



Athabasca  
University

# Financial Statements

March 31, 2014



# Athabasca University Financial Statements

For the year ended March 31, 2014

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# Auditor's Report

## Independent Auditor's Report

To the Board of Governors of the 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, 2014 and the statements of operations, 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, 2014 and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

Auditor General  
May 30, 2014  
Edmonton, Alberta

# Athabasca University

## Statement of Financial Position

As at March 31, 2014  
(in thousands)

	2014	2013
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 4,009	\$ 2,915
Portfolio investments (Note 4)	39,474	37,569
Accounts receivable (Note 6)	2,278	1,796
Inventories and prepaid expenses	4,110	5,355
Tangible capital assets (Note 7)	57,862	58,206
	<u>\$ 107,733</u>	<u>\$ 105,841</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 9,027	\$ 11,682
Employee future benefit liabilities (Note 8)	22,421	21,554
Deferred revenue (Note 9)	71,335	71,638
	<u>102,783</u>	<u>104,874</u>
<b>Net assets</b>		
Endowments (Note 10)	2,772	2,536
Accumulated operating surplus (deficit) (Note 11)	1,317	(2,311)
Accumulated remeasurement gains	861	742
	<u>4,950</u>	<u>967</u>
	<u>\$ 107,733</u>	<u>\$ 105,841</u>

Contractual obligations (Note 12)

Approved by the Board of Governors:

*Original signed by Barry Walker*

Barry J. Walker, FCA  
Chair, Governors of Athabasca University

*Original signed by Frits Pannekoek*

Dr. Frits Pannekoek  
President

*The accompanying notes are part of these financial statements.*

# Athabasca University

## Statement of Operations

Year ended March 31, 2014  
(in thousands)

	2014 Budget	2014 Actual	2013 Actual
	(Note 17)		
<b>Revenue</b>			
Government of Alberta grants (Note 15)	\$ 44,738	\$ 43,182	\$ 46,940
Student tuition and fees	64,523	64,757	63,207
Sales of services and products	15,785	15,579	15,805
Donations and other grants	886	2,728	2,570
Federal and other government grants	1,244	2,610	2,666
Investment income (Note 13)	1,250	1,498	1,364
	<u>128,426</u>	<u>130,354</u>	<u>132,552</u>
<b>Expense</b>			
Instruction and non-sponsored research	73,588	73,651	72,033
Academic and student support	14,910	14,181	15,805
Institutional support	11,967	11,545	12,508
Ancillary services	9,377	8,584	9,736
Computing and communication	7,822	7,078	7,799
Facility operations and maintenance	7,813	6,318	7,610
Sponsored research and special purpose	3,731	5,369	6,309
	<u>129,208</u>	<u>126,726</u>	<u>131,800</u>
Operating surplus (deficit)	(782)	3,628	752
Accumulated operating deficit, beginning of year (Note 11)	-	(2,311)	(3,063)
Accumulated operating surplus (deficit), end of year (Note 11)	<u>\$ (782)</u>	<u>\$ 1,317</u>	<u>\$ (2,311)</u>

The accompanying notes are part of these financial statements.

# Athabasca University

## Statement of Cash Flows

Year ended March 31, 2014  
(in thousands)

	2014	2013
<b>Operating transactions</b>		
Operating surplus	\$ 3,628	\$ 752
Add (deduct) non-cash items:		
Amortization of tangible capital assets	4,658	4,808
Expended capital recognized as revenue	(3,203)	(3,380)
(Gain) loss on disposal of tangible capital assets, net	(78)	230
Change in employee future benefit liabilities	867	(828)
Total non-cash items	2,244	830
Increase in accounts receivable	(482)	(213)
Decrease (increase) in inventories and prepaid expenses	1,245	(249)
(Decrease) increase in accounts payable and accrued liabilities	(2,655)	2,560
Increase (decrease) in deferred revenue	1,112	(1,558)
Cash provided by operating transactions	5,092	2,122
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(4,317)	(5,188)
Proceeds on sale of tangible capital assets	81	9
Cash applied to capital transactions	(4,236)	(5,179)
<b>Investing transactions</b>		
Purchases of investments	(6,510)	(1,226)
Proceeds on sale of portfolio investments	5,000	-
Cash provided by investing transactions	(1,510)	(1,226)
<b>Financing transactions</b>		
Endowment contributions	200	-
Endowment transfers	36	28
Capital contributions	1,512	2,028
Cash provided by financing transactions	1,748	2,056
Increase (decrease) in cash and cash equivalents	1,094	(2,227)
Cash and cash equivalents, beginning of year	2,915	5,142
Cash and cash equivalents, end of year (Note 3)	\$ 4,009	\$ 2,915

The accompanying notes are part of these financial statements.

# Athabasca University

## Statement of Remeasurement Gains and Losses

Year ended March 31, 2014  
(in thousands)

	2014	2013
Accumulated remeasurement gains at beginning of year	\$ 742	\$ -
Net unrealized gains attributable to:		
Portfolio investments	119	742
Accumulated remeasurement gains at end of year	\$ 861	\$ 742

*The accompanying notes are part of these financial statements.*

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(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 Enterprise 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 – 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) Non-use of Net debt model format

Canadian public sector accounting standards require a net debt presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as net debt or net financial assets as an indicator of the future revenues required to pay for past transactions and events. The University operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

#### (c) Valuation of Financial Assets and Liabilities

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

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash and cash equivalents	Fair Value
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 financial instruments are recognized in the statement of remeasurement gains and losses, except for the restricted portion that is recognized as a liability under deferred revenues. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to unrestricted financial instruments are reported in the statement of operations.

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.



# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

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

#### (c) Valuation of Financial Assets and Liabilities (continued)

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. Alternatively, 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.

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.

#### (d) Revenue Recognition

All revenues are 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. The University recognizes government grants, donations, and other contributions as follows:

##### (i) Government transfers, donations and non-government contributions

Government transfers:

Government transfers are referred to as government grants. Government transfers and associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the University's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the University complies with its communicated use of the transfer.

Government transfers, without terms for the use of the transfer, are recorded as revenue when the University is eligible to receive the funds.

Donations and non-government contributions:

Donations and non-government contributions are received from individuals, corporations, and private sector not-for-profit organizations. Donations and non-government contributions may be unrestricted or restricted for operating or capital purposes or research purposes.

Unrestricted donations and non-government contributions are recorded 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.

Restricted donations, non-government contributions, and realized and unrealized gains and losses for the associated externally restricted investment income are recorded as deferred revenue if the terms for their use, or the terms along with the University's actions and communications as to the use, create a liability. These resources are recognized as revenue as the terms are met and when applicable, the University complies with its communicated use.

In kind donations of services and materials are recorded at fair value when such value can reasonably be determined. 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.

##### (ii) 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. The University recognizes in-kind contributions of land as revenue at the fair value of the land when a fair value can be reasonably determined. When the University cannot determine the fair value, it records such in-kind contributions at nominal value.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

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

#### (d) Revenue Recognition (continued)

##### (iii) Endowments

Donations, government transfers, and non-government contributions that must be maintained in perpetuity are recognized as a direct increase in endowment net assets when received or receivable. Investment income and realized gains and losses attributable to restricted portfolio investments that must be maintained in perpetuity are recognized as endowment net assets when received or receivable.

##### (iv) 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 that are from unrestricted grants, donations, or contributions are recognized in the statement of remeasurement gains and losses until the settlement. Once realized, these gains or losses are recognized as investment income in the statement of operations.

Investment income from restricted grants, donations or contributions 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.

#### (e) 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 held for consumption are valued at cost.

#### (f) 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
Other – leasehold improvements	lesser of 5 years or lease term
Other – library holdings	10 years

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.

Contributed capital assets are recorded as revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at the carrying value.

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

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

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

#### (g) Foreign Currency Translation

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year end exchange rate. Revenues and expenses are translated based upon an estimate of the actual exchange rate on the date of the transaction. In the period of settlement realized gains or losses from these translations are included in investment income. Unrealized gains and losses are recognized in the statement of remeasurement gains and losses.

#### (h) Employee Future Benefits

##### (i) 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.

##### (ii) Other Employee Benefit Plans

The University's other 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 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.

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.

##### (i) Internally Restricted Funds

Certain amounts, as approved by the Board of Governors, are set aside in accumulated surplus for future operating and capital purposes. Transfers to or from internally restricted funds are an adjustment to the respective fund when approved.

##### (j) Future Accounting Changes

###### PS 3260 Liability for Contaminated Sites

In June 2010 the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The University would recognize a liability related to the remediation of such contaminated sites subject to certain recognition criteria. University administration does not expect the implementation of this standard to have a significant impact on the financial statements in the next fiscal period.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 3 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.

### 4 Portfolio Investments

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 assets or liabilities. The composition and fair value are as follows:

	2014			
	Level 1	Level 2	Level 3	Total
Pooled Investment Funds				
Bonds listed in active market	\$ 30,921	-	-	30,921
Equities listed in active market	6,112	-	-	6,112
Money Market Funds	2,441	-	-	2,441
Total Investments	\$ 39,474	-	-	39,474
	2013			
	Level 1	Level 2	Level 3	Total
Pooled Investment Funds				
Bonds listed in active market	\$ 29,231	-	-	29,231
Equities listed in active market	6,139	-	-	6,139
Money Market Funds	2,199	-	-	2,199
Total Investments	\$ 37,569	-	-	37,569

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

Level 2: Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

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

- Money Market pooled funds: 1.90%; term to maturity: less than one year.
- Pooled funds of government and corporate bonds: 2.80%; terms to maturity: range from less than one year to more than 10 years.

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:

	2014	2013
Net unrealized gains, beginning of year	\$ 167	\$ -
Unrealized gains attributable to: Portfolio investments (Note 9)	276	167
Net unrealized gains, end of year, recorded in deferred revenue	\$ 443	\$ 167

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 5 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 following details the University's portfolio sensitivity to an increase or decrease in market prices. At March 31, 2014, 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 endowment net assets, and externally restricted deferred contributions for the year would have been a total of \$1,972 (2013 - \$1,877).

#### 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

	2014	2013
Credit rating		
AAA	46%	48%
AA	9%	9%
A	25%	24%
BBB	5%	3%
Total percent of portfolio at risk	85%	84%

#### Interest rate risk

The University invests in equity 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	\$ 2,441	\$ -	\$ -
Bonds listed in active market	148	18,619	12,154

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 5 Financial Risk Management (continued)

#### Interest rate risk (continued)

The impact of a change in interest rates on those pooled investment funds which are primarily invested in fixed income debt instruments is as follows in thousands:

	.50% decrease.	.25% decrease	.25% increase	.50% increase
Dollar value change	\$ 766	\$ 383	\$ (383)	\$ (766)

#### Foreign currency risk

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

### 6 Accounts Receivable

	2014	2013
Accounts receivable	\$ 2,145	\$ 1,623
Other receivable	133	173
Less provision for doubtful accounts	-	-
	<u>\$ 2,278</u>	<u>\$ 1,796</u>

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

### 7 Tangible Capital Assets

	2014					2013	
	Land	Buildings and site improvements	Computer hardware and software	Furniture and equipment <sup>(4)</sup>	Other <sup>(5)</sup>	Total	Total
<b>Cost<sup>(1)(2)</sup></b>							
Beginning of year	\$ 1,565	61,879	26,982	6,872	9,316	106,614	\$ 105,427
Additions	-	67	3,971	259	20	4,317	5,188
Disposals, including write-downs <sup>(3)</sup>	-	-	(2)	(250)	(780)	(1,032)	(4,001)
	<u>\$ 1,565</u>	<u>61,946</u>	<u>30,951</u>	<u>6,881</u>	<u>8,556</u>	<u>109,899</u>	<u>106,614</u>
<b>Accumulated amortization</b>							
Beginning of year	\$ -	20,638	14,277	5,049	8,444	48,408	\$ 47,362
Amortization expense	-	1,598	2,463	441	156	4,658	4,808
Effects on disposals, including write-downs	-	-	(2)	(247)	(780)	(1,029)	(3,762)
	<u>\$ -</u>	<u>22,236</u>	<u>16,738</u>	<u>5,243</u>	<u>7,820</u>	<u>52,037</u>	<u>48,408</u>
Net book value at March 31, 2014	<u>\$ 1,565</u>	<u>39,710</u>	<u>14,213</u>	<u>1,638</u>	<u>736</u>	<u>57,862</u>	<u>\$ 58,206</u>
Net book value at March 31, 2013	<u>\$ 1,565</u>	<u>41,241</u>	<u>12,705</u>	<u>1,823</u>	<u>872</u>	<u>58,206</u>	

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 7 Tangible Capital Assets (continued)

No interest was capitalized by the University in 2013-2014.

- (1) Historic cost includes work-in-progress at March 31, 2014 totaling \$ 8,676 comprised of leasehold improvements \$0 (2013 - \$144), equipment \$298 (2013 - \$213), and computer hardware and software \$8,378 (2013 - \$6,009).
- (2) The University holds a number of works of art, cultural and historical properties, and treasures; under public sector accounting standards they are expensed when acquired and not recognized as tangible capital assets.
- (3) There are no write-downs within disposals for 2013-2014.
- (4) Equipment includes vehicles, office equipment and furniture, and other equipment.
- (5) Other tangible capital assets include leasehold improvements and library.

### 8 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2014	2013
Universities Academic Pension Plan (UAPP)	\$ 19,945	\$ 19,019
Administrative leave plan	2,446	2,463
Flexible benefits plan	30	72
	\$ 22,421	\$ 21,554

#### (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, 2012. This was then extrapolated to the plan's year end of December 31, 2013 and further extrapolated to March 31, 2014. The University's portion of the UAPP deficiency has been allocated based on its percentage of the plan's total employer contributions for the year.

The UAPP unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2013 - 1.25%) of total earnings by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.87% (2013 - 2.34%) of total earnings required to eliminate the unfunded deficiency by December 31, 2043. The actuarial valuation shows that the present value of the Government of Alberta's obligation for the future additional contributions was \$310,693 at March 31, 2014 (2013 - \$327,710). The unfunded deficiency for service after December 31, 1991 is financed by special payments of 5.54% (2013 - 5.54%) of pensionable earnings until December 31, 2021, 1.71% (2013 - 1.46%) of salaries for 2022 and 2023, and 0.70% (2013 - 0.45%) of salaries for 2024 and 2025, and 0.25% (2013 - 0.0%) for 2026 and 2027, all shared equally between employees and employers.



# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 8 Employee Future Benefit Liabilities (continued)

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

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

	2014	2013
Financial Operations		
Expense		
Current service cost	\$ 4,527	\$ 3,769
Interest cost	1,582	1,531
Amortization of net actuarial losses	562	327
Total expense	<u>\$ 6,671</u>	<u>\$ 5,627</u>
Financial Position		
Accrued benefit obligation:		
Balance, beginning of year	\$ 101,028	\$ 86,595
Current service cost	4,527	3,769
Interest cost	6,409	5,747
Benefits paid	(4,378)	(3,894)
Actuarial (gain) loss	(5,536)	8,811
Balance, end of year	<u>102,050</u>	<u>101,028</u>
Plan assets	<u>(82,330)</u>	<u>(77,177)</u>
Funded status - plan deficit	19,720	23,851
Unamortized net actuarial loss	225	(4,832)
Accrued benefit liability	<u>\$ 19,945</u>	<u>\$ 19,019</u>

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

	2014	2013
Accrued benefit obligation:		
Discount rate	6.60%	6.20%
Average compensation increase	3.50%	3.50%
Benefit cost:		
Discount rate	6.60%	6.20%
Average compensation increase	3.50%	3.50%
Alberta inflation:		
Year 1;	2.25%	2.25%
Years 2 and thereafter	2.25%	2.25%
Estimated average remaining service life:	8.6 years	10.2 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 \$2,446 (2013 - \$2,463) in employee future benefit liabilities. The University plans to use its working capital to finance these future obligations.



# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 8 Employee Future Benefit Liabilities (continued)

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

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

	2014	2013
Financial Operations		
Expense		
Current service cost	\$ 403	\$ 495
Interest cost	53	62
Amortization of net actuarial losses	(54)	(215)
Total expense	<u>\$ 402</u>	<u>\$ 342</u>
Financial Position		
Accrued benefit liability:		
Balance, beginning of year	\$ 2,463	\$ 2,810
Current service cost	404	495
Interest cost	53	62
Benefits paid	(420)	(689)
Actuarial (gain)	(54)	(215)
Balance, end of year	<u>\$ 2,446</u>	<u>\$ 2,463</u>

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

	2014	2013
Discount rate	2.10%	2.00%
Rate of compensation increase		
First year	2.00%	2.00%
Subsequent years	3.00%	2.00%
Average remaining service period of active employees	6 years	6 years
Retirement age	62	63

#### (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 \$1,487 (2013 - \$1,358).

An actuarial valuation of the PSPP was carried out as at December 31, 2012 and was then extrapolated to December 31, 2013. At December 31, 2013, the PSPP financial statements reported a deficiency of \$ 1,254,678 (2012 - \$1,645,141). This deficiency 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 deficiency.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 9 Deferred Revenue

Deferred revenue is comprised of unspent externally restricted grants and donations, restricted grants and donations spent on capital acquisitions (not yet recognized as revenue), unearned tuition and other revenue. Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement.

	2014			
	Research and special purpose	Capital	Student and other fees	Total
Balance, beginning of year	\$ 9,688	\$ 47,846	\$ 14,104	\$ 71,638
Grants, tuition, donations received	7,776	-	49,253	57,029
Restricted investment income (Note 13)	121	-	-	121
Unrealized gains (Note 4, Note 13)	276	-	-	276
Unearned capital acquisition transfers	(1,512)	1,512	-	-
Recognized as revenue	(5,613)	(3,203)	(48,913)	(57,729)
Balance, end of year	\$ 10,736	\$ 46,155	\$ 14,444	\$ 71,335

Capital is comprised of \$45,790 (2103 - \$47,322) restricted grants and donations spent on capital acquisitions and \$365 (2013 - \$524) of unspent restricted grants and donations. The expended capital is deferred and will be recognized as revenue when the terms are met.

	2013			
	Research and special purpose	Capital	Student and other fees	Total
Balance, beginning of year	\$ 11,228	\$ 49,198	\$ 13,955	\$ 74,381
Grants, tuition, donations received	7,469	-	47,969	55,438
Restricted investment income (Note 13)	54	-	-	54
Unrealized gains (Note 4, Note 13)	167	-	-	167
Unearned capital acquisition transfers	(2,028)	2,028	-	-
Recognized as revenue	(7,202)	(3,380)	(47,820)	(58,402)
Balance, end of year	\$ 9,688	\$ 47,846	\$ 14,104	\$ 71,638

### 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.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 10 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.

The composition of endowments is as follows:

	2014	2013
Balance, beginning of year	\$ 2,536	\$ 2,508
Endowment contributions	200	-
Investment gain - realized (Note 13)	36	28
Balance, end of year	\$ 2,772	\$ 2,536
Cumulative contributions	\$ 2,421	\$ 2,221
Cumulative capitalized income	351	315
	\$ 2,772	\$ 2,536

### 11 Accumulated Operating Surplus (Deficit)

Certain amounts, as approved by the Board of Governors, are set aside in accumulated surplus (deficit) for future operating and capital purposes. Those amounts are not available for other purposes without the approval of the Board of Governors.

Accumulated operating surplus (deficit) is comprised of the following:

	Accumulated deficit from operations	Investment in tangible capital assets <sup>(1)</sup>	Total accumulated operating surplus (deficit)
Balance as at March 31, 2012	\$ (12,853)	\$ 9,790	\$ (3,063)
Operating surplus	752	-	752
Amortization of internally funded tangible capital assets	1,667	(1,667)	-
Internally funded acquisition of tangible capital assets	(2,761)	2,761	-
Balance as at March 31, 2013	(13,195)	10,884	(2,311)
Operating surplus	3,628	-	3,628
Amortization of internally funded tangible capital assets	1,456	(1,456)	-
Net book value of assets disposals	3	(3)	-
Internally funded acquisition of tangible capital assets	(2,647)	2,647	-
Balance as at March 31, 2014	\$ (10,755)	\$ 12,072	\$ 1,317

<sup>(1)</sup> 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

For the year ended March 31, 2014  
(thousands of dollars)

### 12 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.

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

	2014				
	Service Contracts	Capital Projects	Information Systems and Technology	Long-term Leases	Total
2015	\$ 5,097	\$ 374	\$ 1,555	\$ 978	\$ 8,004
2016	803	-	403	985	2,191
2017	491	-	227	451	1,169
2018	436	-	94	177	707
2019	229	-	94	-	323
Thereafter	196	-	160	-	356
	<u>\$ 7,252</u>	<u>\$ 374</u>	<u>\$ 2,533</u>	<u>\$ 2,591</u>	<u>\$ 12,750</u>

### 13 Investment Income

	2014			2013
	Realized Gains and Losses	Unrealized Gains and Losses	Total	
Restricted funds				
Investment earnings on cash, cash equivalents, and portfolio investments held for endowments and other restricted purposes	\$ 157	276	433	\$ 249
Transferred to endowment net assets (Note 10)	(36)	-	(36)	(28)
Transferred to deferred revenue (Note 9)	(121)	(276)	(397)	(221)
Add deferred revenue recognized as investment income	23	-	23	142
Restricted funds recognized as investment income	<u>\$ 23</u>	<u>-</u>	<u>23</u>	<u>\$ 142</u>
Unrestricted funds				
Investment earnings on unrestricted cash, cash equivalents, portfolio investments	1,475	119	1,594	1,964
Transferred to accumulated remeasurement gains and losses	-	(119)	(119)	(742)
Unrestricted funds recognized as investment income	<u>\$ 1,475</u>	<u>-</u>	<u>1,475</u>	<u>\$ 1,222</u>
Total investment income recognized	<u>\$ 1,498</u>	<u>-</u>	<u>1,498</u>	<u>\$ 1,364</u>

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 14 Expense by Object

The following is a summary of expense by object.

	2014		2013
	Budget (Note 17)	Actual <sup>(1)</sup>	Actual <sup>(1)</sup>
Salaries	\$ 70,454	\$ 70,551	\$ 75,635
Employee benefits	15,948	15,834	14,680
Materials, supplies and services:			
Fees and purchased services	16,022	16,916	16,009
Materials and supplies	10,699	10,137	11,188
Communications and travel	5,947	5,035	5,468
Rental, insurance and utilities	3,097	2,648	2,889
Amortization of capital assets	5,841	4,658	4,808
Scholarships and bursaries	1,200	947	1,123
	<u>\$ 129,208</u>	<u>\$ 126,726</u>	<u>\$ 131,800</u>

<sup>(1)</sup> Includes \$2,091 (2013 - \$3,829) termination benefits as defined under PSA Handbook section 3255.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 15 Related Party 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.

	2014	2013
Grants from Government of Alberta		
Innovation and Advanced Education:		
Operating	\$ 38,741	\$ 40,778
Infrastructure Maintenance Program	1,700	3,024
Research	983	625
Alberta Innovates-Technology Futures	108	230
Other	54	31
Total Innovation and Advanced Education	<u>41,586</u>	<u>44,688</u>
Other Government of Alberta departments and agencies:		
Treasury Board and Finance	425	436
Health	128	127
Culture	71	96
Total other Government of Alberta departments and agencies	<u>624</u>	<u>659</u>
Total contributions received	42,210	45,347
Add (less): deferred contributions	972	1,593
Total grants from Government of Alberta	<u>\$ 43,182</u>	<u>\$ 46,940</u>
Accounts receivable		
Innovation and Advanced Education	\$ 115	\$ 180
Other Government of Alberta departments and agencies	-	78
Other post-secondary institutions	1	-
	<u>\$ 116</u>	<u>\$ 258</u>
Accounts payable		
Innovation and Advanced Education	\$ 7	\$ -
Other Government of Alberta departments and agencies	3	4
Other post-secondary institutions	77	108
	<u>\$ 87</u>	<u>\$ 112</u>

In addition to the grants listed above, the University received \$310 (2013 - \$567) from the Ministry of Culture, included in sales of services and products, for a service agreement to assist with the delivery of a specific program.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 16 Salary and Employee Benefits

Under the authority of the Fiscal Management Act, the President of Treasury Board and Minister of Finance require the disclosure of certain salary and employee benefits information.

	2014				2013
	Base Salary <sup>(3)</sup>	Cash Benefits <sup>(4)</sup>	Non cash Benefits <sup>(5)</sup>	Total	Total
Governance <sup>(1)</sup>					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	-	-	-
Executive Officers					
President	369	34	134	537	557
Vice-Presidents:					
Academic	246	1	70	317	343
Advancement	216	14	87	317	304
Finance and Administration	238	17	82	337	317
Information Technology and CIO <sup>(2)</sup>	188	9	54	251	321

<sup>(1)</sup> The chair and the 18 members (2013 – 17) of the Board of Governors receive no remuneration for participation on the Board.

<sup>(2)</sup> The position was occupied by two individuals at different times during the year.

<sup>(3)</sup> Base salary is pensionable and includes pay for vacation time taken.

<sup>(4)</sup> 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.

<sup>(5)</sup> 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.

The current service cost and accrued obligation for each executive officer under the Administrative Leave Plan is outlined in the following table:

	Accrued Obligation March 31, 2013	Service Costs	Interest and other costs	Actuarial loss (gain)	Accrued Obligation <sup>(6)</sup> March 31, 2014
President	\$ 534	\$ 64	\$ 12	\$ 15	\$ 625
Vice-Presidents:					
Academic	229	32	5	1	267
Advancement	119	43	4	6	172
Finance and Administration	68	42	3	7	120
Information Technology and CIO	-	14	-	2	16

<sup>(6)</sup> The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 8.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 17 Budget Figures

The University's 2013-2014 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 Enterprise and Advanced Education as part of the University's 2013-2016 Comprehensive Institutional Plan.

The following table provides amounts as presented in the 2013-2014 budget, expense by object, reconciled to expense by function:

Function	Salaries	Employee benefits	Fees and purchased services	Materials and supplies	Communication and travel	Rental insurance, and utilities	Amortize capital assets	Scholarships	Expense Total
Instruction and non-sponsored research	\$ 48,354	10,474	8,855	1,900	3,387	593	20	5	\$ 73,588
Academic and student support	8,873	2,354	2,041	348	700	131	116	347	14,910
Institutional support	7,727	1,824	1,441	269	628	76	-	2	11,967
Ancillary services	437	126	381	7,653	717	24	39	-	9,377
Computing and communication	2,451	623	1,071	320	111	-	3,246	-	7,822
Facility operations and maintenance	933	228	1,882	63	23	2,264	2,420	-	7,813
Sponsored research and special purpose	1,679	319	351	146	381	9	-	846	3,731
	\$ 70,454	15,948	16,022	10,699	5,947	3,097	5,841	1,200	\$ 129,208

### 18 Comparative Figures

Certain 2013 figures have been reclassified to conform to the presentation in the 2014 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, 2014



# Athabasca University

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