay	$ 3,128	$ 3,668
Maternity and parental leaves	111	209
Other payroll liabilities	134	151
Early retirement benefit plans	343	560
Senior administrative leaves	5,064	4,839
Supplementary benefit plan	1,199	921
Long-term disability benefits	471	476
	10,450	10,824
Less current portion	(4,107)	(4,656)
	$ 6,343	$ 6,168

Note 9 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, 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 2007, consisting of cash payments directly to beneficiaries for unfunded benefit plans and cash contributed to its multi-employer defined benefit plans, were $6,794 (2006 - $5,826).

(in thousands of dollars)

Note 9 Pension and Other Employee Future Benefit Plans (continued)

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, 2007.

The benefit plan obligations are as follows:

	2007				2006			
	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	$ 921	$ 560	$ 4,839	$ 588	$ 695	$ 850	$ 3,996	$ 462
Current service cost	238	-	793	61	206	-	843	116
Past service cost	20	-	-	-	15	-	-	-
Interest cost	48	16	189	21	45	24	166	19
Benefits paid	(28)	(229)	(489)	(97)	(40)	(316)	(188)	(85)
Actuarial loss (gain)	-	(4)	(268)	103	-	2	22	76
Balance, end of year	1,199	343	5,064	676	921	560	4,839	588
Plan assets	-	-	-	-	-	-	-	-
Funded status - plan deficit	1,199	343	5,064	676	921	560	4,839	588
Unamortized net actuarial gain (loss)	-	-	-	(205)	-	-	-	(112)
Accrued benefit liability	$ 1,199	$ 343	$ 5,064	$ 471	$ 921	$ 560	$ 4,839	$ 476

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

	2007				2006			
	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	4.50%	4.50%	4.50%	n/a	3.50%	3.50%	3.50%
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	4.50%	4.50%	4.50%	n/a	4.50%	4.50%	4.50%
Average remaining service period of active employees	7 years	1 year	5 years	4 years	7 years	2 years	6 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 payable of $5,934 for the year ended March 31, 2007 (2006 - $5,197) including UAPP contributions of $4,963 (2006 - $4,327) and PSPP contributions of $971 (2006 - $870).

At December 31, 2006, the Universities Academic Pension Plan reported an actuarial deficiency of $409,128 (2005 - $537,415) consisting of a pre-1992 deficiency ($399,521) and a post-1991 deficiency ($9,607). An actuarial valuation of the UAPP was carried out as at December 31, 2004 and the liability was extrapolated to December 31, 2006. 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% (2005 - 1.25%) of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions of 2.28% (2005 - 2.28%) of salaries required to eliminate the unfunded liability on or before December 31,

(in thousands of dollars)

Note 9 Pension and Other Employee Future Benefit Plans (continued)

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% (2005 - 2.64%) 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, 2006, the Public Service Pension Plan reported an actuarial surplus of $153,024 (2005 - actuarial deficiency of $187,704). An actuarial valuation of the PSPP was carried out as at December 31, 2005 and was then extrapolated to December 31, 2006.

Note 10 Deferred Contributions

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

	2007			2006
	Capital	Research and Other	Total	Total
Balance, beginning of the year	$ 12,585	$ 8,769	$ 21,354	$ 15,582
Grants and donations received	20,879	17,218	38,097	30,855
Recognized as revenue	-	(10,910)	(10,910)	(12,383)
Transfer to endowments	-	(1,519)	(1,519)	-
Non-amortizable collection additions	(38)	-	(38)	-
Transferred to unamortized deferred capital contributions	(12,801)	(1,984)	(14,785)	(12,700)
Balance, end of the year	20,625	11,574	32,199	21,354
Less amounts included in current liabilities	-	(11,001)	(11,001)	(8,192)
	$ 20,625	$ 573	$ 21,198	$ 13,162

Note 11 Long-Term Obligations

	Rate of Interest	Original Advance	Amount Outstanding 2007	Amount Outstanding 2006
Alberta Capital Finance Authority debenture for student residences, due April 15, 2023	6%	$ 4,000	$ 3,654	$ 3,776
Asset retirement obligation			1,085	-
			$ 4,739	$ 3,776
Current portion			(430)	(122)
			$ 4,309	$ 3,654

The debenture is secured by cash flows generated from the Residence Park, Aperture Park and University Hall residences. Interest on the debenture of $220 was charged to expense in fiscal 2007 (2006 - $227).

(in thousands of dollars)

Note 11 Long-Term Obligations (continued)

Principal payments on the debenture over the next five fiscal years are as follows: 2008 - $130; 2009 - $137; 2010 - $146; 2011 - $154; 2012 - $164.

The asset retirement obligation represents the estimated fair value of the legal obligation associated with the removal of asbestos from University Hall. Costs expected to be incurred over the next five fiscal years are: 2008 - $300; 2009 - $250; 2010 - $250; 2011 - $220; 2012 - $65.

The estimate of the liability requires judgment by University management as to the amount of work required to remove the asbestos, the cost of the work and inflationary increases over the term of the obligation.

The asset retirement cost will be allocated to expense as the asbestos is removed from the building. 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.

Note 12 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:

	2007	2006
Balance, beginning of year	$ 91,103	$ 84,437
Additions from deferred contributions (Note 10)	14,785	12,700
Amortization to revenue	(6,271)	(6,034)
Balance, end of the year	$ 99,617	$ 91,103

Note 13 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.

On April 1, 2006 the University adopted an Endowment management policy. For the current and future years, the economic value of the endowments is protected by limiting the amount of investment income that may be spent to 5% of the prior year's endowment balance, except as otherwise stipulated by the donor. Investment income earned in excess of the amount spent is added to the endowment principal. In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, or should the investment turn to negative, the spending allocation is funded from the cumulative capitalized earnings. However, for individual endowment funds without sufficient cumulative capitalized earnings, endowment capital is used in the current year. This amount is expected to be

(in thousands of dollars)

Note 13 Endowments (continued)

recovered from future investment income. For years prior to 2007 endowment spending was limited to the amount of realized investment earnings.

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.

	2007			2006		
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total
Contributions received during the year	$ 8,825	$ -	$ 8,825	$ 1,292	$ -	$ 1,292
Capitalization of previous year's unexpended balance	1,375	144	1,519	-	-	-
Transfers	17	36	53	-	-	-
Capitalized investment earnings	477	-	477	274	122	396
Increase during the year	10,694	180	10,874	1,566	122	1,688
Balance, beginning of year	12,147	1,516	13,663	10,581	1,394	11,975
Balance, end of year	$ 22,841	$ 1,696	$ 24,537	$ 12,147	$ 1,516	$ 13,663
Cumulative contributions	$ 18,810	$ 1,342	$ 20,152	$ 9,958	$ 1,342	$ 11,300
Cumulative capitalized earnings	4,031	354	4,385	2,189	174	2,363
	$ 22,841	$ 1,696	$ 24,537	$ 12,147	$ 1,516	$ 13,663

(in thousands of dollars)

Note 14 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.

	2007	2006
OPERATING		
Staff training and development	$ 27	$ 31
Academic development	238	242
Campus planning studies	160	160
Utilities contingency - rate increases	55	55
Program development	295	235
	775	723
CAPITAL		
Capital replacement - Ancillary Services	3,165	2,176
Capital replacement - Sports & Recreation Services	-	245
Housing Services - residences	698	895
Capital equipment	1,110	1,508
Buildings and plant (1)	11,237	10,353
Site and utilities	72	71
Utility conservation	275	270
Self insurance	232	195
Parking	97	-
Service vehicles and equipment	97	105
	16,983	15,818
	$ 17,758	$ 16,541

(1) The Board of Governors set aside $10,700 for funding of capital projects in 2007 (2006 -$10,000).

Note 15 Investment Income

	2007	2006
Income on investments held for endowment		
Externally restricted	$ 862	$ 715
Internally restricted	84	76
	946	791
Income on other investments	5,884	3,204
Total investment income	6,830	3,995
Amounts allocated to deferred contributions	(88)	(235)
Income capitalized to endowment principal	(477)	(274)
Total investment income recognized as revenue	$ 6,265	$ 3,486

(in thousands of dollars)

Note 16 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.

	2007				2006
	Base Salary [1]	Other Cash Benefits[2]	Other Non-Cash Benefits[3]	Total	Total
Chairman of Board [4]	$ -	$ -		$ -	$ -
Board Members[4]	-	-		-	-
President	293	30	88	411	403
Executive/Vice Presidents					
Vice-President (Academic)	252	12	58	322	307
Vice-President (Finance & Administration)	207	-	45	252	240
Vice-President (Research)	175	-	39	214	205
Vice-President (University Advancement) [5]	137	-	34	171	117
Administrative leave benefit [7]					
President				63	106
Vice-President (Academic)				71	98
Vice-President (Finance & Administration)				24	74
Vice-President (Research)				39	56
Vice-President (University Advancement) [8]				-	-

(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 (as per note 6 below) and professional supplement allowance.

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

(5) The position was vacant for a four-month period in the prior year.

(in thousands of dollars)

Note 16 Salaries and Employee Benefits (continued)

(6) Under the terms of the supplementary benefit plan (SBP), certain senior executive officers will receive supplemental retirement payments. The costs detailed below are not cash payments in the period but are 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 4.71% in 2007 (2006 - 5.75%).

	2007			2006
	Current Service Cost	Interest Accrued	Total	Total
Chairman of Board	$ -	$ -	$ -	$ -
President	46	7	53	65
Executive/Vice Presidents				
Vice President (Academic)	19	6	25	24
Vice President (Finance & Administration)	9	2	11	10
Vice President (Research)	6	1	7	6
Vice President (University Advancement)	2	-	2	1

(7) 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.

(8) The position does not accrue administrative leave.

The accrued obligation for each executive under the SRP is outlined in the following table:

	Accrued obligation March 31, 2006	Changes in accrued obligation	Accrued obligation March 31, 2007
Chairman of Board	$ -	$ -	$ -
President	130	54	184
Executive/Vice Presidents			
Vice President (Academic)	119	25	144
Vice President (Finance & Administration)	37	11	48
Vice President (Research)	21	7	28
Vice President (University Advancement)	1	2	3

NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars)

Note 17 Change in Non-Cash Working Capital

	2007	2006
Accounts receivable	$ (2,350)	$ (475)
Inventories	(15)	44
Prepaid expenses	(122)	(71)
Accounts payable and accrued liabilities	2,418	1,909
Employee benefit liabilities	(549)	245
Deferred revenue	434	(441)
Deferred contributions	2,809	(1,687)
Deferred contributions - endowment transfer (Note 13)	1,519	-
Increase (decrease) in non-cash working capital	$ 4,144	$ (476)

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

	2007	2006
Advanced Education and Technology	92,892	77,344
Alberta Innovation and Science	1,038	3,356
Alberta Heritage Foundation for Medical Research	590	608
Alberta Cancer Board	321	-
Alberta Gaming	410	333
Education	119	90
Alberta Children's Services	-	142
Other	374	282
Total contributions received	95,743	82,155
Less: Deferred contributions	(17,151)	(13,871)
Revenue from provincial government	$ 78,593	$ 68,284

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 $2,839 (2006 - $1,714).

In 2007 and 2006 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 and accounts for its investment in the company using the equity method. At March 31, 2007 the University had a loan receivable from ATIC of $533 (2006 - $208) resulting from paying certain operating expenses on ATIC's behalf, and owed contributions of $100 (2006 - $75) to ATIC toward its start-up costs. University management has determined that $220 of this receivable may not be recoverable and has adjusted the receivable accordingly. These amounts are included in the University's statement of financial position as accounts

Note 18 Related Party Transactions (continued)

receivable and accounts payable, respectively. For the year ended March 31, 2007, ATIC had a net loss of $299 (2006 - $139) and a net shareholders deficit of $288.

Note 19 Scholarships and Bursaries

In addition to the amount recognized, scholarships and bursaries totalling $2,122 (2006 - $2,176) were awarded to 1,577 (2006 - 1,560) 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, 2006 CURIE had a surplus of $16,507 (2005 - $11,175). 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 $13,517 as of December 31, 2006 (2005 - $8,372). The University held a 1.03% share in CURIE at December 31, 2006 and this is not recorded in the financial statements.

c) The University leases teaching facilities in Edmonton and Calgary. In fiscal 2007 basic rent on the property in Edmonton totalled $90 (2006 - $90), and occupancy costs were $130 (2006 - $98). A renewable five-year lease on this property begins 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 lease in Calgary is negotiated each year. In fiscal 2007 the lease costs on facilities in Calgary totalled $101 (2006 - $102). Lease costs are expected to increase to $142 in 2008 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, 2008 is expected to be $1,571. The cost of electricity included in these statements for fiscal 2007 is $1,569 (2006 - $1,846).

e) As at March 31, 2007, the University had contractual commitments payable in subsequent years that total $12,064 (2006 - $18,179) related to various capital projects. The most significant of these commitments are for the Turcotte Hall addition ($4,525), the service buildings replacement ($2,385), the Markin Building for Health Sciences and Management ($1,769) and the Alberta Water and Environmental Science building ($1,305). 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, 2007 approximately $1,211 (2006 - $881) of such allowances is committed for expenses not yet incurred.

Note 21 Deferred Maintenance

Deferred maintenance on University facilities is estimated at $113,223 based on a facility condition audit completed by the University in 2006. A liability for deferred maintenance is not included in these financial statements.

Note 22 Comparative Figures

Certain 2006 figures have been reclassified to conform to 2007 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.