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 benefit liabilities, amortization of capital assets, amortization of unamortized capital contributions and asset retirement obligations are the most significant items based on estimates. 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.
- 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. Pledges are disclosed in Note 7.

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. Endowment investment earnings that are allocated for spending are recognized as revenue when the conditions of the endowment are met.

(in thousands of dollars)

Note 2 Significant Accounting Policies (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.

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

Investments are initially recorded at their acquisition cost and are subsequently re-measured to fair value at each reporting date. 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. Changes in market values from one period to the next are included in the investment income (loss) for the period (Note 16).

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

Note 2 Significant Accounting Policies (continued)

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.

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) Financial Instruments

On April 1, 2007, the University adopted retrospectively without restatement the provisions of CICA handbook section 3855 “Financial Instruments, Recognition and Measurement” and section 3861 “Financial Instruments – Disclosure and Presentation”.

This new standard requires the University to revalue certain financial assets and liabilities, including derivatives and embedded derivatives in certain contracts, at fair value on the initial date of implementation and at each subsequent report date.

The new standard also requires the University to classify financial assets and liabilities according to their characteristics. Classification choices for financial assets include:

a) held for trading (HFT) – measured at fair value with changes in fair value recorded immediately in the statement of operations;

b) held to maturity (HTM) – recorded at amortized cost with gains and losses recognized in the statement of operations when the asset is derecognized;

c) available for sale (AFS) – measured at fair value with changes in fair value recorded separately in net assets until asset is derecognized; and

d) loans and receivables – recorded at amortized cost with gains and losses recognized in statement of operations when the asset is derecognized.

Classification choices for financial liabilities include:

a) held for trading (HFT) – measured at fair value with changes in fair value recorded immediately in the statement of operations;

b) other liabilities – recorded at amortized cost with gains and losses recognized in statement of operations when the liability is derecognized.

Note 2 Significant Accounting Policies (continued)

j) Financial Instruments (continued)

In accordance with the new standard, the University's financial assets and liabilities are classified and measured as follows:

F/S Components	Classification	Measurement
Cash and cash equivalents	HFT	Fair Value
Investments	HFT	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 such as inventories, prepaid expenses, capital assets and collections, deferred revenue, deferred contributions - research and other, deferred capital contributions, unamortized deferred capital contributions, and all the components of net assets have not been classified as they are not within the scope of the new 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.

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.

Note 3 Accounting Policy Developments

a) Effects of measurement from adopting Section 3855

The new standards were applied retrospectively without restatement of prior periods. The transitional impact of the new standards on relevant items in the University's opening Statement of Financial Position on April 1, 2007 is an increase in Investments of $15,045, an increase in Endowment Net Assets of $5,260 and an increase in Unrestricted Net Assets of $9,785.

Investments have been recorded at fair market value. These financial instruments were revalued based on known market prices at April 1, 2007.

b) Effects of disclosure from adopting Section 3861

Financial statements are exposed to risk through the normal course of operations. These risks are managed through the University's collection procedures, investment guidelines and other 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 investments types designed to achieve the optimal returns within reasonable risk tolerances.

Note 3 Accounting Policy Developments (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, 2008 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.

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.

c) Future changes in accounting policies

The CICA issued four new accounting standards:
Section 1535, Capital Disclosures -establishes disclosure requirements about an entity's capital and how it is managed. The purpose will be to enable users of the financial statements to evaluate objectives, policies and processes for managing capital.

Section 3862, Financial Instruments-Disclosures and Section 3863, Financial Instruments-Presentation - replace section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections will place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The mandatory effective date is for annual and interim periods in fiscal years beginning on or after October 1, 2007. The University will begin application of these sections effective April 1, 2008.

Section 3031, Inventories – establishes measurement, cost and disclosure requirements about for an entities inventory. The purpose will be to provide more extensive guidelines on allocating overheads and other costs to inventory, streamlining with international standards, and enhance disclosures in the financial statements. The University will begin application of this section effective April 1, 2008, as applicable.

(in thousands of dollars)

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.

	2008 Cost	Effective Yield	2007 Cost	Effective Yield
Cash and cash equivalents	$ 26,035	6.03%	$ 17,278	3.95%
Treasury bills	-	-	16,032	4.20%
Bonds	-	-	1,668	4.30%
	$ 26,035		$ 34,978	

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

	2008		2007		
	Annual Market Yield	Market Value	Annual Market Yield	Book Value	Market Value
Cash and cash equivalents	3.74%	$ 22,463	3.98%	$ 12,053	$ 12,050
Bonds	4.32%	31,839	4.40%	21,965	22,556
Canadian equity	-0.20%	36,999	13.80%	14,079	24,709
Foreign equity	-12.70%	25,269	19.90%	21,358	25,184
Other investments		135		725	725
		$ 116,705		$ 70,180	$ 85,224

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 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. On January 1, 2008 the terms of this relationship were substantively modified and a new decentralized administrative and operational structure was established. The joint venture was terminated and the equity was distributed on January 1, 2008.

The University's equity in the accumulated earnings of the joint venture at March 31, 2007 of $597 is included in Other Investments (Note 5).

At March 31, 2008 the University's share of the joint venture's assets and liabilities are:

	2008	2007
Current assets	$ -	$ 647
Capital assets	-	2
	$ -	$ 649
Current liabilities	$ -	$ 50
Unamortized deferred capital contributions	-	1
Investment in capital assets	-	1
	-	52
Joint venture interest		
Opening balance	597	316
Net Distribution	(708)	(101)
Excess of revenue over expense	111	382
	-	597
	$ -	$ 649

Note 7 Pledges Receivable

	2008	2007
1st Choice Savings and Credit Union Ltd.	$ 2,100	$ 2,250
University of Lethbridge students	2,317	2,500
	4,417	4,750
Discount to present value	(889)	(992)
Current portion included in accounts receivable	(350)	(400)
	$ 3,178	$ 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 11 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 $4,186 (2007 - $4,340) for capital projects and scholarships that have not been recorded in the financial statements.

(in thousands of dollars)

Note 8 Capital Assets and Collections

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings and land improvements	$ 254,360	$ 79,747	$ 174,613	$ 224,351	$ 73,359	$ 150,992
Equipment and furnishings	57,230	43,561	13,669	54,880	41,362	13,518
Library materials	28,573	20,071	8,502	27,008	18,794	8,214
Capital assets subject to amortization	340,163	143,379	196,784	306,239	133,515	172,724
Land	913		913	638		638
	341,076	$ 143,379	197,697	306,877	$ 133,515	173,362
Permanent collections	33,623		33,623	33,493		33,493
Capital assets and collections	$ 374,699		$ 231,320	$ 340,370		$ 206,855

Included in buildings and land improvements is $17,743 (2007 - $9,310) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Assets under capital leases are included in buildings and land improvements in the amount of $996 and land in the amount of $275.

Acquisitions during the year included in-kind contributions (such as learning resources and equipment) in the amount of $376 (2007 - $725).

Note 9 Employee Benefit Liabilities

	2008	2007
Vacation and overtime pay	$ 3,439	$ 3,128
Maternity and parental leaves	129	111
Other payroll liabilities	152	134
Early retirement benefit plans	250	343
Senior administrative leaves	5,576	5,064
Supplementary benefit plan	1,490	1,199
Long-term disability benefits	481	471
	11,517	10,450
Less current portion	(4,499)	(4,107)
	$ 7,018	$ 6,343

Note 10 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

(in thousands of dollars)

Note 10 Pension and Other Employee Future Benefit Plans (continued)

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 2008, consisting of cash payments directly to beneficiaries for unfunded benefit plans and cash contributed to its multi-employer defined benefit plans, were $7,279 (2007 - $6,794).

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, 2008.

The benefit plan obligations are as follows:

	2008				2007			
	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	$ 1,199	$ 343	$ 5,064	$ 676	$ 921	$ 560	$ 4,839	$ 588
Current service cost	272	-	827	63	238	-	793	61
Past service cost	-	-	-	-	20	-	-	-
Interest cost	54	13	253	31	48	16	189	21
Benefits paid	(35)	(108)	(518)	(117)	(28)	(229)	(489)	(97)
Actuarial loss (gain)	-	2	(50)	7	-	(4)	(268)	103
Balance, end of year	1,490	250	5,576	660	1,199	343	5,064	676
Plan assets	-	-	-	-	-	-	-	-
Funded status - plan deficit	1,490	250	5,576	660	1,199	343	5,064	676
Unamortized net actuarial gain (loss)	-	-	-	(179)	-	-	-	(205)
Accrued benefit liability	$ 1,490	$ 250	$ 5,576	$ 481	$ 1,199	$ 343	$ 5,064	$ 471

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

	2008				2007			
	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	5.25%	5.25%	5.25%	n/a	4.50%	4.50%	4.50%
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	n/a	4.50%	4.50%	n/a	4.50%	4.50%	4.50%
Average remaining service period of active employees	7 years	2 year	5 years	4 years	7 years	1 years	5 years	4 years

(in thousands of dollars)

b) Pension plans

At December 31, 2007, the UAPP reported an actuarial deficiency of $535,843 (2006 - $409,128) consisting of a pre-1992 deficiency of $501,300 and a post-1991 deficiency of $34,543. An actuarial valuation of the UAPP was carried out as at December 31, 2006, and was then extrapolated to December 31, 2007. The unfunded liability for service prior to January 1, 1992, is financed by additional contributions of 1.25% (2006 – 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.28% (2006 – 2.28%) of salaries required to eliminate the unfunded liability by December 31, 2043. The actuarial evaluation shows that the present value at December 31, 2006, of the Province of Alberta's obligation for the future additional contributions was $213,900. The unfunded liability for service after December 31, 1991, is financed by special payments of 2.64% (2006 - 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. At March 31, 2008, the University's share of total payroll, upon which contributions are based, was 8.8%.

Changes are being contemplated for the UAPP which may substantially alter the underlying assumptions used to estimate the plan's actuarial deficiency or surplus. The outcome of these changes is unknown at this time; however they could have a material effect on the University's future financial statements.

Under GAPP, the UAPP and the University are required to report pension related matters in accordance with the recommendations of different CICA handbook sections. The UAPP actuarial funding deficiency of $535,843 is reported under CICA 4100: *Pension Plans*. The University has used the best information available to estimate the unfunded deficiency under defined benefit pension accounting recommendations in CICA 3461: *Employee Future Benefits*. The estimated unfunded deficiency calculated using the CICA 3461 methodology is approximately $975 million for the entire UAPP, as extrapolated to March 31, 2008. The University estimated its share of this deficiency by prorating the total employers' share by the University's percentage of the total payroll costs of the plan. The University's estimated share of the unfunded UAPP deficiency under CICA 3461, given significant measurement uncertainty in the methodology and assumptions used, is approximately $32 million.

Note 11 Deferred Contributions

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

	2008			2007
	Capital	Research and Other	Total	Total
Balance, beginning of year	$ 20,625	$ 11,574	$ 32,199	$ 21,354
Grants and donations received	46,329	19,688	66,017	38,073
Investment income on deferred capital funds	962	-	962	24
Recognized as revenue (loss)	40	(11,600)	(11,560)	(10,910)
Transfer to endowments	-	(1,184)	(1,184)	(1,519)
Non-amortizable collection additions	(4)	-	(4)	(38)
Transferred to unamortized deferred capital contributions (Note 13)	(23,290)	(2,893)	(26,183)	(14,784)
Balance, end of year	44,662	15,585	60,247	32,200
Less amounts included in current liabilities	-	(13,824)	(13,824)	(11,001)
	$ 44,662	$ 1,761	$ 46,423	$ 21,199

NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars)

Note 12 Long-Term Obligations

	Rate of Interest	Original Advance	Amount Outstanding 2008	2007
Alberta Capital Finance Authority debenture for student residences, due April 15, 2023	6%	$ 4,000	$ 3,524	$ 3,654
Asset retirement obligation			1,382	1,085
Capital lease			483	-
			5,389	4,739
Current portion			(818)	(430)
			$ 4,571	$ 4,309

Debenture principal and interest repayments are as follows:

	Principal	Interest	Total
2009	$ 137	$ 212	$ 349
2010	146	203	349
2011	154	195	349
2012	164	185	349
2013	173	176	349
2014 to maturity	2,750	1,086	3,836
	$ 3,524	$ 2,057	$ 5,581

The debenture is secured by cash flows generated from the Residence Park, Aperture Park and University Hall residences. Interest on the debenture of $212 was charged to expense in fiscal 2008 (2007 - $220).

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, 2007 beginning balance	$ 1,085
Liabilities settled during the period	(290)
Accretion expense	35
Increase to estimated cash flows	552
March 31, 2008 ending balance	$ 1,382

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 3.2%.

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.

(in thousands of dollars)

Note 13 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:

	2008	2007
Balance, beginning of year	$ 99,616	$ 91,103
Additions from deferred contributions (Note 11)	26,183	14,784
Amortization to revenue	(6,284)	(6,271)
Balance, end of the year	$ 119,515	$ 99,616

Note 14 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. However, for individual endowment funds without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

(in thousands of dollars)

Note 14 Endowments (continued)

	2008			2007		
	Externally restricted	Internally restriced	Total	Externally restricted	Internally restriced	Total
Cumulative contributions	20,025	2,672	22,697	18,810	1,342	20,152
Cumulative capitalized earnings	9,026	451	9,477	4,031	354	4,385
	$ 29,051	$ 3,123	$ 32,174	$ 22,841	$ 1,696	$ 24,537

As a result of an accounting policy change, the University has capitalized unrealized gains of $5,260.

During the 2008 year**,** the investment loss on externally restricted endowments of $265 was charged to endowment funds and $313 was transferred from endowments to Unrestricted Net Assets to fund approved net endowment spending. During the 2007 year, the University capitalized $1,842 of income related to externally restricted endowments.

The Board of Governors approved the permanent endowment of the Graduate Studies Fellowship and John Gill Memorial and transferred $1,342(2007- $0) from unrestricted net assets to externally restricted endowments.

Note 15 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.

	2008	2007
OPERATING		
Staff training and development	$ -	$ 27
Academic development	49	238
Campus planning studies	55	160
Utilities contingency - rate increases	55	55
Program development	88	295
	247	775
CAPITAL		
Capital replacement - Ancillary Services	3,207	3,165
Housing Services - residences	447	698
Buildings, plant, capital equipment (1)	8,513	12,347
Site and utilities	73	72
Utility conservation	157	275
Self insurance	208	232
Parking	447	97
Service vehicles and equipment	36	97
	13,088	16,983
	$ 13,335	$ 17,758

(1) The Board of Governors set aside $8,483 for funding of capital projects in 2008 (2007 - $10,700).

(in thousands of dollars)

Note 16 Investment Income

	2008	2007
Income on investments held for endowments		
Externally restricted	$ (265)	$ 862
Internally restricted	97	84
	(168)	946
Income (loss) from other investments	(18)	5,884
Total investment income (loss)	(186)	6,830
Amounts allocated to deferred contributions	(1,291)	(88)
Income capitalized to endowment principal	265	(477)
Total investment income recognized as revenue	$ (1,212)	$ 6,265

The accounting policy change made during 2008 for Financial Instruments resulted in a change in the values attributed to investment earnings. Realized earnings of $8,950 have been offset by unrealized losses of $9,136, netting to a total investment loss of $186 in 2008.

Note 17 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.

	2008				Restated 2007[7]
	Base Salary[1]	Other Cash Benefits[2]	Other Non-Cash Benefits[3]	Total	Total
Chairman of Board[4]	$ -	$ -		$ -	$ -
Board Members[4]	-	-		-	-
President	315	30	89	434	408
Executive/Vice Presidents					
Vice President (Academic)[5]	227	12	71	310	319
Vice President (Finance & Administration)	236	-	46	282	249
Vice President (Research)	194	-	34	228	211
Vice President (University Advancement)	155	-	39	194	168
Administrative leave benefit[8]					
President				81	63
Vice President (Academic)				101	71
Vice President (Finance & Administration)				64	24
Vice President (Research)				67	39
Vice President (University Advancement)[9]				-	-

(1) Salary includes pensionable base pays

(2) Housing allowance

(in thousands of dollars)

Note 17 Salaries and Employee Benefits (continued)

(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) Two individuals held the position in the current year.

(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 4.18% in 2008 (2007 – 4.71%).

SUPPLEMENTARY BENEFIT PROGRAM

	2008			2007
	Current Service Cost	Interest Accrued	Total	Total
Chairman of Board	$ -	$ -	$ -	$ -
President	48	9	57	53
Executive/Vice Presidents				
Vice President (Academic)	11	2	13	25
Vice President (Finance & Administration)	12	2	14	11
Vice President (Research)	7	1	8	7
Vice President (University Advancement)	3	-	3	2

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

	Accrued obligation March 31, 2007	Changes in accrued obligation	Accrued obligation March 31, 2008
Chairman of Board	$ -	$ -	$ -
President	184	57	241
Executive/Vice Presidents			
Vice President (Academic)	144	(133)	11
Vice President (Finance & Administration)	48	14	62
Vice President (Research)	28	9	37
Vice President (University Advancement)	3	4	7

(7) The 2007 comparatives have been restated due to an error in summarizing other non-cash benefit information for note disclosure purposes and caused balances to be overstated.

(8) 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

(in thousands of dollars)

Note 17 Salaries and Employee Benefits (continued)

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.

(9) The position does not accrue administrative leave.

Note 18 Change in Non-Cash Working Capital

	2008	2007
Accounts receivable	$ (8,430)	$ (2,350)
Inventories	(71)	(15)
Prepaid expenses	(238)	(122)
Accounts payable and accrued liabilities	(1,222)	855
Employee benefit liabilities	392	(549)
Deferred revenue	(68)	434
Deferred contributions	2,823	4,327
Increase (decrease) in non-cash working capital	$ (6,814)	$ 2,580

Note 19 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:

	2008	Restated 2007
Advanced Education and Technology	$ 127,276	$ 92,456
Alberta Tourism, Parks, Recreation and Culture	2,000	-
Alberta Heritage Foundation for Medical Research	531	590
Alberta Education	420	555
Alberta Gaming	305	410
Alberta Cancer Board	290	320
Other	391	327
Total contributions received	131,213	94,658
Less: Deferred contributions	(44,782)	(17,116)
Revenue from provincial government	$ 86,431	$ 77,542

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 $4,765 (2007 - $2,839).

Note 19 Related Party Transactions (continued)

In 2007 and 2008 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, 2008 the University had a loan receivable from ATIC of $968 (2007 - $533) 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.

Note 20 Scholarships and Bursaries

In addition to the amount recognized, scholarships and bursaries totaling $2,437 (2007 - $2,122) were awarded to 1,756 (2007 - 1,577) University of Lethbridge students through the Alberta Scholarship Program. These amounts are not included in the financial statements.

Note 21 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, 2007 CURIE had a surplus of $16,825 (2006 - $16,507). 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 $13,737 as of December 31, 2007 (2006 - $13,517). The University held a 1.04% share in CURIE at December 31, 2007 and this is not recorded in the financial statements.

c) The University leases teaching facilities in Edmonton and Calgary. In fiscal 2008 basic rent on the property in Edmonton totaled $146 (2007 - $90), and occupancy costs were $181 (2007 - $130). 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 lease in Calgary is negotiated each year. In fiscal 2008 the lease costs on facilities in Calgary totalled $110 (2007 - $101). Lease costs are expected to increase to $165 in fiscal 2009 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, 2009 is expected to be $1,597. The cost of electricity included in these statements for fiscal 2008 is $1,890 (2007 - $1,569).

Note 21 Commitments and Contingencies (continued)

e) As at March 31, 2008, the University had contractual commitments payable in subsequent years that total $13,479 (2007 - $12,064) related to various capital projects. The most significant of these commitments are for the Alberta Water and Environmental Science building ($7,647), the Stadium and Sports Field Complex ($2,998), and the Markin Hall for Health Sciences and Management ($1,878). 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, 2008 approximately $1,433 (2007 - $1,211) 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 22 Deferred Maintenance

Deferred maintenance on University facilities is estimated at $118,846 based on a facility condition audit completed by the University in 2007. Advanced Education and Technology provided $25,915 in capital grants to address deferred maintenance projects and the unexpended revenue to date is $23,174. A liability for deferred maintenance is not included in these financial statements.

Note 23 Comparative Figures

Certain 2007 figures have been reclassified to conform to 2008 financial statement presentation.

Note 24 Approval of Financial Statements

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