



Athabasca
University

Financial Statements

March 31, 2016





Athabasca University Financial Statements

For the year ended March 31, 2016

Table of Contents

Statement of Management Responsibility	4
Independent Auditor's Report	5
Financial Statements	
Statement of Financial Position	6
Statement of Operations	7
Statement of Change in Net Debt	8
Statement of Remeasurement Gains and Losses	9
Statement of Cash Flows	10
Notes to the Financial Statements.....	11

Statement of Management Responsibility

Year ended March 31, 2016

The financial statements of Athabasca University have been prepared by management in accordance with Canadian Public Accounting Standards. The financial statements present fairly the financial position of the University as at March 31, 2016 and the results of its operations for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The Board of Governors is responsible for reviewing and approving the financial statements, and overseeing management's performance of its financial reporting responsibilities.

The Board of Governors carries out its responsibility for review of the financial statements principally through its Audit Committee. With the exception of the President, all members of the Audit Committee are not employees of the University. The Audit Committee meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Audit Committee, with and without the presence of management.

These financial statements for the year ended March 31, 2016 have been reported on by the Auditor General of Alberta, the auditor appointed under the *Post-secondary Learning Act*. The Independent Auditor's Report outlines the scope of the examination and provides the audit opinion on the fairness of presentation of the information in the financial statements.

Original signed by Peter MacKinnon

Original signed by Estelle Lo

Peter MacKinnon, OC
Interim President

Estelle Lo, B.Comm., MBA, CPA, CMA
Vice-President Finance and Administration

Auditor's Report

Independent Auditor's Report



To the Governors of Athabasca University

Report on the Financial Statements

I have audited the accompanying financial statements of Athabasca University, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Athabasca University as at March 31, 2016, and the results of its operations, its remeasurement gains and losses, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCPA, FCA]

Auditor General

May 27, 2016

Edmonton, Alberta

Athabasca University

Statement of Financial Position

As at March 31, 2016
(thousands of dollars)

	2016	2015
		Restated (Note 3)
Financial Assets		
Cash and cash equivalents (Note 4)	\$ 2,729	\$ 3,877
Portfolio investments - non-endowment (Note 5)	35,833	35,391
Portfolio investments - restricted for endowments (Note 5)	3,417	3,658
Accounts receivable (Note 7)	1,859	2,983
Inventories for resale	1,710	1,986
	<u>45,548</u>	<u>47,895</u>
Liabilities		
Accounts payable and accrued liabilities	10,030	9,794
Employee future benefit liabilities (Note 9)	21,095	21,124
Deferred revenue (Note 10)	23,441	24,024
	<u>54,566</u>	<u>54,942</u>
Net debt	\$ (9,018)	\$ (7,047)
Non financial assets		
Tangible capital assets (Note 8)	56,948	58,822
Prepaid expenses	2,118	1,669
	<u>59,066</u>	<u>60,491</u>
Net assets before deferred capital contributions	\$ 50,048	\$ 53,444
Spent deferred capital contributions (Note 11)	43,218	44,763
Net assets	\$ 6,830	\$ 8,681
Net assets is comprised of:		
Accumulated surplus (Note 12)	6,442	6,972
Accumulated remeasurement gains	388	1,709
	<u>\$ 6,830</u>	<u>\$ 8,681</u>

Contractual obligations (Note 13)

Approved by the Board of Governors: (Note 19)

Original signed by Margaret Mrazek

Margaret Mrazek, Q.C.
Interim Chair, Board of Governors

Original signed by Colette Miller

Colette Miller, FCA, ICD.D
Chair, Audit Committee

The accompanying notes are an integral part of these financial statements.

Athabasca University

Statement of Operations

Year ended March 31, 2016
(thousands of dollars)

	Budget 2016	Actual 2016	Actual 2015
	(Note 14)		Restated (Note 3)
Revenue			
Government of Alberta grants (Note 16)	\$ 42,516	\$ 46,424	\$ 44,994
Student tuition and fees	67,375	65,952	64,989
Sales of services and products	15,362	15,531	15,277
Federal and other government grants	1,865	1,943	2,475
Investment income	1,060	1,545	1,481
Donations and other grants	1,116	1,245	1,809
	<u>129,294</u>	<u>132,640</u>	<u>131,025</u>
Expense			
Instruction and non-sponsored research	75,379	74,771	70,619
Academic and student support	14,779	16,168	12,295
Institutional support	14,197	11,750	13,918
Sponsored research and special purpose	3,671	9,096	6,199
Computing and communication	7,187	8,944	9,421
Ancillary services	9,330	7,279	8,627
Facility operations and maintenance	4,751	5,199	7,450
	<u>129,294</u>	<u>133,207</u>	<u>128,529</u>
Annual operating (deficit) surplus	-	(567)	2,496
Endowment contributions and capitalized investment income (Note 12)	-	37	387
Annual surplus (deficit)	-	(530)	2,883
Accumulated surplus, beginning of year	6,585	6,972	4,089
Accumulated surplus, end of year	<u>\$ 6,585</u>	<u>\$ 6,442</u>	<u>\$ 6,972</u>

The accompanying notes are an integral part of these financial statements.

Athabasca University

Statement of Change in Net Debt

Year ended March 31, 2016
(thousands of dollars)

	Budget 2016	Actual 2016	Actual 2015
Annual (deficit) surplus	\$ -	\$ (530)	\$ 2,883
Acquisition of tangible capital assets	(5,763)	(4,274)	(6,284)
Proceeds from sale of tangible capital assets	-	3	15
Amortization of tangible capital assets	5,180	6,148	5,209
(Gain) loss on sale of tangible capital assets	-	(3)	100
Change in prepaid expenses	-	(449)	(132)
Change in spent deferred capital contributions	(1,993)	(1,545)	(1,027)
Net accumulated remeasurement (losses) gains	-	(1,321)	848
(Decrease) increase in net debt	(2,576)	(1,971)	1,612
Net debt, beginning of year	(12,224)	(7,047)	(8,659)
Net debt, end of year	\$ (14,800)	\$ (9,018)	\$ (7,047)

The accompanying notes are an integral part of these financial statements.

Athabasca University

Statement of Remeasurement Gains and Losses

Year ended March 31, 2016
(thousands of dollars)

	2016	2015
Accumulated remeasurement gains, beginning of year	\$ 1,709	\$ 861
Unrealized (losses) gains attributable to:		
Portfolio investments - non endowment	(1,337)	1,039
Amounts reclassified to the statement of operations:		
Portfolio investments -non endowment	16	(191)
	(1,321)	848
Accumulated remeasurement gains, end of year	\$ 388	\$ 1,709
Accumulated remeasurement gains is comprised of:		
Portfolio investments - non endowment	\$ 388	\$ 1,709

The accompanying notes are an integral part of these financial statements.

Athabasca University

Statement of Cash Flows

Year ended March 31, 2016
(thousands of dollars)

	2016	2015
		Restated (Note 3)
Operating transactions		
Annual (deficit) surplus	\$ (530)	\$ 2,883
Add (deduct) non-cash items:		
Amortization of tangible capital assets	6,148	5,209
Expended capital recognized as revenue	(3,607)	(3,394)
(Gain) loss on disposal of tangible capital assets, net	(3)	100
Decrease in employee future benefit liabilities	(29)	(1,297)
Change in non-cash items	2,509	618
Decrease (increase) in accounts receivable	1,124	(705)
Decrease in inventories for resale	276	587
Increase in accounts payable and accrued liabilities	235	767
Decrease in deferred revenue	(304)	(1,212)
Increase in spent deferred capital contribution, less expended capital recognized as revenue	2,062	2,002
Increase in prepaid expenses	(449)	(132)
Cash provided by operating transactions	4,923	4,808
Capital transactions		
Acquisition of tangible capital assets	(4,274)	(6,284)
Proceeds on sale of tangible capital assets	3	15
Cash applied to capital transactions	(4,271)	(6,269)
Investing transactions		
Purchases of investments	(1,800)	(1,700)
Proceeds on sale of portfolio investments	-	3,029
Cash (used in) provided by investing transactions	(1,800)	1,329
Decrease in cash and cash equivalents	(1,148)	(132)
Cash and cash equivalents, beginning of year	3,877	4,009
Cash and cash equivalents, end of year	\$ 2,729	\$ 3,877

The accompanying notes are an integral part of these financial statements.



Athabasca University
Notes to the Financial Statements

For the year ended March 31, 2016

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

1 Authority and Purpose

The Governors of Athabasca University is a corporation which manages and operates Athabasca University (“the University”) under the *Post-secondary Learning Act* (Alberta), and the Athabasca University Regulation (Alberta Regulation 50/2004). All members of the Board of Governors are appointed by either the Lieutenant Governor in Council or the Minister of Innovation and Advanced Education, with the exception of the President, who is an ex officio member. 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 through distance education. The University is a registered charity, and under section 149 of the Income Tax Act (Canada), is exempt from the payment of income tax.

2 Summary of Significant Accounting Policies and Reporting Practices

(a) General – Canadian Public Sector Accounting Standards and Use of Estimates

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

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 tangible capital assets, and the revenue recognition for expended capital 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) Valuation of Financial Assets and Liabilities

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

Financial Statement Component	Measurement
Cash and cash equivalents	Amortized cost
Portfolio investments	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Unrealized gains and losses from changes in the fair value of unrestricted financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

When the restricted nature of a financial instrument and any related changes in fair value create a liability, unrealized gains and losses are recognized as deferred revenue.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed in the statement of operations for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs for financial instruments measured at fair value are expensed as incurred.

The University does not use foreign currency contracts or any other type of derivative financial instruments for trading or speculative purposes.

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

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

(b) Valuation of Financial Assets and Liabilities (continued)

University administration evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the University's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities. The University does not have any embedded derivatives.

(c) Revenue Recognition

All revenue is reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government grants, non-government grants and donations

Government transfers are referred to as government grants.

Restricted grants and donations are recognized as deferred revenue if the terms for the use, or the terms along with the University's actions and communications as to the use, create a liability. These grants and donations are recognized as revenue as the terms are met. If the grants and donations are used to acquire or construct tangible capital assets revenue will be recognized over the useful life of the tangible capital assets.

Government grants without terms for the use of the grant are recorded as revenue when the University is eligible to receive the funds. Unrestricted non-government grants and donations are recognized as revenue in the year received or in the year the funds are committed to the University if the amount can be reasonably estimated and collection is reasonably assured.

In-kind donations of services, materials and tangible capital assets are recorded at fair value when a fair value can reasonably be determined. Transfers of tangible capital assets from related parties are recorded at the carrying value. While volunteers as well as members of the staff of the University contribute a significant amount of time each year to assist the University in carrying out its mission, the value of their services is not recognized in the financial statements because fair value cannot be reasonably determined.

Grants and donations related to land

Grants and donations for the purchase of land are recognized as deferred revenue when received, and recognized as revenue when the land is purchased.

An in-kind contribution of land is recognized as revenue at the fair value of the land when a fair value can be reasonably determined. When the fair value cannot be reasonably determined the in-kind contribution is recorded at nominal value.

Endowments

Endowments consist of externally restricted donations received by the University, 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. The primary investment objective is to ensure all funds are prudently invested in accordance with the investment policy, and that investments are selected to match the anticipated cash flow requirements and investment objectives of the University. These goals necessitate incurring generally accepted investment risks through ownership of financial securities.

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

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

(c) Revenue Recognition (continued)

Endowments (continued)

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.

Endowment contributions and associated investment income capitalized are recognized in the statement of operations in the period received.

The unrealized gains and losses attributable to restricted endowment portfolio investments are recognized as deferred revenue.

Investment Income

Investment income includes dividend and interest income, and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments from unrestricted grants and donations are recognized in the statement of accumulated remeasurement gains and losses until settlement. Once realized, these gains or losses are recognized as investment income in the statement of operations.

Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as investment income when the terms of the grant or donation are met.

Realized investment income allocated to endowment balances for the preservation of endowment capital purchasing power is recognized in the statement of operations as a component of endowment contributions and capitalized investment income.

(d) Inventories

Inventories held for resale are valued at the lower of cost and expected net realizable value and are determined using the weighted average method. Inventories of supplies held for consumption are valued at cost.

(e) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Work in progress, which includes facilities and improvement projects and development of information systems, is not amortized until after the project is complete and the asset is in service.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over the estimated useful lives as follows:

Buildings	40 years
Site improvements	10 - 25 years
Computer hardware and software	3 - 10 years
Furniture and equipment	5 - 20 years
Leasehold improvements	lesser of 5 years or lease term
Library resources	10 years

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

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

(e) Tangible Capital Assets (continued)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the University's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as an expense in the statement of operations.

Works of art, cultural and historical properties, and archival materials are expensed when acquired and not recognized as tangible capital assets.

(f) Foreign Currency Translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the statement of financial position date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses.

In the period of settlement, foreign exchange gains and losses are reclassified to the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

(g) 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 pension 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, 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.

Administrative Leave

For the Administrative Leave Plan, the cost of benefits earned by employees is actuarially determined using the projected benefit method, prorated on service and management's best estimate of salary escalation. Net actuarial gains (losses) are recognized immediately in the statement of operations.

Extended Health and Dental Care

For the Extended Health and Dental Care Plans, the costs of benefits earned by employees are the actual claims paid during the period, the insurer's cost of administration (net of interest), plus the year-over-year change in the estimate for any claims that may have occurred but have not been paid. The net change is recorded as an expense or recovery in the statement of operations.

Life Insurance, Short Term Disability, and Long Term Disability

For the Life and Dependent Life Insurance, Weekly Indemnity and Long Term Disability Plans, the cost of the employee future benefit, if any, is not reflected. Future premium rates are negotiated annually. Rate adjustments are determined based on a combination of the insurer's manual rate and the University's actual claims experience over the past five years. Any plan assets resulting from the surplus or deficit of the plans are attributed to the insurer.

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

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

(h) Expense by function

The University uses the following function categories on its statement of operations:

Instruction and non-sponsored research

Expenses relating to the academic activities supporting innovative learning, programming, and teaching. This function also includes expenses incurred by faculty and within academic departments for their scholarly and non-sponsored research activities.

Academic and student support

Expenses relating to activities directly supporting the academic functions and support of the student body. Includes expenses incurred by the library and centralized administrative activities supporting students such as registry, counseling services and scholarship awards.

Institutional support

Expenses relating to administration, governance, public relations and marketing, alumni relations, fund development, finance, human resources and any other centralized university-wide administrative services.

Ancillary services

Expenses relating to the provision of course materials to students, including textbooks (print or electronic) and other learning resources, print production materials, shipping and handling.

Computing and communication

Expenses relating to the delivery and support of centralized core computing, networks, data communication, and other information technology activities. Includes operations, maintenance, and amortization of information technology systems.

Facility operations and maintenance

Expenses relating to the operation and maintenance of all University facilities (owned or leased) that house the teaching, research and administrative activities. Includes utilities, rental costs, facilities administration, building maintenance, custodial services, grounds keeping, major repairs and renovations, and amortization of building and facility related equipment.

Sponsored research and special purpose

Expenses specifically funded by externally restricted grants and donations; sponsored research activities and expenses for student scholarships, bursaries, and other initiatives involving teaching and learning, and community service.

(i) Future Accounting Changes

In March 2015 the Public Sector Accounting Board issued the following two accounting standards that are effective for fiscal years starting on or after April 1, 2017.

- PS2200 - Related Party Disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS3420 - Inter-entity Transactions establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

In June 2015 the Public Sector Accounting Board issued the following three accounting standards that are effective for fiscal years starting on or after April 1, 2017.

- PS3210 - Assets provides guidance for applying the definition of assets set out in PS1000, Financial statement concepts, and establishes general disclosure standards for assets.
- PS3320 - Contingent Assets defines and establishes disclosure standards for contingent assets.
- PS3380 - Contractual Rights defines and establishes disclosure standards on contractual rights.

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

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

(i) Future Accounting Changes (continued)

In June 2015 the Public Sector Accounting Board issued the following accounting standard that is effective for fiscal years starting on or after April 1, 2018.

- PS3430 - Restructuring Transactions defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

University administration is currently assessing the impact of these new standards on the financial statements. The University discloses transactions and balances related to the Government of Alberta on Note 16.

3 Changes in Accounting Policies

(a) Adoption of the Net Debt Model

The net debt model (with reclassification of comparatives) has been adopted for the presentation of financial statements. Net financial assets or net debt is measured as the difference between the University's financial assets and liabilities.

The effect of this change results in changing the presentation of the statement of financial position and adding the statement of change in net debt.

(b) Endowment contributions and capitalized investment income

Effective April 1, 2015, endowment contributions and associated investment income capitalized are recognized in the statement of operations in the year in which they are received. In prior years, such transactions were recognized as direct increases to endowment net assets in the statement of financial position in the year received. This change in accounting policy is applied retroactively with restatement of comparatives.

These changes have been applied retrospectively 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:

	2015			
	Previously Recorded	Change in accounting policy (a)	Change in accounting policy (b)	Restated
Increase (decrease) in:				
Statement of Financial Position				
Endowments	\$ 3,159	(2,772)	(387)	-
Accumulated surplus	\$ 3,813	2,772	387	6,972
Statement of Operations				
Endowment contributions and capitalized investment income	\$ -	-	387	387
Annual surplus	\$ 2,496	-	387	2,883

4 Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposit, money market funds, short term notes and treasury bills, with a maximum maturity of ninety days at date of purchase.

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

5 Portfolio Investments

	2016	2015
Portfolio investments - non-endowment	\$ 35,833	\$ 35,391
Portfolio investments - restricted for endowments	3,417	3,658
	<u>\$ 39,250</u>	<u>\$ 39,049</u>

All of the University's investments are in units of pooled investment funds and are valued based upon quoted prices in active markets for identical investments. The composition and fair value are as follows:

	2016			
	Level 1	Level 2	Level 3	Total
Pooled Investment Funds				
Bonds listed in active market	\$ 30,355	-	-	\$ 30,355
Equities listed in active market	6,470	-	-	6,470
Money Market Funds	2,425	-	-	2,425
Total Investments	<u>\$ 39,250</u>	<u>-</u>	<u>-</u>	<u>\$ 39,250</u>
	2015			
	Level 1	Level 2	Level 3	Total
Pooled Investment Funds				
Bonds listed in active market	\$ 30,186	-	-	\$ 30,186
Equities listed in active market	6,072	-	-	6,072
Money Market Funds	2,791	-	-	2,791
Total Investments	<u>\$ 39,049</u>	<u>-</u>	<u>-</u>	<u>\$ 39,049</u>

The fair value measurements are derived from:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices included with level 1 that are observable for the assets, either directly (i.e as prices) or indirectly (i.e derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

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

- Money Market pooled funds: 1.71%; term to maturity: less than one year.
- Pooled funds of government and corporate bonds: 2.44%; terms to maturity: range from less than one year to more than 10 years.

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

5 Portfolio Investments (continued)

In addition to unrealized gains and losses on unrestricted funds, as reported on the statement of remeasurement gains and losses, the accumulated unrealized gains and losses on restricted funds are as follows:

	2016	2015
Net unrealized gains, beginning of year	\$ 499	\$ 443
Unrealized (losses) gains attributable to:		
Portfolio investments - restricted for endowments	(278)	56
Net unrealized gains, end of year, recorded in deferred revenue	\$ 221	\$ 499

6 Financial Risk Management

The University is exposed to the following risks:

Market risk

The University is exposed to market risk; the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the University has established an investment policy with a target asset mix that is diversified by asset class with individual issuer limits and is designed to achieve a long-term rate of return within specific risk tolerances.

The University's portfolio is sensitive to an increase or decrease in market prices. At March 31, 2016, if market prices had a 5% increase or decrease with all other variables held constant, the increase or decrease in remeasurement gains and losses and deferred revenue for the year would have been a total of \$1,963 (2015 - \$1,952).

Credit risk

The University is exposed to credit risk on investments arising from the potential failure of a counterparty, debtor or issuer to honor its contractual obligations. To manage this risk the University has established an investment policy with required minimum credit quality standards and issuer limits. The credit risk from accounts receivable is low as the majority of balances are due from government agencies and corporate sponsors.

The University has indirectly invested in debt securities with the following credit ratings and percentages of the total investment fund:

	2016	2015
Credit rating		
AAA	43%	44%
AA	5%	7%
A	27%	25%
BBB	9%	9%
	84%	85%

Liquidity risk

The University manages liquidity risk; the risk of encountering difficulty in meeting short-term financial obligations that require cash settlement, by maintaining a portfolio of short-term investments with rolling maturity dates.

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

6 Financial Risk Management (continued)

Interest rate risk

The University invests in units of pooled investment funds. Indirectly the University is exposed to risks associated with interest rate fluctuation and volatility. 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 managing the term to maturity of certain fixed income securities that the University holds.

The maturity of the interest bearing investments held in pooled funds are as follows:

	Less than 1 year	1 to 5 years	Greater than 5 years
Money Market Funds	\$ 2,425	\$ -	\$ -
Bonds listed in active market	\$ 279	\$ 14,928	\$ 15,148

The impact on the statement of remeasurement gains and losses of a change in interest rates on those pooled investment funds which are primarily invested in fixed income debt instruments is as follows:

	0.50% decrease.	0.25% decrease	0.25% increase	0.50% increase
Dollar value change	\$ 775	\$ 387	\$ (387)	\$ (775)

Foreign currency risk

The University invests primarily in Canadian dollar denominated securities and therefore has minimal exposure to currency risk.

7 Accounts Receivable

	2016	2015
Accounts receivable	\$ 1,788	\$ 2,891
Other receivable	71	92
Less provision for doubtful accounts	-	-
	\$ 1,859	\$ 2,983

Accounts receivable are unsecured and non-interest bearing. Other receivables are secured and interest bearing.

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

8 Tangible Capital Assets

	2016						2015
	Land	Buildings and site improvements	Computer hardware and software	Furniture and equipment	Leasehold improvements and library resources	Total	Total
Cost							
Beginning of year	\$ 1,565	61,946	35,517	7,607	7,915	\$ 114,550	\$ 109,899
Acquisitions	-	12	3,812	386	64	4,274	6,284
Disposals, including write-downs	-	-	-	-	(363)	(363)	(1,633)
	<u>\$ 1,565</u>	<u>61,958</u>	<u>39,329</u>	<u>7,993</u>	<u>7,616</u>	<u>118,461</u>	<u>114,550</u>
Accumulated amortization							
Beginning of year	\$ -	23,838	19,866	5,245	6,779	\$ 55,728	\$ 52,037
Amortization expense	-	1,608	3,750	545	245	6,148	5,209
Effects on disposals, including write-downs	-	-	-	-	(363)	(363)	(1,518)
	<u>\$ -</u>	<u>25,446</u>	<u>23,616</u>	<u>5,790</u>	<u>6,661</u>	<u>61,513</u>	<u>55,728</u>
Net book value at March 31, 2016	<u>\$ 1,565</u>	<u>36,512</u>	<u>15,713</u>	<u>2,203</u>	<u>955</u>	<u>\$ 56,948</u>	
Net book value at March 31, 2015	<u>\$ 1,565</u>	<u>38,108</u>	<u>15,651</u>	<u>2,362</u>	<u>1,136</u>		<u>\$ 58,822</u>

Included in computer hardware and software is \$6,801 (2015 - \$4,471) and in furniture and equipment is \$0 (2015 - \$274) recorded as work in progress, that is not amortized as the assets are not yet available for use.

The University holds a number of works of art, cultural and historical properties, and archival materials. These items are expensed when acquired and therefore not included in tangible capital assets.

No interest was capitalized by the University in 2015-2016. Write-downs in the amount of \$0 (2015 - \$115) are included within disposals for 2015-2016.

9 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2016	2015
Universities Academic Pension Plan (UAPP)	\$ 19,110	\$ 19,179
Administrative leave plan	1,985	1,945
	<u>\$ 21,095</u>	<u>\$ 21,124</u>

(a) Defined Benefit Plans accounted for on a defined benefit basis

Universities Academic Pension Plan (UAPP)

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic and professional staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2014. This was then extrapolated to the plan's year end of December 31, 2015 and further extrapolated to the University's year end of March 31, 2016. The University's portion of the UAPP deficit has been allocated based on its percentage of the plan's total employer contributions for the year.

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

9 Employee Future Benefit Liabilities (continued)

(a) Defined Benefit Plans accounted for on a defined benefit basis (continued)

Universities Academic Pension Plan (UAPP) (continued)

The UAPP unfunded deficit for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2015 - 1.25%) of total salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 3.54% (2015 - 2.87%) of total salaries required to eliminate the unfunded deficit by December 31, 2043. The Government of Alberta's obligation for the future additional contributions was \$280,477 at March 31, 2016 (2015 - \$313,536). The unfunded deficit for service after December 31, 1991 is financed by special payments of 4.93% (2015 - 5.79%) of pensionable earnings until December 31, 2021 then 1.71% (2015 - 1.71%) for 2022 and 2023, and 0.70% (2015 - 0.70%) for 2024 and 2025, and 0.25% (2015 - 0.25%) for 2026 and 2027, all shared equally between employees and employers.

The University's expense and financial position of the UAPP defined benefit plan is as follows:

	2016	2015
Financial Operations		
Expense		
Current service cost	\$ 4,469	\$ 3,951
Interest cost	1,401	1,362
Amortization of net actuarial gain (loss)	223	(26)
Total expense	<u>\$ 6,093</u>	<u>\$ 5,287</u>
Financial Position		
Accrued benefit obligation:		
Balance, beginning of year	\$ 115,147	\$ 102,050
Current service cost	4,469	3,951
Interest cost	7,138	6,843
Benefits paid	(5,184)	(4,638)
Actuarial (gain) loss	(6,234)	6,941
Balance, end of year	<u>115,336</u>	<u>115,147</u>
Plan assets	<u>(100,005)</u>	<u>(93,560)</u>
Plan deficit	15,331	21,587
Unamortized net actuarial gain (loss)	3,779	(2,408)
Accrued benefit liability	<u>\$ 19,110</u>	<u>\$ 19,179</u>

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

9 Employee Future Benefit Liabilities (continued)

(a) Defined Benefit Plans accounted for on a defined benefit basis (continued)

Universities Academic Pension Plan (UAPP) (continued)

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

	2016	2015
Accrued benefit obligation:		
Discount rate	6.00%	6.10%
Average compensation increase	3.00%	3.50%
Benefit cost:		
Discount rate	6.00%	6.10%
Average compensation increase	3.00%	3.50%
Alberta inflation:		
Year 1;	2.00%	2.25%
Years 2 and thereafter	2.00%	2.25%
Estimated average remaining service life:	10.8 years	8.6 years

Administrative Leave Plan

The University's Administrative Leave Plan has no plan assets. The University has provided for the plan by accruing a benefit obligation of \$1,985 (2015 - \$1,945) in employee future benefit liabilities. An actuarial valuation of these benefits was carried out as at March 31, 2016. The University plans to use its working capital to finance these future obligations.

The expense and financial position of the Administrative Leave Plan is as follows:

	2016	2015
Financial Operations		
Expense		
Current service cost	\$ 384	\$ 403
Interest cost	82	51
Amortization of net actuarial losses	(54)	(181)
Total expense	\$ 412	\$ 273
Financial Position		
Accrued benefit liability:		
Balance, beginning of year	\$ 1,945	\$ 2,446
Current service cost	384	403
Interest cost	82	51
Benefits paid	(372)	(774)
Actuarial gain	(54)	(181)
Balance, end of year	\$ 1,985	\$ 1,945

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

9 Employee Future Benefit Liabilities (continued)

(a) Defined Benefit Plans accounted for on a defined benefit basis (continued)

Administrative Leave Plan (continued)

The significant actuarial assumptions adopted in measuring the University's Administrative Leave Plan are as follows:

	2016	2015
Discount rate	2.11%	3.84%
Rate of compensation increase		
First year	2.00%	2.00%
Subsequent years	2.00%	2.00%
Average remaining service period of active employees	6 years	5 years
Retirement age	65	62

(b) Defined Benefit Plan accounted for on a defined contribution basis

Public Service Pension Plan (PSPP)

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members. As the University does not have sufficient information to follow the accounting standards for defined benefit plans, it is accounted for on a defined contribution basis. The pension expense recorded in these financial statements is \$1,505 (2015 - \$1,371).

An actuarial valuation of the PSPP was carried out as at December 31, 2014 and was then extrapolated to December 31, 2015. At December 31, 2015, the PSPP financial statements reported an actuarial deficit of \$133,188 (2014 - \$803,299). For the year ended December 31, 2015, PSPP reported employer contributions of \$347,759 (2014 - \$326,134). For the 2015 calendar year, the University's employer contributions were \$1,401 (2014 - calendar year - \$1,436). The PSPP's deficit is being discharged through additional contributions from both employees and employers until 2026. Other than the requirement to make all additional contributions, the University does not bear any risks related to the PSPP deficit.

10 Deferred Revenue

Deferred revenue is comprised of unspent externally restricted grants and donations, unearned tuition and other fees. Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement.

	2016			2015	
	Research and special purpose	Unspent deferred capital contributions	Tuition and other fees	Total	Total
Balance, beginning of year	\$ 9,098	\$ -	\$ 14,926	\$ 24,024	\$ 25,545
Grants, tuition, donations received	6,587	-	50,461	57,048	56,183
Restricted investment income	147	-	-	147	96
Unrealized (loss) gain (Note 5)	(278)	-	-	(278)	56
Transfers to spent deferred capital contributions (Note 11)	(2,062)	-	-	(2,062)	(2,367)
Recognized as revenue	(4,967)	-	(50,471)	(55,438)	(55,479)
Other	-	-	-	-	(10)
Balance, end of year	\$ 8,525	\$ -	\$ 14,916	\$ 23,441	\$ 24,024

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

11 Spent Deferred Capital Contributions

Spent deferred capital contributions is comprised of restricted grants and donations spent on tangible capital acquisitions (not yet recognized as revenue).

	2016	2015
Spent deferred capital contributions, beginning of year	\$ 44,763	\$ 45,790
Transfers from unspent deferred capital contributions	-	365
Transfers from deferred research and special purpose	2,062	2,002
Expended capital recognized as revenue	(3,607)	(3,394)
Spent deferred capital contributions, end of year	<u>\$ 43,218</u>	<u>\$ 44,763</u>

12 Accumulated Surplus

Accumulated surplus is comprised of the following:

	Accumulated deficit from operations	Investment in tangible capital assets ⁽¹⁾	Endowments	Total accumulated surplus
Balance as at March 31, 2014	\$ (10,755)	\$ 12,072	\$ 2,772	\$ 4,089
Annual surplus	2,883	-	-	2,883
Transfer to (from) endowments	(387)	-	387	-
Amortization of internally funded tangible capital assets	1,815	(1,815)	-	-
Net book value of tangible capital assets disposals	115	(115)	-	-
Internally funded acquisition of tangible capital assets	(3,918)	3,918	-	-
Balance as at March 31, 2015	<u>(10,247)</u>	<u>14,060</u>	<u>3,159</u>	<u>6,972</u>
Annual deficit	(530)	-	-	(530)
Transfer to (from) endowments	(37)	-	37	-
Amortization of internally funded tangible capital assets	2,541	(2,541)	-	-
Net book value of tangible capital assets disposals	-	-	-	-
Internally funded acquisition of tangible capital assets	(2,212)	2,212	-	-
Balance as at March 31, 2016	<u>\$ (10,485)</u>	<u>\$ 13,731</u>	<u>\$ 3,196</u>	<u>\$ 6,442</u>

⁽¹⁾ Investment in tangible capital assets represents the amount of the University's accumulated operating surplus that has been invested in the University's capital assets.

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

13 Contractual Obligations

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

The estimated 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
2017	\$ 8,871	\$ -	\$ 1,610	\$ 1,090	\$ 11,571
2018	605	-	86	737	1,428
2019	716	-	2	746	1,464
2020	-	-	-	743	743
2021	-	-	-	61	61
Thereafter	-	-	-	-	-
	<u>\$ 10,192</u>	<u>\$ -</u>	<u>\$ 1,698</u>	<u>\$ 3,377</u>	<u>\$ 15,267</u>

14 Budget Figures

The University's 2015-2016 budget figures have been provided for comparison purposes. The amounts have been approved by the Board of Governors and were presented to the Minister of Advanced Education as part of the University's 2015-2018 Comprehensive Institutional Plan.

The following table provides the amounts derived from the 2015-2016 budget, expense by object, reconciled to expense by function:

Function	Instruction and non- sponsored research	Academic and student support	Institutional support	Ancillary services	Computing and communication	Facility operations and maintenance	Sponsored research and special purpose	Total
Salaries	\$ 50,664	9,330	4,538	534	4,089	1,100	1,499	\$ 71,754
Employee benefits	10,261	2,316	1,028	137	931	254	255	15,182
Fees and purchased services	8,421	1,959	2,630	369	1,725	1,246	329	16,679
Cost of goods sold	1,260	-	-	8,246	-	-	-	9,506
Materials and supplies	1,692	786	374	16	408	71	224	3,571
Communications and travel	2,644	251	415	28	34	19	151	3,542
Rental, insurance, and utilities	432	137	30	-	-	2,061	-	2,660
Amortize capital assets	-	-	5,180	-	-	-	-	5,180
Scholarships	5	-	2	-	-	-	1,213	1,220
Expense Budget Total	<u>\$ 75,379</u>	<u>14,779</u>	<u>14,197</u>	<u>9,330</u>	<u>7,187</u>	<u>4,751</u>	<u>3,671</u>	<u>\$ 129,294</u>

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

15 Expense by Object

The following is a summary of expense by object.

	2016		2015
	Budget (Note 14)	Actual	Actual
Salaries ⁽¹⁾	\$ 71,754	\$ 75,625	\$ 71,808
Employee benefits	15,182	15,443	13,685
Fees and purchased services	16,679	17,692	18,797
Cost of goods sold	9,506	7,718	8,482
Materials and supplies	3,571	3,839	3,833
Communications and travel	3,542	3,238	3,281
Rental, insurance and utilities	2,660	2,387	2,406
Amortization of tangible capital assets	5,180	6,148	5,209
Scholarships and bursaries	1,220	1,117	1,028
	<u>\$ 129,294</u>	<u>\$ 133,207</u>	<u>\$ 128,529</u>

⁽¹⁾ Includes \$310 (2015 - \$534) termination benefits as defined under PSA Handbook section 3255.

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

16 Government of Alberta Transactions and Balances

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

	2016	2015
Grants from Government of Alberta		
Advanced Education:		
Operating	\$ 40,525	\$ 39,432
Infrastructure Maintenance Program	1,793	1,340
Access to the Future Fund	-	1,120
Other	551	70
Total Advanced Education	42,869	41,962
Other Government of Alberta departments and agencies:		
Health	846	329
Economic Development and Trade	665	705
Treasury Board and Finance	404	416
Culture and Tourism	75	94
Education	-	50
Total other Government of Alberta departments and agencies	1,990	1,594
Total grants received	44,859	43,556
Add deferred revenue	1,565	1,438
Total grants from Government of Alberta	\$ 46,424	\$ 44,994
Accounts receivable		
Advanced Education	\$ -	\$ -
Other Government of Alberta departments and agencies	36	220
Other post-secondary institutions	-	-
	\$ 36	\$ 220
Accounts payable		
Advanced Education	\$ 5	\$ 5
Other Government of Alberta departments and agencies	15	-
Other post-secondary institutions	93	70
	\$ 113	\$ 75

The GOA has provided \$0 (2015 - \$250) in matching grants for externally restricted endowment contributions during the year.

In addition to the grants listed above, the University received \$248 (2015 - \$340) from the Ministry of Culture and Tourism, included in sales of services and products, for a service agreement to assist with the delivery of a specific program.

The University has \$12 (2015 - \$187) of contractual obligations with other post-secondary institutions for service and lease agreements that will become liabilities in the future when the terms of the agreements are met.

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

17 Salary and Employee Benefits

	2016				2015
	Base Salary ⁽²⁾	Cash Benefits ⁽³⁾	Non-cash Benefits ⁽⁴⁾	Total	Total
Governance ⁽¹⁾					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	-	-	-
Executive Officers					
President	360	-	17	377	394
Vice-Presidents:					
Vice-President Academic	250	1	86	337	352
Vice-President Advancement	214	32	65	311	344
Vice-President Finance and Administration	248	18	85	351	372
Vice-President Information Technology and CIO	203	13	37	253	258

⁽¹⁾ The Chair and the 14 members (2015 – 14) of the Board of Governors receive no remuneration for participation on the Board.

⁽²⁾ Base salary is pensionable and includes pay for vacation time taken.

⁽³⁾ Cash benefits include, if applicable, earnings such as vacation payouts, amounts to compensate for the UAPP salary cap, and other nonpensionable direct cash payments including severance.

⁽⁴⁾ Non-cash benefits include the employer's share of all employee benefits and contribution payments made on behalf of employees for pension, extended health care, dental, vision, group life insurance, accidental death and dismemberment insurance, and long and short-term disability plans. Non-cash benefits for the President include a taxable benefit for a rent allowance. Non-cash benefits for some of the executive include memberships and the employer's current year expense (current service cost, the related net actuarial gains or losses and adjustments for past service accrued at current salary rates) of Administrative Leave Plan.

The current service cost and accrued obligation for each executive officer under the Administrative Leave Plan as of March 31, 2016 is outlined in the following table:

	Accrued Obligation March 31, 2015	Service Costs	Interest and other costs	Payments	Actuarial loss (gain)	Accrued Obligation ⁽⁵⁾ March 31, 2016
President	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vice-Presidents:						
Vice-President Academic	172	46	8	-	(4)	222
Vice-President Advancement	225	42	10	(18)	(4)	255
Vice-President Finance and Administration	182	48	9	-	(4)	235
Vice-President Information Technology and CIO	26	11	2	-	(8)	31

⁽⁵⁾ The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 9.

Athabasca University

Notes to the Financial Statements

Year ended March 31, 2016
(thousands of dollars)

18 Comparative Figures

Certain 2015 figures have been reclassified to conform to the presentation in the 2016 financial statements.

19 Approval of Financial Statements

The financial statements were approved by the Board of Governors of Athabasca University.



Athabasca University **Financial Statements**

For the year ended March 31, 2016



Athabasca University

1 University Drive
Athabasca, AB T9S 3A3 Canada
Phone 780-675-6100
1-800-788-9041 (toll-free in Canada and the U.S.)
www.athabascau.ca