



2010-2011

Annual Report

For submission to the Government of Alberta



dareto discover

Dare to Discover: A Vision for a Great University

Quaecumque vera—Whatsoever things are true

VALUES

To achieve our vision of a great university, we rely on shared, deeply-held values that are a bedrock for our behaviour and guide our actions. These values are drawn from the principles on which the University of Alberta was founded in 1908 and reflect a dynamic, modern institution of higher learning, leading change nationally and internationally.

We value:

- excellence in teaching that promotes learning, outstanding research and creative activity that fuel discovery and advance knowledge, and enlightened service that builds citizenship;
- the centrality of our students and our responsibility to provide an intellectually superior educational environment;
- integrity, fairness, and principles of ethical conduct built on the foundation of academic freedom, open inquiry, and the pursuit of truth;
- a diverse, yet inclusive, dynamic collegial community that welcomes change and seizes opportunity with passion and creativity;
- pride in our history and traditions, including contributions from Aboriginal people and other groups, that enriches and distinguishes the University.

VISION

To inspire the human spirit through outstanding achievements in learning, discovery, and citizenship in a creative community, building one of the world's great universities for the public good.

MISSION

Within a vibrant and supportive learning environment, the University of Alberta discovers, disseminates, and applies new knowledge through teaching and learning, research and creative activity, community involvement, and partnerships. The University of Alberta gives a national and international voice to innovation in our province, taking a lead role in placing Canada at the global forefront.

*“The people demand that knowledge shall not be the concern of scholars alone.
The uplifting of the whole people shall be its final goal.”*

– Henry Marshall Tory, September, 1908

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Message from the Chair

This report is for the year ending March 31, 2011 and has been prepared under the Board's direction in accordance with the Government Accountability Act, the Post-Secondary Learning Act and associated ministerial guidelines. All economic, environmental, or fiscal implications of which we are aware have been considered in the preparation of this report. You will find a summary financial report drawn from the University's financial statements and a discussion of the key challenges, risks and opportunities faced by the university over the past year.

The formula for the University of Alberta's ongoing competitiveness and record of achievement continues to find success: take world-class talent in teaching and research, provide them with first-rate infrastructure, and inspire them with an exciting vision of being one of the world's leading public universities. As Alberta's flagship university, the University of Alberta connects our communities near and far through the exciting and leading-edge work undertaken by our students and faculty.

In this way, the University of Alberta continues to play an essential role in supporting society as it strives to improve the prosperity, health and quality of life for its citizens. We work closely with our many partners from government, business, community agencies and individuals, maintaining and extending partnerships that have been instrumental in our mutual successes. Through learning and discovery, innovation and creativity, the University of Alberta helps to ensure that Alberta and Canada are competitively positioned for the road ahead.

While it has not been the easiest of tasks as the global economy recovers, the University continues to build on the cornerstones of the University's vision in *Dare to Deliver 2011-2015*. These cornerstones articulate the university's goals and ambitions in specific terms: we are attracting and retaining talented people; achieving excellence in learning, discovery and citizenship; forging strong connections with all of our communities; and transforming our organization and its support mechanisms.

On behalf of my colleagues on the University of Alberta Board of Governors, I present this Annual Report 2010-11 as a record of the university's achievements on the local, provincial, national and international stages. As I close out my term as Chair of the Board of Governors, I am pleased and proud of the many accomplishments the University of Alberta. I remain confident that this outstanding institution of teaching and research will continue to deliver on its promise of uplifting the whole people.

Original signed by Brian Heidecker

Chair, University of Alberta Board of Governors

2010-11 Board of Governors

Board Member	Constituency
Robert Campenot	<i>Association of Academic Staff</i>
C.H. William Cheung	<i>Alumni</i>
Gordon Clanachan	<i>Public</i>
Roy Coulthard	<i>Graduate Students' Association</i>
Nick Dehod	<i>Students' Union President</i>
Brian Heidecker, Chair	<i>Public</i>
Tanya Martelle	<i>Non-Academic Support Staff</i>
Jay Nagendran	<i>Senate Member</i>
Agnes Hoveland	<i>Public</i>
Linda Hughes, Chancellor	<i>Chancellor (Statutory Member)</i>
Shenaz Jeraj	<i>Public</i>
Louis Hugo Francescutti	<i>General Faculties Council</i>
Don Matthew	<i>Public</i>
Ove Minsos	<i>Public</i>
Jerry Naqvi	<i>Public</i>
Sol Rolingher	<i>Public</i>
Indira Samarasekera, President	<i>President (Statutory Member)</i>
Robert Teskey	<i>Public</i>
Craig Turner	<i>Students' Union Nominee</i>
Marc de La Bruyère	<i>Public</i>
Jim Hole	<i>Alumni</i>

Overview **from the President**

In periods of uncertainty and change, a vision for the future is essential. The University of Alberta has such a vision: to be one of the world's top public universities for the public good. This vision is tied to the future, a knowledge-based future characterized by blurring international boundaries, intensifying economic competition, and pressing global challenges. This vision is also deeply rooted in the history and traditions of the University of Alberta. Over 100 years ago, President Henry Marshall Tory used his first convocation address to commit our institution to the uplifting of the whole people.

President Tory's promise highlights the role that the University of Alberta plays in communities across the province. As the flagship institution in Campus Alberta, we cooperate with our partner institutions to create pathways to learning for all Albertans. Ground-breaking research conducted at the university contributes to a more diversified and environmentally sustainable Alberta economy as well as an enhanced quality of life. Most importantly, the quality of teaching and learning at our institution equips our students with the tools to be the active and engaged citizens and leaders this province needs.

As this Annual Report will make clear, the fiscal year 2010-11 has been a year in which significant advancements were achieved, even as we dealt effectively with serious financial challenges. Highlights include the development of *Dare to Deliver 2011-2015*, our new five-year academic plan; the establishment of the Li Ka Shing Institute of Virology; the expansion of the Helmholtz Alberta Initiative; the appointment of four Canada Excellence Research Chairs; the achievement of historic philanthropic gifts; and the success of the 2010 Festival of Ideas. These outstanding successes, and many more detailed throughout this report, reflect the dedication, ingenuity, and creativity of our faculty, students, staff, and partners.

The U of A's success in large part is due to the tremendous support of the Government of Alberta. In particular, past increases in operating funding have been instrumental in building our capacity to compete on a global scale, as have been investments in state-of-the-art facilities, innovative research projects, and merit- and needs-based student financial assistance. Funding increases of a minimum of four per cent are necessary to maintain the current complement of services due to increases in costs. To supplement our funding, we have significantly enhanced fundraising activities over the last few years to leverage public dollars, in addition to being innovative in seeking other sources of revenues and finding administrative efficiencies.

In a context of economic uncertainty and political change, the University of Alberta's clear vision, and concrete plan for realizing that vision, make it possible for us to adapt to changing realities without losing sight of our purpose. University of Alberta faculty, staff and students, together with the support of government, business, and the broader community, will continue to build one of the world's great universities for the public good, a university that aspires to uplift the people of our province, our nation, and our world.

Original signed by Indira V. Samarasekera, OC

President and Vice-Chancellor



Year in Review

The University in 2010/11

As the province's flagship comprehensive academic research institution, the University of Alberta offers undergraduate and graduate programs, a full range of post doctoral fellowships, certificate and outreach programs, an important array of co-curricular activities, and a variety of professional development and continuing education opportunities. We are also committed to and responsible for advancing curiosity-driven and applied research, scholarship, and creative activities across the academy. We are acknowledged leaders within Alberta's research and innovation system, both provincially and internationally, with a broad and diversified research portfolio of excellence and impact in areas of science, humanities, social sciences and fine arts as well as the health sciences, engineering, business, education, agriculture, and physical education and recreation.

To become a destination of choice for students and faculty from Alberta, Canada, and around the world, the University must continue to evolve by creating integrated and innovative curricular programs, enriched co-curricular opportunities, and internationally-recognized research and scholarship networks. We continually strive to create an undergraduate experience that capitalizes on our research excellence. We want our students to have life-changing experiences that will instill in them an understanding that knowledge and creative activities are essential to the human experience and to creating a better world. Our ambitious plans are outlined under broad themes—quality, learning environment, student experience and engagement, innovative programming, and connections and collaborations.

Our institutional research objectives are directed at maintaining a broad and diversified research portfolio; creating outstanding professional schools; and providing a physical infrastructure and world-class information and knowledge resources that underpin both the teaching and research enterprise. In strategic partnership with the province, we are advancing the internationalization objectives of Alberta in three areas—water, infectious diseases, and energy and the environment.

The university also plays a leading role in Campus Alberta through collaboration with other Alberta institutions, responding to vital community relationships at every level and giving a national and international voice to Alberta innovation.

Current facility inventory of the University of Alberta totals 1.5 million square metres of gross floor area. The University of Alberta has 4,683 residence bed spaces which can accommodate approximately 13.4% of the full-time student population. The university's commitment to sustainability is evident throughout various green initiatives, some of which have been in place for over 30 years. The university continues to be recognized by Maclean's magazine for the third year in a row as one of Canada's Top 30 Greenest Employers and Triffo Hall became the first major renewal building within the purview of post-secondary ministry to receive LEED® (Leadership in Energy and Environmental Design) Gold certification.

Summary Statistics

	2010-11	2009-10
Students	38,290	37,588
Undergraduate (full-time)	29,100	28,491
Graduate (full-time)	5,964	5,745
Undergraduate (part-time)	1,844	1,966
Graduate (part-time)	1,382	1,386
Faculty of Extension Registrations	13,269	14,289
Tuition		
Arts & Social Sciences	\$5,177	\$5,101
Law	\$9,943	\$9,797
Medicine	\$11,714	\$11,540
M.A., M.Sc., and PhD	\$3,643	\$3,590
Sponsored Research Income	\$536.0 million	\$513.5 million
Faculty & Staff	5,291	5,447
Faculty	2,123	2,169
Other Academic Staff	637	641
Support Staff	2,531	2,637
	2010 Calendar Year	2009 Calendar Year
Degrees & Diplomas Granted	8,609	8,453
Undergraduate	6,770	6,846
Graduate	1,839	1,608

Sources:

Students: U of A enrollment data, December 1 headcount

Tuition: U15 tuition data

Degrees: U of A convocation data

Faculty and Staff: U of A human resources data, numbers do not include temporary staff

Note:

Numbers in this table may differ from those presented elsewhere in the report as these figures include all students whereas other figures may have exclusions as noted.

Notable Accomplishments in 2010-11

The following highlight some of our accomplishments in support of the *Dare to Deliver 2011 – 2015* cornerstones. Additional information is available in the *Dare to Discover Report* and the *Report to the Community*.

Cornerstone 1:

The University of Alberta will attract and retain talented people

The U of A was awarded four Canada Excellence Research Chairs (CERC) in May 2010, more than double any other institution in the country. In total, nineteen CERC were awarded nationally. The four U of A CERC are Michael Houghton, CERC in Virology; Graham Pearson, CERC in Arctic Resources; Patrick Rorsman, CERC in Diabetes; and Thomas Thundat, CERC in Oil Sands Molecular Engineering.

The Faculty of Agricultural, Life, and Environmental Sciences provides just one example of strong growth in graduate student enrolment at the U of A in recent years. An all-time high of 504 graduate students were registered in ALES in September 2010—a 20% increase over the last three years. Of these, 45% are PhD students.

In support of the University's goal to attract and retain graduate students, Residence Services opened East Campus Graduate Student Housing in September, creating 234 new, furnished spaces on campus.

The U of A continues to lead the country in the number of 3M National Teaching Fellowships, awarded for excellence in undergraduate teaching. Scott North, professor in the Faculty of Medicine and Dentistry, and Billy Strean, professor in the Faculty of Physical Education and Recreation were named to the 3M Fellowship, which recognizes exceptional achievements and contributions by teacher scholars across Canada. This is the second time since 2009 that the University of Alberta has had two winners in the same year and brings the U of A total to 34.

Anthropology professors Andrzej Weber and Rob Losey, along with an international team of scholars, were awarded an unprecedented third consecutive SSHRC Major Collaborative Research Initiatives grant for the Baikal Archaeology Project, an investigation of cultural dynamics among Middle Holocene hunter-gatherers.

One of U of A's most distinguished scholars in residence, Nobel Laureate Derek Walcott, was awarded the T.S. Eliot Prize for Poetry in February 2011 for his collection of poems, *White Egrets*, which was partially completed during his time at the U of A.

Very special recognition was given to engineering professor Jacob Masliyah in being named a Foreign Associate of the US National Academy of Engineering, only the 13th Canadian to be named a Foreign Associate, and one of three from the Faculty of Engineering at the University of Alberta. Lorne Tyrrell, Professor of Medicine, was also specially honoured in 2011 with his induction into the Canadian Medical Hall of Fame.

In January 2011, Dr. Heather Graves, Department of English and Film Studies, was named as the first Arts Scholar in Residence at the National Institute for Nanotechnology. The aim of the Arts Scholar in Residence program at NINT is to foster interdisciplinarity and encourage arts research in nanotechnology.

Cornerstone 2:

The University of Alberta will represent excellence in learning, discovery and citizenship

Students living in International House were awarded the Residence Services Community of the Year Award. In addition, six students were awarded a 2011 \$10,000 Davis Projects for Peace grant for “Teaching English for Peace” in Morocco.

A pilot project aimed at stimulating and rewarding student on-campus volunteer work and involvement in campus life began in March 2010. Students who volunteered in one of 16 University or Students’ Union services were eligible to apply for a Co-Curricular Record. There are currently 48 positions that qualify for recognition. To date, 177 students have used the CCR pilot program. In the upcoming year, the CCR will be integrated with CollegiateLink, the new student involvement portal, which will likely increase both the number of positions eligible and the participants.

In the Faculty of Engineering, two new, large Natural Sciences and Engineering Research Council Industrial Research Chair programs were approved during 2010-11 bringing the total to 14 NSERC IRCs, the highest number of any university in the country.

A unique E-portfolio collaborative pilot study is under way in the Faculty of Education. Pre-service teachers are able to develop rich and comprehensive on-line portfolios across the undergraduate program, providing a vital learning opportunity for young professional educators and contributing to the Faculty’s reputation for leadership.

A new Masters in Health Sciences Education degree was initiated in 2010. The program is a critical component of a larger academic plan for inter-professional health scholarship in the Edmonton Clinic Health Academy. The program will contribute to the transformation of health sciences teaching, research and patient care in Alberta and beyond.

An International Internship unit was established within UAI’s Education Abroad office to provide an emphasis on outgoing internships to U of A priority countries. Since April 2010, the unit has managed more than 66 internships, tripled the number of student participating in both the Aga Khan University and Nanyang Technological University internship programs, launched a new internship program with Chungnam University of South Korea, and recruited and received over 60 applications for 25 positions in the inaugural year of the Alberta-Saxony internship program (2010). The internship unit is also collaborating with Alumni Affairs to develop a network of US internships hosted by U of A alumni in the US.

Killam Memorial Chair and ecology professor David Schindler presented research findings in September 2010 that raised concerns about the amount of pollutants found in the Athabasca River and its tributaries. As a result of his public presentation, the Government of Alberta created a panel of scientists to review the state of downstream watershed in the oil sands.

In 2010-11, the U of A chapter of Engineers Without Borders received the national award for “Greatest Dedication to Learning” presented at the EWB national conference—an event billed as Canada’s largest international development conference.

Cornerstone 3:
**The University
of Alberta will
forge strong
connections with
its community
locally,
nationally and
internationally**

In partnership with the founding partner City of Edmonton and founding sponsor Capital Power, the University of Alberta's Festival of Ideas 2010 presented five remarkable days of lectures, panel discussions, readings, performances and conversations from November 17-21. Approximately 6,500 people attended the 16 events, many of which were sold out. Some of the festival's free events also drew in capacity crowds.

Through a \$13 million grant provided by the Canada Foundation for Innovation, the Alberta Science and Research Investments Program, the University of Alberta, and various industry sources, the Faculty of Science launched the Canadian Centre for Isotopic Microanalysis in September 2010. The facility provides Canadian and international researchers in academia, government, and industry access to one of the most advanced isotopic microbeam technologies in the geosciences.

In 2010, U of A received more than 50 China Scholarship Council-sponsored students and is now first in Canada and seventh in the world in attracting CSC award winners. The U of A has also become an institution of choice for CSC international project collaboration.

2010-2011 marked the centenary of Augustana Campus. The year included many occasions in which the campus story was told through display panels, student research projects and special events. The centenary was also the occasion for Augustana to host the University's annual round dance, attracting 1000 participants and 60 singers/drummers, and to have an elder present the honor of an eagle feather to aboriginal degree graduates from the campus dating back to the late 1980s.

A new Aboriginal Teacher Education Program cohort was initiated through Portage College in fall 2010. In addition, a unique collaboration has begun including Alberta Education, Advanced Education and Technology, Northern Lakes College, and Northlands School District to support a four year cohort of students in completing the ATEP BEd through Northern Lakes College, Slave Lake.

TEC Edmonton took the lead in establishing a Regional Alliance Partnership with other service providers (NINT, NAIT, NABI, Edmonton Research Park and Business Link) to leverage programs and services. This is a coordinated, client-focused approach and is in alignment with AET's Action Plan: Bringing Technology to Market.

U of A International established a Summer Language Scholarship program that enabled 50 U of A students to go abroad to study another language.

With support from the Vice-President (Research) Office and the Canadian Literature Centre, *18 Bridges*, a new national magazine highlighting the best in Canadian narrative journalism, was launched this year.

Cornerstone 4:

The University of Alberta will exemplify transformative organization and support

In March 2011, General Faculties Council approved the university's new academic plan, *Dare to Deliver 2011-2015*. Highlights of the plan include fostering a collegial and collaborative research culture that involves faculty, undergraduate and graduate students in every part of campus; developing capstone courses that enable students to work across disciplines; encouraging the pursuit of "big questions" that require multi- and interdisciplinary approaches; and creating welcome centres and spaces that bring together diverse groups of people who want to learn from each other and envision new ways of thinking.

In fall 2010, the U of A received the largest gift of land, 12,000 acres, to a Canadian University from Edwin and Ruth Mattheis, two U of A alumni. Their ranch, now named the University of Alberta Rangeland Research Institute—Mattheis Ranch, adds to the agricultural research infrastructure of the university, placing it in a leadership position in North America in rangeland ecology and management research.

In December 2010, the university concluded a contract with Google to provide U of A faculty, staff and students the use of the education edition of Google Apps. The move to Google Apps will simplify and reduce costs in the university's campus information technology infrastructure by reducing more than 82 independent servers to a single system for all users. The Blackberry servers on campus will be consolidated into a single system. As well, the move to Google will allow for campus-wide calendaring and an improved emergency response system. Throughout the winter and spring, 60,000 users migrated to the new services.

An extremely successful Energy Management Program has been in place at the University of Alberta since the mid 1970's. The University's program resulted in an annual cost avoidance exceeding \$15 million in 2009-10, with an accumulated cost avoidance of approximately \$258 million since its inception. As well, the program has resulted in a cumulative reduction in excess of 2,300,000 tonnes of CO₂.

In the summer of 2010, the Dean of Students launched a new initiative in University Student Services with the development of the Student Success Centre. This new centre streamlines programs and services and provides a "one-stop" shop for students to access all kinds of services, ranging from academic support to health services.

With a \$15 million gift from U of A alumnus Allan Markin, the U of A is expanding the Alberta Project Promoting active Living and healthy Eating in Schools (APPLE Schools), which is aimed at reversing poor health trends among Alberta children. By September 2011, APPLE Schools will be operating in 41 urban, rural and First Nations, Métis and Inuit schools in Alberta.

Renewing and Enhancing Facilities and Infrastructure

The following projects were recorded as substantially completed in fiscal year 2010–11:

Augustana Library and Forum:

While the library was completed in September 2009, the forum project was officially completed in September 2010. This project provides space for teaching and learning as well as collaborative and social interaction space.

Centennial Centre for Interdisciplinary Science (CCI S):

The North Lecture Theatres were turned over in January 2010, and substantial completion of the entire facility was achieved by January 2011. This project is seeking LEED silver certification.

East Campus Village Graduate Housing:

In September 2010, the four new housing units, accommodating up to 234 graduate students, were opened. This project is seeking LEED silver certification.

Li Ka Shing Centre for Health Research Innovation Facility and Katz Group Centre for Pharmacy and Health Research fit-outs:

Tenant fit-out work continues in both buildings as a result of KIP funding and provincial support.

Pedways:

Construction of a pedestrian bridge over 114 Street, connecting the Edmonton Clinic Health Academy with the Medical Sciences Building and the pedway over 87 Avenue connecting the Heritage Medical Research Centre to the Education Building and linking our Health Science district located south of 87th Avenue to our north campus. This is a vital link for our campus and to the Health Science prescient.

Scientific Support Facility:

3,680 gross square metres fit-out of a planned program facility in the Katz Group Centre for Pharmacy and Health Research as part of an overall integration plan for scientific support.

Progress continues to be made on many of our other major capital projects, including:

- Biological Sciences/Chemistry Centre West Building Systems Upgrades (target completion August 2011)
- Continued fit-out of the Li Ka Shing Centre for Health Research Innovation Facility and Katz Group Centre for Pharmacy and Health Research (target completion September 2011)
- The Edmonton Clinic Health Academy (ECHA) (target completion August 2011)
- Utility Expansion, Phases 2 and 3 (Phase 2–completed; Phase 3–target completion July 2011)

Financial Highlights **2010-11**

The University of Alberta has reported a \$75.2 million excess of revenue over expense for the year ended March 31, 2011 compared to a \$13.5 million excess reported last year. The unrestricted net assets deficit is \$3.5 million as compared to last year's deficit of \$60.6 million.

The \$75.2 million excess of revenue over expense is due to a number of positive factors:

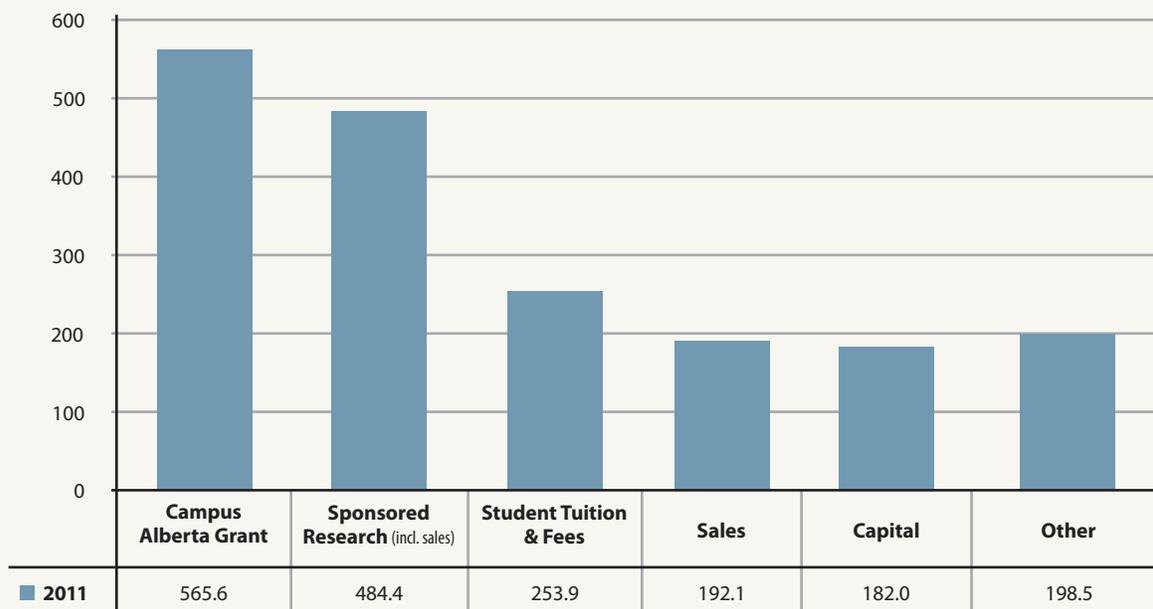
- decrease in the Universities Academic Pension Plan (UAPP) unfunded pension liability expense (\$25.6 million)
- higher than budgeted investment income related to asset-backed commercial paper (ABCP) investments (\$9 million)
- lower than budgeted utility costs (\$8.1 million)
- additional funding from the Government of Alberta (\$5.7 million one-time transition grant)
- the remainder is primarily due to the spending lag in the operating fund

It is important to note that the favorable variances from UAPP and investment income related to ABCP are non-cash items and therefore are not available for spending as the decrease in the unfunded pension liability expense is due to a slowdown in the growth of the unfunded liability and the investment income represents a recovery of previously written down ABCP.

Expenses decreased by \$23.6 million (1.5%) from \$1,593.2 million in 2010 to \$1,569.6 million in 2011.

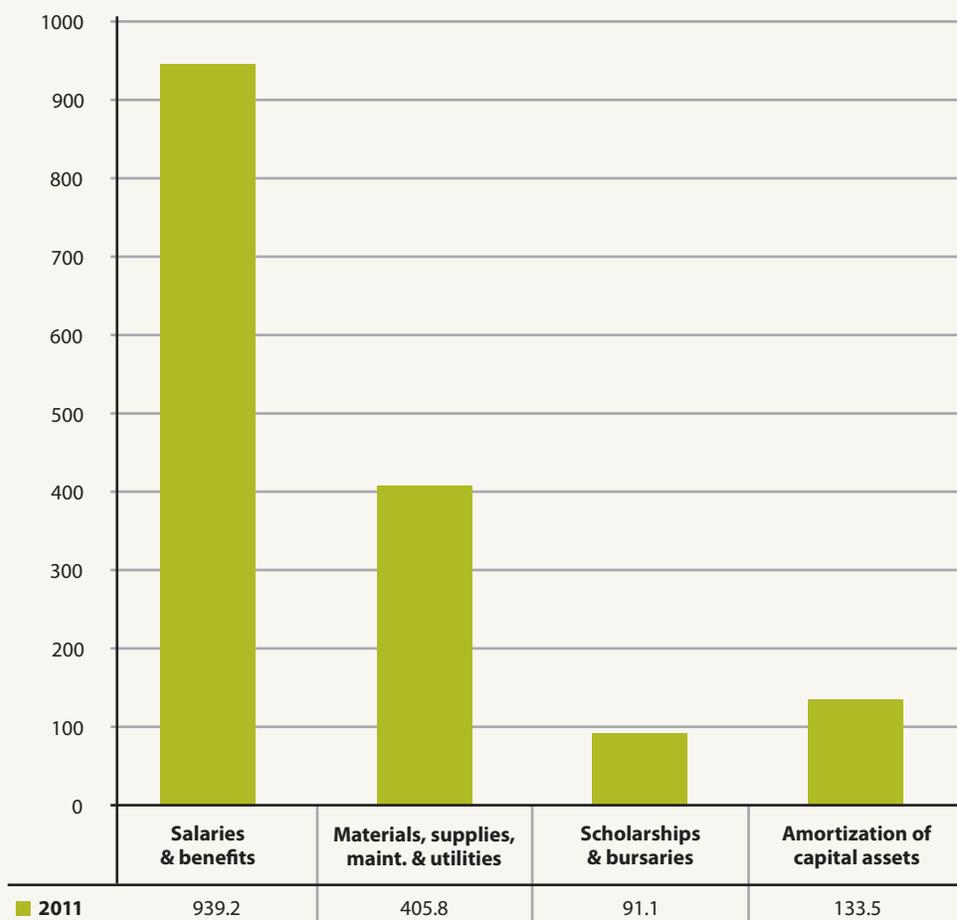
Revenue

Year ended March 31 (in millions of dollars)



Expense

Year ended March 31 (in millions of dollars)



Other financial highlights for 2011:

- For the 2011 fiscal year, the University did not receive an increase in the operating grant funding (from the 2010 operating grants funding levels) and the enrolment planning envelope grant program was eliminated. These changes in provincial funding have created a significant budget gap that the University is addressing through a combination of revenue enhancements, cost containment measures and operating efficiencies across the University. Some of these initiatives had an impact on the current year, such as:
 - \$19.5 million reduction in salary expense from the mandatory furlough and the optional personal leave programs (days off without pay)
 - \$10.9 million increase in revenue from the Common Student Space, Sustainability and Safety fee. This new fee helps fund a range of student support services.
- The Unitized Endowment Pool (UEP) investments earned a more moderate return compared to the strong gains last year. UEP returned 9.2% (2010: 23.7%) and the Non-Endowed Investment Pool (NEIP) returned 2.2% (2010: 3.4%).
- Total funding in support of the University's research activity for 2011 is \$536 million compared to \$513.5 million in 2010. Sponsored research revenue increased across a variety of funding sources and programs. The University is among the top three institutions in Canada in attracting research support from the whole range of Canadian and international sponsors.
- The University's successful fund-raising initiatives support many activities across the University. For the 2011 year, new endowment contributions totaled \$34.8 million (includes the provincial matching grant of \$5 million) and expendable donations totaled \$33.6 million. The University also received in-kind donations of \$34.2 million which includes the Soaring Estates property (\$29.3 million acquisition value of which \$22.3 million was an in-kind donation) and Mattheis Ranch (\$12 million acquisition value of which \$9.4 million was an in-kind donation).
- In support of the University's capital plan, the Government of Alberta provided \$174.1 million in funding for several key capital priorities. The Edmonton Clinic Health Academy project received \$116 million in funding and various upgrade and renovation projects received \$22.1 million. The provincial government also provided \$31.1 million of Canada - Alberta Knowledge Infrastructure Program (KIP) funding for various capital projects. The University, with assistance from the Government of Alberta, has also made progress in reducing the overall amount of deferred maintenance.

The Financial Analysis is intended to provide the reader with the financial highlights for the 2011 year and should be read in conjunction with the March 31, 2011 audited Financial Statements available at <http://www.financial.ualberta.ca/AnnualFinancialStatements.aspx>.



Opportunities and Challenges

Knowledge, creativity, innovation, and entrepreneurialism are the new global currency, and education is a foundational attribute of every prosperous society. Alberta's future competitiveness, productivity, and economic diversity depend on the development of innovative leaders—talented, highly educated, skilled individuals who can compete with the best in the world to advance the province as a global economic and social leader.

The University of Alberta **—a World Class Institution**

Today, the University of Alberta is the only university in the province that is firmly established as one of Canada's top five universities and consistently ranked among the world's top 100 universities. We have an international profile of excellence across a broad range of disciplines.

As we advance in the league of world-class universities, the University of Alberta must continue to attract and retain scientific and intellectual leaders and build global research networks, with the capacity to convert knowledge into innovations, products, policies, and analysis that will secure Alberta's future prosperity. To achieve these goals, the U of A must strive for excellence and be funded at levels comparable to other top institutions.

The recruitment of graduate students is especially critical to the University of Alberta's standing as a leading institution. Our challenge now is threefold: to increase the number of graduate students; to assist them in securing attainable, supportive accommodation; and to provide the additional professors required to supervise them.

The university will work with the province to ensure our vibrant academy remains positioned as a leading institution in support of developing Alberta as a focal point of innovation.

The Alberta Environment

Alberta's ability to compete globally against both traditional economic competitors and emerging economies hinges on our ability to develop, attract, and retain talent. *Shaping Alberta's Future*, the 2010 discussion paper issued by the Premier's Council on Economic Strategy, emphasizes that we need talented individuals to choose Alberta—from among any of a number of global possibilities—to drive innovation and prosperity.

Four of our largest challenges are linked directly to human capital:

- 1. Low levels of participation in post-secondary education among 18–24 year olds.** According to OECD data, Alberta's fifteen-year-olds consistently score among the best in the world in math, science, and reading, yet Alberta has one of the highest high-school drop-out rates and one of the lowest post-secondary participation rates in Canada. In 2009, Statistics Canada reported only 14 percent of Albertans between the ages of 20–24 attend university, down two percent from 2008. In comparison, British Columbia's participation rate is 23 percent and Saskatchewan's is 20 percent.
- 2. Low undergraduate completion rate and low enrolment in graduate programs.** Further, among the 15 comparator jurisdictions used in *Shaping Alberta's Future*, Alberta ranks 11th in completion rate of bachelor degrees. Even more alarming are the low numbers of masters and PhD candidates enrolled in Alberta. In 2009, the University of Alberta and the University of Calgary together did not have as many graduate students as the University of Toronto. In graduate student enrolment per thousand of population, Alberta's enrolment stands at 2.5 per thousand, compared to the Canadian average of 3.2 and the US average of 7.3.
- 3. A decline in the traditional post-secondary population.** While it is anticipated that Alberta's population will continue to grow over the next decade, declines are forecasted in the traditional post-secondary population. The Campus Alberta Planning Framework 2010 forecasts negative growth over the next decade in the 18–34 age group, with this effect being stronger in Edmonton than in Alberta overall.

- 4. Low numbers of international students being attracted to Alberta.** Alberta lags behind other regions and nations in international student recruitment. In 2008, Alberta had 6,900 international students at our universities. British Columbia, by comparison, had almost three times that number at 18,500.

To address the challenge of low participation rates in post-secondary education in Alberta, a key priority of the University of Alberta is recruiting and retaining more of Alberta's talented youth, while also ensuring underserved Albertan populations, such as Aboriginal, low income and immigrant communities, have better access to and success within the postsecondary system.

The recruitment of international students is important in addressing the risks to Alberta's development of human capital needed for the future. The University of Alberta has strategies in place to increase international student enrolment to 15 percent of the student population, a ratio that would position us as one of the top two universities in Canada.

In addition, we are focusing on growing Alberta's graduate student enrolment. Graduate education drives research breakthroughs, creates innovation, attracts capital and partnerships, and is foundational to building the next generation economy.

We need to continue to explore and understand how providing attainable and supportive living and learning environments (residences) can assist in extending access to post-secondary education at the University of Alberta for all of the student cohorts mentioned above.

Globalization

The distinction of being a world class institution is more important than ever, because the global arena competes for human talent. Canada, Alberta, and the University of Alberta face competition from both traditional competitors and emerging economic powerhouses:

1. On January 25, 2011, U.S. President Barack Obama reiterated his policy that by 2020 the United States will produce eight million more post-secondary graduates and have the highest proportion of post-secondary graduates in the world.
2. India is seeking to establish itself as a knowledge superpower and will create 40 million new university places over the next ten years.
3. China is establishing itself as an innovation nation, and just one of its many goals is to recruit 2,000 top researchers, teachers, and professionals over the next five to ten years.

To respond to the changing global landscape of the worldwide post-secondary education environment, the University of Alberta continues to focus efforts on connecting to international communities and expanding our international reach and influence.

In partnership with Alberta's four innovation corporations, our province is well-positioned to continue growing as a world-renowned research leader with a funding system that is the envy of many other regions in Canada and the world. Momentum achieved in the last several decades in science, engineering, and health research has been significant. However, Alberta's reputation as a destination of choice for researchers is being challenged by the lengthy transition from the Alberta Heritage Foundation for Medical Research, Alberta Ingenuity, iCORE, and the Alberta Research Council to Alberta Innovates. We look to the new research corporations to create programs to keep Alberta's universities, and Alberta itself, highly competitive in the global market for talent.

The Economy

Investment in the University of Alberta is of economic benefit to the province as the university itself is a major economic engine that not only helps build the industries and businesses of the province, but also acts as a major corporate citizen. It is Alberta's fourth largest employer, employing approximately 14,500 people. The spending power of U of A students and employees together is estimated at \$5.2 billion annually, with approximately \$4.5 billion of that spending occurring in Alberta. This represents more than 92,000 jobs in Alberta as the multiplier effect ripples through the economy.

Seventy-seven percent of all University of Alberta graduates stay, find employment, and create businesses in Alberta. The productive lives of nearly 9,000 graduates per year, and the research many of them have been part of, constitute the true outcomes of university activity. The impact of a graduate accumulates for decades, providing advanced expertise and leadership for all aspects of a knowledge-based economy and society, with new enterprises, innovations in existing enterprises, creative public policy, and expanded international engagement and investment. The result for Alberta is an enriched standard of living and quality of life for all residents. How Alberta addresses these challenges will ultimately determine the province's success in building the "next generation economy."

To increase Alberta's competitiveness within Canada and across the world, the Province must renew its commitment to translate the wealth generated by Alberta's natural resources into strong investment that will become the building blocks of the next generation economy. In the current climate of fiscal uncertainty, Alberta cannot afford to lose the advantage it gained in the early 2000s.

Financial Risks: Preparing for the Future

The substantive changes in economic circumstances and the evolving fiscal positions of the provincial and federal governments could prevent or delay new initiatives and impede response to the expanded demand from students during tough economic times.

The University is wholly committed to addressing these risks and will work closely with the Government of Alberta on a long-term strategy that minimizes the University's exposure to these risks while maintaining its forward momentum.

We believe our most significant financial risks to be in the following four areas:

1. Government of Alberta operating grant

In fiscal 2011, the Government of Alberta has combined all of the operating grants previously awarded into one single grant ("Campus Alberta"). The University has been advised that there will be no operating grant increase for fiscal 2012. The grant change for 2011 and the 0% grant increase for 2012 has placed a significant risk on the University's ability to support enrolment growth and to maintain the quality of University programs.

To assist in addressing the budgetary issues that the university is facing, the university continues to look at overall revenue enhancements, cost containment and administrative efficiencies.

2. Deferred Maintenance

- deferred maintenance, which is estimated at over \$900 million; this places programs and initiatives at some risk

Thanks to increased one-time provincial funding over the past few years, the university has made some positive strides in reducing the recognized deferred maintenance that is required within the next 5 years. Although the estimated liability of our deferred maintenance is just below 1 billion dollars, previous funding has accommodated the reducing of the Facility Condition Index for a number of our buildings. One strategy in managing this risk is to continue to couple renewal project with backfill and repurposing needs of the institution. This results in a sustainable, best-value model that creates projects that accommodate our future operational and academic needs with renewal needs at a reduced capital cost.

For a more detailed analysis of financial risks, please refer to the *University of Alberta March 31, 2011 Audited Financial Statements* available at <http://www.financial.ualberta.ca/AnnualFinancialStatements.aspx>

3. Salary and Benefit Costs

- Government operating grant commitments that lag behind academic staff salary settlements

In 2010-11, initiatives undertaken to address the financial shortfall included furlough days agreed to by both staff associations; voluntary early retirements; a voluntary personal leave program, administrative efficiencies; and a mandatory non-instructional fee for students. As Faculties and units reduced spending, there were involuntary lay-offs and some vacancies were not filled.

4. Utilities, Inflationary Pressures, and Investment Income

- uncertainty about utility costs due to the volatile energy markets
- investment income which can fluctuate significantly due to market performance

To mitigate the utility risk, the university goes to the market at varying times to purchase contracts for natural gas and electricity when prices are lower, thus avoiding some of the risks when natural gas and electricity prices increase. With the global economic downturn, decreased commodity prices, particularly natural gas, low inflation and low interest rates, revenue from government funding and investment income will continue to be significant budget challenges for the university.



Performance Indicators

Performance indicators are starting points for monitoring progress toward expected outcomes and goals, and in our case, cornerstones. Performance information provides important indications to students, faculty and staff, the Board of Governors, governments, and the community as to the overall trends and challenges along the university's journey toward achieving its vision. Targets were set to make challenging yet attainable progress.

The following indicators are meant to gauge progress towards the University of Alberta's Vision, *Dare to Deliver 2011 - 2015*, and its four cornerstones. These indicators were chosen and developed on the basis of input from key university partners as well as the planning efforts that produced the university's 2011 Comprehensive Institutional Plan. They also include information about those measures required by Alberta Advanced Education and Technology.

Cornerstone 1:

**The University of Alberta
will attract and retain
talented people**

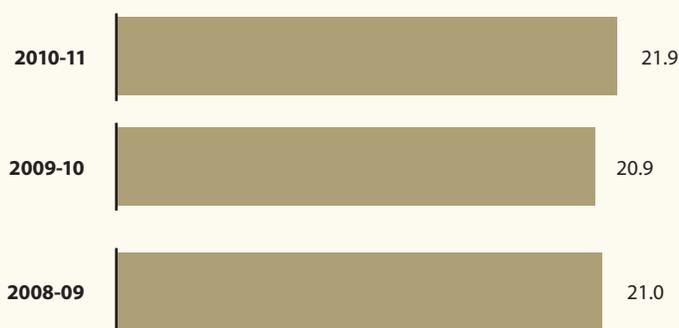
Student Ratios

A significant part of the student experience is predicated on access to faculty so student ratios at the institutional level provide a general indication of the available level of resources. Most top institutions have relatively low student-to-instructor and undergraduate-to-graduate student ratios, indicative of a high-quality learning environment in which students have ample access to instructors and the learning opportunities they offer.

The growth of full-time continuing faculty depends not only on additional base operating funding, but also on the level of competition from other universities nationally and globally who are increasing their efforts to attract top researchers and instructors. As indicated in Figure 1, the U of A student to faculty ratio has increased in 2010-11. In part, this is due to the difficult budgetary decisions implemented that year. Ultimately, we hope to have a ratio of 16:1 by 2020, with a target of 20:1 in 2011-2012.

FIGURE 1

FTE Student to Faculty Ratio, University of Alberta, 2008-09 to 2010-11



Notes:

FTE (full-time equivalent) students are calculated by adding the count of all full-time students to one third the count of part-time students.

PGME (post-graduate medical education) students are excluded.

Faculty includes: all full-time teachers within faculties; academic staff in teaching hospitals; visiting academic staff in faculties; and research staff who have an academic rank and salary similar to teaching staff. Administrative and support staff, librarians and teaching and research assistants are excluded.

The 2008-09 and 2009-10 figures have been adjusted from previously published data due to a change in the faculty count.

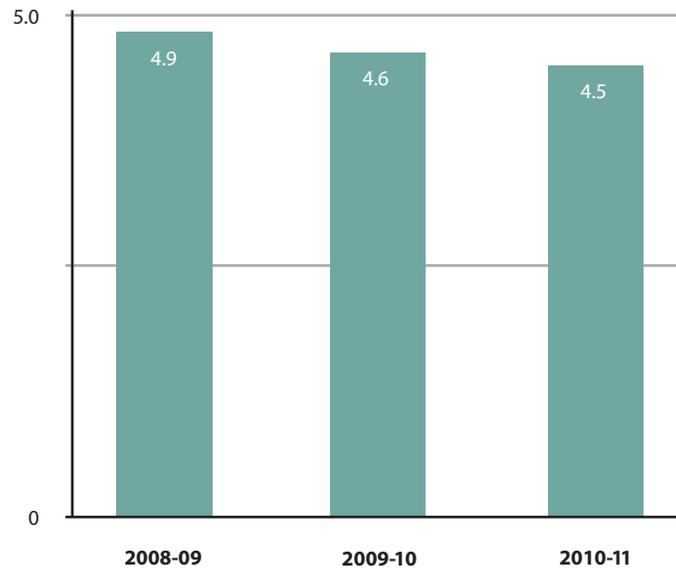
Sources:

U of A Student Enrolment data, Dec 1 count

Faculty counts based on Statistics Canada: Salaries and Salary Scale of full-time staff at Canadian Universities Reports.

Many leading public research universities have a 3 to 1 ratio of undergraduate-to-graduate students in order to help foster a dynamic, discovery-based learning environment. The University of Alberta has an undergraduate-to-graduate ratio above that of top public four-year universities and must make a substantial investment in graduate students to reach its target. Given the downward trend in the ratio over the past years, progress is evident, but the global competition to attract the best and brightest graduate students is intensifying and often linked to available funding. Our goal is to reach a ratio of 4.5 to 1 by 2011-12 and, ultimately, to reach 3 to 1 by 2020.

FIGURE 2
Undergraduate to Graduate Student Ratio,
2008-09 to 2010-11



Notes:

FTE (full-time equivalent) students are calculated by adding the count of all full-time students to one third the count of part-time students.

PGME (post-graduate medical education) students are excluded.

Source:

U of A Student Enrolment data, Dec 1 count

Enrolment

Enrolment growth has been in line with funding and priorities of the Alberta government.

TABLE 1

Full-Load Equivalent (FLE) Enrolment

	2008-09	2009-10	2010-11 Preliminary
Total Enrolment	32,842	33,882	34,551
Undergraduate	26,892	27,328	27,818
Graduate	5,950	6,554	6,733

Notes:

FLE (full-load equivalent) measures every student's actual course load against a normal full course load, which varies by program.

Due to the calculation method, FLE enrolment numbers will not correspond to enrolment numbers reported elsewhere in this report.

Numbers represent students completing courses from May of one year to April of the following year.

The 2009 *Alberta Access Planning Framework* advocates special attention not only to increasing participation among under-represented Alberta groups, but also to attracting students from outside Alberta and Canada. Many of the international students attracted to Alberta stay in Alberta or Canada after graduation and contribute to the building of the next generation economy and Alberta's global future. A balance of enrolment from Alberta, Canada, and the world will help to stimulate development of a knowledge-based economy and the Alberta government's objective of "a creative, innovative place to live, work and do business."

The university has set in motion strategies to pursue selected long-term objectives within the enrolment growth. These include representative proportions of undergraduates from rural and aboriginal communities of Alberta, as well as higher proportions of international undergraduate and graduate enrolments. We have made good progress towards attaining our target of 30% international graduate enrolment with an increase to 29.1% in 2010-11.

TABLE 2

Enrolment of Selected Student Groups, 2008-09 to 2010-11

	2008-09	2009-10	2010-11
Alberta Undergraduate enrolment from rural areas	21.7%	21.0%	20.7%
Alberta Undergraduate enrolment of self-identified aboriginal	2.7%	2.7%	2.7%
Undergraduate visa student enrolment	6.2%	6.9%	8.0%
Graduate visa student enrolment	22.9%	27.3%	29.1%

Notes:

Rural and aboriginal figures are proportions of total Alberta undergraduate enrolment.

Rural means home addresses outside greater Edmonton and Calgary census divisions.

Visa students include those with statuses of study permit, work permit, diplomatic status, refugee, temporary resident visa and visiting speaker.

Sources:

U of A Student Enrolment data, Dec 1 headcount

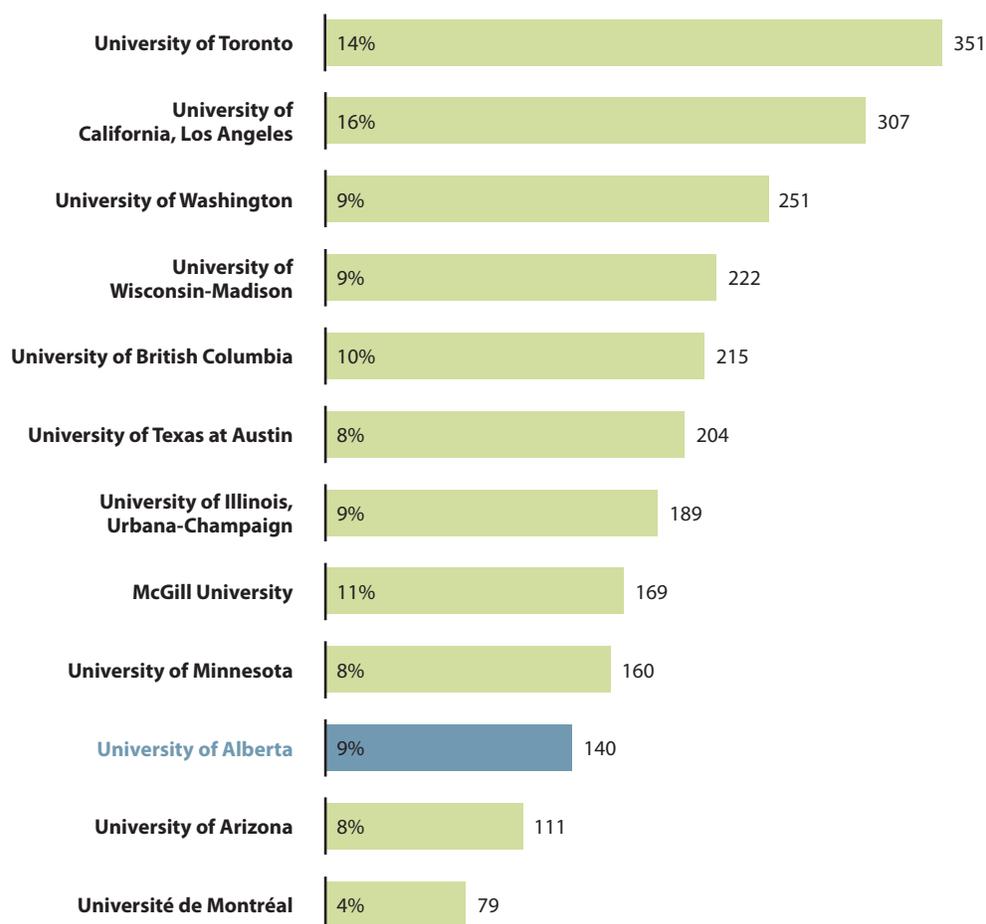
Summary of Statistics, tables 7.4 and 7.8

Faculty and Staff Honours

Recognition of excellence through awarded honours is one important measure of institutional quality. We track our external recognition from top national and international awards for teaching and research contributions. Given the small number of awards, annual results can be volatile so awards are measured over time. Our intent is to reduce the gap with comparable institutions.

FIGURE 3

Selected Full-Time Faculty Awards and Honours, University of Alberta and Selected Peers, 1998 to 2010



Awards include: 3M (1998-2010), American Academy of Arts and Sciences (1998-2010), CIS Coach of the Year Award (1998-2010), Federal Tri-Council Highest Awards (1998-2010), Fulbright Scholars (1998-2010), Guggenheim Fellowship Awards (1998-2010), ISI Highly Cited Researchers (inception-2009), Killam Research Fellows (1998-2010), Molson Prize (1998-2010), National Academy of Engineering (1998-2010), National Academy of Sciences (1998-2010), Nobel Prize (inception-2010), Royal Society of Canada (1998-2010), Royal Society of Canada Awards (1998-2010), Royal Society of London (1998-2010), Sloan Research Fellowships (1998-2010), Steacie Fellows (1998-2010)

Sources:

Award data from individual award websites; individual university websites

Faculty counts based on Statistics Canada: *Salaries and Salary Scale of full-time staff at Canadian Universities Reports*.

Cornerstone 2:

**The University of Alberta
will represent excellence
in learning, discovery
and citizenship**

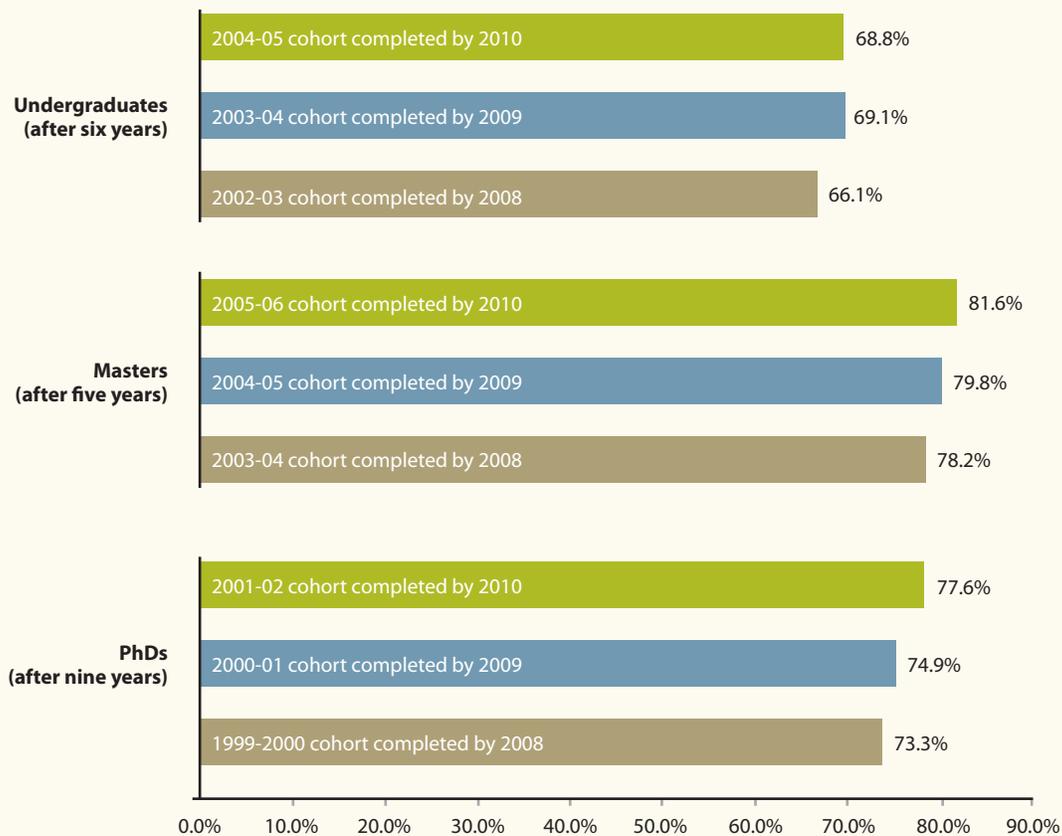
Graduate and Undergraduate Completion Rates

Graduation in a timely fashion reflects the University's ability to attract well-qualified students and provide the environment in which they can succeed. We measure completions for undergraduates after six years; for masters students, within five years; for doctoral students, within nine years. The objective is to encourage greater rates and speeds of completion, to increase the contributions of graduates to society and the highly skilled workforce. Such factors as funding levels for graduate students and transfer rates for undergraduate students can affect results.

Completion rates amongst all groups are relatively stable. By its nature, this indicator will take some time to improve, since strategies implemented with current students will generate indicator results many years later. In addition, there are other factors that contribute to the bigger picture of the success of students and of the institution. While U of A rates tend to be somewhat lower than other G13 institutions, this can be attributed to differing definitions of full time across institutions. The proportion of master's students promoted to doctoral programs also impacts the completion rates as these students typically take longer to complete and therefore may not be counted as completers within the defined time range.

FIGURE 4

Completion Rates, University of Alberta



Notes:

Completion Rate methodology defined and implemented by the Strategic Analysis Office.

Completers in the Undergraduate Completion Rate represent first-time, first-year, full-time students in first-entry undergraduate programs students who graduated from the U of A in any program.

Completers in the Masters and PhD Completion Rates represent students who graduated with either a Masters or PhD.

The Masters Cohort includes students enrolled in either a thesis-based or course-based Masters' program; and students graduating with a Masters may be either a thesis-based or course-based Masters.

Source:

University of Alberta Strategic Analysis Office undergraduate figures as submitted to CSRDE (Consortium for Student Retention Data Exchange); Masters and PhD figures as submitted to the G13 Data Exchange

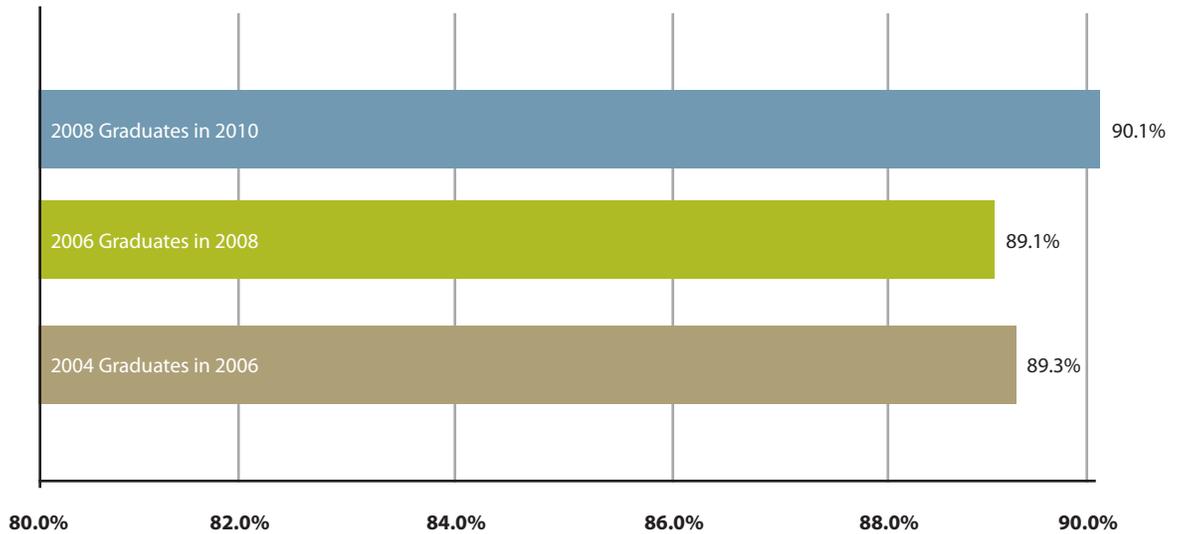
Student Satisfaction with Educational Experience (biennial survey)

Alberta Advanced Education and Technology measures student satisfaction with educational quality through its biennial *Graduate Outcomes Survey* of graduates two years after degree completion by asking them "Overall, how satisfied are you with the quality of your educational experience?" On the most recent survey, the U of A achieved a rate of 90.1%. Similarly, students in the Comprehensive Academic and Research sector overall had a satisfaction rate of 90% (Alberta Advanced Education and Technology—Alberta Graduate Outcomes Survey—Final Report, page 32).

We would like to maintain our level of satisfaction in the short-term and ultimately increase to 92% by 2020.

FIGURE 5

Proportion of Graduates Satisfied with their Educational Experience



Source:

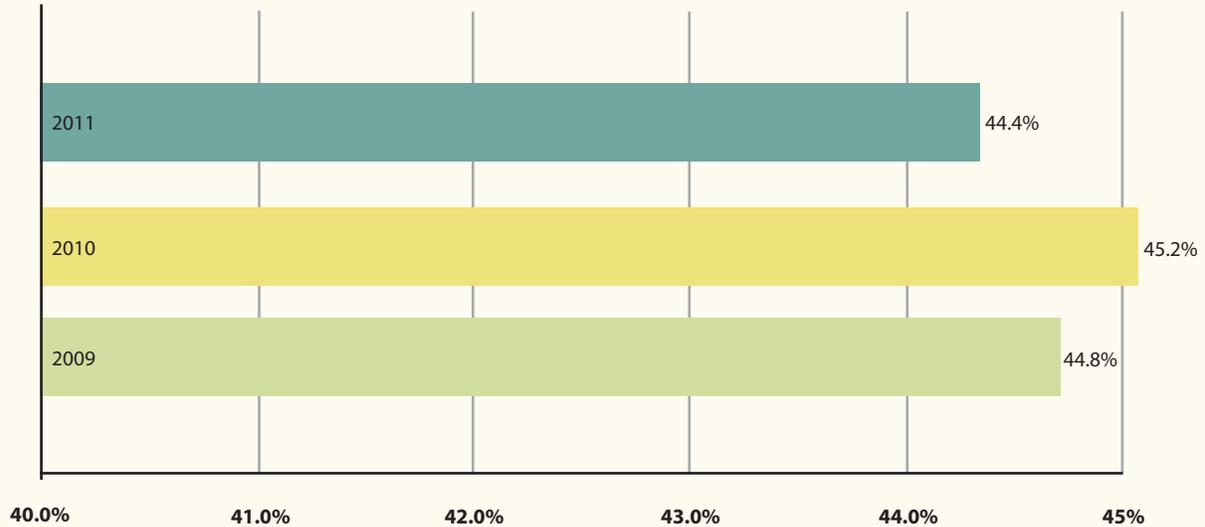
Alberta Advanced Education and Technology: Alberta Graduate Outcomes Survey

Practical Learning Experiences

Non-traditional approaches to learning are increasingly important elements of the academic environment at the University of Alberta. Program-related work, community experience, and discovery learning help tremendously to enrich the student experience. As the following figure indicates, just under one-half of students attaining an undergraduate degree have had an practical learning experience.

FIGURE 6

Graduates with Practical Learning Experience



Notes:

Graduates are students convocating with an undergraduate degree or diploma.

Graduates with Practical Learning Experience includes students convocating with co-op or internship degrees and those convocating from programs with clinical, practicum, work or community experience components, a conservative estimate of practical learning experiences. Further refinements of this measure are being investigated.

Source:

U of A convocation data

Cornerstone 3:

The University of Alberta will forge strong connections with its community locally, nationally and internationally

Graduate Employment Rate

One measure of success of a university education is the employability of graduates. Based on the outcomes of Alberta Advanced Education and Technology's biennial survey, this measure shows the proportion of University of Alberta graduates employed two years after graduation. For 2012, the University's target is 96.5%, a slight improvement on the current high rate.

FIGURE 7

Graduate Employment Rate Two Years After Graduation



Source:

Alberta Advanced Education and Technology: Alberta Graduate Outcomes Survey

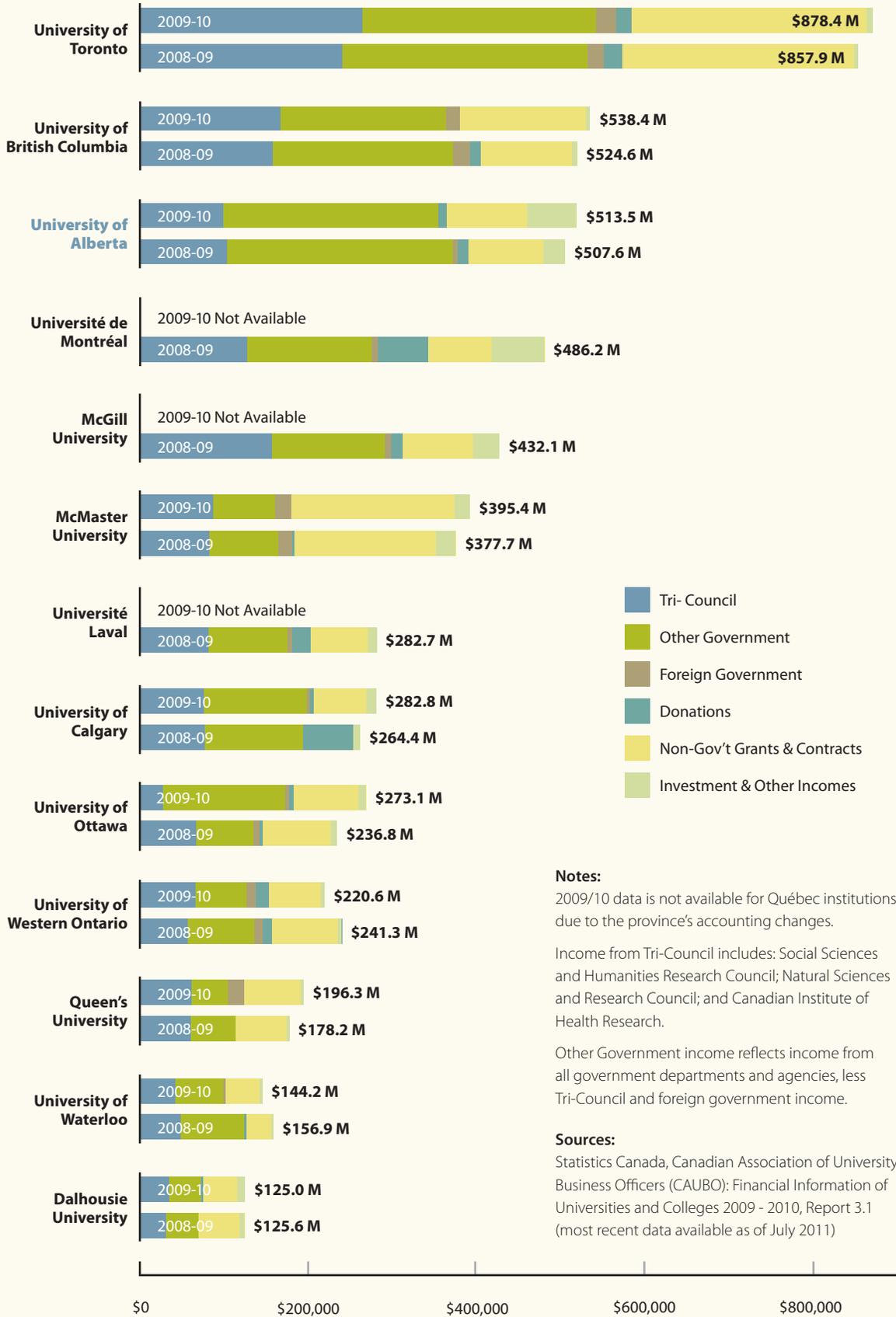
Sponsored Research Funding

The level of funding for research from external sources is a result of application success, most of it in the context of peer-reviewed competition, thus constituting both a measure and support of scholarly excellence. Comparisons with peer institutions demonstrate success in attracting research funding from the granting councils and other international, regional and private sector partners.

From fiscal year 2008-09 to 2009-10 (the most recent available data), the University of Alberta increased its total sponsored research funding from \$507 million to \$513 million. For the last several years, the University has alternated between second and third place amongst the G13 universities, with a minimal difference in total dollars separating our total research funding from our nearest competitor in any one year (see Figure 8). Total research funding depends, in part, on the size of the institution. Given its size relative to other G13 universities, the University of Alberta's goal is to consistently rank second in total research dollars and to increase its revenue from Tri-Council, private donations, and international sources.

FIGURE 8

G13 Sponsored Research Income by Type, 2008-09 and 2009-10



Notes:

2009/10 data is not available for Québec institutions due to the province's accounting changes.

Income from Tri-Council includes: Social Sciences and Humanities Research Council; Natural Sciences and Research Council; and Canadian Institute of Health Research.

Other Government income reflects income from all government departments and agencies, less Tri-Council and foreign government income.

Sources:

Statistics Canada, Canadian Association of University Business Officers (CAUBO); Financial Information of Universities and Colleges 2009 - 2010, Report 3.1 (most recent data available as of July 2011)

Technology Transfer Activities

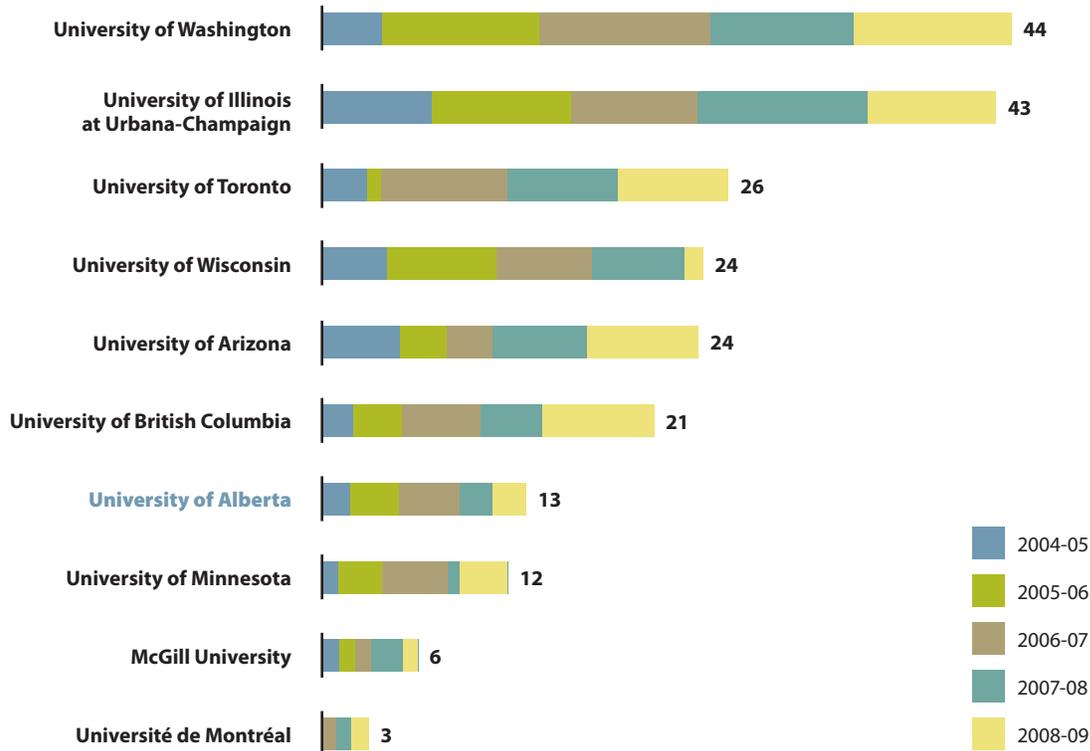
University-based research discoveries that have practical applications in modern society can have enormous positive impacts when successfully brought to market. They can change the quality of life for people in remarkable ways. They can also have a marked effect on local, national and international economies.

Retaining the ability to grant exclusive licenses is essential to company start-up activity, a key contribution to the overall economic impact of university licensing of new technologies, processes and innovations. Start-up companies enable the University to share new knowledge with the community and attract top-caliber researchers and inventors interested in collaborating on leading-edge discoveries. These technology transfer activities contribute millions of dollars to the municipal, provincial and national economies.

In line with provincial priorities, TEC Edmonton, the University's commercialization agent, has focused on new company development as a first priority since 2006.

FIGURE 9

New Start-up Companies, University of Alberta and Selected Peers, Fiscal Years 2004-05 to 2008-09



Source:

AUTM Licensing Surveys, fiscal years 2004 to 2009 (most recent data available as of July, 2011)

Cornerstone 4:

The University of Alberta will exemplify transformative organization and support

Administrative Expenditures as a Percentage of Total Expenditures less Ancillary Expenditures

The University seeks a high level of administrative efficiency in its operations, striving for the top level of Alberta Advanced Education and Technology's key performance indicator (five per cent or less of expenditures for administrative purposes). The University's most recent two year average has dropped to 4.1% and reflects a commitment to deal with current fiscal realities. The University will continue to target less than 5%.

The University's voluntary retirement incentive plan resulted in significant accruals processed in 2010, which increased administrative expenditures. In the subsequent year, these expenditures declined.

FIGURE 10

Proportion of Operating Expenditures Going Towards Administrative Purposes, Two-Year Cycles



Source:

University of Alberta FIRS (Financial Information Reporting System) report

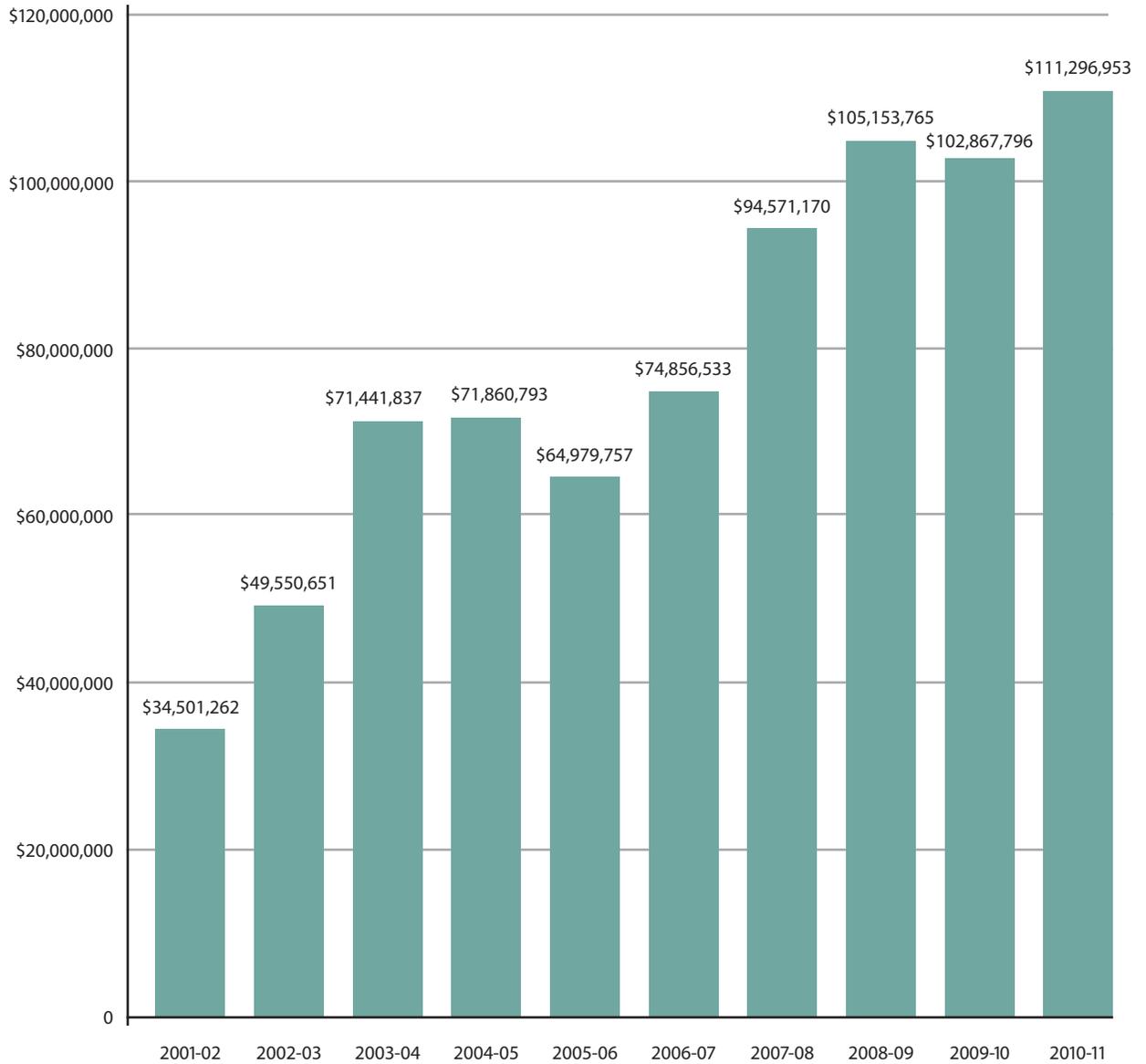
Fundraising Achievement and Endowment

Building and maintaining relationships with alumni and the wider community is critical for the University of Alberta to realize its vision and goals. The success of these endeavors is partially reflected in the University's fundraising achievement.

Fundraising achievement contributes significantly to the growth of the University's endowment, essentially a measure of the University's wealth.

FIGURE 11

Fundraising Achievement, Latest 10 Fiscal Years, 2001-02 to 2010-11



Source:

University of Alberta Advance System

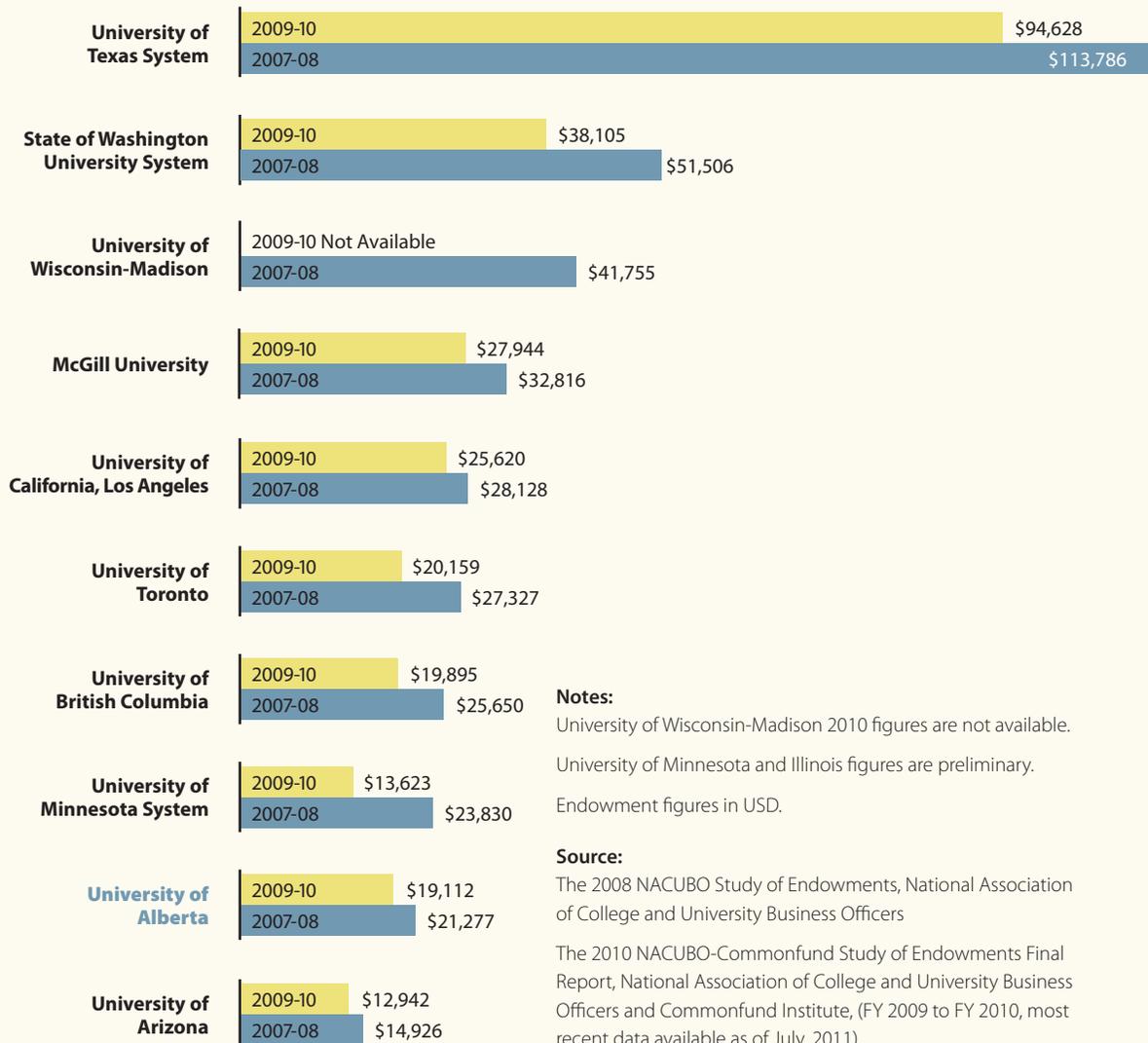
Endowment Market Value

A university's endowment provides support for scholarships, teaching, research and other educational programs now and in the future. It also provides leverage, allowing the institution to develop new and innovative opportunities.

The University of Alberta's endowment ranks fourth highest in Canada, but it is still in its infancy relative to the majority of its North American peers. As the value of endowments fluctuate with market conditions, targets are more appropriately comparative, rather than absolute. The University is working to move its endowment levels on a per student basis to the top in Canada and closer to levels seen at comparable U.S. institutions.

FIGURE 12

Endowment per Student, University of Alberta and Selected Public University Peers, Fiscal Years 2007-08 and 2009-10

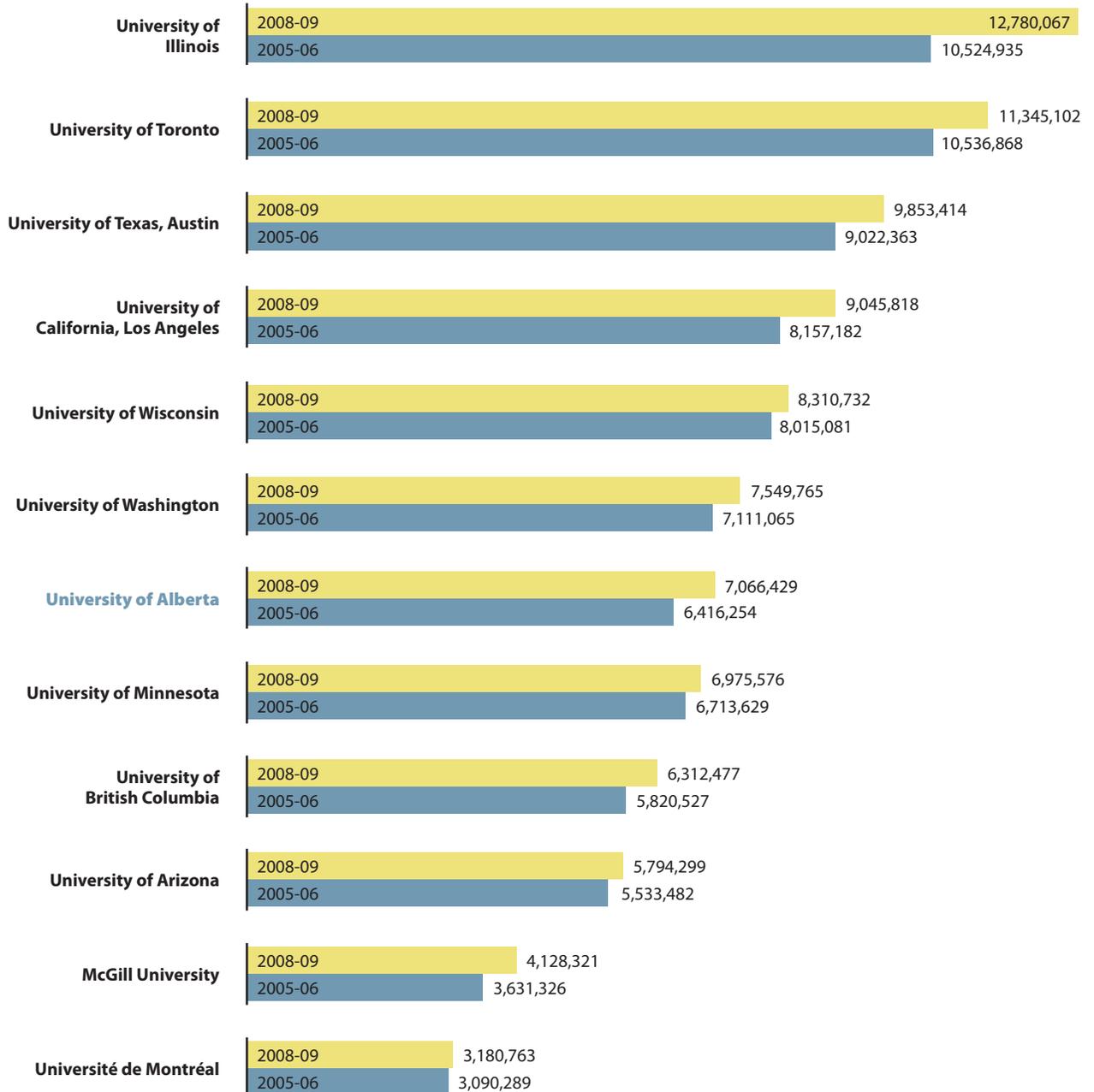


Collections

At research-intensive universities, the quality of library services and the quantity of resources available are important indicators of excellence. Libraries are at the centre of the scholarly communication that characterizes excellence. The U of A has one of the largest library collections in North America, with a collection second only to the University of Toronto in Canada.

FIGURE 13

Total Library Volumes Held, University of Alberta and Selected Peers, 2005-06 and 2008-09



Note:

Number of library volumes held exclude microforms, maps, nonprint materials, and uncatalogued items.

Source:

Association of Research Libraries, ARL Statistics (most recent data available as of July 2011)



Financial Statements

for the Year Ended March 31, 2011

Management's Responsibility **for Reporting**

University of Alberta's management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the Annual Report including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained by management to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, are executed in accordance with all relevant legislation, regulations and policies, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Annual Report has been developed under the oversight of the Board Community and Government Relations Committee, as well as the Board Audit Committee with respect to the financial information, and approved by the Board of Governors. The report is prepared in accordance with the *Government Accountability Act* and the *Post-Secondary Learning Act*.

The Auditor General of the Province of Alberta, the institution's external auditor appointed under the Auditor General Act, performs an annual independent audit of the consolidated financial statement in accordance with generally accepted accounting principles.

Original signed by Indira V. Samarasekera, OC

President

Original signed by Phyllis Clark

**Vice-President (Finance & Administration)
and Chief Financial Officer**



Independent **Auditor's Report**

To the Board of Governors of the University of Alberta

Report on the Financial Statements

I have audited the accompanying financial statements of the University of Alberta, which comprise the statement of financial position as at March 31, 2011 and the statements of operations, changes in net assets 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 generally accepted accounting principles, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

I believe that the audit evidence I have obtained in my audit 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 the University of Alberta as at March 31, 2011, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by Merwan N. Saher, CA
Auditor General

June 17, 2011

Edmonton, Alberta

UNIVERSITY OF ALBERTA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2011
(thousands of dollars)

	2011	2010
ASSETS		
Current		
Cash and cash equivalents (note 3)	\$ 122,800	\$ 99,229
Short-term investments (note 4)	663,337	718,415
Accounts receivable	177,119	168,677
Inventories and prepaid expenses	21,125	21,608
	984,381	1,007,929
Long-term investments (note 4)	969,485	877,156
Capital assets and collections (note 5)	2,670,255	2,309,290
	\$ 4,624,121	\$ 4,194,375
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 215,801	\$ 217,385
Current portion of employee future benefit liabilities (note 6)	8,667	8,392
Current portion of long-term liabilities (note 7)	12,659	10,656
Deferred contributions, research and other (note 8)	412,671	315,411
Deferred revenue	21,140	16,897
	670,938	568,741
Employee future benefit liabilities (note 6)	135,830	131,537
Long-term liabilities (note 7)	197,170	179,765
Deferred contributions, research and other (note 8)	90,000	90,000
Deferred contributions, capital (note 8)	275,916	437,617
Unamortized deferred capital contributions (note 9)	1,964,182	1,662,878
	3,334,036	3,070,538
Net Assets		
Endowments (note 10)	783,340	717,495
Investment in capital assets and collections (note 11)	510,283	466,896
Unrestricted (deficit)	(3,538)	(60,554)
	1,290,085	1,123,837
	\$ 4,624,121	\$ 4,194,375
Contingent liabilities and contractual obligations (note 12 and 13)		

Approved by the Board of Governors:

Original signed by Brian Heidecker
Chair, Board of Governors

Original signed by Indira Samarasekera
President

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

UNIVERSITY OF ALBERTA
STATEMENT OF OPERATIONS AND CHANGE IN UNRESTRICTED NET ASSETS
YEAR ENDED MARCH 31, 2011
(thousands of dollars)

	<u>2011</u>	<u>2010</u>
REVENUE		
Government of Alberta grants (note 16)	\$ 744,460	\$ 733,854
Federal and other government grants	184,507	185,158
Student tuition and fees	253,897	235,799
Sales of services and products	210,698	201,375
Donations and other grants	112,998	112,460
Investment income (note 15)	56,475	48,991
Amortization of deferred capital contributions (note 9)	81,705	89,054
	<u>1,644,740</u>	<u>1,606,691</u>
EXPENSE		
Salaries	786,797	794,643
Employee benefits	152,382	168,189
Materials, supplies and services	293,711	290,201
Scholarships and bursaries	91,109	89,547
Maintenance and repairs	71,658	68,433
Utilities	40,382	38,908
Amortization of capital assets	133,548	143,277
	<u>1,569,587</u>	<u>1,593,198</u>
EXCESS OF REVENUE OVER EXPENSE	75,153	13,493
NET TRANSFERS TO ENDOWMENTS (note 10)	(175)	(34)
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS (note 11)	(17,962)	(13,478)
Change in unrestricted net assets for the year	57,016	(19)
UNRESTRICTED NET ASSETS (DEFICIT), BEGINNING OF YEAR	(60,554)	(60,535)
UNRESTRICTED NET ASSETS (DEFICIT), END OF YEAR	\$ (3,538)	\$ (60,554)

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

**UNIVERSITY OF ALBERTA
STATEMENT OF CHANGE IN NET ASSETS
YEAR ENDED MARCH 31, 2011
(thousands of dollars)**

	Endowments	Investment in Capital Assets and Collections	Unrestricted Net Assets (deficit)
NET ASSETS, March 31, 2009	\$ 602,414	\$ 450,023	\$ (60,535)
Excess of revenue over expense	-	-	13,493
Investment income (note 15)	80,029	-	-
Endowment contributions (note 10)	35,018	-	-
Net transfers (note 10)	34	-	(34)
Net change in investment in capital assets (note 11)	-	13,478	(13,478)
Contributions of assets not subject to amortization (note 11)	-	3,395	-
NET ASSETS, March 31, 2010	\$ 717,495	\$ 466,896	\$ (60,554)
Excess of revenue over expense	-	-	75,153
Investment income (note 15)	28,767	-	-
Endowment contributions (note 10)	36,903	-	-
Net transfers (note 10)	175	-	(175)
Net change in investment in capital assets (note 11)	-	17,962	(17,962)
Contributions of assets not subject to amortization (note 11)	-	25,425	-
NET ASSETS, March 31, 2011	\$ 783,340	\$ 510,283	\$ (3,538)

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

UNIVERSITY OF ALBERTA
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2011
(thousands of dollars)

	2011	2010
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expense	\$ 75,153	\$ 13,493
Add (deduct) non-cash items:		
Amortization of capital assets	133,548	143,277
Amortization of deferred capital contributions	(81,705)	(89,054)
Change in employee future benefit liabilities	4,568	32,133
Change in unrealized (gain) loss on investments	(11,210)	(7,059)
Total non-cash items	45,201	79,297
Net change in non-cash working capital (*)	147,038	(20,332)
	267,392	72,458
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Purchases of capital assets and collections, net of proceeds on disposals	(469,088)	(478,407)
Purchases of long-term investments, net of sales	3,417	1,146
Endowment investment loss	(55,767)	(886)
	(521,438)	(478,147)
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Endowment contributions	36,903	35,018
Capital contributions	221,306	364,193
Long-term liabilities - new financing, net of repayments	19,408	(13,914)
	277,617	385,297
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,571	(20,392)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	99,229	119,621
CASH AND CASH EQUIVALENTS, END OF YEAR (note 3)	\$ 122,800	\$ 99,229
(*) Net change in non-cash working capital:		
Decrease in short-term investments	\$ 55,078	\$ 1,543
Increase in accounts receivable	(8,442)	(50,836)
Decrease (increase) in inventories and prepaid expenses	483	(4,299)
Decrease in accounts payable and accrued liabilities	(1,584)	(14,253)
Increase in deferred contributions, research and other	97,260	45,967
Increase in deferred revenue	4,243	1,546
	\$ 147,038	\$ (20,332)

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

1. Authority and purpose

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

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 (GAAP). The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. University administration uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets and valuation of asset-backed commercial paper investments 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) Interest in joint ventures

The financial statements use the proportionate consolidation method to record the University's proportionate share of each financial statement component of the following joint ventures:

- Canada School of Energy and Environment (46.2% interest)—a joint venture with two other universities to promote coordination and collaboration in research and education related to the implementation of Alberta's energy and environment strategies.
- Northern Alberta Clinical Trials and Research Centre (50% interest)—a joint venture with Alberta Health Services to support the shared missions of Alberta Health Services and the University for collaborative clinical research.
- TEC Edmonton (50% interest)—a joint venture with Edmonton Economic Development Corporation to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society.
- Tri-University Meson Facility (TRIUMF) (9.09% interest)—a joint venture with ten other universities to operate a sub-atomic physics research facility.

These joint ventures are not material to the University's financial statements, and therefore, separate condensed financial information is not presented.

(c) Financial instruments

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

<u>Financial Statement Components</u>	<u>Classification</u>	<u>Measurement</u>
Cash and cash equivalents	Held for trading	Fair value
Investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Other long-term assets	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term liabilities	Other liabilities	Amortized cost

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011
(thousands of dollars)

The University's financial instruments are recognized on their trade date. Transaction costs related to all financial instruments are expensed as incurred. The value of the investments recorded in the financial statements is determined as follows:

- Short-term investments are valued based on cost plus accrued income, which approximates fair value. When a loss in value of such investments occurs that is other than temporary, the investment is written down to recognize the loss.
- Publicly traded securities are valued based on the latest bid price on quoted markets.
- Securities that are infrequently traded or where market quotes are not available are valued using estimation techniques. These techniques include discounted cash flows, internal models that utilize observable market data, or comparisons with other securities that are substantially the same.
- Investments in pooled funds are valued at their net asset value per unit.
- Real estate directly held by the University which is not for operational use is recorded at cost.

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

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 that in real terms equals or exceeds total endowment expenditures with an acceptable level of risk. Further details can be found in note 4 and note 10.

Foreign currency risk

The University is exposed to foreign exchange risk on investments that are denominated in foreign currencies and uses forward contracts to manage this risk. The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes.

Liquidity risk

The University maintains a short-term line of credit that is designed to ensure that funds are available to meet current and forecasted financial requirements in the most cost effective manner.

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.

Interest rate risk

Interest rate risk is the risk to the University's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates. This risk is managed by investment policies that limit the term to maturity of certain fixed income securities that the University holds. Interest risk on the University's long-term liabilities is managed through fixed-risk agreements with Alberta Capital Finance Authority (note 7).

(d) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at cost. Cost is determined by weighted average.

(e) Capital assets and collections

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

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

Buildings and utilities	10 - 40 years
Equipment and furnishings	3 - 10 years
Learning resources	10 years

(f) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized in the period incurred if a reasonable estimate of fair value based on the present value of estimated future cash flows can be made. The associated asset retirement costs are capitalized as part of the net book value of the asset and amortized over its estimated useful life.

(g) Revenue recognition

The financial statements record the following items as revenue—at the following times:

- Unrestricted contributions—when received, or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Unrestricted investment income—when earned; this includes interest, dividends, realized and unrealized gains and losses.
- Pledges—when collected.
- Revenues received for services and products—when the services or products are substantially provided and collection is reasonably assured.
- Tuition fees—when the instruction is delivered.
- 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 contributions, capital 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 deferred and recognized as revenue when the conditions of the endowment are met.

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.

(h) 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 at average weekly exchange rates. Gains or losses from these translations are included in investment income.

(i) Employee future benefits

PENSION

The University participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of pensionable earnings. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The University does not have sufficient plan information on the PSPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year; which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

SUPPLEMENTARY RETIREMENT PLANS (SRP)

The University provides non-contributory defined benefit supplementary retirement benefits to executives based on years of service and earnings. The expense for these plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The University provides non-contributory defined contribution supplementary retirement benefits to eligible academic staff members based on years of service and earnings. The expense for this plan is the employer's current year contribution to the plan.

LONG-TERM DISABILITY

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plans is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a market interest rate and administration's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains or losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

EARLY RETIREMENT

The cost of providing accumulating post employment benefits under the University's early retirement plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially determined using the projected benefit method pro rated on services, a market interest rate and administration's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. The excess of net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service period of active employees expected to receive benefits under the plans.

(j) 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 and other government funding agencies. The University has investment policies (note 4), spending policies and cash management procedures to ensure the University can meet its capital obligations.

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

(k) Contributed services

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011
(thousands of dollars)

(I) Future accounting changes

The Public Sector Accounting Board (PSAB) has issued a framework for financial reporting by government not-for-profit organizations. The framework includes CICA 4400: *Not-For-Profit Organizations*, which has been incorporated into the Public Sector Accounting (PSA) handbook as the PS 4200 series of standards. This framework will be effective for fiscal years beginning on or after January 1, 2012. Government not-for-profit organizations have been given the choice to apply either PS 4200 series of standards plus the PSA Handbook; or PSA handbook without the PS 4200 series of standards. The Government of Alberta has not yet made a decision on which option Alberta Public Post-Secondary Institutions, as government not-for-profit entities, will adopt. Therefore the University cannot determine the impact of this change on its financial statements. When the decision is made the University will identify the differences in the standards that will impact the financial statements and quantify the differences. The University will also determine whether any specific exemptions and exceptions applicable to the first time adoption of PSA standards by government not-for-profit organizations will be applicable to the University.

3. Cash and cash equivalents

Cash and cash equivalents have a maximum maturity of 90 days at date of purchase and are as follows:

	<u>2011</u>	<u>2010</u>
Cash	\$ 1,118	\$ 4,596
Money market funds, short-term notes and treasury bills	121,682	94,633
	<u>\$ 122,800</u>	<u>\$ 99,229</u>

4. Investments

	<u>2011</u>	<u>2010</u>
Cash, money market funds, short-term notes and treasury bills	\$ 676,370	\$ 726,579
Asset-backed commercial paper	92,367	89,118
Canadian government and corporate bonds	252,323	252,006
Canadian equity	190,507	126,583
Foreign equity	395,472	376,875
Pooled hedge funds	24,711	23,335
Annuities	86	89
Real estate	986	986
	<u>\$ 1,632,822</u>	<u>\$ 1,595,571</u>
Short-term investments	\$ 663,337	\$ 718,415
Long-term investments	969,485	877,156
	<u>\$ 1,632,822</u>	<u>\$ 1,595,571</u>

As at March 31, 2011, the average effective yields and the terms to maturity are as follows:

- Money market funds, short-term notes and treasury bills: 1.32% (2010 - 0.54%); term to maturity: less than one year.
- Canadian government and corporate bonds: 2.72% (2010 - 2.75%); terms to maturity: range from less than one year to more than 10 years.

The University's investments are managed using two pools, the Non-Endowed Investment Pool (NEIP) with investment holdings of \$794,242 (2010 - \$850,118) and the Unitized Endowment Pool (UEP) with investment holdings of \$838,580 (2010 - \$745,453). The primary objective for the NEIP is to earn a rate of return that exceeds the DEX 91 day T-Bill return with an emphasis on liquidity and the preservation of capital. The primary objective for the UEP is to earn a long-term rate of return that, in real terms, exceeds total endowment spending at an acceptable level of risk. The UEP also includes non-endowed assets that will not be required for spending in the next five years.

Derivative financial instruments are used to manage currency exposures primarily with respect to the University's investments. The University uses foreign currency forward contracts to manage its foreign exchange currency exposure on certain investments, and has entered into foreign currency forward contracts to minimize exchange rate fluctuations. All outstanding contracts have a remaining term to maturity of less than one year. The University has contracts outstanding held in US dollars, Euro, Japanese yen and the British pound among others. The fair value of net outstanding foreign currency forward contracts receivable is \$1,552 (2010 - \$7,510).

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011
(thousands of dollars)

Asset-backed commercial paper

The University holds \$132,848 (2010 - \$138,602) in "New Restructured Notes" that were received on January 21, 2009 in exchange for asset-backed commercial paper (ABCP) formerly held by the University. The ABCP had been restructured under the restructuring agreement of the Pan-Canadian Investments Committee (known as the Montreal Accord). Certain notes, classified as Other ABCP, were not part of the Montreal Accord and were restructured directly with the sponsors or remain subject to ongoing legal proceedings.

The composition and fair value of the ABCP investments are as follows:

Note type	2010		2011			
	Estimated fair value	Cost	Note cancellations	Redemptions	Cost	Estimated fair value
Traditional assets ⁽¹⁾	\$ 3,743	\$ 4,303	\$ -	\$ (1,760)	\$ 2,543	\$ 2,410
Synthetic assets ⁽²⁾	75,570	117,575	-	-	117,575	80,061
IA tracking notes ⁽³⁾	3,752	16,724	(3,617)	(377)	12,730	3,705
	83,065	138,602	(3,617)	(2,137)	132,848	86,176
Other ABCP ⁽⁴⁾	6,053	8,660	-	-	8,660	6,191
	\$ 89,118	\$ 147,262	\$ (3,617)	\$ (2,137)	\$ 141,508	\$ 92,367

(1) Primarily rated as AA+ or higher by DBRS, with a yield based upon the income generated by the underlying assets. Anticipated yield is Bankers Acceptance (BA) plus 0.40%. Scheduled repayment dates are between 4 and 6 years with legal maturity dates between 11 and 25 years.

(2) Primarily rated as A and BBB (low) by DBRS, with a yield of BA minus 0.50%. Scheduled repayment date is January 2017 with a legal maturity date of July 2056.

(3) No stated amount, interest paid will be based on income generated by underlying assets. Scheduled repayment and legal maturity dates are between 2 and 29 years.

(4) Stated yield ranges from BA to Canadian Deposit Offering Rate plus 0.33%. Scheduled repayment and legal maturity dates are between 3 and 6 years.

Valuation

ABCP restructured under the Montreal Accord:

The University has estimated the fair value of these investments as at March 31, 2011 using a discounted cash flow valuation model. This model incorporates administration's best estimates of multiple factors, updated to reflect market-related and other additional information.

The valuation also involves assumptions regarding the difference between the yield the University expects to earn from the restructured floating rate notes and the appropriate market-discount attributable to such investments. The estimated investment yields were determined based on available information. The estimated market-discount rates for the floating rate notes were determined by reference to market rates for other investments and appropriate forward-credit indices. They were then adjusted to include an estimated premium to reflect the expected lack of liquidity in the restructured floating rate notes together with the leveraged nature of the underlying assets and were adjusted for subordination where appropriate. The shortfall between the expected yield and the estimated discount rate for notes in the synthetic assets ranges from 424 to 1,094 basis points. An increase of 100 basis points in the estimated discount rate would decrease the fair value by approximately \$6,600.

Other ABCP:

In the absence of an active market for these investments, the University has estimated their fair value as at March 31, 2011, using a discounted cash flow valuation model similar to the approach used for the ABCP restructured under the Montreal Accord.

Measurement uncertainty

Since the eventual timing and amount of future cash flows attributable to these assets may vary significantly from administration's current best estimates, it is possible that the ultimate fair value of these assets may vary significantly from current estimates and that the magnitude of any such difference could be material to the financial results.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011
(thousands of dollars)

5. Capital assets and collections

	2011			2010		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings and utilities	\$ 2,831,320	\$ 792,577	\$ 2,038,743	\$ 2,476,454	\$ 748,376	\$ 1,728,078
Equipment and furnishings	1,059,594	712,401	347,193	984,646	653,704	330,942
Learning resources	298,859	201,578	97,281	278,328	182,020	96,308
Land	85,464	-	85,464	53,296	-	53,296
Library permanent collections	35,776	-	35,776	35,490	-	35,490
Other permanent collections	65,798	-	65,798	65,176	-	65,176
	\$ 4,376,811	\$ 1,706,556	\$ 2,670,255	\$ 3,893,390	\$ 1,584,100	\$ 2,309,290

Included in buildings and utilities is \$925,994 (2010 - \$657,974) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions include in-kind contributions in the amount of \$39,060 (2010 - \$12,081).

6. Employee future benefit liabilities

	2011			2010		
	Academic staff	Support staff	Total	Academic staff	Support staff	Total
UAPP	\$ 82,349	\$ -	\$ 82,349	\$ 81,004	\$ -	\$ 81,004
Long-term disability	6,229	21,803	28,032	7,253	21,825	29,078
Early retirement	327	24,507	24,834	540	23,517	24,057
SRP (defined benefit)	4,163	-	4,163	3,350	-	3,350
SRP (defined contribution)	5,119	-	5,119	2,440	-	2,440
	98,187	46,310	144,497	94,587	45,342	139,929
Less current portion	2,872	5,795	8,667	2,598	5,794	8,392
	\$ 95,315	\$ 40,515	\$ 135,830	\$ 91,989	\$ 39,548	\$ 131,537

(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 staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2008 and was then extrapolated to March 31, 2011, resulting in a UAPP deficiency of \$992,933 (2010 - \$924,067) consisting of a pre-1992 deficiency (\$700,812) and a post-1991 deficiency (\$292,121). 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 unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2009 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.03% (2009 - 2.03%) of salaries 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 \$315,424 at March 31, 2011. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 5.09% (2009 - 4.08%) of pensionable earnings shared equally between employees and employers until December 31, 2023.

Long-term disability and early retirement

The University provides long-term disability (academic and support staff) and early retirement (support staff) defined benefits to its employees. The most recent actuarial valuation for these benefits was as at March 31, 2011.

The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date.

The early retirement benefits for support staff include bridge benefits and a retirement allowance. Bridge benefits allows eligible employees who retire early, to continue participating in several staff benefit programs between the date of early retirement and the end of the month in which the employee turns 65. Benefits include group life insurance, employee family assistance program, supplementary health care and dental care. The support staff retirement allowance provides eligible employees one week's base pay per full year of employment to a maximum 25 days pay. The early retirement benefit for academic staff was for bridge benefits and was terminated in 2004. Participants already receiving these benefits, when the benefit was terminated, will continue to receive bridge benefits under the original terms.

Supplementary retirement plans (SRP)

The University provides non-contributory defined benefit supplementary retirement benefits to executives. An actuarial valuation of these benefits was carried out as at March 31, 2011.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011
(thousands of dollars)

The expense and financial position of these defined benefit plans are as follows:

	2011				2010			
	UAPP	Long-term disability ⁽¹⁾	Early retirement ⁽¹⁾	SRP ⁽¹⁾	UAPP	Long-term disability ⁽¹⁾	Early retirement ⁽¹⁾	SRP ⁽¹⁾
Expense								
Current service cost	\$ 28,613	\$ 4,537	\$ 1,229	\$ 683	\$ 31,005	\$ 6,159	\$ 1,323	\$ 516
Interest cost	10,941	1,484	1,251	286	17,527	1,528	1,474	212
Amortization of net actuarial (gain) loss	6,301	(970)	(90)	-	17,343	(1,495)	11	(81)
Amortization of past service cost	-	-	-	54	-	-	-	41
Total expense	<u>\$ 45,855</u>	<u>\$ 5,051</u>	<u>\$ 2,390</u>	<u>\$ 1,023</u>	<u>\$ 65,875</u>	<u>\$ 6,192</u>	<u>\$ 2,808</u>	<u>\$ 688</u>
Financial Position								
Accrued benefit obligation:								
Balance, beginning of year	\$ 620,025	\$ 24,551	\$ 21,524	\$ 3,533	\$ 667,510	\$ 20,934	\$ 23,074	\$ 2,054
Current service cost	28,613	4,537	1,229	683	31,005	6,159	1,323	516
Interest cost	43,757	1,484	1,251	286	45,775	1,528	1,474	212
Recognition of past service	-	-	-	-	-	-	-	434
Benefits paid	(28,924)	(6,097)	(1,613)	(210)	(30,389)	(5,294)	(1,614)	-
Actuarial (gain) loss	44,684	55	(3)	210	(93,876)	1,224	(2,733)	317
Balance, end of year	<u>708,155</u>	<u>24,530</u>	<u>22,388</u>	<u>4,502</u>	<u>620,025</u>	<u>24,551</u>	<u>21,524</u>	<u>3,533</u>
Plan assets	(540,931)	-	-	-	(467,820)	-	-	-
Plan deficit	<u>167,224</u>	<u>24,530</u>	<u>22,388</u>	<u>4,502</u>	<u>152,205</u>	<u>24,551</u>	<u>21,524</u>	<u>3,533</u>
Unamortized net actuarial gain (loss)	(84,875)	3,502	2,446	-	(71,201)	4,527	2,533	210
Unamortized past service cost	-	-	-	(339)	-	-	-	(393)
Accrued benefit liability	<u>\$ 82,349</u>	<u>\$ 28,032</u>	<u>\$ 24,834</u>	<u>\$ 4,163</u>	<u>\$ 81,004</u>	<u>\$ 29,078</u>	<u>\$ 24,057</u>	<u>\$ 3,350</u>

⁽¹⁾ The University plans to use its working capital to finance these future obligations.

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

	2011		2010	
	UAPP and SRP	LTD and early retirement	UAPP and SRP	LTD and early retirement
Accrued benefit obligation:				
Discount rate	6.50% to 6.80%	4.80%	6.80% to 6.90%	5.70%
Long-term average compensation increase ⁽¹⁾	3.00% to 3.50%	3.00%	3.00% to 3.50%	3.00%
Benefit cost:				
Discount rate	5.80% to 6.50%	5.70%	6.70% to 6.80%	5.70%
Long-term average compensation increase ⁽¹⁾	3.00% to 3.50%	3.00%	3.00%	3.00%
Alberta inflation (long-term) ⁽²⁾	2.25%	2.50%	2.25%	3.00%
Estimated average remaining service life years ⁽³⁾	11.3	5.0 to 13.0	11.3	5.0 to 12.0

⁽¹⁾ Compensation increases are not applicable for long-term disability.

⁽²⁾ SRP lump-sum payments upon retirement are based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries, and as such, those assumptions are not set by the University.

⁽³⁾ SRP actuarial gain and past service cost are amortized over the remaining contract terms of the affected participants.

NOTES TO THE FINANCIAL STATEMENTS
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(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 \$23,842 (2010 - \$18,294).

An actuarial valuation of the PSPP was carried out as at December 31, 2008 and was then extrapolated to December 31, 2010. At December 31, 2010, the PSPP reported an actuarial deficiency of \$2,067,151 (2009 - \$1,729,196).

(c) Defined contribution plan

Supplementary retirement plan (SRP)

The University provides non-contributory defined contribution supplementary retirement benefits to eligible academic staff members. The expense recorded in these statements is \$2,679 (2010 - \$2,440).

7. Long-term liabilities

	Collateral	Maturity date	Fixed interest rate %	Amount outstanding	
				2011	2010
Debentures payable to Alberta Capital Finance Authority:					
Health Research Innovation Facility	(1)	June 2011	5.030	\$ 1,000	\$ 1,000
Enterprise Square	(2)	October 2011	4.162	1,301	2,549
Natural Resources Engineering Facility	(3)	June 2014	4.974	6,512	8,176
Energy Management Program, Year 1	(1)	September 2014	4.551	1,408	1,771
Energy Management Program, Year 2	(1)	March 2016	4.525	2,181	2,562
Natural Resources Engineering Facility	(3)	June 2017	5.056	5,641	6,358
Health Research Innovation Facility	(1)	June 2017	5.053	11,493	12,953
Extension Centre	(1)	October 2017	8.750	1,616	1,778
Energy Management Program, Year 3	(1)	December 2017	4.493	2,608	2,919
Energy Management Program, Year 4	(1)	March 2019	3.718	2,899	3,205
Steam Turbine Generator	(3)	May 2020	6.250	10,970	11,744
Newton Place	(2)	August 2024	6.000	11,616	12,137
Newton Place Renovation	(2)	August 2024	6.000	2,008	2,099
Energy Management Program, Year 5	(1)	December 2025	3.885	3,500	-
Lister Residence II	(2)	November 2027	5.875	17,723	18,323
Windsor Car Park	(3)	September 2028	6.000	5,844	6,023
Saville Centre	(3)	December 2028	5.875	3,844	3,963
East Campus Village	(2)	March 2029	4.960	7,883	8,149
Centennial Centre for Interdisciplinary Science Phase I	(1)	September 2029	5.353	8,508	8,772
Centennial Centre for Interdisciplinary Science Phase I	(1)	June 2030	4.518	1,867	1,926
Health Research Innovation Facility	(1)	June 2032	5.191	5,269	5,400
Killam Centre	(1)	September 2036	4.810	1,931	1,968
Enterprise Square	(2)	September 2036	4.627	39,697	40,500
East Campus Village—Graduate Housing	(3)	September 2040	4.886	24,812	-
Jubilee Carpark	(3)	December 2047	4.814	15,704	15,855
				197,835	180,130
Liabilities under capital leases				165	163
Other long-term liabilities (includes asset retirements and liabilities for site restoration)				11,829	10,128
				209,829	190,421
Less current portion				12,659	10,656
				\$ 197,170	\$ 179,765

(1) none; (2) title to land, building; (3) cash flows from facility

The principal portion of long-term debt repayments required over the next five years is as follows:
2012 - \$12,659; 2013 - \$10,959; 2014 - \$11,532; 2015 - \$10,890; 2016 - \$10,188; and thereafter - \$153,601.

Interest expense on long-term liabilities is \$10,926 (2010 - \$11,177) and is included in materials, supplies and services.

The University has recorded a liability for an asset retirement obligation of \$3,230 (2010 - \$1,128). The asset retirement obligation represents the legal obligation associated with the eventual decommissioning of a research reactor.

NOTES TO THE FINANCIAL STATEMENTS
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8. Deferred contributions

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

	2011		2010	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	\$ 437,617	\$ 405,411	\$ 495,632	\$ 359,444
Grants and donations received	166,949	514,440	321,269	483,314
Recognized as revenue	-	(365,699)	-	(397,169)
Transferred to unamortized deferred capital contributions (note 9)	(328,650)	(51,481)	(379,284)	(40,178)
Balance, end of the year	275,916	502,671	437,617	405,411
Less amounts included in current liabilities	-	412,671	-	315,411
	<u>\$ 275,916</u>	<u>\$ 90,000</u>	<u>\$ 437,617</u>	<u>\$ 90,000</u>

9. Unamortized deferred capital contributions

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

	2011	2010
Balance, beginning of the year	\$ 1,662,878	\$ 1,329,723
Additions from deferred contributions, capital (note 8)	328,650	379,284
Additions from deferred contributions, research and other (note 8)	51,481	40,178
Long-term liabilities repayment	2,878	2,747
Amortization to revenue	(81,705)	(89,054)
Balance, end of the year	<u>\$ 1,964,182</u>	<u>\$ 1,662,878</u>

10. Endowments

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

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

Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. However, for individual endowment funds without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

The composition of endowments is as follows:

	2011	2010
Balance, beginning of year	\$ 717,495	\$ 602,414
Endowment contributions	36,903	35,018
Net transfers to endowments	175	34
Investment income	28,767	80,029
Balance, end of year	<u>\$ 783,340</u>	<u>\$ 717,495</u>
Cumulative contributions	\$ 567,793	\$ 530,715
Cumulative capitalized income	215,547	186,780
	<u>\$ 783,340</u>	<u>\$ 717,495</u>

During the year, the University capitalized \$28,767 (2010 - \$80,029) of investment income. A portion of this amount was added to endowments through the authority provided to the University under the *Post-Secondary Learning Act*. The University intends that this portion be maintained in perpetuity.

The Board of Governors approved the permanent endowment of certain unrestricted funds and transferred \$175 (2010 - \$131) from unrestricted net assets to endowments. In 2010, in accordance with the terms and conditions of specific endowments, \$97 was decapitalized for spending purposes.

Gifts of endowment principal include matching grant funds of \$5,000 (2010 - \$5,000) from the Government of Alberta's Access to the Future Fund.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011
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11. Investment in capital assets and collections

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

	<u>2011</u>	<u>2010</u>
Capital assets and collections at net book value (note 5)	\$ 2,670,255	\$2,309,290
Less amounts financed by:		
Unamortized deferred capital contributions (note 9)	(1,964,182)	(1,662,878)
Long-term liabilities related to capital expenditures	(195,790)	(179,516)
Investment in capital assets and collections, end of year	<u>\$ 510,283</u>	<u>\$ 466,896</u>
	<u>2011</u>	<u>2010</u>
The changes during the year are as follows:		
Investment in capital assets and collections, beginning of year	<u>\$ 466,896</u>	<u>\$ 450,023</u>
Acquisition of capital assets and collections	90,668	59,277
Long-term liabilities repayment	8,124	11,437
Long-term liabilities new financing	(27,275)	(2,680)
Net book value of asset disposals	(1,712)	(333)
Amortization of investment in capital assets	(51,843)	(54,223)
Net change in investment in capital assets	<u>17,962</u>	<u>13,478</u>
Contributions of assets not subject to amortization	25,425	3,395
Increase for the year	<u>43,387</u>	<u>16,873</u>
Investment in capital assets and collections, end of year	<u>\$ 510,283</u>	<u>\$ 466,896</u>

12. Contingent liabilities

- (a) The University is a defendant in a number of legal proceedings arising in the normal course of business. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Administration has concluded that none of the claims meet the criteria for recording an accrued liability under GAAP.
- (b) The University has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedures to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these assets will be recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation.

13. Contractual obligations

- (a) 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.

	2011	2010
Significant service contracts	\$ 167,971	\$ 162,599
Capital projects	368,818	357,604
	\$ 536,789	\$ 520,203

Significant service contracts consist of the following:

- In order to manage its exposure to the volatility in the electrical industry, the University has entered into contracts to fix a portion of its electrical cost at an average of \$65.82 (2010 - \$64.85) per megawatt hour. The five contracts (2010 - five contracts) with expenditures totaling \$107,430 (2010 - \$137,614) expire over the next six years.
 - Effective November 1, 2010, the University entered into an agreement with an external party for dining and catering services. Dining services includes the preparation, sale and distribution of food and beverages. Catering services includes providing food and beverages for third parties or for the University. The agreement's term is five years with an estimated cost of \$50,000. At March 31, 2010 the prior agreement had seven months remaining, with an approximate cost of \$5,800.
 - Effective July 1, 2010, the University entered into agreements with two external parties for information technology support. The agreement for infrastructure management services has four years remaining with a cost of \$10,123 (2010 - \$12,630). The agreement for application management services has two years remaining with a cost of \$4,585 (2010 - \$6,522).
- (b) The University is one of 58 members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2010 CURIE had a surplus of \$43,288 (2009 - \$32,032). This surplus is an accumulation of five different underwriting periods. The University participates in four of the underwriting periods, which have an accumulated surplus of \$39,738 (2009 - \$28,647) of which the University's pro rata share is approximately 6.83% (2009 - 6.78%). This surplus is not recorded in the financial statements.
- (c) The University has invested in a partnership agreement with iNovia Investment Fund II-B, Limited Partnership, which invests in the technology, energy, life sciences and applied sciences sectors. The partnership will continue until April 17, 2017, extendable for up to three additional years. The University subscribed to five million partnership units at a price of \$1.00 per unit of which the University has purchased 2.5 million units. The remaining commitment of \$2,500 (2010 - \$3,250) is due at such times and in such amounts as the General Partner may determine.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011
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14. Budget comparison

The University's 2010-11 budget was approved by the Board of Governors and was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2010-2011 Business Plan.

	Actual	Budget (unaudited)	Variance
Revenue			
Government	\$ 928,967	\$ 916,685	\$ 12,282
Student tuition and fees	253,897	242,647	11,250
Sales of services and products	210,698	205,132	5,566
Grants, donations and investment income	169,473	146,383	23,090
Amortization of deferred capital contributions	81,705	84,689	(2,984)
	<u>1,644,740</u>	<u>1,595,536</u>	<u>49,204</u>
Expense			
Salaries	786,797	774,582	12,215
Employee benefits	152,382	179,399	(27,017)
Materials, supplies, services and other expenses	496,860	508,606	(11,746)
Amortization of capital assets	133,548	138,395	(4,847)
	<u>1,569,587</u>	<u>1,600,982</u>	<u>(31,395)</u>
Excess (deficiency) of revenue over expense	<u>\$ 75,153</u>	<u>\$ (5,446)</u>	<u>\$ 80,599</u>

In 2011 the University reclassified non-credit tuition fees from sales of services and products to student tuition and fees; therefore the budget for non-credit tuition fees of \$26,656 has been reclassified from sales of services and products to student tuition and fees for comparative purposes.

15. Investment income

	2011	2010
Income on investments held for endowment	\$ 66,776	\$ 134,213
Income on other investments	16,817	9,130
Asset-backed commercial paper recovery	9,004	13,966
	<u>92,597</u>	<u>157,309</u>
Amounts deferred	(7,355)	(28,289)
Endowment income capitalized (note 10)	(28,767)	(80,029)
	<u>\$ 56,475</u>	<u>\$ 48,991</u>

16. 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 are as follows:

	<u>2011</u>	<u>2010</u>
Grants from GOA:		
Advanced Education and Technology:		
Operating:		
Campus Alberta (operating grant)	\$ 565,647	\$ 518,146
Enrolment Planning Envelope	-	58,968
Total operating	<u>565,647</u>	<u>577,114</u>
Capital	<u>174,439</u>	<u>313,180</u>
Research:		
Alberta Innovates Bio Solutions	5,697	2,615
Alberta Innovates Health Solutions	30,974	34,707
Alberta Innovates Technology Futures	27,493	24,670
Other research	26,210	24,166
Total research	<u>90,374</u>	<u>86,158</u>
Other	<u>46,879</u>	<u>8,511</u>
Total Advanced Education and Technology	<u>877,339</u>	<u>984,963</u>
Other GOA departments and agencies:		
Alberta Education	6,074	5,957
Alberta Environment	10,377	6,614
Alberta Health and Wellness	66,138	59,102
Alberta Health Services	16,689	12,687
Other	15,403	17,192
Total other GOA departments and agencies	<u>114,681</u>	<u>101,552</u>
Total contributions received	<u>992,020</u>	1,086,515
Less deferred contributions	<u>(247,560)</u>	<u>(352,661)</u>
	<u>\$ 744,460</u>	<u>\$ 733,854</u>
Accounts receivable:		
Advanced Education and Technology	\$ 9,530	\$ 24,923
Other GOA departments and agencies	4,204	11,742
	<u>\$ 13,734</u>	<u>\$ 36,665</u>
Accounts payable:		
Advanced Education and Technology	\$ 1,021	\$ 746
Other GOA departments and agencies	1,061	1,154
	<u>\$ 2,082</u>	<u>\$ 1,900</u>

The GOA's Access to the Future Fund has provided \$5,000 (2010 - \$5,000) in matching grant funds, which is included in endowments.

The University has long-term liabilities with Alberta Capital Finance Authority as disclosed in note 7.

NOTES TO THE FINANCIAL STATEMENTS
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17. Salary and employee benefits

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

	2011				2010
	Base salary (4)	Non-cash benefits (5)	Non-cash benefits (SRP) (6)	Total	Total
Governance (1)					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President	481	183	341	1,005	936
Provost and Vice-President Academic	462	36	149	647	598
Vice-President Research	432	84	96	612	587
Vice-President Facilities and Operations	415	62	111	588	551
Vice-President Finance and Administration	415	49	107	571	538
Vice-President University Relations (2)	314	37	47	398	286
Chief Advancement Officer (3)	183	61	18	262	-

(1) The Chair and Members of the Board of Governors receive no remuneration for participation on the Board.

(2) The incumbent served in an interim role from September 2009 to June 2010 and assumed the role on a continuing basis in July 2010. Prior to September 2009 the position was vacant for approximately two months.

(3) This is a new position established effective August 15, 2010.

(4) Base salary includes pensionable base pay and an administrative honorarium for the Provost and Vice-President Academic. Also included for 2011 are reductions for the mandatory furlough and optional personal leave programs (days off without pay) for all executive with the exception of the Chief Advancement Officer who has only the mandatory furlough. The mandatory furlough and optional personal leave reductions are as follows: President - \$21; Provost and Vice-President Academic - \$21; Vice-President Research - \$19; Vice-President Facilities and Operations - \$18; Vice-President Finance and Administration - \$18; Vice-President University Relations - \$15; Chief Advancement Officer - \$6.

(5) Non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee and family assistance program, critical illness, supplementary health care, short and long-term disability plans and dental plan. Benefits for some of the executive also include professional leave, car allowance, parking, supplemental life insurance, forgivable housing loans and housing allowances. Additional non-cash benefits for the President include administrative leave and expenses related to the personal use portion of the residence which the President rents from the University.

(6) Under the terms of the SRP, the executive may receive supplementary retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expenses for the rights to future compensation. Costs shown reflect the total estimated cost to provide supplementary retirement benefits. The SRP provides future benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro rated on service, a market interest rate, and other assumptions included in the Canadian Institute of Actuaries' lump-sum commuted value standard. Net actuarial gains and losses of the benefit obligations are amortized over the remaining contract terms of the participants. Current service cost is the actuarial present value of the benefits earned in the current year. Prior service and other costs include amortization of past service costs, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

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The current service cost and accrued obligation for each executive under the SRP is as follows:

	Years of eligible University of Alberta service	Accrued obligation March 31, 2010	2011			
			Service costs	Interest and other costs ^(6a)	Actuarial loss (gain)	Accrued obligation ^(6b) March 31, 2011
President	5.8	\$ 981	\$ 206	\$ 135	\$ (7)	\$ 1,315
Provost and Vice-President Academic	7.8	660	98	51	49	858
Vice-President Research	3.8	211	77	19	17	324
Vice-President Facilities and Operations	6.8	436	76	35	24	571
Vice-President Finance and Administration	6.8	420	73	34	24	551
Vice-President University Relations	0.7	-	45	2	2	49
Chief Advancement Officer	0.6	-	17	1	1	19

^(6a) Includes \$54 amortization of past service costs for the President.

^(6b) The accrued obligation is based on University of Alberta years of eligible service and other factors such as age, salary and actuarial assumptions.

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in note 6.

18. Canada-Alberta Knowledge Infrastructure Program

The Canada-Alberta Knowledge Infrastructure Program (KIP) was established to provide funding in support of capital projects at post secondary institutions in order to offset the impact of the global economic recession by providing employment opportunities. Eligible KIP projects can receive up to 50% of their funding from Government of Canada contributions through direct payments made by the GOA. The remaining portion of funding for KIP projects is made up of internal resources, GOA contributions and research grants. The KIP program supports eligible costs incurred from February 24, 2009 to October 31, 2011. Amounts received from the GOA representing Government of Canada contributions and eligible costs incurred on KIP projects are as follows:

	2011	2010	2009	Total
Contributions	\$ 31,061	\$ 31,061	\$ -	\$ 62,122
Eligible costs	90,435	29,737	-	120,172

The remaining minimum contractual obligation to complete the projects at March 31, 2011 is \$17,872. This amount is included in the capital projects total in note 13.

19. Comparative figures

Certain 2010 figures have been reclassified to conform to the presentation adopted in the 2011 financial statements.

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