

Athabasca University 

Financial Statements
March 31, 2010



Auditor's Report

To the Athabasca University Governing Council

I have audited the statement of financial position of Athabasca University as at March 31, 2010 and 2009 and the statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2010 and 2009 and the results of its operations, changes in net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
May 28, 2010

Original signed by Merwan N. Saher, CA

Auditor General

Note: *The official version of this Report of the Auditor General, and the information the report covers, is in printed form.*

Athabasca University

Statement of Financial Position

Year Ended March 31
(thousands of dollars)

Assets	2010	2009
		Restated (Note 3)
Current assets		
Cash and cash equivalents (Note 4)	\$ 7,733	\$ 2,063
Short-term investments (Note 5)	22,601	28,395
Accounts receivable	6,593	4,939
Inventories and prepaid expenses	6,210	5,187
	43,137	40,584
Long-term investments (Note 5)	29,906	31,120
Capital assets (Note 6)	34,394	25,526
	<u>\$107,437</u>	<u>\$97,230</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$15,095	\$ 8,550
Deferred revenue	12,794	12,672
Deferred contributions, research and other (Note 8)	12,331	5,940
	40,220	27,162
Employee future benefit liabilities (Note 7)	10,037	7,295
Deferred capital contributions (Note 8)	18,455	27,615
Unamortized deferred capital contributions (Note 9)	23,703	12,454
Contractual obligations (Note 13)	92,415	74,526
Net assets		
Endowments (Note 10)	2,346	2,029
Investment in capital assets, internally restricted (Note 11)	10,691	13,072
Internally restricted (Note 12)	9,250	9,550
Unrestricted (deficit)	(7,265)	(1,947)
	15,022	22,704
	<u>\$107,437</u>	<u>\$97,230</u>

Approved on behalf of the Governing Council:

Original signed by Barry Walker

Barry J. Walker, FCA
Chair, Athabasca University Governing Council

Original signed by Frits Pannekoek

Frits Pannekoek, PhD
President

The accompanying notes are part of these financial statements.

Athabasca University

Statement of Operations

Year Ended March 31
(thousands of dollars)

	2010	2010	2009
	Budget		Restated (Note 3)
Revenue			
Government of Alberta grants (Note 16)	\$ 42,310	\$43,055	\$ 38,537
Student tuition and fees:			
Undergraduate	42,978	40,905	39,070
Graduate	17,871	16,753	15,138
Sales of services and products	13,348	12,629	12,564
Investment income (loss) (Note 15)	1,631	4,431	(2,463)
Federal and other government grants	350	1,528	251
Donations and other grants	2,730	1,481	2,279
Amortization of deferred capital contributions (Note 9)	840	746	833
	<u>122,058</u>	<u>121,528</u>	<u>106,209</u>
Expenses			
Salaries	69,958	73,156	64,672
Employee benefits	13,252	16,087	12,864
Materials, supplies and services:			
Fees and purchased services	19,047	17,144	15,758
Materials and supplies	10,272	9,987	9,980
Communications and travel	7,119	6,476	7,264
Rental and insurance	2,333	2,433	2,744
Amortization of capital assets	2,552	3,269	2,907
Scholarships, bursaries and awards	494	981	1,302
	<u>125,027</u>	<u>129,533</u>	<u>117,491</u>
Deficiency of revenue over expenses	<u>\$ (2,969)</u>	<u>\$ (8,005)</u>	<u>\$ (11,282)</u>

The accompanying notes are part of these financial statements.

Athabasca University

Statement of Changes in Net Assets

Year Ended March 31
(thousands of dollars)

	Endowments	Investment in Capital Assets, Internally Restricted	Internally Restricted	Unrestricted (Deficit)	Total
2010					
Balance, beginning of year	\$ 2,029	\$ 13,072	\$ 9,550	\$ (1,947)	\$ 22,704
Deficiency of revenue over expenses	-	-	-	(8,005)	(8,005)
Investment in capital assets (Note 11)	-	(2,381)	-	2,381	-
Expenditure of internally restricted net assets	-	-	(300)	300	-
Endowment contributions and net transfers	317	-	-	6	323
Balance, end of year	\$ 2,346	\$ 10,691	\$ 9,250	\$ (7,265)	\$ 15,022
2009					
Balance, beginning of year as previously reported	\$ 1,595	\$ 11,636	\$ 19,529	\$ (1,555)	\$ 31,205
Restatement (Note 3)	-	-	-	2,151	2,151
Balance, beginning of year as restated	\$ 1,595	\$ 11,636	\$ 19,529	\$ 596	\$ 33,356
Deficiency of revenue over expenses as restated (Note 3)	-	-	-	(11,282)	(11,282)
Investment in capital assets (Note 11)	-	1,436	-	(1,436)	-
Expenditure of internally restricted net assets	-	-	(9,979)	9,979	-
Endowment contributions and net transfers	434	-	-	196	630
Balance, end of year as restated	\$ 2,029	\$ 13,072	\$ 9,550	\$ (1,947)	\$ 22,704

The accompanying notes are part of these financial statements.

Athabasca University

Statement of Cash Flows

Year Ended March 31
(thousands of dollars)

	2010	2009
		Restated (Note 3)
Cash provided from (used in) operating activities:		
Deficiency of revenue over expenses	\$ (8,005)	\$ (11,282)
Add (deduct) non-cash items:		
Amortization of capital assets	3,269	2,907
Amortization of deferred capital contributions	(746)	(833)
Loss (gain) on disposal of capital assets	76	(15)
Change in employee future benefit liabilities	2,742	867
Change in unrealized (gain) loss on investments	(3,354)	3,922
	<u>(6,018)</u>	<u>(4,434)</u>
Net change in non-cash working capital:		
Inventory and prepaid expenses	(1,024)	(56)
Accounts payable and accrued liabilities	5,593	(2,438)
Deferred contributions	6,391	1,394
Deferred revenue	123	880
Short term investments	5,794	(12,700)
Accounts receivable	(1,654)	500
	<u>15,223</u>	<u>(12,420)</u>
	<u>9,205</u>	<u>(16,854)</u>
Cash provided from (used in) investing activities:		
Purchases of capital assets, net of proceeds from disposals	(11,261)	(6,575)
Purchases of long term investments, net of sales	1,214	21,753
Unrealized gain (loss) on investments	3,354	(3,922)
	<u>(6,693)</u>	<u>11,256</u>
Cash provided from (used in) financing activities:		
Capital contributions	2,683	74
Interest earned on capital contributions	152	851
Endowment contributions	-	630
Endowment investment earnings	336	-
Endowment awards	(13)	-
	<u>3,158</u>	<u>1,555</u>
Net cash increase (decrease) in cash and cash equivalents	5,670	(4,043)
Cash and cash equivalents, beginning of year	\$ 2,063	6,106
Cash and cash equivalents, end of year (Note 4)	<u>\$ 7,733</u>	<u>\$ 2,063</u>

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

Year Ended March 31
(thousands of dollars)

1 Authority and Purpose

Athabasca University Governing Council is a corporation which manages and operates Athabasca University (“the University”) under the *Post-Secondary Learning Act*, statutes of Alberta 2003, chapter P-19.5, and the Athabasca University Regulation, Alberta Regulation 50/2004. All members of Governing Council are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education and Technology, with the exception of the President, who is an *ex officio* member. Under the *Post-secondary Learning Act* the University is a comprehensive academic and research institution (as per Campus Alberta Sector Regulation) 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 — 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 and amortization of capital assets 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) Financial Instruments

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

Financial Statement Components	Classification	Measurement
Cash and cash equivalents	Held for Trading	Fair Value
Investments	Held for Trading	Fair Value
Accounts receivable	Loans and Receivables	Amortized Cost
Accounts payable and accruals	Other liabilities	Amortized Cost

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

As permitted for Not-for-Profit Organizations, the University has elected to not apply the standards on derivatives embedded in non-financial 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 collection procedures, investment guidelines, banking arrangements and other internal policies, guidelines and procedures.

Notes to the Financial Statements

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

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Cost of purchased inventory includes the purchase price, cost of shipping and net tax. For internally produced inventory, cost also includes direct and indirect overhead. Inventories held for consumption are valued at cost or net replacement cost.

(d) Copyrights

The University obtains copyrights on all course materials produced. These copyrights are recorded at a nominal value of one dollar and are included in prepaid expenses.

(e) Capital Assets

Purchased capital assets are recorded at cost. Donated assets are recorded at fair value when a fair value can be reasonably determined. Works of art purchased by the University are not amortized and include sketches, limited edition prints, photographs, sculptures, rare books, and original paintings. The works of art are held by the University for education, research, and public exhibition purposes.

Construction in progress includes construction costs directly attributable to the construction including engineering and, legal fees.

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

	<u>Years</u>
Buildings	40
Site improvements	10 – 25
Leasehold improvements	lesser of 5 years or lease term
Furnishings, equipment and software	3 – 10
Library materials	10

Notes to the Financial Statements

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

(f) 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 appropriate future period.
- Unrestricted investment income – when earned; this includes interest, dividends, and realized and unrealized gains and losses.
- Pledges – when collected.
- Revenues received for services and products – when the services or products are substantially provided. Deferred revenue includes course fees received in advance.
- 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 and services 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 life 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 reported in endowments.
- Contributions restricted to 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.

(g) Employee Future Benefits

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.

Notes to the Financial Statements

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

(g) Employee Future Benefits *(continued)*

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.

The University's other defined benefit plans include the following: Administrative Leave, Flexible Benefits, Extended Health and Dental Care, Life and Dependent Life Insurance, Weekly Indemnity, and Long-term Disability.

For the Administrative Leave, 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.

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.

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.

(h) Capital Disclosures

The University defines its capital as the amounts included in deferred contributions (Note 8), endowment net assets (Note 10) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded primarily by Alberta Advanced Education and Technology. The University has investment policies (Note 5), 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 approval for a deficit budget, for borrowing and for the sale of any land or buildings.

(i) Contributed Services

Volunteers as well as staff members 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 the financial statements.

Notes to the Financial Statements

3 Changes in Accounting Policies

In previous years, the University had accounted for its allocations to staff professional development accounts by recognizing an expense and accruing a liability when the funding was allocated. To better reflect the economic substance of these transactions the University now recognizes the expense in the period in which the professional development activity occurs.

This change has been applied retroactively with restatement of prior year amounts. The effect on the 2009 financial statements as a result of the change in accounting policy is as follows:

	2009		
	As previously recorded	Adjustment recorded	As restated
Increase (decrease) in:			
Statement of financial position			
Current liabilities – accounts payable and accrued liabilities	\$ 10,933	(2,383)	8,550
Unrestricted net assets, beginning of the year	\$ (1,555)	2,151	596
Unrestricted net assets, end of the year	\$ (4,330)	2,383	(1,947)
Statement of operations			
Communications and travel	\$ 7,496	(232)	7,264
Total expenses	\$ 117,723	(232)	117,491
Deficiency of revenue over expenses	\$ (11,514)	232	(11,282)

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.

Notes to the Financial Statements

5 Investments

As at March 31, 2010, the composition, fair value and effective yields of short-term investments are as follows:

	Terms to Maturity in Years	2010		2009	
		Effective Yield	Value	Effective Yield	Value
Money market funds, short-term notes and treasury bills	<1	1.1%	<u>\$ 22,601</u>	3.1%	<u>\$ 28,395</u>

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

	2010		2009	
	Annual Market Yield	Market Value	Annual Market Yield	Market Value
Canadian money market	0.6%	\$ 17,916		\$ -
Canadian bonds	10.5%	1,328	3.0%	22,695
Canadian equity	44.0%	5,018	(32.8%)	3,606
US equities	22.1%	3,541	(25.2%)	3,024
Overseas equities	28.9%	2,103	(33.1%)	1,795
		<u>\$ 29,906</u>		<u>\$ 31,120</u>

The Investment Policy for the University, approved by the Athabasca University Governing Council, provides the structure and guidelines within which the University's investment portfolio is to be effectively managed and enhanced. The University's Investment Advisory Group has the delegated authority for oversight of the University's investments.

The investment objective is to ensure that the investments are selected to match the anticipated cash flow requirements of the University. Therefore, short-, medium-, and long-term (including endowment) investment portfolios have been established. Based on cash flow projections, the University determines the amounts to be invested in each portfolio. The Investment Policy defines minimum and maximum ranges for each type of qualifying investment within each investment portfolio.

Canadian equities are listed in the S&P/TSX composite index, and US and International equities are limited to shares and pooled funds listed and traded on recognized stock market exchanges.

As instructed by the Investment Advisory Group, all bonds and debentures are rated BBB or higher, as measured by the Dominion Bond Rating Service (DBRS). A primary strategy used by the external fund manager to address risks in this fund is varying duration based on anticipation of future yields. The external fund manager also manages risks by varying the percentage of bonds and debentures issued by corporations as compared to those issued or guaranteed by the federal government or a provincial government. For the Bond Fund and Money Market Funds risks related to foreign currency exchange rate fluctuations are insignificant.

Notes to the Financial Statements

6 Capital assets

	2010			2009		
	Cost ^{(1) (2)}	Accumulated Amortization	Net book Value	Cost	Accumulated Amortization	Net book Value
Land	\$ 1,565	\$ -	\$ 1,565	\$ 1,565	\$ -	\$ 1,565
Buildings and site improvements	40,063	17,407	22,656	30,219	16,732	13,487
Leasehold improvements	3,187	2,168	1,019	3,193	1,532	1,661
Furnishings, equipment and software	23,930	16,522	7,408	22,307	15,189	7,118
Library materials	5,856	4,841	1,015	5,761	4,734	1,027
Works of art	731	-	731	668	-	668
	<u>\$ 75,332</u>	<u>\$ 40,938</u>	<u>\$ 34,394</u>	<u>\$ 63,713</u>	<u>\$ 38,187</u>	<u>\$ 25,526</u>

⁽¹⁾ Beginning August 1, 2006, for a term of 99 years, the University has leased certain lands (Lot 3 and 4, Block 8, Plan 0623053, to the north of and adjacent to its main campus) to the Town of Athabasca and the County of Athabasca for a nominal amount of one dollar per year.

⁽²⁾ Included in the cost of capital assets are projects in progress that are not yet being amortized. These include buildings \$13,355 (2009 - \$3,519) and technology software \$1,444 (2009 - \$0)

7 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2010	2009
University Academic Pension Plan (UAPP)	\$ 7,265	\$ 4,330
Administrative leave plan	2,733	1,765
Flexible benefits plan	39	1,200
	<u>\$ 10,037</u>	<u>\$ 7,295</u>

Notes to the Financial Statements

7 Employee Future Benefit Liabilities (continued)

A. Defined Benefit

The Universities Academic Pension Plan (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, 2008. This was then extrapolated to the year ended December 31, 2009 and further extrapolated to the University's year end of March 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). An actuarial valuation of the PSPP was carried out as at December 31, 2005 and was then extrapolated to December 31, 2009. The pension expense recorded in these financial statements is \$1,067 (2009 - \$897).

The financial positions reported below represent the plans 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	<u>\$ (924,067)</u>	<u>(971,000)</u>	<u>\$ (1,299,860)</u>	<u>(1,055,471)</u>
PSPP	Not Available	<u>\$ (1,729,196)</u>	Not Available	<u>\$ (1,187,538)</u>

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

	2010	2009
Financial Operations		
Expenses		
Current service cost	\$ 3,523	\$ 2,940
Interest cost	1,983	870
Amortization of net actuarial losses	2,132	760
	<u>\$ 7,638</u>	<u>\$ 4,570</u>
Financial Position		
Accrued benefit obligation		
Balance, beginning of year	\$ 75,853	63,380
Current service cost	3,523	2,940
Interest cost	5,203	4,343
Benefits paid	(3,453)	(2,910)
Actuarial (gain) loss	(12,626)	8,100
Balance, end of year	68,500	75,853
Plan assets	<u>(51,684)</u>	<u>(47,448)</u>
Funded status - plan deficit	16,816	28,405
Unamortized net actuarial loss	<u>(9,551)</u>	<u>(24,075)</u>
	<u>\$ 7,265</u>	<u>\$ 4,330</u>

Notes to the Financial Statements

7 Employee Future Benefit Liabilities *(continued)*

A. Defined Benefit *(continued)*

The UAPP unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25 per cent (2009 – 1.25 per cent) of total earnings by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.03 per cent (2009 – 1.74 per cent) 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 \$270,000. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 4.64 per cent (2008 – 4.08 per cent) of pensionable earnings shared equally between employees and employers until December 31, 2021.

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

	<u>2010</u>	<u>2009</u>
Accrued benefit obligation:		
Discount rate	6.90%	6.70%
Average compensation increase	3.50%	3.00%
Benefit cost:		
Discount rate	6.70%	6.70%
Average compensation increase	3.00%	3.00%
Alberta inflation		
(year 1, thereafter;	2.25%	3.70%
years 1–2, thereafter)	2.25%	2.70%
Estimated average remaining service life	11.3 years	10.5 years

Notes to the Financial Statements

7 Employee Future Benefit Liabilities *(continued)*

B. Administrative Leave Plan

The University's Administrative Leave Plan has no plan assets. The University has provided for this plan by accruing a benefit obligation of \$2,733 (2009 – \$1,765) in employee future benefit liabilities.

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

	2010	2009
Discount rate and rate of return	3.30%	7.70%
Rate of compensation increase		
First year	3.00%	7.00%
Subsequent years	3.00%	5.00%
Average remaining service period of active employees	6	8
Retirement age	62	62
	2010	2009
Financial Operations		
Expenses		
Current service cost	\$ 585	\$ 565
Interest cost	177	109
Amortization of net actuarial loss (gain)	305	(118)
	<u>\$ 1,067</u>	<u>\$ 556</u>
Financial Position		
Accrued benefit obligation		
Balance, beginning of year	\$ 1,765	\$ 1,615
Current service cost	585	565
Interest cost	177	109
Expected benefits paid	(99)	(406)
Actuarial loss (gain)	305	(118)
	<u>\$ 2,733</u>	<u>\$ 1,765</u>

8 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	\$ 27,615	\$ 5,940	\$ 29,771	\$ 4,545
Grants and donations received	452	13,500	-	5,890
Investment income	152	-	851	-
Recognized as revenue	-	(4,878)	-	(4,421)
Transfers	2,231	(2,231)	74	(74)
Transferred to unamortized deferred capital contributions (note 9)	(11,995)	-	(3,081)	-
Balance, end of the year	<u>\$ 18,455</u>	<u>\$ 12,331</u>	<u>\$ 27,615</u>	<u>\$ 5,940</u>

Notes to the Financial Statements

9 Unamortized Deferred Capital Contributions

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

	2010	2009
Balance, beginning of the year	\$ 12,454	\$ 10,206
Additions from deferred capital contributions (note 8)	11,995	3,081
Amortization to revenue	(746)	(833)
Balance, end of the year	<u>\$ 23,703</u>	<u>\$ 12,454</u>

10 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.

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 Governing Council, the encroachment benefits the University and does not impair the long-term value of the fund.

The composition of endowments is as follows:

	2010	2009
Balance, beginning of year	\$ 2,029	\$ 1,595
Gifts of endowment principal	-	630
Transfer to endowments	-	11
Transfer from unrestricted net assets	(6)	(7)
Awards	(13)	(11)
Investment gain (loss)	336	(189)
Balance, end of year	<u>\$ 2,346</u>	<u>\$ 2,029</u>
Cumulative contributions	\$ 2,069	\$ 2,069
Cumulative capitalized income	205	207
Expendable earnings	72	(247)
	<u>\$ 2,346</u>	<u>\$ 2,029</u>

During the year, cumulative capitalized income of (\$2) was transferred from expendable earnings to reflect the effect of inflation (2009 – \$51).

Notes to the Financial Statements

11 Investment in Capital Assets, Internally Restricted

Net assets invested in internally restricted capital assets represent the carrying amount (net book value) of capital assets less unamortized deferred capital contributions.

	2010	2009
Capital assets at net book value (note 6)	\$ 34,394	\$ 25,526
Less amounts financed by unamortized deferred capital contributions (note 9)	(23,703)	(12,454)
Investment in capital assets, end of year	<u>\$ 10,691</u>	<u>\$ 13,072</u>
The changes during the year are as follows:		
Investment in capital assets, internally restricted, beginning of year	\$ 13,072	\$ 11,636
Acquisition of internally funded capital assets	157	3,487
Net book value of internally funded asset disposals	(78)	-
Amortization of investment in capital assets	(2,523)	(2,074)
Net investment in capital assets	(2,444)	1,413
Contributions of assets not subject to amortization	63	23
(Decrease) increase for the year	(2,381)	1,436
Investment in capital assets, internally restricted, end of year	<u>\$ 10,691</u>	<u>\$ 13,072</u>

12 Internally Restricted Net Assets

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

	Balance at beginning of year	Appropriations and transfers	Additions (disbursements)	Balance at end of year
Appropriation for operating activities				
New program development	\$ 189	\$ -	\$ 722	\$ 911
Bridging to retirement	976	(527)	(449)	-
Future student awards	1,552	-	78	1,630
Future claims reserve	631	-	(185)	446
	<u>3,348</u>	<u>(527)</u>	<u>166</u>	<u>2,987</u>
Appropriation for capital activities				
Investment in system development	6,202	(485)	(775)	4,942
Infrastructure	-	1,321	-	1,321
	<u>6,202</u>	<u>836</u>	<u>(775)</u>	<u>6,263</u>
	<u>\$ 9,550</u>	<u>\$ 309</u>	<u>\$ (609)</u>	<u>\$ 9,250</u>

Notes to the Financial Statements

13 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
Capital projects	\$ 15,816	\$ 27,233
Service contracts, information systems and technology, and long-term leases	8,571	4,831
	\$ 24,387	\$ 32,064

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

	2010				
	Capital Projects	Service Contracts	Information Technology	Long-term Leases	Total
2011	\$ 15,816	\$ 3,702	\$ 1,165	\$ 1,116	\$ 21,799
2012	-	103	587	936	1,626
2013	-	28	396	342	766
2014	-	7	-	-	7
2015	-	2	-	-	2
Thereafter	-	187	-	-	187
	\$ 15,816	4,029	2,148	\$ 2,394	\$ 24,387

The University has contractual commitments of \$15,816 for capital construction projects which are anticipated to be expended in 2011. Funding for these projects is primarily provided from capital grants from the Province of Alberta which is included in the total of deferred capital contributions, (Note 8 \$18,455).

14 Budget Comparison

The University's 2009–2010 budget was approved by Governing Council 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.

Notes to the Financial Statements

15 Investment Income

	2010	2009
Gain (loss) on investments held for endowments	\$ 336	\$ (189)
Gain (loss) on other investments	4,583	(1,612)
	4,919	(1,801)
Amounts transferred (to) from endowment net assets	(336)	189
Amounts transferred to deferred capital contributions	(152)	(851)
Total investment income (loss) recognized	<u>\$ 4,431</u>	<u>\$ (2,463)</u>

16 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 are summarized below.

	2010	2009
Grants		
Advanced Education and Technology:		
Operating grants	\$ 35,493	\$ 33,826
Knowledge Infrastructure Program	7,640	-
Enrolment planning envelope	4,062	3,244
Access to the future fund (matching grants)	1,350	1,200
Infrastructure Maintenance Program	919	919
Research grants	712	7
Capital grants	250	-
Other	38	425
	<u>50,464</u>	<u>39,621</u>
Other GOA departments and agencies grants:		
Alberta Education	330	-
Alberta Innovates – Technology Futures	203	86
Alberta Innovates – Health Solutions	172	-
Finance and Enterprise	125	899
Culture and Community Spirit	40	159
	<u>870</u>	<u>1,144</u>
Total contributions received	51,334	40,765
Less: deferred contributions	(8,279)	(2,228)
Grants from GOA	<u>\$ 43,055</u>	<u>\$ 38,537</u>
Accounts receivable		
Advanced Education and Technology	\$ 3,010	\$ 1,920
Other GOA departments and agencies	178	212
	<u>\$ 3,188</u>	<u>\$ 2,132</u>
Accounts payable		
Advanced Education and Technology	\$ 165	\$ 223
Other GOA departments and agencies	17	-
	<u>\$ 182</u>	<u>\$ 223</u>

In addition to the grants listed above, the University received \$1,060 (2009 \$1,283) from the Ministry of Culture and Community Spirit, included in sales of services and products, for a service agreement to assist with the delivery of a specific program.

Notes to the Financial Statements

17 Salary and Benefits Disclosure

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⁾	Cash Benefits ⁽²⁾	Non-cash Benefits ⁽³⁾	Total	Total
Governing Council ⁽⁴⁾					
Chair of Governing Council	\$ -	\$ -	\$ -	\$ -	\$ -
Governing Council members	-	-	-	-	-
Executive Officers					
President	362	31	136	529	494
Vice-Presidents:					
Academic	237	15	79	331	303
Advancement	226	14	82	322	292
Finance and Administration ⁽⁵⁾	183	3	73	259	280
Chief Information Officer	198	11	73	282	274
Associate Vice-Presidents:					
Academic	191	-	83	274	217
Research	191	-	27	218	202

⁽¹⁾ Base salary is pensionable and includes pay for vacation time taken.

⁽²⁾ Cash benefits include amounts to compensate for the UAPP salary cap, lump sum payments and any other non-pensionable direct cash remuneration.

⁽³⁾ 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 of University House. 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.

⁽⁴⁾ The chair and the 17 members (2009–17) of Governing Council receive no remuneration for participation on the council.

⁽⁵⁾ Two individuals held this position during the year.

18 Comparative Figures

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

