NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars)

Note 1 Authority and Purpose

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

Note 2 Significant Accounting Policies

a) General – GAAP and use of estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by the University's administration. Employee future benefit liabilities, amortization of capital assets, amortization of unamortized capital contributions and asset retirement obligations are the most significant items based on estimates. In administrations' opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

b) Interest in joint ventures

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

c) Revenue Recognition

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

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

Restricted contributions – deferral method
Contributions, including investment income on the contributions, that are restricted for purposes other than endowment or capital asset acquisitions, are deferred and recognized as revenue when the conditions of the contribution are met.

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

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings allocated to endowment principal, under agreements with benefactors or the *Post-Secondary Learning Act*, are also recognized as direct increases in endowment net assets.

Note 2 Significant Accounting Policies (continued)

c) Revenue Recognition (continued)

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

d) Inventories

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

e) Capital Assets and Collections

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

Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

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

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

f) Employee Future Benefits

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

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

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

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

Note 2 Significant Accounting Policies (continued)

g) Contributed Services

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

h) Asset Retirement Obligation

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

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

i) Classification and Accounting for Financial Instruments

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

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

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

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

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

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

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

Note 2 Significant Accounting Policies (continued)

i) Classification and Accounting for Financial Instruments (continued)

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

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

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

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

Note 3 Accounting Policy Developments

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

b) Cash Flow Statements, Section 1540

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

c) Change in Accounting Policy for Employee Future Benefits

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

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

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

(in thousands of dollars)

Note 3 Accounting Policy Developments (continued)

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

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

Note 4 Cash and Short-term Investments

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

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

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

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

Note 5 Investments

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

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

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

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

(in thousands of dollars)

Note 6 Contributions Receivable

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

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

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

Note 7 Capital Assets and Collections

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

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

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

(in thousands of dollars)

Note 8 Employee Future Benefits

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

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

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

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

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

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

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

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

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

(in thousands of dollars)

Note 8 Employee Future Benefits (continued)

The benefit plan obligations are as follows:

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

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

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

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

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members and is accounted for on a defined contribution basis. At December 31, 2008, the PSPP reported an actuarial deficiency of $1,187,538 (2007 – deficiency of $92,070). An actuarial valuation of the PSPP was carried out as at December 31, 2005 and was then extrapolated to December 31, 2008. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of $1,188 for the year ended March 31, 2009 (2008 - $1,095).

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

(in thousands of dollars)

Note 8 Employee Future Benefits (continued)

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

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

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

Note 9 Deferred Contributions

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

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

(in thousands of dollars)

Note 10 Long-Term Obligations

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

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

Debenture principal and interest repayments are as follows:

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

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

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

Reconciliation of the asset retirement obligation:

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

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

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

(in thousands of dollars)

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the unamortized grants and donations received to fund capital acquisitions. The amortization of unamortized deferred capital contributions is recorded as revenue in the statement of operations. The changes in the unamortized deferred capital contributions balance are as follows:

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

Note 12 Endowments

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

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

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

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

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

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

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

(in thousands of dollars)

Note 12 Endowments (continued)

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

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

Note 13 Internally Restricted Net Assets

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

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

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

Note 14 Unrestricted Net Assets

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

(in thousands of dollars)

Note 15 Investment Income (Loss)

	2009	2008
Income (loss) on investments held for endowments		
Externally restricted	$ (6,333)	$ (265)
Internally restricted	(109)	97
	(6,442)	(168)
Loss from other investments	(12,354)	(18)
Total investment loss	(18,796)	(186)
Amounts allocated from (to) deferred contributions	754	(1,291)
Income capitalized to endowment principal	6,333	265
Total investment income (loss)	$ (11,709)	$ (1,212)

Note 16 Salaries and Employee Benefits

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

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

(1) Salary includes pensionable base pay.

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

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

(in thousands of dollars)

Note 16 Salaries and Employee Benefits (continued)

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

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

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

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

SUPPLEMENTARY BENEFIT PROGRAM

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

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

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

(in thousands of dollars)

Note 17 Change in Non-Cash Working Capital

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

Note 18 Related Party Transactions

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

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

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

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

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

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

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

Note 19 Scholarships, Fellowships and Bursaries

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

Note 20 Commitments and Contingencies

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

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

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

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

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

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

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

Note 20 Commitments and Contingencies (continued)

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

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

Note 21 Capital Disclosures

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

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

Note 22 Comparative Figures

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

Note 23 Approval of Financial Statements

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