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**Athabasca University**  
**Financial Statements**  
**Year Ended March 31, 2007**



## Auditor's Report

To the Athabasca University Governing Council

I have audited the statement of financial position of Athabasca University as at March 31, 2007 and the statements of operations, changes in net assets, and cash flows for the year 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 audit.

I conducted my audit 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Original signed by Fred J. Dunn, FCA*

Auditor General

Edmonton, Alberta  
May 11, 2007

**ATHABASCA UNIVERSITY**  
**STATEMENT OF FINANCIAL POSITION**

**MARCH 31, 2007**  
(thousands of dollars)

	<u>2007</u>	<u>2006</u> (Restated, Note 3)
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash and short-term investments (Note 4)	\$ 20,213	\$ 16,531
Accounts receivable (Notes 3 and 5)	4,558	4,464
Inventory of course materials	3,340	2,913
Prepaid expenses	834	855
	28,945	24,763
Non-current investments (Notes 4 and 6)	29,468	28,093
Deferred course development costs (Note 7)	211	282
Capital assets (Note 8)	20,062	21,565
	\$ 78,686	\$ 74,703
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities</b>		
Accounts payable and accruals	\$ 3,099	\$ 2,431
Salaries and benefits payable (Note 9)	6,091	5,121
Deferred revenue	11,829	11,185
Deferred contributions (Note 10)	2,943	1,550
Current portion of obligation under capital lease (Note 11)	-	52
Current portion of deferred lease inducement (Note 12)	117	97
	24,079	20,438
Deferred salaries and benefits payable (Notes 9 and 20)	3,338	2,704
Deferred lease inducement (Note 12)	263	380
Unamortized deferred capital contributions (Note 13)	11,441	13,283
Unamortized course development contributions (Note 13)	211	282
	39,332	37,085
<b>Net assets</b>		
Investment in capital assets (Note 8)	8,621	8,230
Endowments (Note 15)	1,560	1,249
Internally restricted	27,009	26,217
Unrestricted	2,164	1,922
	39,354	37,618
	\$ 78,686	\$ 74,703

Approved on behalf of the Governing Council

*Original signed by Joy Romero*

Joy Romero, P.Eng., MBA PM  
Chair

*Original signed by Frits Pannekoek*

Dr. Frits Pannekoek  
President

The accompanying notes are part of these financial statements.

**ATHABASCA UNIVERSITY**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2007**  
(thousands of dollars)

	<b><u>2007</u></b>	<b><u>2006</u></b> (Restated, Note 3)
Revenue		
Province of Alberta grants (Note 18)	\$ 31,064	\$ 30,113
Undergraduate student fees	33,485	30,516
Sales of goods and services	12,635	10,040
Graduate student fees	12,282	13,047
Interest	2,351	1,326
Amortization of unamortized deferred capital contributions (Note 13)	1,892	1,909
Research and other grants	780	1,000
Donations (Note 19)	684	213
Other	118	96
Amortization of deferred course development contributions (Note 13)	71	88
	<u>95,362</u>	<u>88,348</u>
Expenses		
Salaries and benefits	59,828	50,802
Fees and purchased services	13,100	11,284
Materials and supplies	8,421	8,075
Communications and travel	6,541	5,538
Amortization of capital assets	3,780	3,877
Facilities rental	1,079	996
Insurance, utilities and taxes	677	672
Scholarships	419	407
Amortization of deferred course development costs (Note 7)	71	88
	<u>93,916</u>	<u>81,739</u>
Excess of revenue over expenses	<u>\$ 1,446</u>	<u>\$ 6,609</u>

The accompanying notes are part of these financial statements.

**ATHABASCA UNIVERSITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2007**  
(thousands of dollars)

	2006 Balance, beginning of year (Restated, Note 3)	Excess of revenue over expenses	Investment in capital assets, internally funded	Amortization of internally funded assets	Endowment contributions net of expenditures (Note 15)	Interfund transfers	2007 Balance, end of year
Internally Restricted							
Operating							
New program development	\$ 6,735	\$ 549	\$ -	\$ -	\$ -	\$ 1,416	\$ 8,700
Future student awards	1,645	-	-	-	-	109	1,754
Bridging to retirement	3,900	(199)	-	-	-	399	4,100
Future claims reserve	337	75	-	-	-	-	412
	<u>12,617</u>	<u>425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,924</u>	<u>14,966</u>
Capital							
Infrastructure	3,600	(680)	(877)	-	-	-	2,043
Investment in systems development	10,000	-	(349)	-	-	349	10,000
	<u>13,600</u>	<u>(680)</u>	<u>(1,226)</u>	<u>-</u>	<u>-</u>	<u>349</u>	<u>12,043</u>
Internally restricted sub-total	26,217	(255)	(1,226)	-	-	2,273	27,009
Investment in capital assets	8,230	-	2,279	(1,888)	-	-	8,621
Endowments	1,249	-	-	-	290	21	1,560
Unrestricted	1,922	1,701	(1,053)	1,888	-	(2,294)	2,164
Total Net Assets	<u>\$ 37,618</u>	<u>\$ 1,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290</u>	<u>\$ -</u>	<u>\$ 39,354</u>

The accompanying notes are part of these financial statements.

**ATHABASCA UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2007**  
(thousands of dollars)

	<u>2007</u>	<u>2006</u>
		(Restated, Note 3)
Cash provided from operating activities:		
Excess of revenue over expenses	\$ 1,446	\$ 6,609
Items not affecting cash flow:		
Amortization of capital assets	3,780	3,877
Transfer to deferred capital contributions (Note 10)	50	3,301
Amortization of deferred course development costs	71	88
Increase in deferred salaries and benefits payable	634	712
Amortization of deferred course development contributions	(71)	(88)
Amortization of deferred lease inducement	(97)	(126)
Amortization of deferred capital contributions	(1,892)	(1,909)
	<u>3,921</u>	<u>12,464</u>
Change in non-cash working capital		
Change in current assets, except cash and short-term investments	(500)	(1,118)
Change in current liabilities, except current portions of obligation under capital lease and deferred lease inducement	3,675	(2,022)
	<u>3,175</u>	<u>(3,140)</u>
	<u>7,096</u>	<u>9,324</u>
Cash used in investing activities:		
Capital asset acquisitions, internally funded	(2,227)	(2,049)
Capital asset acquisitions, externally funded	(50)	(3,301)
Increase in non-current investments	(1,375)	(7,217)
	<u>(3,652)</u>	<u>(12,567)</u>
Cash provided from financing activities:		
Deferred lease inducement (Note 12)	-	603
Endowment contributions, net	290	26
Capital lease payments (Note 11)	(52)	(49)
	<u>238</u>	<u>580</u>
Increase (decrease) in cash and short-term investments	3,682	(2,663)
Cash and short-term investments, beginning of year	<u>16,531</u>	<u>19,194</u>
Cash and short-term investments, end of year	<u>\$ 20,213</u>	<u>\$ 16,531</u>

The accompanying notes are part of these financial statements.

**ATHABASCA UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2007**

(thousands of dollars)

Note 1 Authority and Purpose

Athabasca University (the "University") operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, chapter P-19.5. It is directed by an appointed Governing Council and offers undergraduate and graduate degree programs through distance education. The University is a registered charity and is exempt from the payment of income taxes.

Note 2 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. Such estimates, the potential errors in which are, in administration's opinion, within reasonable limits of materiality, have been made using professional judgment and conform to 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) Revenue Recognition

Government operating grants are recognized as revenue in the period received or receivable, or when a portion of the grant relates to a future period they are deferred and recognized in the subsequent period.

Revenue received for the provision of goods and services is recognized in the period in which the goods are provided or the services rendered. Deferred revenue includes course fees received in advance.

Contributions restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the acquisition of capital assets having limited life are initially recorded as deferred capital contributions in the period in which they are received. Deferred capital contributions are transferred to unamortized deferred capital contributions when expended and are amortized to revenue over the useful lives of the related assets. Contributions restricted for the acquisition of non-consumable capital assets (e.g., land) are initially recorded as deferred contributions in the period in which they are received and, when expended, are recognized as direct increases in net assets.

Contributions restricted for the development of courses are deferred and amortized to revenue over five years.



Note 2 Significant Accounting Policies and Reporting Practices (continued)

Endowed donations, including investment earnings, are recognized as direct increases in net assets in the period in which they are received. The portion of investment earnings which, in accordance with agreements with benefactors or the authority provided by Section 76(2)(c) of the Post-Secondary Learning Act, is used to fund scholarships is transferred to investment income.

Donations of goods and services that otherwise would have been purchased are recorded at fair value when a fair value can be reasonably determined; otherwise, they are recorded at nominal value.

Volunteers contribute services to assist the University in carrying out its mission. Such contributed services are not recognized in these financial statements.

(c) Fair Value of Financial Instruments

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

(d) Investments

Current investments are valued at the lower of cost and market value. Non-current investments are valued at cost or, when there has been other than a temporary impairment in the value of the investment, at market value, which is considered the new cost. Gains or losses on sales of investments are recognized in the year of disposal. The investment in a joint venture is accounted for using the equity method.

(e) Inventory of Course Materials

Inventory of course materials is valued at the lower of cost and net realizable value.

(f) 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.

(g) Deferred Course Development Costs

Costs for the development of special purpose courses sponsored through Curriculum Redevelopment Funding are deferred and amortized over five years from the time development is completed.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(h) Capital Assets

Capital asset acquisitions are recorded at cost, except for donated assets, which are recorded at fair value. Except for works of art <sup>(1)</sup>, capital assets are amortized on a straight-line basis over the estimated useful lives of the assets, as follows:

	<u>Years</u>
Buildings	40
Site improvements	10 - 25
Computing equipment and software	3 - 10
Vehicles, furnishings and other equipment	5 - 10
Leasehold improvements	lesser of 5 years or lease term
Library materials	10

- (1) Works of art purchased by the University are recorded at cost and donated works of art are recorded at fair value. Works of art are not amortized. Works of art include sketches, limited edition prints, photographs, sculptures, rare books, and original paintings. The works of art are held by the University for public exhibition.

(i) Employee Future Benefits

The University participates with other employers in two defined benefit pension plans, the Universities Academic Pension Plan and the Public Service Pension Plan. 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 costs included in these financial statements comprise the amount of employer contributions required for the University's employees during the year, based on contribution rates that are expected to provide for benefits payable under the respective pension plan. The University does not record its portion of the pension plans' deficits or surpluses.

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, Long Term Disability and General Illness.

For the Administrative Leave and Flexible Benefit Plans, 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 is 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.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(i) Employee Future Benefits (continued)

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.

The cost of future benefits related to employees on general illness at year end is not significant and is therefore not included in the University's financial statements.

(j) Deferred Lease Inducement

One of the University's operating leases for premises provides for a lease inducement. This inducement has been deferred and is being recorded as a reduction of rent expense over the term of the lease.

(k) Internally Restricted Net Assets

The University has designated internally restricted net assets for future operating and capital needs. These amounts are not available for other purposes without the approval of Governing Council.

Note 3 Restatement

The University has retroactively adjusted its accounting for employee future benefit plans for amounts held by benefit carriers for premium stabilization in excess of liabilities of the various benefit plans. As a result, the University's financial statements have been restated as follows:

	<u>2006</u>
Accounts receivable, as previously stated	\$ 4,127
Net position of benefit plans at March 31, 2005	246
Change in net position of benefit plans, 2006	91
Accounts receivable, as restated	<u>\$ 4,464</u>
Excess of revenue over expense, as previously stated	\$ 6,518
Change in net position of benefit plans	91
Excess of revenue over expense, as restated	<u>\$ 6,609</u>
Internally Restricted Net Assets, as previously stated	\$ 25,880
Net position of benefit plans at March 31, 2005	246
Change in net position of benefit plans, 2006	91
Internally Restricted Net Assets, as restated	<u>\$ 26,217</u>

Note 4 Cash and Investments

Cash and investments consist of bank account balances, money market investments and other investments, as follows:

	2007 <sup>(1)</sup>	2006 <sup>(1)</sup>
Bank balances	\$ 6,587	\$ 5,160
Money market investments <sup>(2)</sup>	16,589	39,148
Investment Fund <sup>(3)</sup>	25,908	-
Other investments	597	316
Total Cash and Investments	<u>49,681</u>	<u>44,624</u>
Less amount recorded as non-current	<u>(29,468)</u>	<u>(28,093)</u>
Cash and short-term investments	<u>\$ 20,213</u>	<u>\$ 16,531</u>
Non-current investments are comprised of:		
Endowments	\$ 1,560	\$ 1,249
Deferred salaries and benefits payable	3,338	2,704
Internally restricted net assets, non-current portion	23,973	23,824
Shares and joint venture interest	597	316
Non-current investments	<u>\$ 29,468</u>	<u>\$ 28,093</u>

(1) Fair value of cash and investments approximates carrying value.

(2) Money market investments are purchased at a discount and are rated R-1 or better (rated by the Dominion Bond Rating Service). For the year ending March 31, 2007, the average effective yield was 4.36% (2006 – 3.76%). Investments held at March 31, 2007 mature within 30 days.

(3) For the year ended March 31, 2007 the average effective yield for the investment fund was 6.3%.

During 2006-2007, the University began transfer of its money market investments to an Investment fund. The Investment Fund is managed by the external fund manager on a pooled basis.

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

An 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. Minimum and maximum ranges have been set for each type of qualifying investment within each investment portfolio.

Note 4 Cash and Investments (continued)

The investment fund comprises

	2007				2006	
	Short-term - less than 1 year <sup>(1)</sup>	Medium-term - 1 to 5 years <sup>(2)</sup>	Long-term - greater than 5 years <sup>(3)</sup>	Endowment - greater than 5 years <sup>(3)</sup>	Total Investment Fund	Total Investment Fund
Cash and short-term	\$ 2,001	124	216	20	\$ 2,361	\$ -
Fixed income	-	8,198	6,317	624	15,139	-
Equities						
Canadian	-	593	2,530	251	3,374	-
US	-	682	2,200	218	3,100	-
International	-	401	1,395	138	1,934	-
Total Equities	-	1,676	6,125	607	8,408	-
Total Investment Fund	\$ 2,001	\$ 9,998	\$ 12,658	\$ 1,251	\$ 25,908	\$ -

- (1) In accordance with the Investment Policy, the entire short-term portfolio is invested in readily liquid securities and/or in cash.
- (2) 83% of the medium-term portfolio is invested in fixed income securities. This complies with the prescribed range of 75% to 100%. 17% of the medium-term portfolio is invested in equities listed in the S&P/TSX composite index, which is within the prescribed range of up to 25%.
- (3) 52% of the long-term and endowment portfolios are invested in fixed income securities. This is within the prescribed range of 50% to 100%. 48% of the long-term and endowment portfolios are invested in equities listed in the S&P/TSX composite index, which is within the prescribed range of up to 50%.

Note 5 Accounts Receivable

Accounts receivable include \$1,436 (2006 - \$1,626) in grants due from the Province of Alberta.

Note 6 Interest in Joint Venture

The University has a one-third joint venture interest in the Campus Alberta Applied Psychology: Counselling Initiative. Three Alberta universities have formed the joint venture to develop and deliver this collaborative graduate degree.

The University's share of the joint venture's assets, liabilities and equity is:

	<u>2007</u>		<u>2006</u>
Current assets	\$ 647		\$ 581
Capital assets	<u>1</u>		<u>3</u>
	<u>\$ 648</u>		<u>\$ 584</u>
Current liabilities	\$ 50		\$ 265
Unamortized deferred capital contributions	-		1
Investment in capital assets	<u>1</u>		<u>2</u>
	<u>51</u>		<u>268</u>
Joint venture interest			
Opening balance	316		291
Net distribution	(101)		(80)
Excess of revenues over expenses			
Revenues	\$1,014	\$ 675	
Expenses	<u>632</u>	<u>570</u>	<u>105</u>
	<u>597</u>		<u>316</u>
	<u>\$ 648</u>		<u>\$ 584</u>

Note 7 Deferred Course Development Costs

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 282	\$ 370
Amount amortized during the year	<u>(71)</u>	<u>(88)</u>
Balance, end of year	<u>\$ 211</u>	<u>\$ 282</u>

Note 8 Capital Assets and Investment in Capital Assets

	2007			2006		
	Cost <sup>(1)</sup>	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,565	\$ -	\$ 1,565	\$ 1,565	\$ -	\$ 1,565
Buildings and site improvements	26,624	15,142	11,482	25,747	14,372	11,375
Leasehold improvements	2,180	1,404	776	2,128	1,172	956
Furnishings, equipment and software (Note 11)	22,391	17,574	4,817	22,095	15,600	6,495
Library materials	5,367	4,565	802	5,074	4,520	554
Works of art	620	-	620	620	-	620
	<u>\$ 58,747</u>	<u>\$ 38,685</u>	20,062	<u>\$ 57,229</u>	<u>\$ 35,664</u>	21,565
Unamortized deferred capital contributions related to capital assets (Note 13)			(11,441)			(13,283)
Obligation under capital lease (Note 11)			-			(52)
Investment in capital assets			<u>\$ 8,621</u>			<u>\$ 8,230</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 \$1 per year. The Athabasca Regional Multiplex is in the process of construction on this site.

Note 9 Salaries and Benefits Payable

	2007	2006
Other defined benefit plans		
Administrative Leave Plan	\$ 1,573	\$ 1,480
Flexible Benefit Plan	1,276	1,083
Total other defined benefit plans (Note 20)	<u>2,849</u>	<u>2,563</u>
Salaries and wages	2,823	2,217
Vacation pay	1,951	1,588
Professional development funds	<u>1,806</u>	<u>1,457</u>
Total salaries and benefits payable	9,429	7,825
Current portion of salaries and benefits payable	<u>(6,091)</u>	<u>(5,121)</u>
Deferred salaries and benefits payable	<u>\$ 3,338</u>	<u>\$ 2,704</u>

Deferred salaries and benefits payable are the long-term accrued benefit obligations of the Administrative Leave Plan, Flexible Benefit Plan and professional development accounts.

Note 10 Deferred Contributions

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

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 1,550	\$ 1,801
Grants received	2,899	2,296
Donations received subject to external restrictions (Note 19)	-	3,119
Transfer to deferred capital contributions (Note 14)	(50)	(3,301)
Amount recognized as revenue	<u>(1,456)</u>	<u>(2,365)</u>
Balance, end of year	<u>\$ 2,943</u>	<u>\$ 1,550</u>

The balance consists of funds restricted from:

Province of Alberta

Access to the Future Fund	\$ 1,200	\$ -
Enrolment Planning Envelope	523	292
Innovation and Science	90	130
Community Incentive Program	50	-
Health and Wellness	30	30
Facilities Planning	-	152
Centennial Rebate	-	110
Infrastructure Maintenance	-	47
Sponsored research special projects	<u>1,050</u>	<u>789</u>
	<u>\$ 2,943</u>	<u>\$ 1,550</u>

Note 11 Obligation Under Capital Lease

The University leased certain equipment under agreements, which were classified as capital leases. There is no capital lease obligation for 2007. For 2006, there was a current lease payable of \$52.

Note 12 Deferred Lease Inducement

The University received a lease inducement under an agreement for leased premises in 2006. The inducement has been deferred and is being applied as a reduction of rent expense over the term of the lease as follows:

2008	\$ 117
2009	117
2010	117
2011	<u>29</u>
Total unamortized deferred lease inducement	380
Less: current portion	<u>(117)</u>
Long term portion of deferred lease inducement	<u>\$ 263</u>



Note 13 Unamortized Deferred Capital and Deferred Course Development Contributions

	2007		2006	
	Capital Assets	Deferred Course Development	Capital Assets	Deferred Course Development
Balance, beginning of year	\$ 13,283	\$ 282	\$ 11,891	\$ 370
Transfer from				
Deferred capital contributions (Note 14)	50	-	3,301	-
	13,333	282	15,192	370
Amortized to revenue	(1,892)	(71)	(1,909)	(88)
Balance, end of year	<u>\$ 11,441</u>	<u>\$ 211</u>	<u>\$ 13,283</u>	<u>\$ 282</u>

Note 14 Deferred Capital Contributions

Deferred capital contributions represent capital funding received from external sources that remain unspent at March 31. Changes in the deferred capital contributions balances are as follows:

	2007	2006
Balance, beginning of year	\$ -	\$ -
Transfer from deferred contributions (Note 10)		
Donation in-kind	-	3,100
Cash	50	201
	50	3,301
Transfers to unamortized deferred capital contributions (Note 13)	(50)	(3,301)
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>

Note 15 Endowments

Endowments consist of externally restricted donations, the principal of which is required to be maintained intact. The use of the investment income is internally restricted as endowments must first be adjusted annually for inflation.

	2007				2006
	Capital Contributions	Capitalized Earnings	Expendable Earnings	Total	Total
Endowments, beginning of year	\$ 1,189	\$ 40	\$ 20	\$ 1,249	\$ 1,223
Donations received (Note 19)	250	-	-	250	-
Transfer from internally restricted net assets	-	-	21	21	-
Investment earnings	-	53	9	62	35
Scholarships funded and administrative fees	-	-	(22)	(22)	(9)
Endowments, end of year	<u>\$ 1,439</u>	<u>\$ 93</u>	<u>\$ 28</u>	<u>\$ 1,560</u>	<u>\$ 1,249</u>

Note 16 Budget

The budget for the year ended March 31, 2007, as approved by the Governing Council on March 31, 2006, is presented together with actual revenue and expenses for the year.

	<u>Actual</u>	<u>Budget</u>
Revenue		
Province of Alberta grants	\$ 31,064	\$ 28,711
Undergraduate student fees	33,485	33,643
Sales of goods and services	12,635	9,964
Graduate student fees	12,282	13,391
Interest	2,351	1,500
Amortization of deferred capital and deferred course development contributions	1,963	873
Research and other grants	780	2,605
Donations	684	350
Other	118	316
	<u>95,362</u>	<u>91,353</u>
Expenses		
Salaries and benefits	59,828	62,377
Fees and purchased services	13,100	13,013
Materials and supplies	8,421	8,924
Communications and travel	6,541	5,389
Amortization of capital assets and deferred course development costs	3,851	3,147
Facilities rental, insurance, utilities and taxes	1,079	1,118
Insurance, utilities and taxes	677	678
Scholarships	419	305
	<u>93,916</u>	<u>94,951</u>
Revenue over (under) expenses	<u>\$ 1,446</u>	<u>\$ (3,598)</u>

Note 17 Operating Lease Commitments

The University is committed to operating leases expiring no later than 2013 for facilities and equipment, with the following minimum annual payments:

2008	\$ 1,045
2009	\$ 564
2010	\$ 567
2011	\$ 717
2012	\$ 697
2013	\$ 264

The University is also required to pay a pro rata share of operating expenditures of the facilities.

Note 18 Related Party Transactions

The University operates under the authority and statutes of the Province of Alberta. Transactions between the University and the Province of Alberta are summarized below.

	<u>2007</u>	<u>2006</u>
Operating grant	\$ 26,210	\$ 22,366
Enrolment Planning Envelope	3,311	4,551
Infrastructure maintenance	142	142
Other	<u>1,443</u>	<u>1,454</u>
Total contributions	31,106	28,513
Change in deferred contributions and other accruals from provincial sources	<u>(42)</u>	<u>1,600</u>
Province of Alberta grants revenue	<u>\$ 31,064</u>	<u>\$ 30,113</u>

The University offered certain courses at provincial post-secondary institutions. The revenue for these courses amounted to \$1,628 (2006 - \$1,553).

Note 19 Donations

Donations were received during the year as follows:

	<u>2007</u>			<u>2006</u>
	<u>Cash</u>	<u>In-kind<sup>(1)</sup></u>	<u>Total</u>	<u>Total</u>
Amount recognized as revenue	\$ 46	\$ 638	\$ 684	\$ 213
Transfers to deferred contributions (Note 10)	-	-	-	3,119
Transfer to endowments (Note 15)	<u>250</u>	<u>-</u>	<u>250</u>	<u>-</u>
Total donations received	<u>\$ 296</u>	<u>\$ 638</u>	<u>\$ 934</u>	<u>\$ 3,332</u>

<sup>(1)</sup> In kind donations of \$638 (2006 - \$75) consisted of professional services received during the year.

Note 20 Employee Future Benefits

Pension Plans

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan, which are multi-employer plans. Employer contributions of \$3,553 (2006 - \$2,925) for the year are expensed in these financial statements.

Since January 1, 2005, the Universities Academic Pension Plan contribution rates for employees are 8.675% (employer 9.675%) of earnings up to the year's maximum pensionable earnings (YMPE) under the Canada Pension Plan and 11.075% (employer 12.075%) of earnings above YMPE.

At December 31, 2006, the Universities Academic Pension Plan reported an actuarial deficiency of \$409,128 (2005 - \$537,415). This deficiency is being funded by contributions from employees and employers. In addition the Province of Alberta is contributing 1.25% (2005 - 1.25%) of pensionable salary toward the actuarial deficiency for pre-1992 service in accordance with the funding plan adopted in 1992. At December 31, 2006, the University's participating employees comprised 5.3% of the total active membership.

Note 20 Employee Future Benefits (continued)

From September 1, 2004, to December 31, 2006, both employee's and employer's Public Service Pension Plan contribution rates were 6.17% of earnings up to the YMPE and 8.81% of earnings above YMPE. However, the contribution rates increased effective January 1, 2007, to 6.69% of pensionable salary up to the YMPE and 9.55% of the excess for employees and employers.

At December 31, 2006, the Public Service Pension Plan reported an actuarial surplus of \$153,024 (2005 – \$187,704 deficiency). At December 31, 2006, the University's participating employees accounted for 0.7% of the total active membership.

Administrative Leave and Flexible Benefits Plan

The University's Administrative Leave Plan and a Flexible Benefit Plan, have no plan assets. The University has provided for these plans by accruing a benefit obligation of \$2,849 (2006 - \$2,563) in salaries and benefits payable (Note 9).

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations for the other defined benefit plans are as follows:

	<u>2007</u>	<u>2006</u>
Discount rate and rate of return		
Administrative Leave Plan	4.75%	4.50%
Flexible Benefit Plan	5.00%	4.75%
Rate of compensation increase		
First year	7.00%	6.00%
Subsequent years	7.00%	6.00%
Average remaining service period of active employees		
Administrative Leave Plan	8 years	7 years
Flexible Benefit Plan	13 years	13 years
Retirement age	60 years	60 years

During the year, the University paid benefits from these benefit plans totaling \$634 (2006 - \$390). Employee future benefit costs recognized in the year are \$920 (2006 - \$631).

Extended Health and Dental Care Plans

The accrued benefit obligation and plan assets for the Extended Health and Dental Care defined benefit plans are \$77 (2006 - \$77) and \$489 (2006 - \$414) respectively. The net position of the plans of \$412 (2006 - \$337) is recorded in accounts receivable in the University's statement of financial position. The change in the net position of \$75 (2006 - \$91) is recorded as a reduction to expenses in the University's statement of operations. Employer premiums paid to Alberta Blue Cross of \$1,752 (2006 - \$1,421) are recorded as an expense in the University's statement of operations.

Note 21 Salary and Benefits Disclosure

	2007				2006		
	Base Salary <sup>(1)</sup>	Cash Benefits <sup>(2)</sup>	Non-cash Benefits <sup>(3)</sup>	Totals	Number of Individuals	Totals	Number of Individuals
<b>Governing Council</b>							
Chair of Governing Council	\$ -	\$ -	\$ -	\$ -	1	\$ -	1
Governing Council members	-	-	-	-	15	-	15
<b>Executive Officers</b>							
President	253	24	49	326	1	306	1
<b>Vice-Presidents</b>							
Academic	187	9	31	227	1	188	1
Advancement (5 mths)	98	6	18	122	1	-	-
Finance & Administration	174	13	28	215	1	202	1
<b>Executive Director</b>							
External Relations (7 mths)	56	-	12	68	1	133	1
Chief Information Officer	146	10	28	184	1	156	1
<b>Associate Vice-Presidents</b>							
Academic	139	-	27	166	1	142	1
Research	146	-	28	174	1	163	1
<b>Increase in Administrative Leave Plan accruals<sup>(4)</sup></b>							
President				53		40	
<b>Vice Presidents</b>							
Academic				28		40	
Advancement				23		-	
Finance & Administration				44		37	
<b>Executive Director</b>							
External Relations				(19)		19	
Chief Information Officer				45		28	
<b>Associate Vice-Presidents</b>							
Academic				31		26	
Research				-		-	

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

(2) Cash benefits include lump sum payments and any other direct cash remuneration that are non-pensionable.

(3) Non-cash benefits include the employer's share of all employee benefits and contribution payments made on behalf of employees for pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance, and long and short-term disability plans. In addition, non-cash benefits include tuition paid on behalf of employees.

(4) Administrative Leave Plan accrual amounts include the current service cost, the related net actuarial gains or losses, and adjustments for past service accrued at current salary rates.

Note 22 Comparative Figures

Certain 2006 figures have been reclassified to conform to the presentation adopted in the 2007 financial statements.