Note 1 Authority and Purpose

The Governors of The University of Lethbridge is a corporation which manages and operates The University of Lethbridge ("the University") under the *Post-Secondary Learning Act* (Alberta). All members of the board of governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education and Technology, with the exception of the Chancellor and President, who are *ex officio* members. Under the *Post-Secondary Learning Act*, Campus Alberta Sector Regulation, the University is a comprehensive academic and research institution offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(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. University administration uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets, amortization of deferred 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) Consolidated Financial Statements and Interest in Joint Ventures

Currently, the University is not involved with any joint ventures. Organizations subject to significant influence where the University does not maintain control are disclosed in Note 18.

(c) Financial Instruments

The University’s financial assets and liabilities are generally classified and measured as follows:

Financial Statement Component	Classification	Measurement
Cash	Held for Trading	Fair Value
Short-term Investments	Held for Trading	Fair Value
Long-term Investments	Held for Trading	Fair Value
Accounts Receivable	Loans and Receivables	Cost or Amortized Cost
Other Long-term Assets	Loans and Receivables	Cost or Amortized Cost
Accounts Payable and Accrued Liabilities	Other Liabilities	Cost or Amortized Cost
Long-term Liabilities	Other Liabilities	Cost or Amortized Cost

The University’s financial instruments are recognized on their trade date and 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.

All derivative financial instruments of the University are classified as held for trading. The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. Forward contracts are marked to market at the end of each reporting period with any changes in the market value recorded in the statement of operations when the changes occur. As permitted for Not-for-Profit Organizations, the University has elected to not apply the standards on derivatives embedded in non-financial contracts, leases and insurance contracts, and the University has elected to continue to follow CICA 3861: *Disclosure and Presentation*.

Financial statements are exposed to credit risk, interest rate risk, foreign exchange risk, market risk, commodity price risk, and liquidity risk. Each of these risks is managed through the University's collection procedures, investment guidelines, banking arrangements and other internal policies, guidelines and procedures.

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(c) Financial Instruments (continued)

Market Risk

The University is subject to market risk, foreign currency risk and interest rate 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.

Liquidity Risk

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, 2010 the University had committed borrowing facilities of $5 million, none of which has 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 restricted enrolment 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. The 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 contracts to fix the price for electricity.

(d) Inventories

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

(e) Capital Assets and Collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair value when a fair value can be reasonably determined. Permanent collections are not amortized and include museum specimens, and works of art held for education, research and public exhibition purposes.

Construction in progress includes costs directly attributable to the construction including engineering, legal fees, and interest on specific debt attributed to the construction of capital assets.

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:

Asset Category	Estimated Useful Lives
Buildings, land and leasehold improvements	
Land improvements	10-25 years
Buildings - exterior	40 years
Buildings - interior	20 years
Building improvements	15 years
Leasehold improvements	lease term
Furnishings and Equipment	
Furnishings and equipment	5-10 years
Computer equipment	3-5 years
Electrical equipment	20 years
Software	3-5 years
Vehicles	6 years
Library Materials	10 years

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) 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 based on the discounted present value of estimated future cash flows can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the asset and amortized over its estimated useful life.

(g) 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.

Operating grants - when received or receivable, or where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period.

Unrestricted investment income - when earned; this includes interest, dividends, realized and unrealized gains and losses.

Pledges - are recorded if they can be reasonably estimated and collection is reasonably assured. Pledges receivable are recorded as an asset with the corresponding amount being recorded as gifts and donations revenue, deferred contributions, deferred capital contributions or endowments as applicable.

Revenues received for services and products - when the services or products are substantially provided.

Tuition fees - when the instruction is delivered.

Donations of materials - are recorded at fair value when a fair value can be reasonably determined and when materials would otherwise have been purchased.

Restricted contributions - based on the deferral method.

Deferral Method

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

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

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-Secondary Learning Act* allocated to endowment principal, 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 for the acquisition of land and permanent collections are first recorded as deferred contributions when received, and when expended, they are recognized as direct increases in investment in capital assets and collections, internally restricted.

(h) Employee Future Benefits

Pension

The University participates with other employers 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.

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. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The University does not have sufficient plan information on the PSPP to follow the standards for defined benefit accounting,

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(h) Employee Future Benefits (continued)

and therefore follows the standards for defined contribution 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 future benefits.

Supplementary Benefit Plan

The cost of providing non-contributory post employment benefits under the University's supplementary benefit plan is charged to pension expense annually based on the employer's current contributions, adjusted annually by the realized rate of return on the University's long-term investments.

Early Retirement Plan

The cost of providing accumulating post employment benefits under the University's early retirement plan is actuarially determined using the projected benefit method. Actuarial gains or losses on the accrued benefit obligation are recognized immediately.

During the year, the University added a one time voluntary retirement program to allow employees meeting the plan criteria to retire early and be provided a defined benefit upon retirement within the 2010 and 2011 calendar years. The cost of these benefits is determined by management based on years of service and salary as of July 2009. The costs of providing this benefit is recognized as expense in full when the event occurs which obligates the University to provide the benefits.

Long-Term Disability Plan

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plan is actuarially determined using the accumulated benefit method, a market interest rate and administration's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains and losses on the accrued benefit obligation which exceed 10% of the long-term disability accrued benefit obligation are amortized over the average remaining service lifetime and are recognized in the benefit cost.

Senior Administration Leaves

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's senior administrative leaves is actuarially determined using the projected benefit method prorated on service, including salary increases where applicable, and are based on the plan's benefit formula. Actuarial gains or losses on the accrued benefit obligation are recognized immediately.

(i) Capital Disclosures

The University defines its capital as the amounts included in deferred contributions (Note 9), endowment net assets (Note 11) and unrestricted net assets. A significant portion of the University's capital is externally restricted. The University has investment policies (Note 4), spending policies and cash management procedures to ensure the University can meet its capital obligations.

Under the *Post-Secondary Learning Act*, the University must receive ministerial or Lieutenant Governor in Council approval for a deficit budget, mortgage and debenture borrowing, and the sale of any land, other than donated land, that is being held by and being used for the purposes of the University.

(j) Contributed Services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in these financial statements.

Note 3 Prior Period Adjustment

Management has determined that an error was made in the prior year where a grant was recorded as income although it was restricted for capital purposes and not spent. Management also identified that endowment investment earnings corresponding to amounts expended had not been recorded as income, but had been transferred between net assets.

(thousands of dollars)

Note 3 Prior Period Adjustment (continued)

The corrections have been applied retrospectively with restatement of comparative figures. The impact on the prior year's financial statements as a result of the error is as follows:

	2009		
	As previously recorded	Adjustment recorded	As restated
Increase (decrease) in:			
Statement of Financial Position			
Deferred capital contributions	$ 60,120	$ 1,948	$ 62,068
Statement of Operations			
Government of Alberta grants	96,018	(1,948)	94,070
Investment income (loss)	(11,968)	425	(11,543)

Note 4 Investments

As at March 31, 2010, the composition, fair value, and annual market yields on investments are as follows:

	2010		2009	
	Annual Market Yield	Market Value	Annual Market Yield	Market Value
Cash, money market funds, short-term notes and treasury bills	-0.90%	$ 26,431	3.00%	$ 22,931
Canadian bonds	5.60%	43,999	4.80%	43,668
Canadian equity	36.20%	49,954	-23.70%	32,819
Foreign equity	27.80%	26,682	-38.30%	21,234
Other		139		134
		$ 147,205		$ 120,786
Short-term investments		5,000		-
Long-term investments		142,205		120,786
		$ 147,205		$ 120,786

Terms to maturity of fixed income investments are as follows:

- Money market funds, short-term notes and treasury bills - less than one year.
- Canadian government and corporate bonds - range from less than one year to more than 40 years.

The University has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The University's Finance Committee, a subcommittee of the Board of Governors, has delegated authority for oversight of the University's investments. The Finance Committee meets regularly to monitor investments, to review investment manager performance, to ensure compliance with the University's investment policy and to evaluate the continued appropriateness of the University's investment policy.

Cash, money market funds, and short-term notes are held for less than one year. 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. 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.

(thousands of dollars)

Note 5 Other Long-term Assets

	2010	2009
1st Choice Savings and Credit Union Ltd.	$ 1,630	$ 1,834
University of Lethbridge undergraduate students	1,609	1,594
University of Lethbridge graduate students	42	48
University of Lethbridge Faculty Association	150	-
Current portion in Accounts Receivable	(516)	(355)
	$ 2,915	$ 3,121

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 beginning in 2007. 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 beginning in 2007. 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 beginning in 2009. The University of Lethbridge Faculty Association is contributing $205 toward the construction of the Day Care Facility, to be collected over a period of approximately 20 years beginning in 2010. These contributions have been discounted to their present value using market interest rates.

In addition to the contributions above, there are pledges of $3,327 (2009- $4,857) for capital projects and scholarships that have not been recorded in the financial statements as they do not meet the criteria for recognition.

Note 6 Capital Assets and Collections

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings, land and leasehold improvements	$ 323,942	$ 96,199	$ 227,743	$ 291,628	$ 87,479	$ 204,149
Furnishings and equipment	66,176	49,147	17,029	60,728	46,074	14,654
Library materials	32,622	22,877	9,745	30,469	21,414	9,055
Land	913	-	913	913	-	913
Permanent collections	33,814	-	33,814	33,687	-	33,687
	$ 457,467	$ 168,223	$ 289,244	$ 417,425	$ 154,967	$ 262,458

Included in buildings, land and leasehold improvements is $43,116 (2009 - $28,066) recorded as construction in progress, which is not amortized as the assets are not yet available for use. Acquisitions during the year includes in-kind contributions (such as library materials, equipment, software, buildings and land) in the amount of $ 836 (2009 - $279).

Note 7 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2010	2009
Universities Academic Pension Plan (UAPP)	$ 14,413	$ 9,470
Long-term disability	471	472
Early retirement	1,576	216
Senior administration leaves	5,712	5,897
Supplementary Benefit Plans (SBP)	2,113	1,813
Other	154	268
	24,439	18,136
Less current portion	(1,936)	(1,372)
Long-term portion	$ 22,503	$ 16,764

(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

(a) Defined Benefit

Multi-Employer Pension Plans

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members and other eligible employees. The latest actuarial valuation of the UAPP was carried out as at December 31, 2008. This was then extrapolated to the plan's year end of December 31, 2009 and further extrapolated to the University's year end of March 31, 2010. The next actuarial evaluation will be carried out as at December 31, 2010.

The Public Service Pension Plan (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, 2009, the PSPP reported an actuarial deficiency of $1,729,196 (2008 - $1,187,538 deficiency). An actuarial valuation of the PSPP was carried out as at December 31, 2008 and was then extrapolated to December 31, 2009. The next actuarial evaluation will be carried out as at December 31, 2011. The pension expense recorded in these financial statements is $1,414 (2009 - $1,188).

The financial positions reported below represent the plan as a whole and not the University's share:

	2010		2009	
	March 31, 2010	December 31, 2009	March 31, 2009	December 31, 2008
UAPP				
Post 1991	$ (277,859)	$ (305,020)	$ (442,750)	$ (303,034)
Pre 1992	(646,208)	(665,980)	(857,110)	(752,437)
Total	$ (924,067)	$ (971,000)	$ (1,299,860)	$ (1,055,471)
PSPP		$ (1,729,196)		$ (1,187,538)

The University's portion of the UAPP deficiency disclosed above has been allocated based on its percentage of the plan's total employer contributions for the year.

Early retirement

The University provides early retirement (support staff) defined benefits to its employees. The most recent actuarial valuation for these benefits was as at March 31, 2010. 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. The plan is closed to new members and no future service benefits are being accrued. The next actuarial evaluation will be carried out for March 31, 2011.

Long-term disability plans

The University provides long-term disability (academic and support staff) defined benefits to its employees. The most recent actuarial valuation for these benefits was as at March 31, 2010. The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date. The accrued benefit obligation began the year at $721, increased by current service costs of $11, interest costs of $39 and amortization of net actuarial losses of $33, which were offset by benefits paid of $86 for an accrued benefit obligation at the end of the year of $718. The long-term disability plan has unamortized net actuarial losses of $247. The next actuarial evaluation will be carried out for March 31, 2011.

University of Lethbridge

Notes to the Financial Statements
Year Ended March 31, 2010
(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

	2010				2009			
	UAPP [1]	Early retirement plan [2]	Senior administration leaves	Supplementary benefit plan	UAPP [1]	Early retirement plan [2]	Senior administration leaves	Supplementary benefit plan
Expenses								
Current service cost	$ 5,509	$ 1,389	$ 783	$ 304	$ 4,860	$ -	$ 803	$ 308
Interest cost	3,119	11	343	63	1,470	12	312	65
Amortization of net actuarial losses (gains)	3,094	(6)	6	-	1,100	(2)	85	-
Total expense	$ 11,722	$ 1,394	$ 1,132	$ 367	$ 7,430	$ 10	$ 1,200	$ 373
Financial position								
Accrued benefit obligation, beginning of year	$ 118,606	$ 216	$ 5,897	$ 1,814	$ 104,820	$ 250	$ 5,576	$ 1,490
Current service cost	5,509	1,389	783	304	4,860	-	803	308
Interest cost	8,135	11	343	63	7,196	12	312	65
Benefits paid	(5,400)	(34)	(1,317)	(68)	(4,820)	(44)	(879)	(49)
Actuarial (gain) loss	(18,973)	(6)	6	-	6,550	(2)	85	-
Balance, end of year	107,877	1,576	5,712	2,113	118,606	216	5,897	1,814
Plan Assets	81,395	-	-	-	74,170	-	-	-
Funded status - plan deficit	26,482	1,576	5,712	2,113	44,436	216	5,897	1,814
Unamortized net actuarial gain (loss)	12,069	-	-	-	(34,966)	-	-	-
Accrued benefit liability	$ 14,413	$ 1,576	$ 5,712	$ 2,113	$ 9,470	$ 216	$ 5,897	$ 1,814

(1) Plan Assets:
UAPP - the unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2009 - 1.25%) of total earnings by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.03% (2009 - 1.74%) of total earnings required to eliminate the unfunded deficiency by December 31, 2043. The actuarial valuation shows that the present value at December 31, 2009 of the Province of Alberta's obligation for the future additional contributions was $270,200. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 4.64% (2009 - 4.08%) of pensionable earnings shared equally between employees and employers until December 31, 2021, and 0.28% of pensionable earnings until December 31, 2023.

(2) Early retirement - the University plans to use its working capital to finance these future obligations.

The significant actuarial assumptions used to measure the accrued benefit obligation are as follows:

	2010				2009			
	UAPP	Early retirement plan	Senior administration leaves [1]	Supplementary benefit plan	UAPP	Early retirement plan	Senior administration leaves	Supplementary benefit plan
Accrued benefit obligation:								
Discount rate	6.90%	4.60%	4.60%	n/a	6.70%	5.70%	5.70%	n/a
Long-term average compensation increase	3.50%	n/a	0.00%	n/a	3.00%	n/a	6.00%	n/a
Benefit cost:								
Discount rate	6.90%	4.60%	4.60%	n/a	6.70%	5.70%	5.70%	n/a
Long-term average compensation increase	3.50%	n/a	4.50%	n/a	3.00%	n/a	4.50%	n/a
Alberta inflation:								
Next 3 years	2.25%	n/a	0.00%	n/a	3.70%	n/a	0.00%	n/a
Thereafter	2.25%	n/a	0.00%	n/a	2.70%	n/a	0.00%	n/a
Estimated average remaining service life	11.3 yrs	3 yrs	5 yrs	5 yrs	10.5 yrs	4 yrs	4 yrs	6 yrs

(1) The compensation increase is 0% for 2011 and 6% thereafter.

(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

(b) Defined Contribution

Supplementary benefit plan

The University provides non-contributory defined supplementary benefits to current and past senior administrators above the benefits provided by the University's Academic Pension Plan. The aggregate liability is $2,113 (2009 - $1,814). The University's total defined benefit supplementary benefit expense was $ 68 (2009 - $ 49).

Note 8 Long-term Liabilities

	Collateral	Maturity date	Interest rate	2010	2009
Alberta Capital Finance Authority payable:					
Student housing debenture	(1)	April 15, 2023	6.0%	$ 3,241	$ 3,387
Other liabilities					
Capital lease	n/a	Sept. 30, 2012	5.0%	281	384
Asset retirement obligation	n/a	n/a	n/a	558	1,427
				4,080	5,198
Less current portion				(750)	(840)
				$ 3,330	$ 4,358

(1) Collateral consists of a security interest in present and acquired intangibles, accounts, monies, book debts, instruments, claims or rights, rentals, or insurance proceeds directly or indirectly associated from the operations of the said student housing building.

The principal portion of long-term liability repayments, excluding the asset retirement obligation is as follows:

2011 - $260; 2012 - $273; 2013 - $238; 2014 - $184; 2015 and thereafter - $2567;

Interest expense on long-term obligations is $214 (2009 - $224). All long-term obligations have fixed interest rates. The weighted average interest rate is 5.24% (2009 - 4.31%).

The asset retirement obligation represents the estimated present value of the legal obligation associated with the planned removal of asbestos from University Hall. 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 two fiscal years, with an undiscounted value of approximately $590. The credit-adjusted risk-free rate used for discounting the liability was 2.59%. 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. Reconciliation of the asset retirement obligation is as follows:

	2010	2009
Asset retirement obligation, beginning of the year	$ 1,427	$ 1,382
Liabilities settled during the period	(135)	(218)
Accretion expense	37	21
Increase (decrease) in obligation	(771)	242
Asset retirement obligation, end of the year	$ 558	$ 1,427

(thousands of dollars)

Note 9 Deferred Contributions

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

	2010		2009	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	$ 67,303	$ 13,214	$ 47,398	$ 12,849
Grants and donations received	10,155	19,187	54,388	17,191
Recognized as revenue	(532)	(14,775)	(136)	(14,028)
Transferred to unamortized deferred capital contributions (Note 10)	(29,090)	(2,447)	(34,347)	(2,798)
Balance, end of the year	47,836	15,179	67,303	13,214
Less amounts included in current liabilities	(7,870)	(14,415)	(5,235)	(12,031)
	$ 39,966	$ 764	$ 62,068	$ 1,183

Note 10 Unamortized Deferred Capital Contributions

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

	2010	2009
Balance, beginning of the year	$ 149,380	$ 119,515
Additions from deferred contributions (Note 9)	31,537	37,145
Amortization of deferred capital contributions to revenue	(8,512)	(7,280)
Balance, end of the year	$ 172,405	$ 149,380

Note 11 Endowments

Endowments consist of externally restricted donations received by the University and internal allocations by the University's Board of Governors, the principal of which is required to be maintained intact in perpetuity.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the endowments must be protected 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 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.

(thousands of dollars)

Note 11 Endowments (continued)

The composition of endowments is as follows:

	2010			2009		
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total
Balance, beginning of the year	$ 25,347	$ 3,605	$ 28,952	$ 29,050	$ 3,123	$ 32,173
Gifts of endowment principal	1,484	-	1,484	2,730	-	2,730
Transfer to (from) endowments	(568)	200	(368)	629	482	1,111
Transfer from endowments	(7)	-	(7)	(304)	-	(304)
Investment gain (loss)	4,520	-	4,520	(6,758)	-	(6,758)
Balance, end of the year	$ 30,776	$ 3,805	$ 34,581	$ 25,347	$ 3,605	$ 28,952
Cumulative contributions	$ 24,328	$ 3,263	$ 27,591	$ 23,411	$ 3,263	$ 26,674
Cumulative capitalized income	6,448	542	6,990	1,936	342	2,278
	$ 30,776	$ 3,805	$ 34,581	$ 25,347	$ 3,605	$ 28,952

During the 2010 year, investment income (loss) of $4,520 (2009 - $(6,758)) was charged to endowment funds. The Board of Governors approved the funding of endowment deficits and transferred $306 (2009 - $588) from unrestricted net assets to externally restricted endowments. Repayments of $881 (2009 - $nil) were made to unrestricted net assets from externally restricted endowments.

Note 12 Investment in Capital Assets and Collections, Internally Restricted

Net assets invested in capital assets and collections represent the carrying amount (net book value) of capital assets and collections less unamortized deferred capital contributions and any related debt.

	2010	2009
Capital assets and collections at net book value (Note 6)	$ 289,244	$ 262,458
Less amounts financed by:		
Unamortized deferred capital contributions (Note 10)	(172,405)	(149,380)
Long-term liabilities related to capital expenditures (Note 8)	(4,080)	(5,198)
	$ 112,759	$ 107,880

The changes during the year are as follows:

	2010	2009
Investment in capital assets and collections, beginning of the year	$ 107,880	$ 106,416
Acquisition of capital assets and collections	11,325	8,086
Long-term liabilities - repayment	248	238
Long-term liabilities - new financing	-	(1)
Net book value of asset disposals	(105)	(63)
Amortization of investment in capital assets	(6,716)	(6,860)
Net investment in capital assets	4,752	1,400
Contributions of assets not subject to amortization	127	64
Increase for the year	4,879	1,464
Investment in capital assets and collections, end of the year	$ 112,759	$ 107,880

(thousands of dollars)

Note 13 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. Those amounts are not available for other purposes without the approval of the Board. Internally restricted net assets are summarized as follows:

	Balance, beginning of year	Appropriations from (returned to) unrestricted net assets	Disbursements during the year	Balances, end of year
Capital activities				
Ancillary	$ 3,583	$ 1,006	$ 409	4,180
Housing (apartments)	867	3,271	35	4,103
Facility enhancement	-	2,150	-	2,150
Parking	852	240	-	1,092
Support units equipment	213	465	145	533
Service vehicles and equipment	147	265	-	412
Utility conservation	157	1	-	158
IT systems	182	-	90	92
Self insurance	33	8	-	41
Buildings and plant	86	-	86	$ -
Site and utilities	74	-	74	-
Major equipment	53	200	253	-
Matching equipment	3	-	3	-
Telecommunication equipment	(215)	125	-	(90)
	6,035	7,731	1,095	12,671
Operating activities				
Strategic initiatives	-	2,450	-	2,450
Short-term disability	-	400	114	286
Utilities	55	-	-	55
Academic development	7	15	4	18
Budget reductions	88	-	88	-
Campus planning studies	55	-	55	-
	205	2,865	261	2,809
Total	$ 6,240	$ 10,596	$ 1,356	$ 15,480

Note 14 Contingent Liabilities

- The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome and liability 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.

- The University has identified potential asset retirement obligations related to the existence of asbestos in its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedures to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the full obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligation for these assets is recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation (Note 8).

(thousands of dollars)

Note 15 Contractual Obligations

The University has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met.

	2010	2009
Service contracts	$ 8,651	$ 9,681
Capital projects	6,974	35,119
Information systems and technology	1,063	1,217
Long-term leases	892	730
	$ 17,580	$ 46,747

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Service Contracts	Capital Projects	Information systems and Technology	Long-term Leases	Total
2011	$ 1,365	$ 6,795	$ 253	$ 263	$ 8,676
2012	1,936	113	224	314	2,587
2013	1,936	66	193	90	2,285
2014	1,936	-	191	90	2,217
2015	1,470	-	126	90	1,686
Thereafter	8	-	76	45	129
	$ 8,651	$ 6,974	$ 1,063	$ 892	$ 17,580

Service contracts include contractual obligations the University has entered into for services such as electricity, insurance and consulting services. Capital projects include contractual obligations for the construction or purchase of capital items. Information systems and technology include contractual obligations for technology maintenance and services. Long-term leases are contractual obligations the University has entered into for the use of additional facilities and include fixed costs.

Included in service contracts is the University's agreement with CURIE. The University is one of 58 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, 2009 CURIE had a surplus of $32,032 (2008 - $17,748). This surplus is an accumulation of four different underwriting periods. The University participates in three of the underwriting periods, which have an accumulated surplus of $28,647 as of December 31, 2009 (2008 - $13,771) of which the University's proportionate share is approximately 1.09% (2008 - 1.06%) at December 31, 2009. This surplus is not recorded in the financial statements.

Included in service contracts are electricity contracts in order to manage its exposure to the volatility in the electrical industry. The University has entered into contracts to fix a portion of its electrical cost at an average of $73 (2009 - $55) per megawatt hour. The three (2009 - three) contracts totaling $13,007 (2009 - $5,547) expire in December 2010 and 2014, and May 2016.

Note 16 Budget Comparison

The University's 2009 - 2010 budget was approved by the Board of Governors as was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2009 - 2013 Business Plan. Certain budget figures from the University's 2009 - 2013 Business Plan have been reclassified to conform to the presentation adopted in the 2010 financial statements.

Note 17 Investment Income

	2010	2009
Gain (Loss) on investments held for endowments		
Externally restricted	$ 5,259	$ (6,333)
Internally restricted	200	(109)
Gain (Loss) on other investments	16,148	(12,593)
	21,607	(19,035)
Amounts deferred	(1,587)	734
Transfer to endowments	(4,519)	6,758
	$ 15,501	$ (11,543)

(thousands of dollars)

Note 18 Related Party Transactions

The University operates under the authority and statutes of the Province of Alberta. Transactions between the University and the Government of Alberta (GOA) are measured at the exchange amount and summarized below:

	2010	2009 Restated
Revenue from GOA		
Advanced Education and Technology:		
Operating grants	$ 85,677	$ 79,675
Enrolment planning envelope	9,755	11,622
Capital grants	4,692	48,313
Access to the Future Fund (matching grants)	3,000	3,000
Alberta Innovates - Health Solutions	1,794	1,554
Alberta Innovates - Tech Futures	925	337
Research grants	753	298
Alberta Innovates - Energy & Environment	726	384
Alberta Science and Research Authority	231	640
Alberta Innovates - Bio Solutions	110	-
Other	233	1,295
Facility operations support	-	323
	107,896	147,441
Other GOA departments and agencies:		
Alberta Culture and Community Spirit	1,371	-
Alberta Gaming & Liquor Commission	583	741
Alberta Education	188	94
Alberta Health Services	172	393
Alberta Sustainable Resource Development	75	-
Alberta Foundation for the Arts	69	57
Other	407	518
	2,865	1,803
Total contributions received	110,761	149,244
Less deferred contributions	(9,398)	(54,553)
Less transfer to endowments	(693)	(621)
	$ 100,670	$ 94,070
Accounts receivable		
Advanced Education and Technology	$ 5,933	$ 1,030
Other GOA departments and agencies	35	6
	$ 5,968	$ 1,036
Accounts payable		
Advanced Education and Technology	$ 178	$ 188
	$ 178	$ 188

The University has a long-term liability with Alberta Capital Finance Authority as described in Note 8.

Due to the Government of Alberta reorganization in April 2009, the table above shows the new agencies in 2010, as compared to the previous organizational structure. The categorization reflects the entities from which the University received its funding.

During the year, the University conducted business transactions with other public Colleges and Universities. The revenues and expenses incurred for these business transactions have been included in the statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as those with non-related parties and are recorded at fair values.

The University owns 90% of the common shares in Alberta Terrestrial Imaging Corp. (ATIC), a not-for-profit 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, 2010 the University had a loan receivable from ATIC of $434 (2009 - $635) resulting from paying certain operating expenses on

(thousands of dollars)

Note 18 Related Party Transactions (continued)

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 not-for-profit 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, 2010 the University submitted $ 117 (2009 - $ 82) in expenses to be funded by CSEE grants.

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.

Note 19 Salary and Employee Benefits

Treasury Board Directive 12-98 under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2010				2009
	Base salary (1)	Other cash benefits (2)	Other non-cash benefits (3) (6)	**Total**	**Total**
Governance (4)					
Chair of the Board of Governors	$ -	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President	354	80	97	531	511
Vice-Presidents					
Vice-President Academic and Provost	258	32	47	337	317
Vice-President Finance and Administration	271	-	51	322	306
Vice-President Research (5)	211	10	54	275	251
Vice-President Advancement	189	-	38	227	213
Administrative leave benefit (7)					
President	-	-	-	89	179
Vice-President Academic and Provost	-	-	-	57	55
Vice-President Finance and Administration	-	-	-	76	59
Vice-President Research	-	-	-	29	67

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include housing allowances and research grants in lieu of salary.

(3) Other non-cash benefits include the University'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 point 6 below) and professional supplement allowance.

(4) The Chair 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), senior administrators will receive supplemental retirement payments. The costs detailed below are not cash payments in the period but are period expenses 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. Current service costs is the notional value of the benefits earned in the fiscal year. The interest accrued on benefit obligations is equal to the realized earnings rate on the University's long-term investments of 3.36% in 2010 (2009 – 4.15%).

(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

(thousands of dollars)

Note 19 Salary and Employee Benefits (continued)

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 prorated 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.

The current service cost and accrued obligation for each senior administrator under the SBP is outlined in the following table:

	2010				2009	
	Current service cost	Prior service and other costs	Net Cost	Accrued Obligation	Net Cost	Accrued Obligation
President	$ 51	$ 11	$ 62	$ 363	$ 61	$ 301
Vice Presidents:						
Vice-President Academic and Provost	13	1	14	37	13	24
Vice-President Finance and Administration	14	3	17	95	16	78
Vice-President Research	6	1	7	6	-	-
Vice-President University Advancement	6	1	7	19	5	12

The significant actuarial assumptions used to measure the accrued benefit obligation are discussed in Note 7.

Note 20 Scholarships, Bursaries and Awards

In addition to the amount recognized, scholarships and bursaries totaling $2,708 (2009 - $2,863) were awarded to 2,003 (2009 - 1,954) University of Lethbridge students through the Alberta Scholarship Program. These amounts are not included in the financial statements.

Note 21 Comparative Figures

Certain 2009 figures have been reclassified to conform to the presentation adopted in the 2010 financial statements.