

2013-2014 ANNUAL REPORT

FOR SUBMISSION TO THE GOVERNMENT OF ALBERTA



DARE TO DISCOVER: A VISION FOR A GREAT UNIVERSITY

QUAECUMQUE VERA — WHATSOEVER THINGS ARE TRUE

University of Alberta Vision, Mission, Cornerstones, and Values

The University of Alberta *vision* is 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.

Our mission is to create and sustain a vibrant and supportive learning environment that discovers, disseminates, and applies new knowledge through teaching and learning, research, 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 University of Alberta aspires to become one of the top public universities in the world by focusing academic planning and strategic decision-making on *four cornerstones*:

1. Talented People
2. Learning, Discovery, and Citizenship
3. Connecting Communities
4. Transformative Organization and Support

Our values: The University of Alberta community of students, faculty, staff, and alumni rely on shared, deeply held values that guide behaviour and 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.

Excellence: Excellence in teaching that promotes learning; outstanding research and creative activity that fuel discovery and advance knowledge; and enlightened service that builds citizenship.

Student Experience: The centrality of our students and our responsibility to provide an intellectually superior educational environment.

Integrity and Academic Freedom: Integrity, fairness, and principles of ethical conduct built on the foundation of academic freedom, open inquiry, and the pursuit of truth.

Diversity and Creativity: A diverse, yet inclusive, dynamic collegial community that welcomes change and seizes opportunity with passion and creativity.

Pride: Pride in our history and traditions, including contributions from Aboriginal people and other groups, which enrich and distinguish the university.

*“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

On behalf of my colleagues on the University of Alberta Board of Governors, I present the 2013-2014 Annual Report as a record of the university's continued progress towards the goals outlined in its Comprehensive Institutional Plan and Academic Plan, Dare to Deliver 2011-2015. This report for the year ending March 31, 2014, has been prepared under the board's direction in accordance with the *Fiscal Management Act*, the *Post-secondary Learning Act*, and associated ministerial guidelines. All economic, environmental, and fiscal implications of which we are aware have been considered in the preparation of this report. It includes a financial report drawn from the university's financial statements, as well as a discussion of key challenges, risks, and opportunities faced by the University of Alberta over the past year.

The year has had its challenges, but the university remains steadfast in its pursuit of being among the world's great public universities, and the board stands united in its commitment to excellence across the institution and firmly endorses the University of Alberta's aspirations to compete on the world stage. Anything less sells this university short, it sells this province short, it sells its people short, and indeed it sells the country short.

The university is at a transformational time in its history, as it carries forth with a change agenda being implemented through President Indira Samarasekera's four-point action plan, which addresses change through academic transformation; sustainable and flexible financial models; effective, efficient administration; and culture change. The university will also spend the next year finding a successor for outgoing President Samarasekera, who has chosen not to seek a third term. Our next president will need to have the vision, skills, and attributes to continue our momentum with the University of Alberta's change agenda, to build on our strengths, and to propel us into the top tier of global public universities.

And while change is afoot, it's also an exciting time at the University of Alberta. True to its mandate, as approved in 2009 by the Minister of Advanced Education and Technology, it offers a broad range of outstanding learning and research programs to prepare citizens and leaders who make a difference. It plays a leading role in Campus Alberta by collaborating with other Alberta institutions, responding to vital community relationships at every level, and giving a national and international voice to Alberta innovation. Also in line with its mandate, the university enhances student opportunities and builds Alberta's capacity for long-term, knowledge-driven sustainable development at the global forefront.

As board chair, I thank the Government of Alberta for its continued support of lifelong learning, research, and innovation—support that is even more essential for the next generation of Albertans. The University of Alberta has great potential to do things that can't be done anywhere else in the world. There has never been a more important time to engage and support a talent base that can think beyond traditional economic and social boundaries. Indeed, our future depends on it.

As I continue in my term as chair of the Board of Governors, I look forward to advancing the University of Alberta's promise of "uplifting the whole people," and working to assure that the province's flagship institution achieves its academic mission while advancing Alberta on the global stage.

Sincerely yours,

Original signed by Douglas O. Goss, Q.C.

Douglas O. Goss, Q.C. AOE
Chair, Board of Governors

2013-14 Board of Governors

BOARD MEMBER	CONSTITUENCY
Belosevic, Miodrag (Mike)	General Faculties Council
Epperson, Brent	Graduate Students' Association
Fleming, Don	Alumni
Goss, Douglas	Public (Chair)
Halford, Jane	Alumni
Heelan, James	Public
Hoveland, Agnes	Public
Jeraj, Shenaz	Public (Vice-chair)
Kelly, Brent	Students' Union
Kusmu, Petros	Students' Union
LePoole, Steven	Public
Matthew, Don	Public
Pu, Christopher	Non-Academic Support Staff
Renke, Wayne	Association of Academic Staff
Reuscher, Bernd Michael	Senate
Samarasekera, Indira	President
Somji, Nizar	Public
Teskey, Robert H.	Public
Wilson, Dick	Public (Vice-chair)
Young, Ralph	Chancellor

Overview from the President

The University of Alberta is proud to be a leader provincially, nationally and internationally in addressing our social, economic and environmental issues, by inspiring citizenship and higher learning, producing graduates who are leaders and innovators, advancing new ideas and technologies, and through collaborations with universities and research organizations from around the world. We live in a highly competitive and dynamic world driven by new discoveries and innovation, and universities are at the forefront of developing solutions to address our global challenges.

Our work is focused around the four cornerstones outlined in Dare to Discover, our vision for a great university—Talented People; Learning, Discovery and Citizenship; Connecting Communities; and Transformative Organization and Support, and I am proud of what we at the University of Alberta have accomplished.

Our alumni are major drivers of the province's economy and leaders of government and industry. They are vital to Alberta's future success and prosperity. In fact, an alumni impact report revealed that our graduates have collectively founded more than 70,000 organizations globally, created more than 1.5 million jobs and generated annual revenues totaling \$348.5 billion. These numbers are staggering and illustrate our role in attracting and developing talented people who are vital to our economy and our competitiveness on the world stage.

We are proud of our global reach—we are Alberta's portal to the world with dozens of international exchange and research partnerships. This year, we entered into a major international agreement, in collaboration with the University of British Columbia and University of Toronto and some of India's most prominent research institutions, to create IC-IMPACTS, which brings together partners from both countries with the goal of improving the quality of life for millions of people in India and Canada.

TEC Edmonton, a joint-startup between the university and the City of Edmonton was named top Canadian business incubator and 17th best in the world by the UBI (University Business Incubators) Index. It has been instrumental in helping local inventors, entrepreneurs, and researchers get the resources they need to launch successful technology-based ventures.

Our first MOOC (Massive Open Online Course), Dino 101, was an international success immediately upon its release in September. It highlights Alberta's rich paleontology collection and globally engages learners in the scientific method through the world of dinosaurs.

These are just a few examples, which illustrate our scope and reach. Our campus is a vibrant community of talented and inspired students, faculty and staff. With continued support from our partners in government, business and the community, I believe that there are no limits to what we can accomplish.

Original signed by Indira V. Samarasekera, OC

Indira V. Samarasekera, OC
President and Vice-Chancellor

The University in 2013-14

Challenges and great opportunities lie ahead for Alberta.

Human capital in the 21st century is highly mobile: people move from one province or country to another to live and work, transferring knowledge between geographical regions and developing new ideas, innovations, and solutions in the process. If Alberta effectively leverages these people connections and enables knowledge transfer, it will improve quality of life, increase competitiveness, secure economic prosperity and social resilience, and advance Alberta toward being a world leader. Future success will depend on Alberta's ability to advance the province as a global leader, to foster an innovative and entrepreneurial society, and to encourage a thriving creative culture. The University of Alberta, as the province's flagship research-intensive post-secondary institution, will be a critical partner in educating and developing top talent, attracting and retaining world-class students, leaders, and visionaries across disciplines.

The outcomes and benefits will be many: a skilled workforce, engaged citizens, economic diversification, evidence-based policy development, social and technological solutions to serious challenges, and sustained prosperity.

In addition to educating, credentialing, and employing generations of Albertans, the University of Alberta is a gateway through which Albertans and Alberta organizations, businesses, and industries gain access to the world. In turn, it is a key entry point to the province for outside talent and innovation. Global companies

are attracted to Alberta by the research and innovation partnership opportunities the university presents. With every innovation, every discovery, every global partnership formed, every alumnus working in the international market, the University of Alberta is advancing the province's global brand.

These successes come, as the imperative for even greater investment in education, research, development, and innovation has been recognized. Regions and countries around the world are aligning their resources and reviewing their educational and research sectors to better compete in the global marketplace. As a result, the knowledge economy is fiercely competitive. Alberta's long-term success depends on remaining competitive within this reality.

Consistent, adequate, long-term funding for post-secondary education and innovation, specifically with strong support for the province's comprehensive academic and research institutions, is essential to securing Alberta's prosperity long into the future. According to the Government of Alberta:

The economic and intellectual centre of gravity is shifting away from traditional economic powers in the West, and the pace at which knowledge and technology are advancing is altering how the world does business. Albertans have always been innovators and leaders, resilient and resourceful. These are the qualities that build the province and remain critical to Alberta's

continued future success. Alberta's path for a successful and dynamic economy that can compete in, and contribute to, the global knowledge economy requires having the right people with the right skills. Future success also requires strong strategic relationships between government, post-secondary institutions, the research and innovation system, and the province's entrepreneurial business sector."

(Source: Government of Alberta, 2013-16 *Government of Alberta Strategic Plan*: page 6)

Given its wealth, creativity, and entrepreneurial spirit, Alberta has distinct advantages on the national and international stages. Through sustained, strategic investments in building blocks such as talented and creative people, advanced infrastructure, and research excellence, Alberta has the potential to emerge as one of the most dynamic and energetic provinces in the world.

The University of Alberta is at the core of delivering the credentialing and performing the research that Alberta requires to remain economically competitive and to address the social, cultural, and political challenges of the modern global knowledge economy. Indeed, in addition to being one of the largest drivers of the provincial economy, the university fulfils its promise through the achievements of its alumni.

A recent study estimates that University of Alberta alumni have collectively founded 70,258 organizations globally, creating more than 1.5 million jobs and generating

annual revenues of \$348.5 billion. Of those jobs, 390,221 were created in Alberta. With 2.1 million people being employed in Alberta in 2012, roughly one in five Albertans is employed by a company founded by a University of Alberta graduate (Briggs and Jennings, *Uplifting the Whole People: The Impact of University of Alberta Alumni through Innovation and Entrepreneurship*, 2013).

One-third of the organizations started by University of Alberta alumni are non-profit or have a cultural, environmental, or social mission. More than 77 per cent of University of Alberta alumni have volunteered locally, and 17 per cent have volunteered outside Canada. The report also notes that a University of Alberta education is a major catalyst for innovation and entrepreneurship, and interactions with faculty, more than any other experience, have the highest impact on alumni after graduation. The success of the University of Alberta is inextricably linked to the position of Alberta on the global stage.

Working with the Government of Alberta over the past year, the University of Alberta has set a bold new course for the future, one that holds true to founding president Henry Marshall Tory's promise of "uplifting the whole people" by engendering a culture of leadership, innovation, and creativity. Together, we can ensure that this vision comes to fruition, improving quality of life for all Albertans.

Summary Statistics

	2012-13 ACADEMIC YEAR	2013-14 ACADEMIC YEAR
Students	39,502	39,267
Undergraduate (full-time)	29,947	29,661
Graduate (full-time)	6,083	6,137
Undergraduate (part-time)	1,957	1,987
Graduate (part-time)	1,515	1,527
Faculty of Extension Registrations (including Brokered Registrations)	14,103	13,944
Tuition		
Arts & Social Sciences	\$5,269	\$5,269
Law	\$10,121	\$10,121
Medicine	\$11,925	\$11,925
M.A., M.Sc., and PhD	\$3,626	\$3,626
Faculty & Staff	5,291	5,196
Faculty	2,090	2,097
Other Academic Staff	674	683
Support Staff	2,527	2,416
	2012 – 13 FISCAL YEAR	2013 – 14 FISCAL YEAR
Research Revenue	\$407 million	\$463 million
	2012 CALENDAR YEAR	2013 CALENDAR YEAR
Degrees & Diplomas Granted	8,600	8,886
Undergraduate	6,703	6,774
Graduate	1,897	2,112

NOTABLE ACCOMPLISHMENTS IN 2013-14

The following highlights of significant accomplishments in 2013-14 gauge progress towards the University of Alberta's vision, Dare to Discover, and its four cornerstones.

The reported performance measures provide complementary data and were chosen and developed on the basis of input from key university partners as well as the planning efforts that produced the university's Comprehensive Institutional Plan. These measures help to monitor progress toward the University of Alberta's four cornerstones and the goals of access and research.



The University of Alberta will attract and retain talented people

The world's most talented faculty, promising students, and dedicated staff — the world's most creative thinkers, prolific researchers, and innovative teachers — seek a university that offers the support, facilities, and commitment to excellence they need to thrive. The right environment is essential if the University of Alberta is to become a super-magnet for this kind of talent.

HIGHLIGHTS

- With his work debunking health myths, health law expert Tim Caulfield became the second University of Alberta professor to win a Trudeau Fellowship. It is worth \$225,000 and is tenable for three years.
- A visit to the University of Alberta by the renowned Chinese master artist Fan Zeng and a delegation from Nankai University enriched cultural and educational ties between the two institutions and raised Alberta's world profile. In recognition of its relationship with Nankai University, the University of Alberta hosted Fan—a former dean from Nankai—along with the university's president, a group of professors and 26 Nankai students.
- Actor and University of Alberta drama alumnus Paul Gross and legendary Golden Bears hockey coach Clare Drake were named to the Order of Canada. Drake, "the dean of Canadian intercollegiate hockey coaches," will be inducted into the Order of Hockey in Canada at the end of June. Having inspired players at every level, Drake is most renowned for having coached Golden Bears hockey to 697 wins—a Canadian university record—and to six national championships over his 28 years at the helm. On two occasions Drake was honoured as Canadian university coach of the year. Shortly after Drake's retirement in 1989, the University of Alberta dedicated Varsity Arena in his honour.



Clare Drake

- In 2013-14, more than 950 students participated in the 62 community service-learning courses that are available at the University of Alberta's Edmonton campuses, and 29 CSL courses that are available on the Augustana campus.

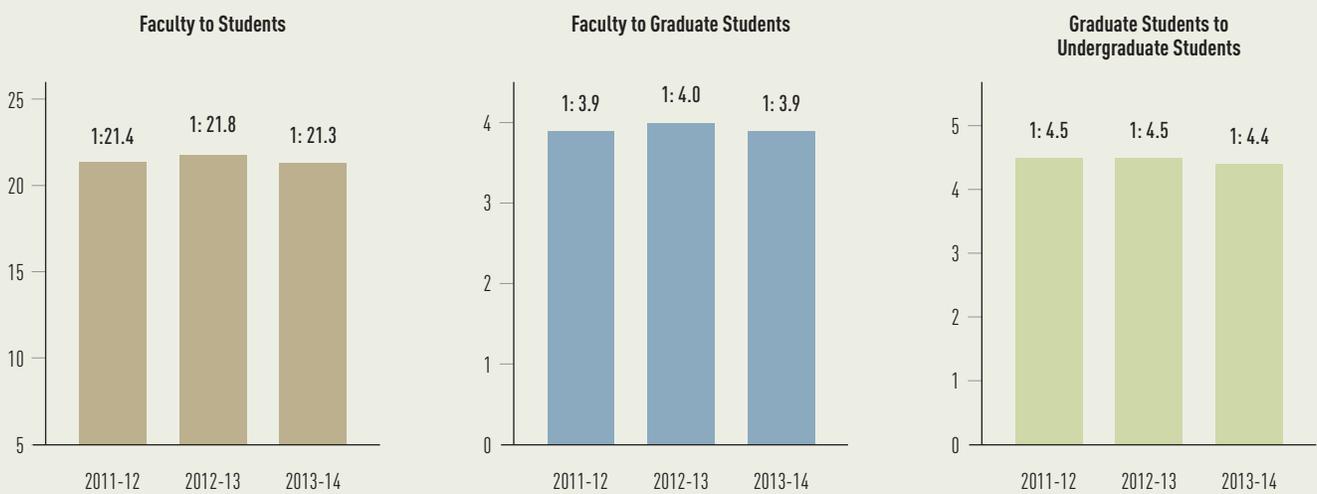
HIGHLIGHTS

- It was a banner year for University of Alberta Athletics as the Golden Bears hockey and volleyball won their programs' 14th and seventh national titles respectively, while the Pandas rugby team won University of Alberta's sixth national women's rugby title.
- Renewable resource researcher Scott Chang studied tree rings from 60-year-old aspen and pine stands and found that trees and soil are adapting to oilsands development, but says careful monitoring is needed over the long term.

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 research intensive institutions have relatively low faculty-to-student and graduate student-to-undergraduate student ratios, indicative of a high-quality learning environment in which students have ample access to instructors and the learning opportunities they offer. We remain committed to the goal of 16 students to one faculty member, but in the current financial climate, we expect to see limited reduction in the student-faculty ratios in the immediate future.

Many leading public research universities have a 3 to 1 ratio of graduate students-to-undergraduate students in order to help foster a dynamic, discovery-based learning environment. The University of Alberta has a graduate-to-undergraduate 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.

FIGURE 1 FULL-TIME EQUIVALENT (FTE) RATIOS



Notes: Student data is based on information in effect on December 1 of the reported year. Post-graduate medical education students are excluded. FTE (full-time equivalent) represents the number of full-time students plus one-third the number of part-time students based on the number of individual students within each reporting category. Staff data is based on information in effect on October 1 of the reported year. 2013-14 data are preliminary. **Sources:** Strategic Analysis Office Data Warehouse for student data. U of A Human Resources data as reported in staff census extracts from PeopleSoft for indicated years as calculated by Strategic Analysis Office, (previously from UCASS extracts, which have been discontinued by Stats Canada).

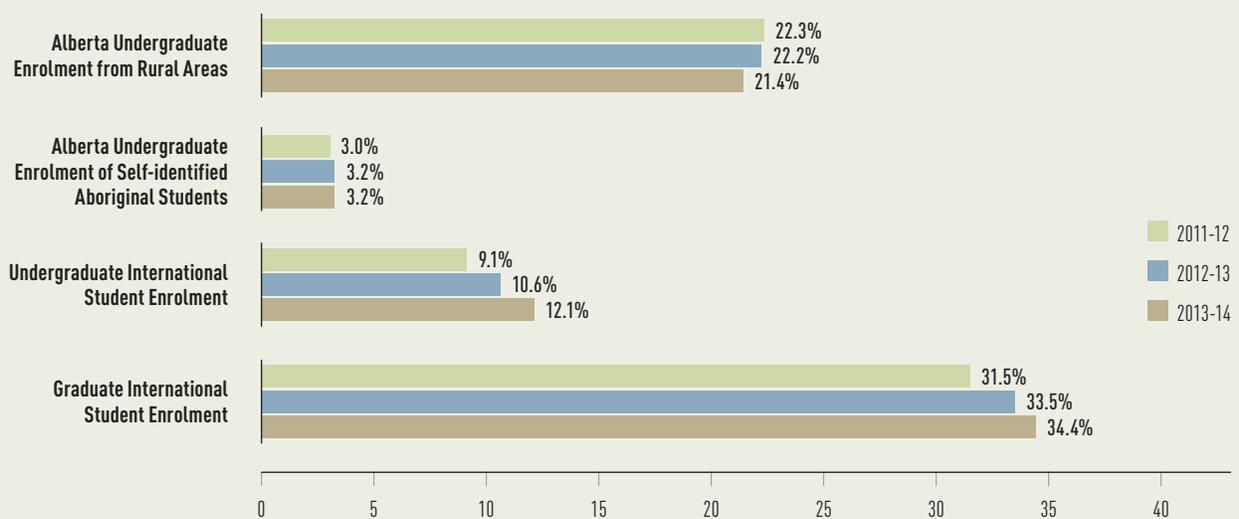
- Kue Young, an international expert in northern and Aboriginal health, is the new dean of the School of Public Health, the country's only accredited public health school.
- With 48 undergrads crossing the stage, the 10-year-old Aboriginal Teacher Education Program graduated its largest class as part of the Faculty of Education's fall convocation. The program allows students to earn a bachelor of education in elementary education while maintaining community, family, and cultural connections.

The university has set in motion strategies to pursue selected long-term enrolment objectives. These include representative proportions of undergraduates from rural and Aboriginal communities of Alberta, as well as higher proportions of international undergraduate and graduate enrolments.

In 2005, the University of Alberta set an institution-wide international undergraduate enrolment target of 15 per cent, and an international graduate student enrolment target of 30 per cent. The graduate target has now been exceeded and the University of Alberta is approaching the undergraduate target.

A balance of enrolment from Alberta, Canada, and the world will help to stimulate development of a knowledge-based economy. Many international students stay in Alberta and contribute to the province's economic growth.

FIGURE 2 ENROLMENT OF SELECTED STUDENT GROUPS



Notes: All data is based on information in effect on December 1 of the reported year. Rural and aboriginal figures are proportions of total Alberta undergraduate enrolment. Rural enrolment is based on the census division of the student's hometown being outside Edmonton or Calgary. Visa student enrolment reflects those students who are not Canadian Citizens or permanent residents. Post-graduate medical education students are excluded. **Source:** Strategic Analysis Office Data Warehouse.

HIGHLIGHTS

- University of Alberta board chair Doug Goss; former University of Alberta law professor; deputy Prime Minister Hon. Anne McLellan; and alumna, governance expert and longtime friend of the University of Alberta, Cathy Roozen, were named to the Alberta Order of Excellence.
- Law PhD student Hadley Friedland won SSHRC’s \$50,000 inaugural Impact Talent Award, which recognizes an emerging scholar and future leader, for her research exploring how Aboriginal legal principles can be practically applied to address today’s issues.
- Lee Green, chair of the Department of Family Medicine, was named the first Alberta Innovates – Health Solutions Translational Health Chair, which was created to build capacity in priority health research and innovation areas. Green’s research targets improving the quality of primary health care in Alberta.

Applications and admissions provide a measure of demand and applicant qualifications. This measure is also resource dependent as flat, or declining, resources will affect the availability of student seats.

The number of applicants admitted has been stable over the reported period while the registration rate fell slightly in 2013-14.

FIGURE 3 APPLICATIONS AND ADMISSIONS



Notes: The numbers reported reflect unique individuals. Registration rate is the proportion of those admitted who registered. This data is based on information in effect on October 1 of the reported year. **Source:** Strategic Analysis Office Data Warehouse.

- The University of Alberta figured prominently in the ASTech Awards, created in 1989 to honour achievements in science and technology in Alberta. This year's winners include former science dean Gregory Taylor, recognized for his vision in helping create the Centennial Centre for Interdisciplinary Science; Aurora Watch, a Northern Lights observation project led by physicist Ian Mann; and Rhodes Scholar Megan Engel, who won the Leaders of Tomorrow Award for her nanotechnology research into neurological disorders such as Parkinson's and Alzheimer's diseases.
- The University of Alberta is launching a new post-doctoral fellowship to examine the role of sexual minorities in sports. Starting this July, the post-doc follows a partnership struck between the University of Alberta's Institute for Sexual Minority Studies and

Services and the You Can Play Project, a North America-wide campaign aimed at eradicating homophobia from professional sports.

- Philip Currie unveiled a near-complete skeleton of a baby Chasmosaurus, a relative of the Triceratops, which he found in Alberta's badlands. The find, which ranks among the famed paleontologist's best, is the world's first intact baby of this species.

Post-doctoral fellows (PDFs) contribute to the research mission of the university. The attraction of post-doctoral fellows, researchers and visiting faculty from around the world to join the academic community is a key Dare to Discover strategy.

University of Alberta's complement of PDFs increased over the first two years of the reported period and then dropped slightly in the last year. This decline, though not desirable, is expected in the current fiscal climate.

FIGURE 4 POSTDOCTORAL FELLOWS



Notes: Numbers reflect headcounts of post doctoral fellows as of October 1 of the reported year. **Source:** U of A staff data, databook table 4.1 2012. Staff census extracts from PeopleSoft for indicated years as calculated by U of A Strategic Analysis Office.

CORNERSTONE 2



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

Great universities stimulate learning and discovery that is cutting-edge, generating new knowledge, innovations, and discoveries that transform everyday life. The world-class university of tomorrow — which the University of Alberta aspires to be— will contribute to scientific, social, and cultural structures of global society in ways that will allow them to change and grow, creating and sustaining prosperity and well-being for future generations.

HIGHLIGHTS

- The university's first massive open online course (MOOC), Dino 101, went live September 4, 2013. Taught by world-renowned paleontologist Phil Currie and his grad students, the course showcases the University of Alberta's expertise in paleontology. Dino 101 has now been internationally recognized as raising the bar on MOOCs globally. Over 35,000 people worldwide signed up for the free course, which has the highest participation (77%) and completion (16%) rates in a free MOOC of any reported to-date.
- The Centre for Teaching and Learning hosted a Blended Learning Symposium to profile the latest developments in digital learning which attracted over 200 digital learning leaders from across the province. Building on that momentum, University of Alberta has launched a multi-year initiative to develop and adopt blended learning in its undergraduate programs.
- The Civil Military Leadership Pilot Initiative, a renewed partnership between the University of Alberta, the Canadian Armed Forces and the Department of National Defence, is now underway. The four-year program requires students to be enrolled within any program and to serve concurrently with a local army reserve unit.
- Five curlers and five Augustana biathletes, along with Golden Bears curling coach, Rob Krepps, Pandas curling coach, Garry Coderre, Pandas hockey coach and seven-time national champion, Howie Draper, and Augustana biathlon coach, Lowell Niven, headed to Italy for the 26th Winter Universiade Games December 11 to 21.



Phil Currie

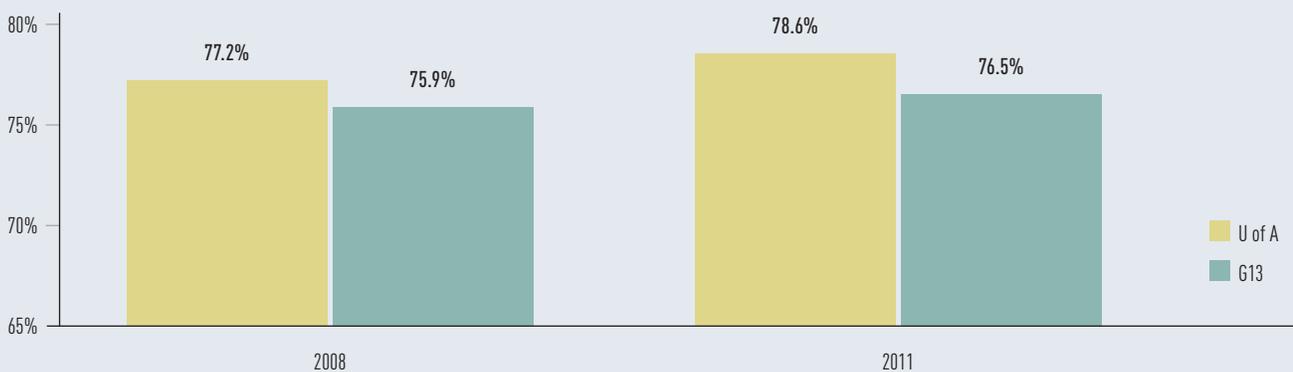
HIGHLIGHTS

- In an effort to improve student mental wellness and academic success, the University of Alberta implemented a fall reading week to begin in 2015. The fall break is meant to allow students to catch up with their studies, earn money to help pay for their education, visit with family and friends, and have a break at a time when the university traditionally starts feeling the fallout of student stress.
- The University of Alberta launched several new initiatives intended to create additional diversity, flexibility, and professional competitiveness for students including two cross-disciplinary credentials (BA/BSc in Interactive Media; Certificate in Computer Game Development) in the areas of advanced digital media and interactive entertainment.

Student satisfaction with their educational experience can lead to a productive lifelong relationship with their university. Our goal is to improve satisfaction as measured through the National Survey of Student Engagement.

Satisfaction with their educational experience has increased amongst senior undergraduate students over the measured period.

FIGURE 5 PERCENT OF SENIOR STUDENTS RATING THEIR EDUCATIONAL EXPERIENCE AS GOOD OR EXCELLENT

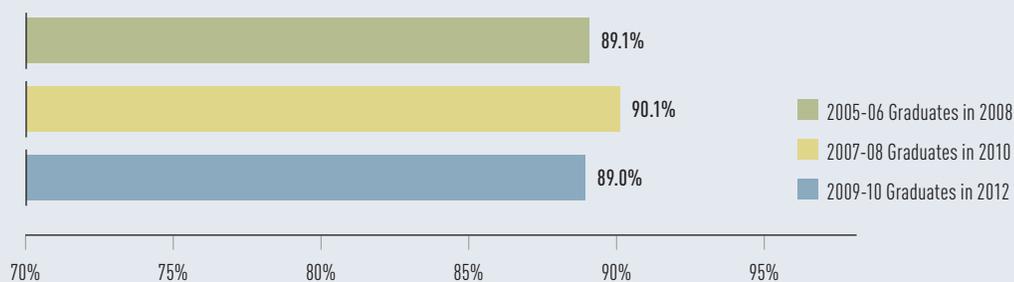


Note: Senior Student designation represents students in their fourth year, or in the year that they are normally expected to graduate. G13 includes 13 Canadian research-intensive universities. Data are the most recent available. **Source:** U of A Frequency Distribution Report, NSSE (National Survey of Student Engagement), 2008 and 2011.

- With Canada ranking as the third-largest producer of video games in the world, the University of Alberta is stepping up efforts to prepare students for an industry worth \$75 billion worldwide by creating a new certificate program in computer game development.
- The Government of Alberta will provide \$7 million in program funding each year over 10 years to support the Peter Lougheed Leadership Initiative, a partnership between the University of Alberta and The Banff Centre. The University of Alberta's component in the initiative, the Peter Lougheed Leadership College, will give students access to new and enhanced leadership programming that reflects the university's diversity and strengths.

Graduate satisfaction provides another dimension of student satisfaction and is an important learner outcome measure. Graduate satisfaction has been high and relatively stable over the measured period, fluctuating around 90%.

FIGURE 6 PROPORTION OF GRADUATES SATISFIED WITH THEIR EDUCATIONAL EXPERIENCE

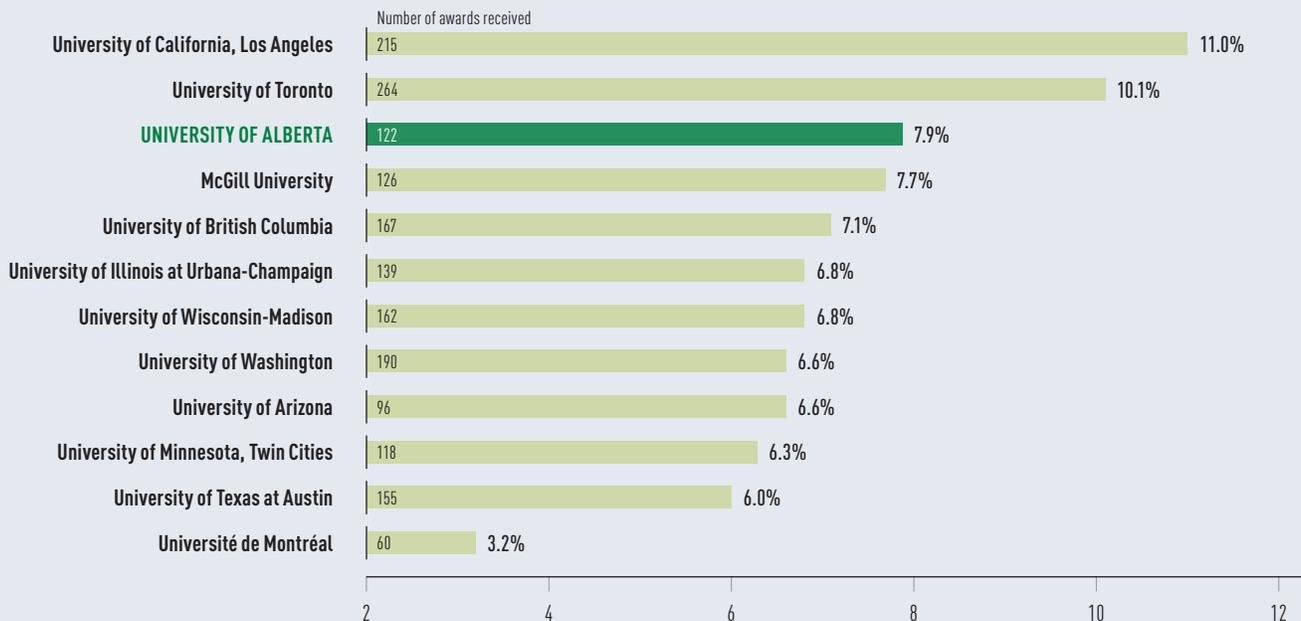


Note: Data are the most recent available. **Source:** Alberta Enterprise and Advanced Education: Alberta Graduate Outcomes Survey.

HIGHLIGHTS

- In recognition of their outstanding scholarly and scientific achievements, civil and environmental engineer Simaan AbouRizk, music professor Debra Cairns, physicist James Pinfold and physics professor emeritus Raymond Egerton were all elected as fellows to the Royal Society of Canada.
- Jonathan White, surgical professor and creator of the popular Surgery 101 podcast, was named a 2014 3M National Teaching Fellow. White is the 41st University of Alberta professor to receive the fellowship, adding to the university’s Canada-leading total of 3M Teaching Fellows.
- The Faculty of Law is involved in an ongoing collaboration with the Alberta Rural Development Network (ARDN), the University of Calgary law school and other partners including the Canadian Bar Association on the Alberta Regional and Rural Access to Justice Project. The project, started in 2011, is aimed at alleviating the shortage of legal services for Albertans who live outside of the province’s cities and towns— where most law firms are established.

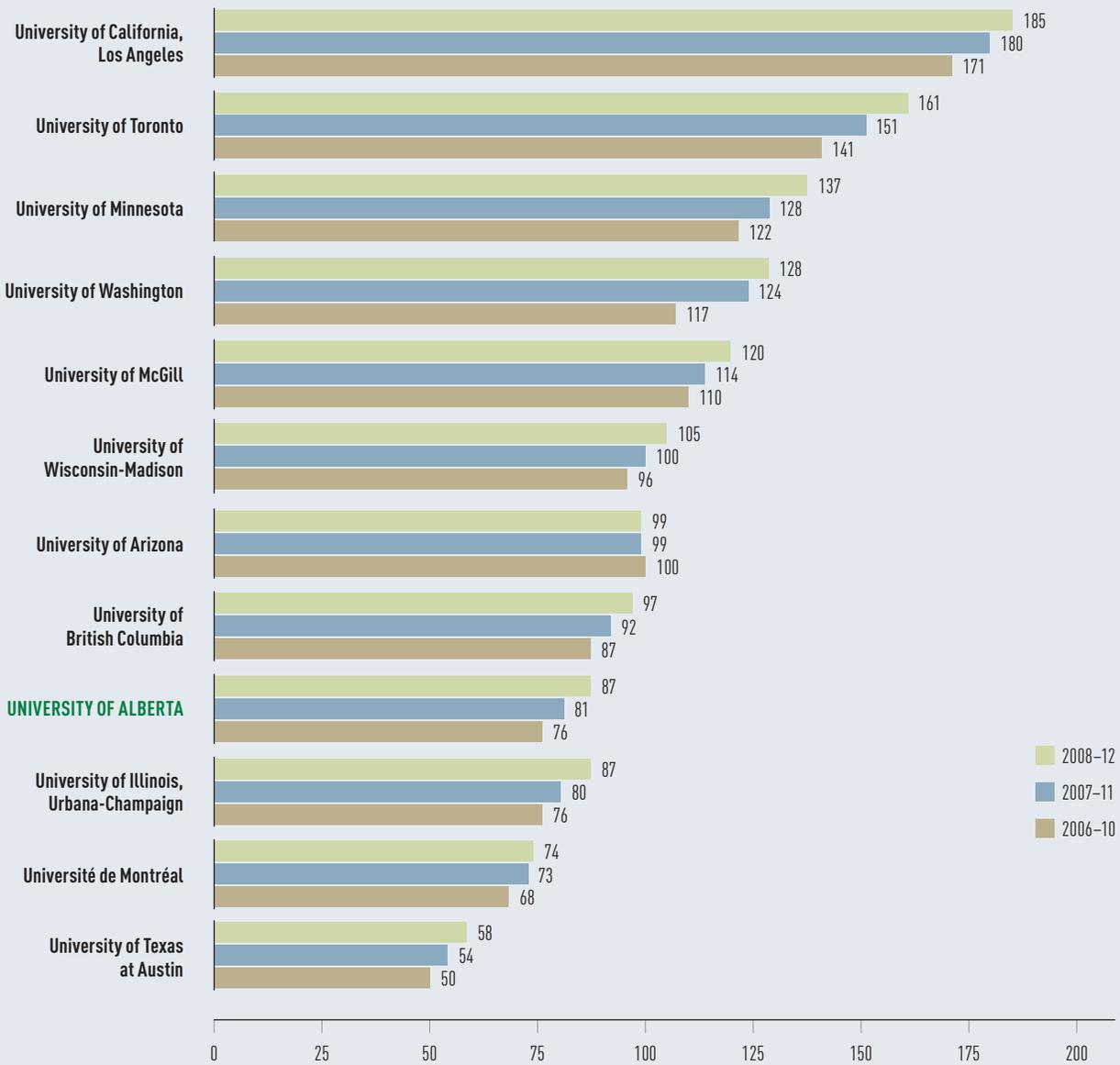
FIGURE 7 PERCENTAGE OF FULL-TIME FACULTY RECEIVING SELECTED AWARDS AND HONOURS, UNIVERSITY OF ALBERTA AND SELECTED PEERS, 2002 TO 2012



Note: Awards include: 3M Teaching Awards, American Academy of Arts and Sciences, CIS Coach of the Year Award, Federal Tri-Council Highest Awards, Fulbright Scholars, Guggenheim Fellowship Awards, Killam Research Fellows, Molson Prize, National Academy of Engineering, National Academy of Sciences, Nobel Prize, Royal Society of Canada Fellows, Royal Society of London, Sloan Research Fellowships and Steacie Fellows. Data may differ from historical information due to source refinement. Data are the most recent available. **Sources:** Award data from individual awarding organizations. Faculty counts from respective U.S. Common Data Sets and the U15 Data Exchange.

The number of times a faculty member's work is cited by peers is a strong validation of excellence. Therefore, universities tend to use citations as an indicator of productivity, relevance and quality.

FIGURE 8 CITATIONS PER FACULTY MEMBER, UNIVERSITY OF ALBERTA AND SELECTED PEERS



Notes: Staff figures represent averages for the reported years. 2012-13 staff figures are not available. Historical citation data has been updated from previous versions. Data is accurate as of August 2, 2013. **Sources:** InCites TM, Thomson Reuters, (2012). Global Comparisons, 5-year trends. Canadian university faculty counts based on Statistics Canada: Salaries and Salary Scale of full-time staff at Canadian Universities Reports and U15 data exchange. US university faculty counts based on their respective Common Data Sets for each respective year.

HIGHLIGHTS

- Environmental sciences student Kelcie Miller-Anderson won an Alberta Emerald Award for her undergraduate research showing that oyster mushrooms can be used to treat tailings ponds. Other University of Alberta winners of this environmental award include the Montane Elk Project, the world's largest radiotelemetry study on elk; and two education programs at the Devonian Botanic Garden.
- The University of Alberta has taken the lead on research devoted to safer drinking water. It's all part of a \$30million collaboration with India and the universities of Toronto and British Columbia called IC-IMPACTS to ensure health, safety, and sustainability for remote and rural communities in Canada and India.



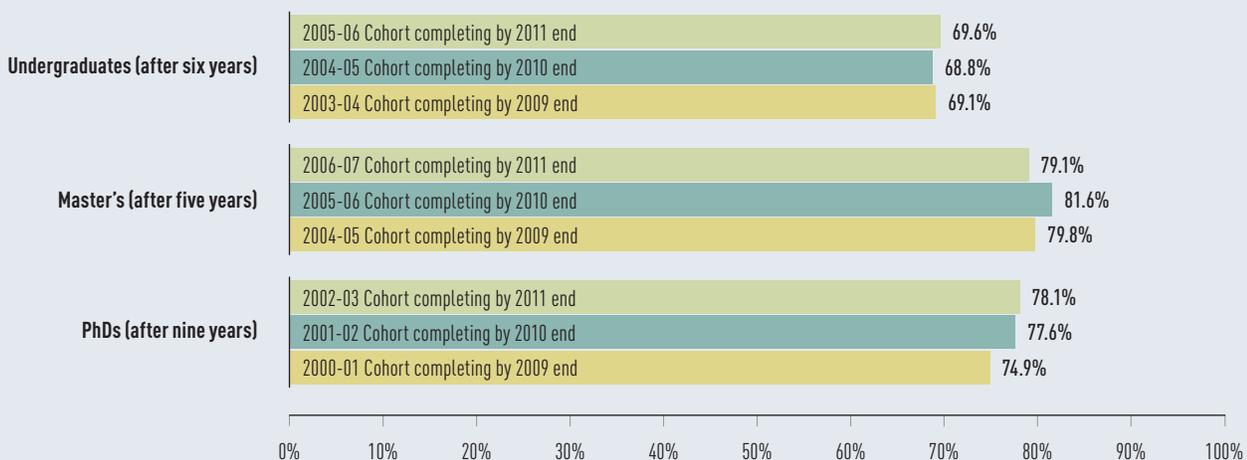
Mark Poesch and students near Terwilliger Park. Research focuses on freshwater aquatic systems.

- Janice Cooke, a researcher in the Department of Biological Sciences, received a \$3million Strategic Network Grant from the Natural Sciences and Engineering Research Council of Canada to invest in her Turning Risk Into Action Network (TRIA-Net), an interdisciplinary team of scientists and forest practitioners from government, not-for-profit, and industry organizations addressing the spread of the devastating mountain pine beetle.
- The University of Alberta continues to implement a three-year, \$3million grant from Alberta Health to support student mental health. The university is extending the capacity of the mental health centre with satellite counsellor offices, increasing hours of service, establishing a community social work team, and enhancing wellness education and programming.

The following chart provides on-time completion rates for undergraduate, masters and PhD students.

Rates for PhD students have shown improvement over the reported period. Other rates have remained stable.

FIGURE 9 COMPLETION RATES, UNIVERSITY OF ALBERTA



Notes: Data are the most recent available. Completion Rate methodology defined and implemented by U15. Completers in the Undergraduate Completion Rate represent students who graduated from the U of A in any program. Completers in the Master's and PhD Completion Rates represent students who graduated with either a Master's or PhD. **Source:** Figures are based on the U15 methodology, but have been modified to include course-based Master's students in the analysis.

CORNERSTONE 3



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

Can one of the world's great universities be at once exclusive, yet inclusive? Exceptional, yet accessible? The University of Alberta's goal is to be recognized not only for being great, but also for being good: for effectively contributing to the communities that rely on it for solutions, for assuring that its students understand the value of volunteering, and for cultivating the diversity of thought, mind, and character that are essential to modern society.

HIGHLIGHTS

- A record 21,899 donors, including a record 20,071 individuals, and an eight-year high of 13,221 alumni donated more than \$87 million during the 2013-14 fiscal year. Advancement also won major communications awards through Council for the Advancement and Support of Education (CASE) and Canadian Council for the Advancement of Education (CCAIE). A landmark study also estimated that University of Alberta alumni have collectively founded more than 70,000 organizations globally, creating more than 1.5 million jobs and generating annual revenues of \$348.5 billion. By comparison, the annual gross domestic product of the province of Alberta is \$306.7 billion.
- Two nutrition researchers at the University of Alberta are making it easy for people living in the Prairies to eat a heart-healthy diet using local, affordable foods. Rhonda Bell and Cathy Chan, nutrition professors in the Faculty of Agricultural, Life and Environmental Sciences, wrote a book entitled *Pure Prairie Eating Plan: Fresh Food, Practical Menus and a Healthy Lifestyle*. It contains a detailed 28-day menu with numerous recipes for three meals and three snacks every day.

Prior to 2012, when the Donation Acceptance Policy and its accompanying counting guidelines went into effect, sponsored research, selected government support, and real estate played a significant role in annual fund-raising achievement. While real estate continues to be counted as a donation, government support and sponsored research are no longer included.

FIGURE 10 UNIVERSITY OF ALBERTA FUNDRAISING ACHIEVEMENT, LATEST 5 YEARS



Note: Fundraising achievement totals consist of new pledges, grants, and gifts (including matching gifts); pledge payments and write offs are not included. In fiscal year 2012, newly adopted donation counting guidelines resulted in the one-time recording of \$39 million in bequests that were confirmed in writing in prior years. **Source:** Board of Governors' Reports, University of Alberta.

HIGHLIGHTS

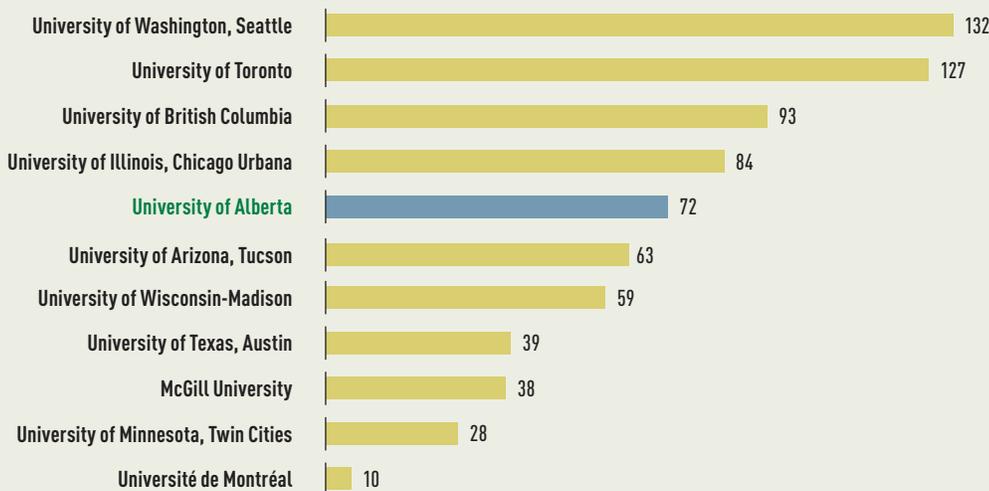
- Graham Pearson, Canada Excellence Research Chair in Arctic Resources, will develop new technologies for diamond exploration in the new Arctic Resources Geochemistry Laboratory. The facility will help spur the development of new methods for dating diamonds, advance our understanding of diamond deposits deep underground, and aid scientists and industry in determining which deposits are economically viable.
- The University of Alberta launched two new entrepreneurial initiatives, Entrepreneurship@UAlberta and eHUB, to help students grow their ideas into thriving business ventures. It's all part of an effort to catalyze an ecosystem and culture of entrepreneurship

and innovation on campus. Entrepreneurship@UAlberta has a physical space to call home in eHUB, located in HUB Mall. eHUB serves as a meeting space for students of all backgrounds to come together and collaborate on ideas, host talks, and put on workshops related to entrepreneurship.

Start-up companies enable the university to share new knowledge with the community and attract top-calibre 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.

The following measure reflects not only the creation of spinoffs, but their persistence: an area where the University of Alberta excels.

FIGURE 11 CONTINUING SPINOFFS 2003-2012



Notes: Startups still in operation started at any time during the report period that are still in operation as of the most recent AUTM Licensing Survey. University of California, Los Angeles is not represented as it is reported as part of the California System only. Data are the most recent available. **Source:** AUTM STATT Database.

- The Canadian Centre for Women in Science, Engineering, Trades and Technology (WinSETT Centre), led by the University of Alberta's Margaret-Ann Armour, received \$250,000 to help retain and advance female scientists and engineers working in the oil and gas sector across Alberta. The integrative WinSETT program is nationally allied with industry, government, academia, associations, unions, and NGOs, to examine and address gender- and culture-based issues women face in finding their way in science, engineering, and technology fields all across Canada.
- Three agreements signed between the University of Alberta and a leading Chinese university founded by Sun Yat-sen—the revolutionary founder of modern China—are broadening opportunities for student and faculty exchanges and collaborative research. They include an institution-wide agreement to foster academic exchanges and co-operation among faculty and students, a university-wide student exchange agreement, and a funding agreement to attract top Chinese PhD students to the University of Alberta through the China Scholarship Council program.
- University of Alberta Libraries teamed up with Strathcona High School to produce a peer-reviewed journal to showcase research by high-school students. The publication, the first of its kind in Canada, will have a home on the University of Alberta Libraries open journal hosting service, an electronic platform that already hosts 29 peer-reviewed academic journals related to University of Alberta research or faculty.



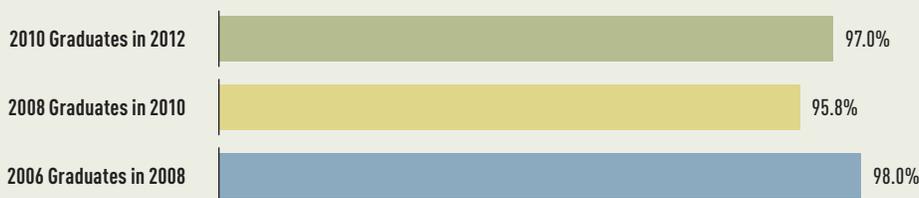
Centennial Centre for Interdisciplinary Science

HIGHLIGHTS

- The University of Alberta is helping to restore Somali National University (SNU), destroyed by the country’s civil war in the 1990s. In November 2013, the government announced that SNU would be revived, at an expected cost of US\$3.6 million, so last March, the University of Alberta’s education faculty mailed 400 books to the university via the international courier DHL. With the help of Ali Abdi, a Somali expat and University of Alberta education professor, the University of Alberta is also stepping up to help meet the need for instructors.
- Kue Young of the University of Alberta’s School of Public Health is working with associate professor Arto Ohinmaa on a five-year project to look at primary health care in the Northwest Territories, where injuries, infectious diseases, such as tuberculosis and suicide, are particularly serious problems that northern communities face today. Other researchers in the school, including Cindy Jardine and Tania Bubela, are also working extensively with circumpolar peoples.

Employment is an important university outcome measure. As illustrated in figure 12, University of Alberta graduates are consistently highly employed. This survey is performed every two years with the most recent data available in 2012.

FIGURE 12 OVERALL GRADUATE EMPLOYMENT RATE TWO YEARS AFTER GRADUATION



Note: Data are the most recent available. **Source:** Alberta Enterprise and Advanced Education: Alberta Graduate Outcomes Survey.

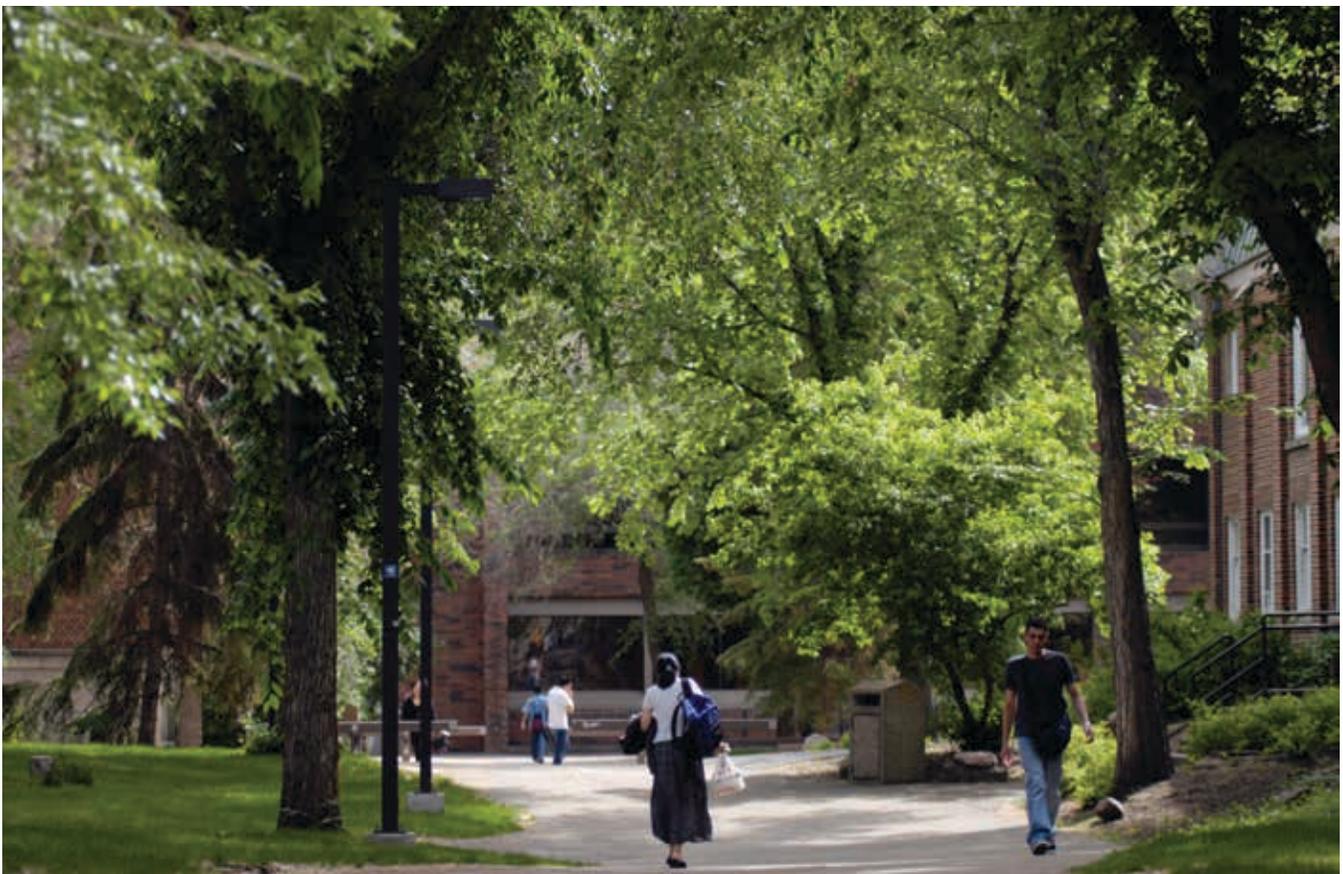


The University of Alberta will exemplify transformative organization and support

A great university is characterized by, and recognized for, effective governance, strong leadership, and a commitment to helping each member of the university community achieve his or her potential — as scholars, as employees, in their professions, and in their lives. Only by constantly re-assessing ourselves and re-committing to new standards of excellence can the University of Alberta continue to grow and thrive.

HIGHLIGHTS

- The University of Alberta welcomed Gerald Beasley as vice-provost and chief librarian. His previous library experience includes leadership positions at the Canadian Centre for Architecture in Montreal, the Avery Architectural and Fine Arts Library of Columbia University in New York, and Concordia University in Montreal. Lisa Collins also joined the university as vice-provost and registrar, coming from the University of British Columbia, where she served as project director and associate registrar of enrolment services.
- Paying the \$30,000 launch fee for the first made-in-Alberta satellite is one of the University of Alberta projects being supported through the university's crowdfunding platform, a dynamic online way for large groups of grassroots supporters to chip in money to finance dream projects on campus. Play Around the World, a program that brings sport to underprivileged children around the world, raised \$15,560, and University of Alberta Pride Week raised more than \$10,000.
- TEC Edmonton, a joint venture between the university and the city, was ranked the 17th best university business incubator in the world by the University Business Incubator Index. The UBI's Global Benchmark Report 2013 benchmarked the performance and best practices of university business.



Summer on campus, Rutherford Library

- A new awards program was launched at the University of Alberta to recognize those who “go above and beyond” in promoting human rights on campus. The Human Rights Education Recognition Awards are handed out each year to one exceptional student, one faculty member, one teacher, and one support staff member.
- Opening in September 2013, Tamarack and Pinecrest residences provided an additional 244 bed spaces within the East Campus Village area.
- In June 2013, the province of Alberta promulgated the *Public Interest Disclosure (Whistleblowing) Act*. This Act applies to most public entities in the Province of Alberta, including the University of Alberta. The Act facilitates the disclosure and investigation of wrongdoings alleged to have occurred at a public entity in Alberta. It also protects individuals who report alleged wrongdoings from reprisal. Of the 75 disclosures made through the university’s safe disclosure processes during the fiscal year of 2013-14, none constituted a public interest disclosure as defined under the Act.



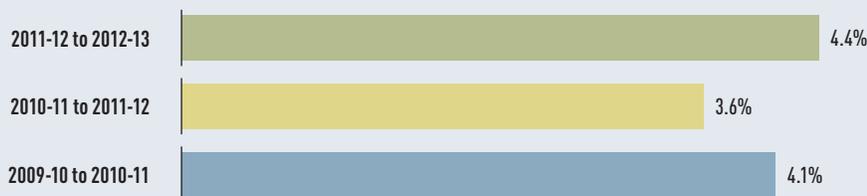
Pinecrest House residence

HIGHLIGHTS

- The federal government provided 23 University of Alberta-led research projects with almost \$15 million in operating funds to bolster research in all areas of health. The funding, announced February 13 by the Canadian Institutes of Health Research, the arm of the federal government responsible for funding health research, was part of the September 2013 Open Operating Grant Program.
- Engineering students Alberto Palomino and Shawn Smith, and physics student Marc-Olivier Lajeunesse, took part in the Canada-Norway Sounding Rocket exchange program, travelling to the Andoya rocket range in Norway to learn about the engineering, technology, and science behind rockets and to get hands-on experience by launching a rocket of their own.

The university seeks a high level of administrative efficiency in its operations, striving for the top level in Alberta Advanced Education and Technology's key performance indicator (five per cent or less of expenditures for administrative purposes is expected).

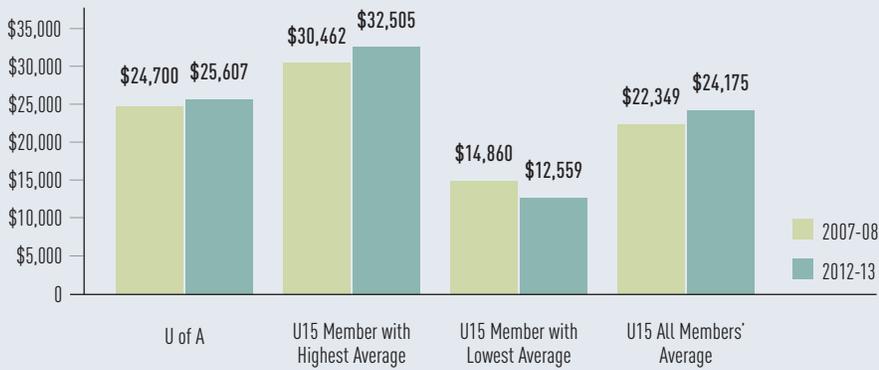
FIGURE 13 PROPORTION OF OPERATING EXPENDITURES GOING TOWARDS ADMINISTRATIVE PURPOSES, TWO-YEAR CYCLES



Note: Methodology as defined by Enterprise and Advanced Education. Data are the most recent available.
Source: Financial Information and Reporting System.

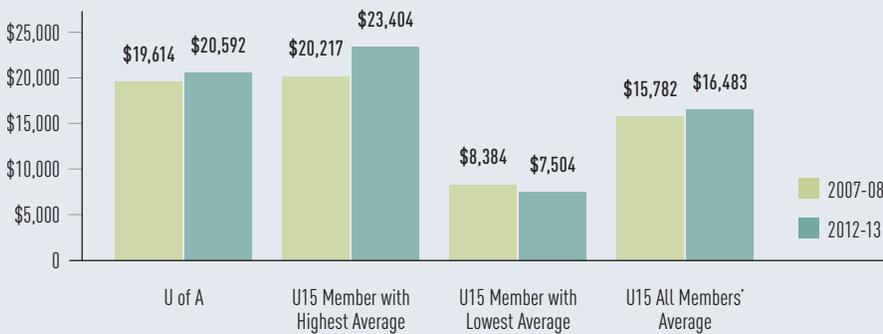
The University of Alberta provides competitive financial support at both the Doctoral and Research Masters levels. Our goal is to remain competitive when compared to our peers when considering tuition, financial support and cost of living.

FIGURE 14 AVERAGE FINANCIAL SUPPORT PER DOCTORAL STUDENT, UNIVERSITY OF ALBERTA AND U15 UNIVERSITIES



Note: Excludes Health Sciences. Includes aggregate provincial amounts for QC institutions. Data are the most recent available.
Source: U15 Data Exchange, Graduate Student Financial Support pivot as of June 2, 2014.

FIGURE 15 AVERAGE FINANCIAL SUPPORT PER RESEARCH MASTERS STUDENT, UNIVERSITY OF ALBERTA AND U15 UNIVERSITIES



Note: Excludes Health Sciences. Includes aggregate provincial amounts for QC institutions. Data are the most recent available. **Source:** U15 Data Exchange, Graduate Student Financial Support pivot as of June 2, 2014.

HIGHLIGHTS

- Researchers received \$500,000 from Genome Alberta and its partners to develop a faster, less expensive testing device that can detect E. coli while meat is still at food processing facilities.
- A new \$28 million Medical Isotope and Cyclotron Facility opened in 2013, located on South Campus. The facility will revolutionize how medical isotopes are manufactured for clinical use and establishes the University of Alberta as a centre of excellence in medical cyclotron research. It will produce a safe, reliable supply of isotopes that are used for 80 per cent of nuclear medicine diagnostic procedures.
- The Alberta Biodiversity Conservation Chairs program received more than \$4 million for five years to examine the cumulative impact of industrial development on biodiversity around Alberta. The two chairs, Scott Nielsen from the Faculty of Agricultural, Life and Environmental Sciences and Stan Boutin from the Faculty of Science, will explain how the combined effects of human activities, as they relate to the energy sector, affect biodiversity.



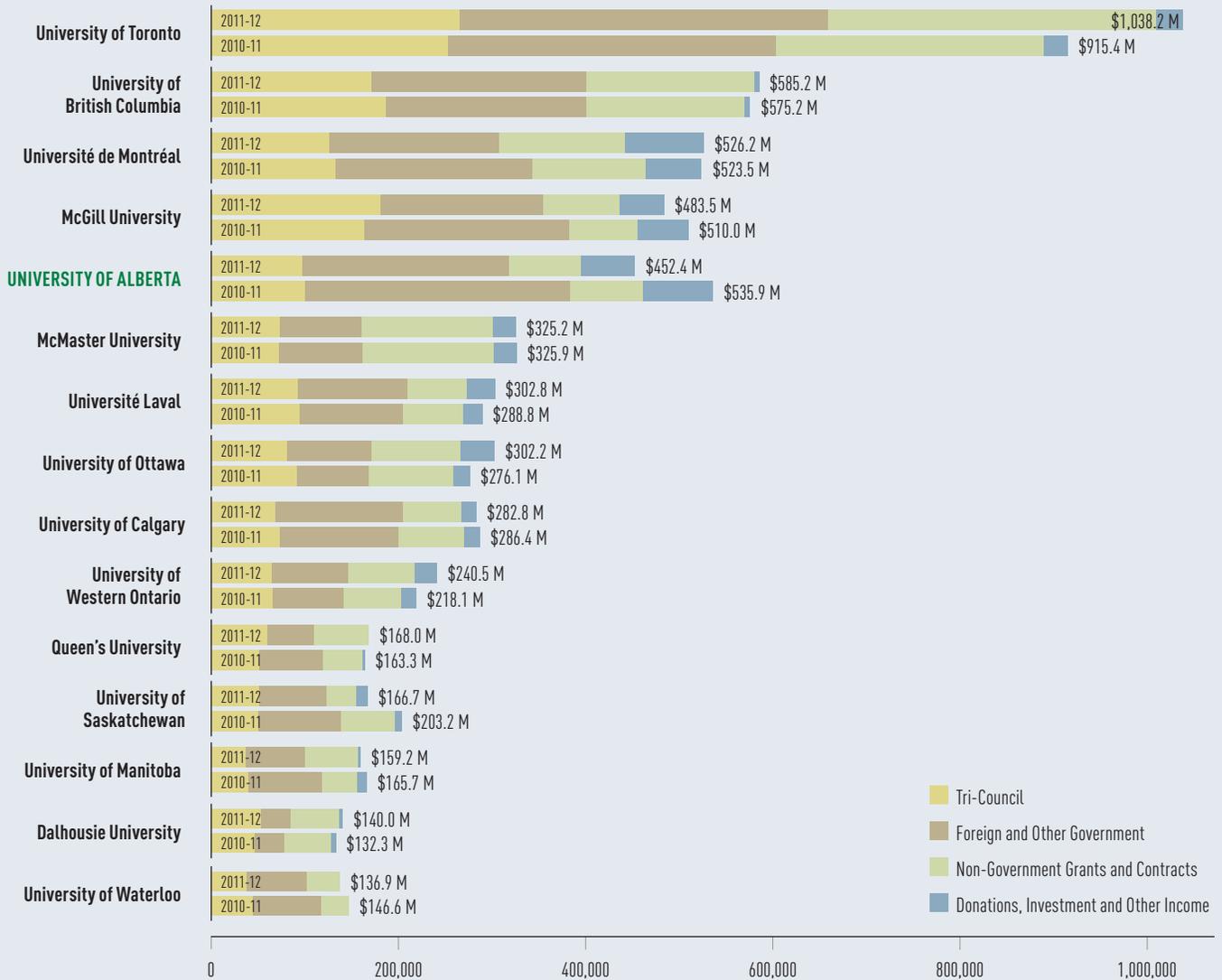
Medical Isotope and Cyclotron Facility on February 12, 2013

Sponsored research revenue provides an indication of research performance.

The University of Alberta is 5th in our Canadian peer group in total sponsored research revenue. Our goal is to be within the top five funded institutions.

The decrease in Sponsored Research Funding from Foreign and Other Government for the University of Alberta, from 2011 to 2012, is principally provincial research funding.

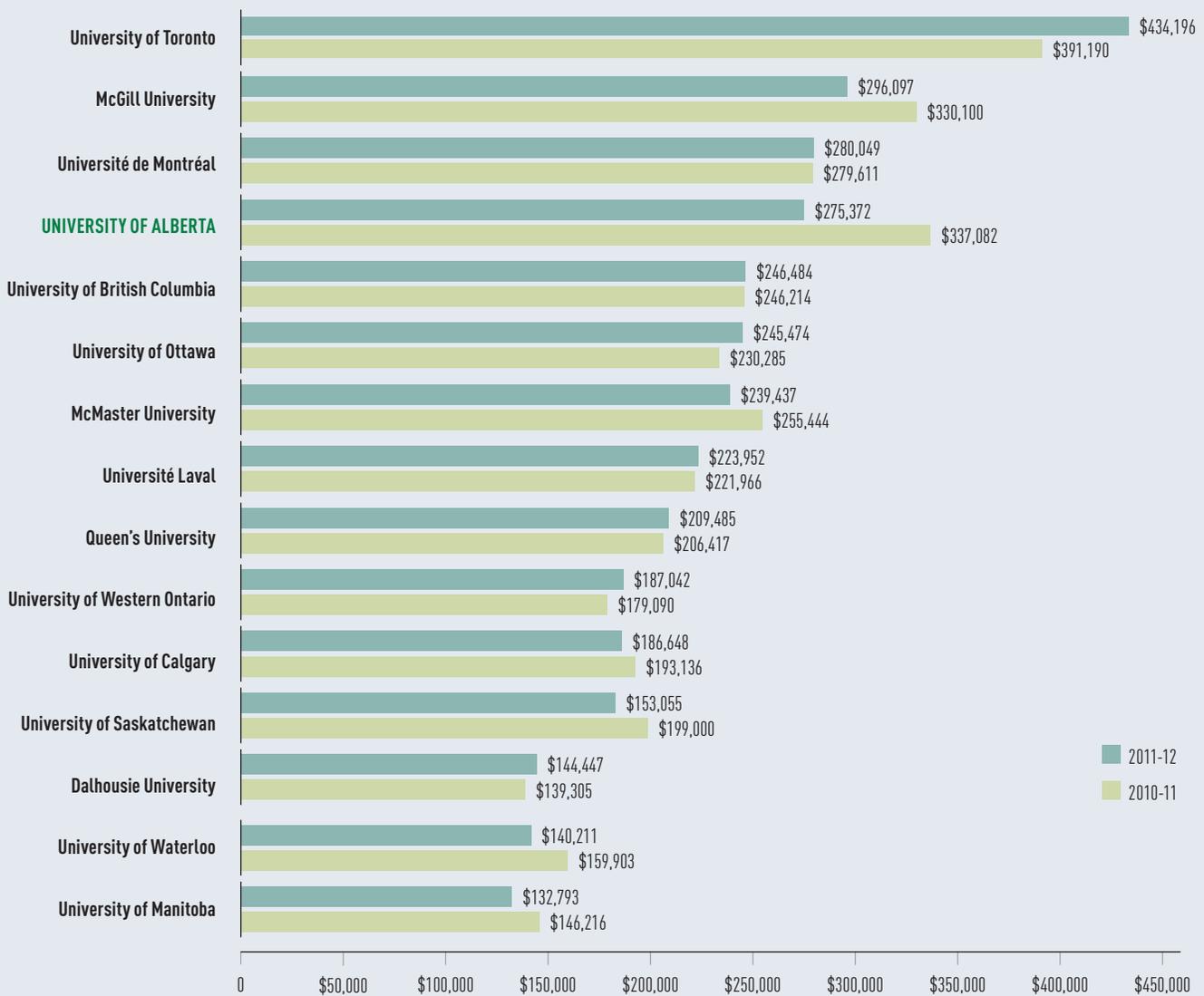
FIGURE 16 U15 SPONSORED RESEARCH INCOME BY TYPE



Notes: The universities are listed in descending order by 2011-12 Sponsored Research Income. Income from Tri-Council includes: Social Sciences and Humanities Research Council (SSHRC); Natural Sciences and Engineering Research Council (NSERC); and Canadian Institutes of Health Research (CIHR). Other Government income reflects income from all government departments and agencies - grants and contracts, less Tri-Council and includes foreign government income. Donations, non-government grants and contracts, and investment and other incomes, are reported in each respective category on the CAUBO report. Université de Montréal includes Ecole Polytechnique de Montréal and HEC Montréal. **Sources:** Canadian Association of University Business Officers (CAUBO): Financial Information of Universities and Colleges ending in 2011 and 2012, Report 3.1. Data are the most recent available.

When sponsored research revenue is scaled for faculty size, the University of Alberta is 4th in our Canadian peer group.

FIGURE 17 SPONSORED RESEARCH INCOME PER FULL-TIME TEACHING FACULTY FOR U15 UNIVERSITIES



Notes: Full-time teaching faculty (including Medical/Dental) are Professors, Associate Professors and Assistant Professors. Université de Montréal includes École Polytechnique de Montréal and HEC Montréal. **Sources:** CAUBO Financial Information of Universities and Colleges ending in 2011 and 2012, Report 3.1. Statistics Canada Salaries and Salary Scales of Full-time Teaching Staff at Canadian Universities, 2010-11. U15 Data Exchange for 2011-12 Faculty Counts (using UCASS 2011-12) as the Statistics Canada report is no longer being produced. Data are the most recent available.

RENEWING AND ENHANCING FACILITIES AND INFRASTRUCTURE

In the competitive world of 21st century post-secondary education, the vitality and vibrancy of University of Alberta's education and research ecosystem can only be maintained through well-supported, well-planned, and strategic repurposing and renewal of its facilities. As the university changes and the academy transforms, so must space needs and requirements.

While the University of Alberta has recently completed and opened several new and renewed formal learning and research spaces, increased enrolment and demand continue to strain existing academic support space such as fitness facilities, formal and informal collaboration/social space, libraries, collections and storage, housing, and daycares. These spaces help attract and retain students, faculty, and staff because together they form and support an environment conducive to a successful academic outcome and experience. Purpose built student housing is a key driver leading to successful learner outcomes and strong alumni relations.

The following projects were recorded as substantially completed in fiscal year 2013-14:

- **Li Ka Shing:** This year, the capital fit out of the CGMP (current good manufacturing practice) area was completed, which concludes the remaining major fit-up for this facility. The extensive commissioning process will continue throughout 2014 and final certification granted for 2014-15.

This space has attracted world leading researchers in the areas of soils reclamation and water research.
- **Innovation Centre for Engineering:** Even with the renewal and repurposing of the existing Chemical and Materials Engineering building, there is a continued and pressing need for program space in the Faculty of Engineering. ICE will support the faculty's focus on providing space for increased access for graduate programs and associated faculty and staff. Construction of the base shell and core of this facility is nearly complete and fit-out of the facility is scheduled to proceed in the Spring of 2014.
- **Student housing:** In September 2013, the university opened two new student residences located within East Campus Village. These facilities provided an additional 240 beds and increased our ability to provide on-campus housing to just over 13.75% of our full-time students. These new residences provide housing for undergraduate, international, and graduate students, and they support the university's goal of providing purposed built housing for up to 25 per cent of its full-time student population.
- **South Academic Building Repurposing:** A portion of the South Academic Building has been repurposed and renewed to accommodate the growing need for wet lab space for the Faculty of Agricultural, Life and Environmental Sciences, and School of Public Health.
- **Medical Isotope and Cyclotron Facility:** The partnered project on South Campus for the redevelopment of the old Balmoral Curling Club into a state of the art cyclotron facility was completed in late 2012. The university and its partners (Alberta Health Services, Natural Resources Canada and Advanced Cyclotron Systems) will be moving into the space through 2013 and into 2015. University operation of the cyclotron and use of the space commenced January 2013.

The following major funded capital projects were underway in 2013-14 fiscal:

- **Physical Activity and Wellness (PAW) Centre:** Construction of this facility began in late 2012 in response to growing demand for additional recreation and fitness as well as research and programming space in the Faculty of Physical Education and Recreation. This project is funded in partnership with the Students' Union, Graduate Students' Association, Alberta Lotteries, private donors, and institutional dollars.
- **Pharmacy Fit-Out:** Phase II of the Pharmacy fit-out within the Medical Sciences building has commenced. This space is connected to both the Katz Group Centre for Pharmacy and Health Research and Edmonton Clinic Health Academy and provides needed space for the dean's office, student services, and teaching and research. Scheduled completion is September 2014.
- **Innovation Centre for Engineering Fit-Out:** Due to the critical need to accommodate the demand and planned growth of our Engineering programs, the university has approved funding for the fit-out of this facility. Notwithstanding the self-funding of the entire project to date, the university continues to seek government support for a portion of the fit-out, which is highlighted in Table 3 of the 2014 Comprehensive Institutional Plan—Highest New and Expansion Priorities (page 146).
- **Students' Union Buildings Expansion:** The SUB renovation project is intended to address current weak spots in how the building has developed over time. The project is designed to achieve two important long-term goals: ensuring that the building continues to be kept up-to-date and well-maintained, and encouraging student involvement in campus groups, events, and volunteer opportunities. This project is funded through an Alberta Capital Finance Authority (ACFA) mortgage and backed by fees collected by the Students' Union.
- **St. Joseph's Women's Residence:** This residence expansion project aims to introduce 282 beds to the University of Alberta's on-campus housing inventory. An extension of St. Joseph's College, the new, all-female residence will operate in a collaborative manner with the rest of the university's residence system. This project is funded through the support of St. Joseph College funding and ACFA mortgage that is supported through rent.
- **Saskatchewan Drive Residence:** This residence expansion project will add 144 beds to our on-campus housing inventory. The new residence will be part of the larger Peter Lougheed Leadership Initiative, a joint initiative between The Banff Centre and the University of Alberta, focused on leadership development for undergraduate students.

FINANCIAL HIGHLIGHTS FOR 2014

The financial highlights are intended to provide the reader with key points for the 2013-2014 fiscal year. Additional detail is available in the complete financial analysis available at <http://www.financial.ualberta.ca/en/AnnualFinancialStatements.aspx>.

From total revenue of \$1,764.5 million, the university ended the year with an excess of revenue over expense of \$18.4 million.

Net assets increased by \$156.3 million with increases in endowments (\$113.8 million), investment in tangible capital assets (\$31.4 million) and unrealized investment gains (\$24.1 million). The increase in investment in tangible capital assets was funded by the excess of revenue over expense and an increase to the accumulated deficit from operations of \$13.0 million.

HIGHLIGHTS

- Grants from the Government of Alberta (GoA) represent the university's single largest source of funding for university activities. GoA grants decreased as compared to prior year due to the decrease in the Campus Alberta operating grant (\$24.2 million). GoA grants are \$21.4 million more than budget mainly due to the Campus Alberta grant adjustment (\$14.4 million) that was announced mid-year and a one-time tuition fee regulation grant (\$3.9 million).
- Federal and other government grants primarily support the university's research activities. There are no significant differences compared to prior year or to budget.
- Enrollment is comparable to last year and is expected to remain relatively stable over the next few years. The annual budgeted increase is due to the increase in instructional fees, which is based upon the increase to the annual CPI.
- Ancillary services and academic and administrative units generate revenue through the sale of services and products to individuals and organizations external to the university. Ancillary services generated sales of \$96.6 million and academic and administrative units generated sales of \$95.5 million. Sales revenue is \$9.2 million more than budget due to a general increase across many academic and administrative units.

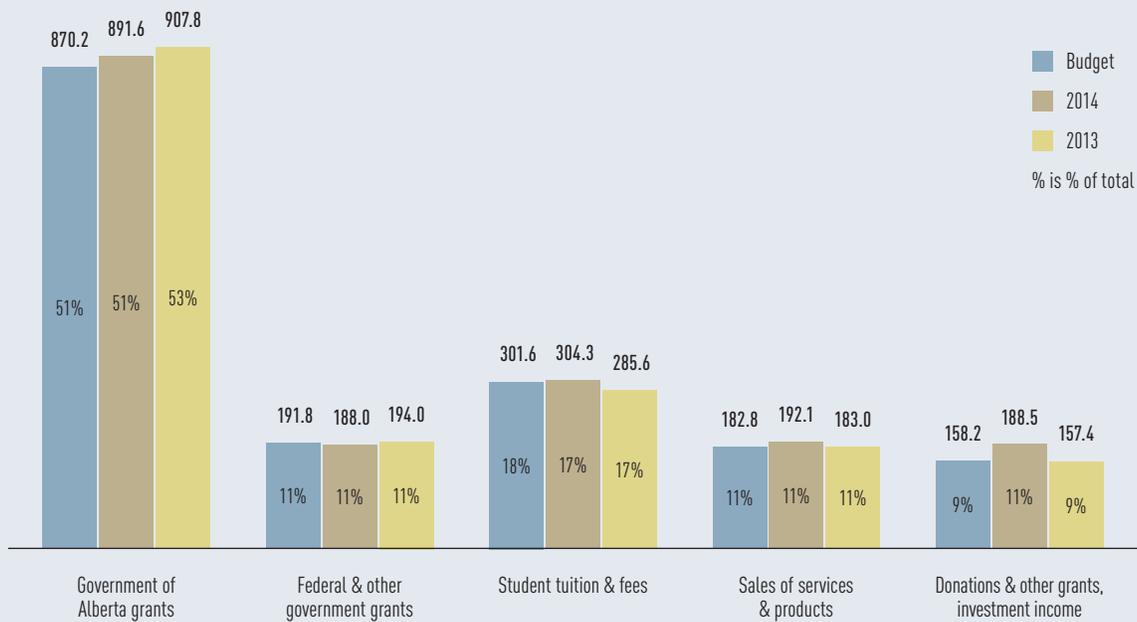


Summer on campus; Doug Peterson teaching a class outside

- Donations and other grants support many university activities; a significant portion of this funding is in support of research activities. There were no significant differences compared to prior year or to budget.
- Investment income increased by \$31.6 million compared to prior year and is \$33.3 million more than budget. Investments primarily fall into two categories, the Unitized Endowment Pool (UEP) and the Non-Endowed Investment Pool (NEIP). The UEP returned 15.4% (2013: 12.2%) and represents the majority of

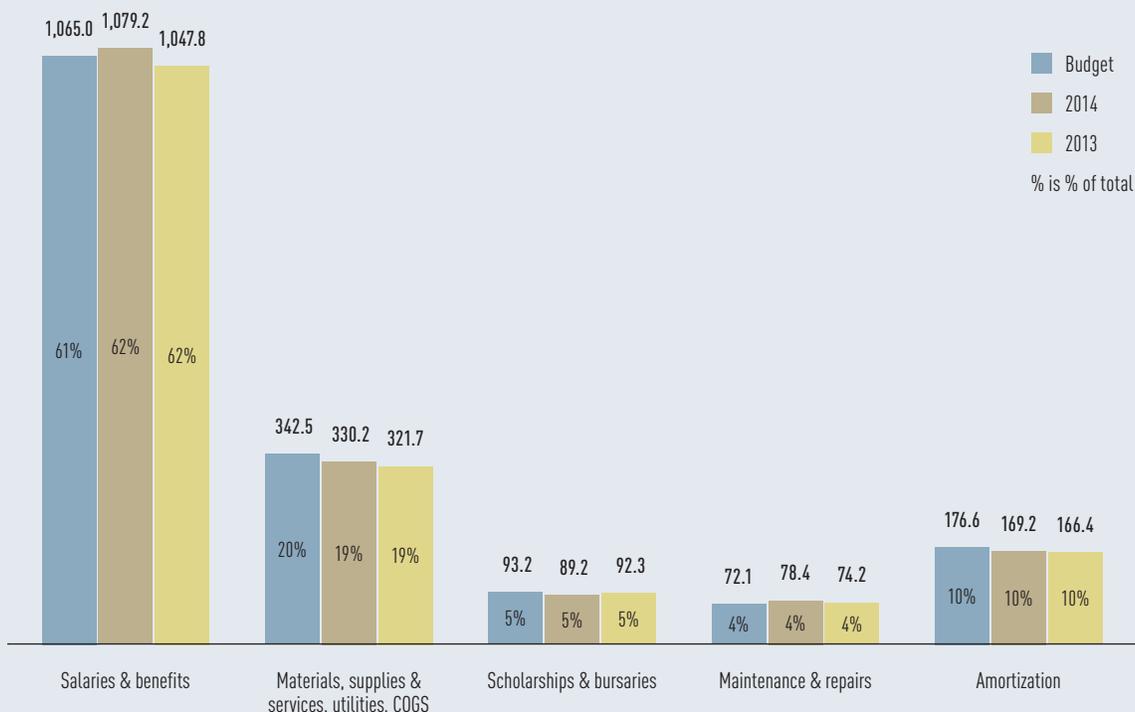
the university's long-term investment strategy. In fiscal 2013-14 several investment managers in the long-term strategy were replaced. This necessitated the sale of investments that had appreciated in value and resulted in significant realized capital gains. The NEIP investments which are allocated to the short-term, mid-term and long-term investment strategies returned 6.0% (2013: 3.5%). During fiscal 2013-14 the allocation to the long-term investment strategy was increased which benefited the aggregate return.

FIGURE 18 REVENUE (\$MILLIONS)



- Total expense amounted to \$1,746.2 million and has increased by \$43.8 million over the prior year.
- Salaries and benefits are the university's largest expense representing 62% of total expense. Salaries increased \$22.9 million (3%) and benefits increased \$8.5 million. The salary expense budget included negotiated salary increases (1.65%) and merit increases for eligible employees. Salary expense is \$11.2 million more than budget due to the accrual for the voluntary severance program (\$14.7 million) announced in fiscal 2013-14. Benefits expense is comparable to budget.
- Materials, supplies and services expenses are \$16.1 million less than budget due to lower than anticipated expenditures in research funds. Utilities are \$3.2 million more than budget due to a higher than budgeted natural gas rate. Cost of goods sold is comparable to budget.
- Maintenance and repairs is \$6.3 million (9%) more than budget mainly due to projects that are ahead of schedule. Scholarships and bursaries are \$4.0 million (4%) less than budget. This category was budgeted to increase over prior year, however due to the sudden change in the GoA operating grant, which created uncertainty with respect to the university operating funds, some restraint was being exercised at all expenditure levels, including scholarships and bursaries.

FIGURE 19 EXPENSE BY OBJECT (\$ MILLIONS)



RISK IMPLICATIONS

Like all internationally competitive research-intensive universities, the University of Alberta must deal with a variety of risks that have the potential to hinder its growth and the realization of its vision, mission, and strategic objectives.

RISK IMPLICATIONS

1. The cuts in provincial funding, uncertainty regarding government policy on tuition and low interest rates, combined with underlying cost pressures, will require the university to undergo significant structural changes across the academy and administrative operations. This new financial reality gives rise to numerous institutional risks including the impact on quality; ability to grow research and establish international partnerships; maintenance of program accreditation; ability to attract and retain the highest-quality faculty, staff, and students; maintenance of infrastructure; and overall institutional reputation.
2. Enrolment growth must be managed from the perspective of meeting the labour demands of the province and supporting the research mandate of the university.
3. Without the appropriate number of leaders, teachers, researchers, and support staff contributing to their full potential, the university will not be able to provide the quality of the learning experience or participate in the world-leading research expected of an internationally competitive research university.
4. For the university to remain relevant to its students and meet the needs and expectations of its faculty to engage in the highest-calibre research, it requires continuous investment in leading-edge IT infrastructure, highly skilled personnel, and support.
5. The continuation of appropriate levels of Infrastructure Maintenance Program funding to avoid a return to increasing levels of deferred maintenance.
6. An institution that aspires to be among the top research-intensive universities in the world requires access to and flexibility in funding that would enable it to leverage tens of millions of research dollars from provincial, national, and international sources and permanent base funding to support core research infrastructure.
7. The university must address the current economic and financial challenges it faces in such a way that it does not negatively affect its increasing national and international reputation as an exceptional place to learn and work.
8. The university must also promote appropriate risk management plans and strategies that develop responsive attitudes and behaviour at all levels of the organization in order to maintain a healthy and safe environment for all.
9. Previous and planned budget reductions may negatively affect the capacity of the university to provide the programs and services required for students to meet their potential.

Through its integrated enterprise risk management framework, the university will monitor, manage, and mitigate these and other emerging risks in an effort to avoid substantial impact on the university's ability to fulfill its strategic objectives.

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 University 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 *Fiscal Management 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 statements in accordance with generally accepted accounting principles.

Original signed by Indira V. Samarasekera, OC

President and Vice-Chancellor

Original signed by Phyllis Clark

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

INDEPENDENT AUDITOR'S REPORT

FOR YEAR ENDED MARCH 31, 2014



Independent Auditor's Report

To the Board of Governors of the University of Alberta

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the University of Alberta, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, remeasurement gains and losses, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the University of Alberta as at March 31, 2014, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 2, 2014

Edmonton, Alberta

UNIVERSITY OF ALBERTA FINANCIAL STATEMENTS

FOR YEAR ENDED MARCH 31, 2014

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014
(thousands of dollars)

	2014	2013
ASSETS		
Cash and cash equivalents (note 3)	\$ 25,188	\$ 17,156
Portfolio investments (note 4)	1,883,164	1,696,984
Accounts receivable	110,461	122,722
Inventories and prepaid expenses	15,825	13,005
Tangible capital assets (note 7)	2,739,548	2,730,905
	\$ 4,774,186	\$ 4,580,772
LIABILITIES		
Accounts payable and accrued liabilities	\$ 251,036	\$ 194,549
Employee future benefit liabilities (note 8)	250,303	239,695
Debt (note 9)	202,023	175,822
Deferred revenue (note 10)	2,633,778	2,689,914
	3,337,140	3,299,980
NET ASSETS		
Endowments (note 11)	993,688	879,861
Accumulated operating surplus (note 12)	404,461	386,101
Accumulated remeasurement gains and losses	38,897	14,830
	1,437,046	1,280,792
	\$ 4,774,186	\$ 4,580,772

Contingent liabilities and contractual obligations (note 13 and 14)

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

	Budget (note 15)	2014	2013
REVENUE			
Government of Alberta grants (note 16)	\$ 870,228	\$ 891,613	\$ 907,806
Federal and other government grants	191,807	188,057	193,937
Student tuition and fees	301,629	304,321	285,629
Sales of services and products	182,838	192,081	183,034
Donations and other grants	118,835	115,862	116,441
Investment income	39,336	72,601	40,952
	1,704,673	1,764,535	1,727,799
EXPENSE			
Instruction and non-sponsored research	993,213	1,000,228	981,192
Sponsored research	421,822	405,199	398,923
Facility operations and maintenance	121,287	127,624	117,527
Special purpose	109,953	115,025	111,230
Ancillary services	103,089	98,085	93,515
	1,749,364	1,746,161	1,702,387
Excess of revenue over expense	(44,691)	18,374	25,412
Transfer (to) from endowments (note 11)	10,000	(14)	8,095
Change in accumulated operating surplus	(34,691)	18,360	33,507
Accumulated operating surplus, beginning of year	386,101	386,101	352,594
Accumulated operating surplus, end of year (note 12)	\$ 351,410	\$ 404,461	\$ 386,101

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

**UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2014**

(thousands of dollars)

	2014	2013
OPERATING TRANSACTIONS		
Excess of revenue over expense	\$ 18,374	\$ 25,412
Add (deduct) non-cash items:		
Amortization of tangible capital assets	169,151	166,387
Expended capital recognized as revenue	(114,226)	(112,697)
Losses on disposal of tangible capital assets	1,386	964
Inventory writedown	547	300
Increase in employee future benefit liabilities	10,608	9,252
Decrease in accounts receivable	12,261	41,135
Increase in inventories and prepaid expenses	(3,367)	(32)
Increase (decrease) in accounts payable and accrued liabilities	46,150	(25,050)
Increase in deferred revenue, less expended capital recognized as revenue	29,875	31,820
Cash provided by operating transactions	170,759	137,491
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets, net of proceeds on disposals	(150,965)	(171,726)
Cash applied to capital transactions	(150,965)	(171,726)
INVESTING TRANSACTIONS		
Purchases of portfolio investments, net of sales	(118,665)	9,052
Endowment investment gains (losses)	60,227	(1,191)
Cash (applied to) provided by investing transactions	(58,438)	7,861
FINANCING TRANSACTIONS		
Endowment donations	20,475	30,096
Debt repayment	(11,874)	(10,991)
Debt - new financing	38,075	3,500
Cash provided by financing transactions	46,676	22,605
Increase (decrease) in cash and cash equivalents	8,032	(3,769)
Cash and cash equivalents, beginning of year	17,156	20,925
Cash and cash equivalents, end of year (note 3)	\$ 25,188	\$ 17,156

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

	2014	2013
Accumulated remeasurement gains, beginning of year	\$ 14,830	\$ -
Unrealized gains (losses) attributable to:		
Portfolio investments	38,573	14,830
Derivatives	(1,292)	-
Amounts reclassified to consolidated statement of operations:		
Portfolio investments	(13,214)	-
Accumulated remeasurement gains, end of year	\$ 38,897	\$ 14,830

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

UNIVERSITY OF ALBERTA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

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 Innovation and Advanced Education, 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 – Canadian Public Sector Accounting Standards (PSAS) and use of estimates

These consolidated financial statements have been prepared in accordance with PSAS. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. Employee future benefit liabilities and amortization of tangible capital assets are the most significant items based on estimates. In management'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 consolidated financial statements and, together with the following notes, should be considered an integral part of the consolidated financial statements.

(b) Net debt model presentation

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

(c) Valuation of financial assets and liabilities

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

Cash and cash equivalents, Portfolio investments, Derivatives - fair value
Accounts receivable, Accounts payable and accrued liabilities, Debt - amortized cost

Unrealized gains and losses from changes in the fair value of financial assets and liabilities are recognized in accumulated remeasurement gains and losses, except for the restricted amount which is recognized as deferred revenue or endowment net assets. Upon settlement, the gains and losses are reclassified from accumulated remeasurement gains and losses and recognized as revenue or expense.

All financial assets except derivatives are assessed annually for impairment. Impaired financial losses are recognized as a decrease in revenue, except for the restricted amount which is recognized as a decrease in deferred revenue or a decrease in endowment net assets. A write-down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial assets and liabilities measured at amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial assets and liabilities that are measured at amortized cost and expensed when measured at fair value.

Derivatives are recorded at fair value in the consolidated statement of financial position. Derivatives with a positive or negative fair value are recognized as assets or liabilities. Unrealized gains and losses from changes in the fair value of derivatives are recognized in accumulated remeasurement gains and losses, except for the restricted amount which is recognized as deferred revenue or endowment net assets. Upon settlement, the gains and losses are reclassified from accumulated remeasurement gains and losses and recognized as revenue or expense.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either measure the entire contract at fair value or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the university's normal course of business are not recognized as financial assets or liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2014

(thousands of dollars)

2. Summary of significant accounting policies and reporting practices (continued)

(d) Revenue recognition

Revenues are reported on an accrual basis. Cash received for which services and products have not been provided is recognized as deferred revenue.

Government grants, non-government grants and donations

Government transfers are referred to as government grants.

Restricted grants and donations are recognized as deferred revenue if the terms for use, or the terms along with the university's actions and communications as to the use, create a liability. These grants and donations are recognized as revenue when the terms are met.

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

In kind donations of services and materials are recognized at fair value when a fair value can be reasonably determined. Volunteers as well as university staff contribute an indeterminable number of hours per year to assist the university in carrying out its mission; such contributed services are not recognized in these consolidated financial statements.

Grants and donations related to land

Grants and donations for the purchase of land are recognized as deferred revenue when received and recognized as revenue when the land is purchased. An in kind grant or donation of land is recognized as revenue at the fair value of the land when a fair value can be reasonably determined. When the fair value cannot be reasonably determined, the in kind grant or donation is recorded at nominal value.

Endowments

Donations that must be maintained in perpetuity are recognized as a direct increase in endowment net assets when received or receivable. Investment income and unrealized gains and losses that also must be maintained in perpetuity are recognized as endowment net assets when received or receivable.

Investment income

Investment income includes dividends, interest income and realized gains and losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments from unrestricted grants and donations are recognized in accumulated remeasurement gains and losses until settlement. Once realized, these gains and losses are recognized as investment income. Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as revenue when the terms of the grant or donation are met.

(e) Inventories

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

(f) Tangible capital assets

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

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

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

Tangible capital asset write-downs are recorded when conditions indicate they no longer contribute to the university's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Net write-downs are recognized as expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2014

(thousands of dollars)

2. Summary of significant accounting policies and reporting practices (continued)

(g) Employee future benefits

Pension

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

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participating employer based on their respective percentage of employer contributions. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

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, along with investment income, to provide the plan's future benefits.

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 discount rate based on the university's cost of borrowing and management's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains and 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 prorated on services, a discount rate based on the university's cost of borrowing and management's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

Supplementary retirement plans

The university provides non-contributory defined benefit supplementary retirement benefits to executive 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 and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

The university provides non-contributory defined contribution supplementary retirement benefits to eligible academic staff based on years of service and earnings. The expense for this plan is the employer's current year contribution to the plan as calculated in accordance with the plan rules.

Administrative/professional leave

The university provides for certain executive to accrue a paid leave of absence at the end of their executive appointment. The expense for these plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

General illness

The cost of providing non-vesting and non-accumulating compensated absences to a maximum of 26 weeks (academic staff) or 120 days (support staff) under the university's general illness 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 and management's best estimate of the period of employee disability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

(thousands of dollars)

2. Summary of significant accounting policies and reporting practices (continued)

(h) Investment in government partnerships

Proportionate consolidation is used to record the university's share of the following government partnerships:

- 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.
- Western Canadian Universities Marine Sciences Society (20% interest) - provides research infrastructure in the marine sciences for member universities and the world-wide scientific community.

These government partnerships are not material to the university's consolidated financial statements; therefore, separate condensed financial information is not presented.

(i) Expense by function

The university uses the following categories of functions on its consolidated statement of operations:

Instruction and non-sponsored research

Expenses relating to support for the academic functions of the university both directly and indirectly. This function includes expenses incurred by faculties for their scholarly and non-sponsored research activities and by institutional wide administrative services.

Sponsored research

Expenses for all sponsored research activities specifically funded by restricted grants and donations.

Facility operations and maintenance

Expenses relating to maintenance and renewal of facilities that house the teaching, research and administrative activities within the university. These include utilities, facilities administration, building maintenance, custodial services, landscaping and grounds keeping, as well as major repairs and renovations.

Special purpose

Expenses for student awards and bursaries and other programs involving teaching and learning, and community service specifically funded by restricted grants and donations.

Ancillary services

Expenses relating to services and products provided to the university community and to external individuals and organizations. Services include the university bookstore, parking services, utilities and student residences.

(j) Future accounting changes

In June 2010, the Public Sector Accounting Board issued PS 3260 (Liability for Contaminated Sites). This accounting standard is effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, sediment of material (chemical, organic, radioactive) or live organism that exceeds an environmental standard. The university will be required to recognize a liability related to the remediation of such contaminated sites subject to certain recognition criteria. Management is currently performing an assessment of this accounting change and has not yet determined the impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

3. Cash and cash equivalents

	2014	2013
Cash	\$ 20,202	\$ 17,156
Money market funds	4,986	-
	\$ 25,188	\$ 17,156

Money market funds also include short-term notes and treasury bills with a maturity less than three months from the date of acquisition.

4. Portfolio investments

	2014	2013
Fair value		
Cash and money market funds	\$ 601,750	\$ 625,905
Floating rate notes	115,317	101,720
Canadian government and corporate bonds	175,505	157,981
Canadian equity	283,084	242,166
Foreign equity	574,741	447,865
Pooled hedge funds	64,516	62,213
Real estate funds	65,113	56,029
	1,880,026	1,693,879
Other at amortized cost	3,138	3,105
	\$ 1,883,164	\$ 1,696,984

As at March 31, 2014, the average effective yields and the terms to maturity are as follows:

- Money market funds: 1.29% (2013 - 1.23%); term to maturity: less than one year.
- Canadian government and corporate bonds: 1.99% (2013 - 1.85%); terms to maturity: range from less than one year to more than 10 years.

The categorization of portfolio investments measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable is as follows:

	2014				2013			
	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total
Cash and money market funds	\$ 26,983	\$ 574,767	\$ -	\$ 601,750	\$ -	\$ 625,905	\$ -	\$ 625,905
Floating rate notes ⁽⁴⁾	-	108,725	6,592	115,317	-	-	101,720	101,720
Canadian government and corporate bonds	-	175,505	-	175,505	-	157,981	-	157,981
Canadian equity	277,305	-	5,779	283,084	237,911	-	4,255	242,166
Foreign equity	574,741	-	-	574,741	447,865	-	-	447,865
Pooled hedge funds	-	64,516	-	64,516	-	62,213	-	62,213
Real estate funds	8,574	-	56,539	65,113	8,570	-	47,459	56,029
	\$ 887,603	\$ 923,513	\$ 68,910	\$ 1,880,026	\$ 694,346	\$ 846,099	\$ 153,434	\$ 1,693,879

The fair value measurements are those derived from:

- ⁽¹⁾ Quoted prices in active markets for identical assets.
- ⁽²⁾ Inputs other than quoted prices included within level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- ⁽³⁾ Valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).
- ⁽⁴⁾ The categorization of floating rate notes has changed from level 3 to level 2 due to a change in valuation method from an estimated model to observable market prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

4. Portfolio investments (continued)

The changes in fair value of level 3 portfolio investments are as follows:

	2014	2013
Balance, beginning of year	\$ 153,434	\$ 125,287
Unrealized gains	24,059	16,901
Purchases	2,904	19,208
Proceeds on sale	(3,620)	(7,067)
Floating rate notes from level 3 to level 2	(108,725)	-
Other	858	(895)
	\$ 68,910	\$ 153,434

5. Derivatives

Derivative financial instruments are used by the university to manage currency exposure primarily with respect to portfolio investments. The university uses foreign currency forward contracts to manage its foreign exchange currency exposure on certain portfolio 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. As at March 31, 2014 the university held foreign currency forward contracts for settlement on April 16, 2014, with a notional amount of \$279,534 (2013 - \$229,478). The fair value of outstanding foreign currency forward contracts receivable is \$8,384 (2013 - \$12,076) and of foreign currency forward contracts payable is \$18,645 (2013 - \$11,880). The fair value measurement of derivative financial instruments is categorized into level 1 as described in (note 4).

6. Financial risk management

The university is exposed to the following risks:

Market risk

Market risk is 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 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 portfolio investments. The university's management for risk has not changed from prior year.

The university assesses its portfolio sensitivity to a percentage increase or decrease in the market prices. The sensitivity rate is determined using the historical annualized standard deviation for the total Unitized Endowment Pool over a four year period as determined by the BNY Mellon Asset Servicing consulting report. At March 31, 2014, if market prices had a 7.7% (2013 - 8.7%) increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains and losses and endowment net assets for the year would be \$76,917 (2013 - \$76,320).

Foreign exchange risk

Foreign exchange risk on portfolio investments is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign currencies. The university 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.

Credit risk

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

The credit risk on money market funds and bonds (including floating rate notes) are as follows:

- Money market funds: R-1(high) 76.9% (2013 - 69.2%); R-1(mid) 23.1% (2013 - 30.6%); not rated 0.0% (2013 - 0.2%).
- Bonds: AAA 25.4% (2013 - 25.8%); AA 35.5% (2013 - 29.3%); A 32.9% (2013 - 22.2%); BBB 1.4% (2013 - 15.5%); not rated 4.8% (2013 - 7.2%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

(thousands of dollars)

6. Financial risk management (continued)

Liquidity risk

The university maintains a portfolio of short-term investments with rolling maturity dates to manage short-term cash requirements. The university maintains a short-term line of credit to ensure that funds are available to meet current and forecasted financial requirements. In 2014, the line of credit was not drawn upon.

Interest rate risk

Interest rate risk is the risk to the university's earnings that arise from the fluctuation and degree of volatility in those rates. This risk is managed by investment policies that limit the term to maturity of certain fixed income instruments that the university holds. Interest rate risk on the university's debt is managed through fixed interest rate agreements with Alberta Capital Finance Authority (note 9).

The maturity and effective market yield of interest bearing investments are as follows:

	< 1 year	1 - 5 years	> 5 years	Average effective market yield
	%	%	%	%
Money market funds	100.0	-	-	1.3
Canadian government and corporate bonds	1.6	44.2	54.2	2.8
Floating rate notes	1.3	3.2	95.5	0.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

7. Tangible capital assets

	2014				
	Buildings and utilities	Equipment, furnishings and systems	Learning resources	Land	Total
Cost					
Beginning of year	\$ 3,115,848	\$ 1,197,978	\$ 339,854	\$ 85,463	\$ 4,739,143
Acquisitions	111,642	44,003	20,465	3,070	179,180
Disposals	-	(11,231)	-	-	(11,231)
	3,227,490	1,230,750	360,319	88,533	4,907,092
Accumulated amortization					
Beginning of year	931,481	835,467	241,290	-	2,008,238
Amortization expense	77,148	72,185	19,818	-	169,151
Disposals	-	(9,845)	-	-	(9,845)
	1,008,629	897,807	261,108	-	2,167,544
	\$ 2,218,861	\$ 332,943	\$ 99,211	\$ 88,533	\$ 2,739,548
	2013				
	Buildings and utilities	Equipment, furnishings and systems	Learning resources	Land	Total
Cost					
Beginning of year	\$ 3,020,539	\$ 1,143,342	\$ 319,513	\$ 85,463	\$ 4,568,857
Acquisitions	95,309	63,203	20,341	-	178,853
Disposals	-	(8,567)	-	-	(8,567)
	3,115,848	1,197,978	339,854	85,463	4,739,143
Accumulated amortization					
Beginning of year	857,045	770,817	221,429	-	1,849,291
Amortization expense	74,436	72,090	19,861	-	166,387
Disposals	-	(7,440)	-	-	(7,440)
	931,481	835,467	241,290	-	2,008,238
	\$ 2,184,367	\$ 362,511	\$ 98,564	\$ 85,463	\$ 2,730,905

Included in buildings and utilities is \$145,612 (2013 - \$129,732) recorded as construction in progress, which is not amortized as the assets are not in service.

Acquisitions include in kind donations in the amount of \$28,215 (2013 - \$6,964).

The university holds library permanent collections and other permanent collections which include works of art, museum specimens, archival materials and maps. These collections are not included in tangible capital assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

8. Employee future benefit liabilities

	2014			2013		
	Academic staff	Support staff	Total	Academic staff	Support staff	Total
UAPP	\$ 170,303	\$ -	\$ 170,303	\$ 165,855	\$ -	\$ 165,855
Long-term disability	8,166	19,529	27,695	8,459	18,971	27,430
Early retirement	28	24,485	24,513	102	23,662	23,764
SRP (defined contribution)	13,663	-	13,663	10,759	-	10,759
SRP (defined benefit)	8,528	-	8,528	7,094	-	7,094
Administrative/professional leave	4,340	-	4,340	3,518	-	3,518
General illness	742	519	1,261	726	549	1,275
	\$ 205,770	\$ 44,533	\$ 250,303	\$ 196,513	\$ 43,182	\$ 239,695

(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, 2012 and was then extrapolated to March 31, 2014, resulting in a UAPP deficit of \$1,056,921 (2013 - \$1,149,175) consisting of a pre-1992 deficit (\$845,077) and a post-1991 deficit (\$211,844). The university's portion of the UAPP deficit has been allocated based on its percentage of the plan's total employer contributions for the year.

The unfunded deficit for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2013 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.87% (2013 - 2.34%) of salaries required to eliminate the unfunded deficit by December 31, 2043. The Government of Alberta's obligation for the future additional contributions is \$310,693 at March 31, 2014. The unfunded deficit for service after December 31, 1991 is financed by special payments of 5.54% (2013 - 5.54%) of pensionable earnings shared equally between employees and employers until December 31, 2025.

Long-term disability (LTD) and general illness (GI)

The university provides long-term disability and general illness defined benefits to its academic and support staff. The most recent actuarial valuation for these benefits was as at March 31, 2014. The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date. The general illness plan provides similar benefits but for a maximum of 26 weeks (academic staff) or 120 days (support staff).

Early retirement

The early retirement benefits for support staff include bridge benefits and a retirement allowance. Bridge benefits allow 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 (those with 20 years of pensionable service at retirement date) 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. An actuarial valuation of these benefits was carried out as at March 31, 2014.

Supplementary retirement plans (SRP)

The university provides non-contributory defined benefit supplementary retirement benefits to executive. The SRP obligation is calculated based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries. An actuarial valuation of these benefits was carried out as at March 31, 2014.

Administrative/professional leave (leave)

The university provides for certain executive to accrue a paid leave at the end of their executive appointment. Upon completing their term of service, the individual's salary and benefits in effect at the end of the service are paid for the duration of the leave. The leave obligation is calculated based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries. An actuarial valuation of these benefits was carried out as at March 31, 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

8. Employee future benefit liabilities (continued)

(a) Defined benefit plans accounted for on a defined benefit basis (continued)

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

	2014				2013			
	UAPP	LTD, GI ⁽¹⁾	Early retirement ⁽¹⁾	SRP, leave ⁽¹⁾	UAPP	LTD, GI ⁽¹⁾	Retirement ⁽¹⁾	Early SRP, leave ⁽¹⁾
Expense								
Current service cost	\$ 38,731	\$ 12,272	\$ 1,100	\$ 1,756	\$ 33,208	\$ 14,505	\$ 1,469	\$ 1,334
Interest cost	13,437	1,878	1,210	593	13,610	1,823	1,125	542
Amortization of actuarial (gains) losses	4,444	579	(64)	(16)	3,473	441	(135)	171
	\$ 56,612	\$ 14,729	\$ 2,246	\$ 2,333	\$ 50,291	\$ 16,769	\$ 2,459	\$ 2,047
Liability								
Accrued benefit obligation								
Balance, beginning of year	\$ 864,438	\$ 31,042	\$ 22,925	\$ 10,099	\$ 763,083	\$ 27,166	\$ 20,877	\$ 9,174
Current service cost	38,731	12,272	1,100	1,756	33,208	14,505	1,469	1,334
Interest cost	54,835	1,878	1,210	593	50,644	1,823	1,125	542
Benefits paid	(37,458)	(14,478)	(1,497)	(77)	(34,317)	(13,258)	(1,408)	(77)
Actuarial (gains) losses	42,173	266	(1,231)	(1,949)	51,820	806	862	(874)
Balance, end of year	962,719	30,980	22,507	10,422	864,438	31,042	22,925	10,099
Plan assets	(776,681)	-	-	-	(660,361)	-	-	-
Plan deficit	186,038	30,980	22,507	10,422	204,077	31,042	22,925	10,099
Unamortized actuarial gains (losses)	(15,735)	(2,024)	2,006	2,446	(38,222)	(2,337)	839	513
	\$ 170,303	\$ 28,956	\$ 24,513	\$ 12,868	\$ 165,855	\$ 28,705	\$ 23,764	\$ 10,612

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

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

	2014		2013	
	UAPP, SRP, leave	LTD, GI, early retirement	UAPP, SRP, leave	LTD, GI, early retirement
	%	%	%	%
Accrued benefit obligation				
Discount rate	5.1 - 6.2	5.1	5.2 - 6.2	5.2
Long-term average compensation increase	0.0 - 3.5	3.0	2.0 - 3.5	3.0
Benefit cost				
Discount rate	5.2 - 6.6	5.1	5.2 - 6.5	5.2
Long-term average compensation increase	2.0 - 3.5	3.0	3.0 - 3.5	3.0
Alberta inflation (long-term)	2.25	2.5	2.25	2.5
Estimated average remaining service life ⁽¹⁾	8.6 yrs	4 - 11 yrs	10.2 yrs	4 - 13 yrs

⁽¹⁾ SRP actuarial gains and losses are amortized over the remaining contract terms of the participants.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

(thousands of dollars)

8. Employee future benefit liabilities (continued)

(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 consolidated financial statements is \$31,984 (2013 - \$28,759).

An actuarial valuation of the PSPP was carried out as at December 31, 2012 and was then extrapolated to December 31, 2013. At December 31, 2013, the PSPP reported an actuarial deficit of \$1,254,678 (2012 - \$1,645,141). For the year ended December 31, 2013 PSPP reported employer contributions of \$315,830 (2012 - \$257,350). For the 2013 calendar year, the university's employer contributions were \$32,101 (2012 calendar year - \$27,473). PSPP's deficit is being discharged through additional contributions from both employees and employers until 2028 (2012 - 2026). Other than the requirement to make increased contributions, the university does not bear any risk related to the PSPP deficit.

(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 \$2,904 (2013 - \$2,793).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

9. Debt

The university has the following debt with Alberta Capital Finance Authority:

	Collateral	Maturity Date	Interest rate %	2014	2013
Natural Resources Engineering Facility	2	June 2014	4.974	\$ 1,000	\$ 2,928
Energy Management Program, Year 1	3	September 2014	4.551	215	630
Energy Management Program, Year 2	3	March 2016	4.525	931	1,367
Natural Resources Engineering Facility	2	June 2017	5.056	3,264	4,096
Health Research Innovation Facility	3	June 2017	5.053	6,649	8,345
Extension Centre	3	October 2017	8.750	1,037	1,246
Energy Management Program, Year 3	3	December 2017	4.493	1,589	1,944
Energy Management Program, Year 4	3	March 2019	3.718	1,911	2,252
Steam Turbine Generator	2	May 2020	6.250	8,345	9,273
Newton Place	1	August 2024	6.000	9,856	10,477
Newton Place Renovation	1	August 2024	6.000	1,704	1,812
Energy Management Program, Year 5	3	December 2025	3.885	2,952	3,142
Energy Management Program, Year 6	3	September 2027	2.599	3,208	3,404
Lister Residence II	1	November 2027	5.875	15,703	16,415
Windsor Car Park	2	September 2028	6.000	5,242	5,455
Saville Centre	2	December 2028	5.875	3,444	3,585
Energy Management Program, Year 7	4	December 2028	3.295	3,575	-
East Campus Village	1	March 2029	4.960	7,001	7,310
Centennial Centre for Interdisciplinary Science Phase I	3	September 2029	5.353	7,626	7,936
Health Research Innovation Facility	3	June 2032	5.191	4,834	4,986
Students' Union Building Renovations	4	December 2033	3.623	13,000	-
Killam Centre	3	September 2036	4.810	1,805	1,849
Enterprise Square	1	September 2036	4.627	37,056	37,977
East Campus Village - Graduate Housing	2	September 2040	4.886	23,586	24,015
East Campus Village - 2012	1	June 2043	3.273	21,287	-
Jubilee Carpark	2	December 2047	4.814	15,203	15,378
				\$ 202,023	\$ 175,822

1 - title to land, building; 2 - cash flows from facility; 3 - none; 4 - general security agreement

Interest expense on debt recorded in these consolidated financial statements is \$10,088 (2013 - \$10,303).

Principal and interest payments are as follows:

	Principal	Interest	Total
2015	\$ 12,099	\$ 9,549	\$ 21,648
2016	11,436	8,966	20,402
2017	11,520	8,390	19,910
2018	10,547	7,800	18,347
2019	8,725	7,303	16,028
Thereafter	147,696	66,902	214,598
	\$ 202,023	\$ 108,910	\$ 310,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

10. Deferred revenue

Deferred revenue is comprised of restricted grants and donations spent on tangible capital acquisitions (not yet recognized as revenue), unspent externally restricted grants and donations and unearned tuition and other revenue.

2014					
	Restricted			Student tuition and other revenue	Total
	Research and special purpose	Capital	Total		
Balance, beginning of year	\$ 450,066	\$ 2,215,497	\$ 2,665,563	\$ 24,351	\$ 2,689,914
Net change for the year					
Grants, donations, tuition	526,710	(1,269)	525,441	305,434	830,875
Investment income	850	89	939	-	939
Unearned capital acquisition transfers	(56,647)	56,647	-	-	-
Debt repayment	(44)	44	-	-	-
Recognized as revenue	(467,695)	(114,226)	(581,921)	(306,029)	(887,950)
Total net change for the year	3,174	(58,715)	(55,541)	(595)	(56,136)
	\$ 453,240	\$ 2,156,782	\$ 2,610,022	\$ 23,756	\$ 2,633,778

2013					
	Restricted			Student tuition and other revenue	Total
	Research and special purpose	Capital	Total		
Balance, beginning of year	\$ 477,215	\$ 2,266,444	\$ 2,743,659	\$ 20,168	\$ 2,763,827
Net change for the year					
Grants, donations, tuition	533,227	17,750	550,977	289,353	840,330
Investment income	(14,214)	(1,033)	(15,247)	-	(15,247)
Unearned capital acquisition transfers	(44,991)	44,991	-	-	-
Debt repayment	(42)	42	-	-	-
Recognized as revenue	(501,129)	(112,697)	(613,826)	(285,170)	(898,996)
Total net change for the year	(27,149)	(50,947)	(78,096)	4,183	(73,913)
	\$ 450,066	\$ 2,215,497	\$ 2,665,563	\$ 24,351	\$ 2,689,914

Capital is comprised of \$2,060,596 (2013 - \$2,093,782) restricted grants and donations spent on tangible capital acquisitions and \$96,186 (2013 - \$121,715) of unspent restricted grants and donations. The expended capital is deferred and will be recognized as revenue when the terms are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

11. 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 endowments 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 endowments without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

	2014	2013
Balance, beginning of year	\$ 879,861	\$ 800,343
Donations	20,475	30,096
Investment - unrealized gains capitalized	33,111	57,517
Investment - realized gains capitalized	60,227	-
Transfer to (from) endowments	14	(8,095)
	\$ 993,688	\$ 879,861

Endowments are comprised of:

	2014	2013
Donations	\$ 684,787	\$ 664,312
Capitalized income	308,901	215,549
	\$ 993,688	\$ 879,861

Capitalized income includes cumulative investment unrealized gains of \$90,885 (2013 - \$57,774).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

12. Accumulated operating surplus

	Accumulated deficit from operations	Investment in tangible capital assets	Total accumulated operating surplus
Balance as at March 31, 2012	\$ (87,120)	\$ 439,714	\$ 352,594
Excess of revenue over expense	25,412	-	25,412
Transfer from endowments	8,095	-	8,095
Acquisition of tangible capital assets	(69,600)	69,600	-
Debt repayment	(9,290)	9,290	-
Debt - new financing	2,164	(2,164)	-
Net book value of asset disposals	793	(793)	-
Amortization of tangible capital assets	53,414	(53,414)	-
Balance as at March 31, 2013	\$ (76,132)	\$ 462,233	\$ 386,101
Excess of revenue over expense	18,374	-	18,374
Transfer to endowments	(14)	-	(14)
Acquisition of tangible capital assets	(99,354)	99,354	-
Debt repayment	(10,229)	10,229	-
Debt - new financing	22,274	(22,274)	-
Net book value of asset disposals	707	(707)	-
Amortization of tangible capital assets	55,201	(55,201)	-
Balance as at March 31, 2014	\$ (89,173)	\$ 493,634	\$ 404,461

13. 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. Management has concluded that none of the claims meet the criteria for recording a liability.
- (b) The university has identified a potential liability 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 renovation or demolition project will proceed and there is sufficient information to estimate fair value of the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

14. Contractual Obligations

- (a) The university has contractual obligations that will result in liabilities in the future when the terms of the contracts are met. The estimated aggregate amount payable for the unexpired terms of these contractual obligations are as follows:

	Service contracts	Capital projects	Long-term leases	Total
2015	\$ 71,184	\$ 207,667	\$ 5,359	\$ 284,210
2016	35,904	20,220	4,625	60,749
2017	23,028	3,095	3,995	30,118
2018	13,652	-	2,048	15,700
2019	5,351	-	1,248	6,599
Thereafter	136	-	4,626	4,762
	\$ 149,255	\$ 230,982	\$ 21,901	\$ 402,138

The significant service contracts are as follows:

- 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. The six contracts (2013 - six contracts) with expenditures totaling \$91,440 (2013 - \$97,889) expire over the next five years.
 - Effective November 1, 2010, the university entered into an agreement with an external party for dining and catering services. The agreement has two years remaining with a total estimated cost of \$14,000 (2013 - \$25,800).
 - Effective July 1, 2010, the university entered into agreements with two external parties for information technology support. The agreement for infrastructure management services has one year remaining with a cost of \$3,018 (2013 - \$5,392). Effective July 1, 2013 the university negotiated an extension to the agreement for application management services. The agreement has one year remaining with a cost of \$3,435 (2013 - \$476).
 - Effective August 1, 2011, the university entered into an agreement with an external party for custodial services. The agreement has four months remaining with a cost of \$2,000 (2013 - \$8,000). The university plans to negotiate an extension to this agreement which includes an initial extension term of three years.
- (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, 2013 CURIE had a surplus of \$71,331 (2012 - \$60,500). This surplus is an accumulation of six different underwriting periods. The university participates in five of the underwriting periods, which have an accumulated surplus of \$71,331 (2013 - \$60,500) of which the university's pro rata share is approximately 7.13% (2013 - 7.02%). This surplus is not recorded in the consolidated financial statements.

15. Budget

The university's 2013-14 budget was approved by the Board of Governors and was presented to the Minister of Innovation and Advanced Education as part of the university's submission of its 2013-14 Comprehensive Institutional Plan.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

(thousands of dollars)

16. Government of Alberta grants

	2014	2013
Innovation and Advanced Education - Campus Alberta grant	\$ 579,924	\$ 604,157
Innovation and Advanced Education - other grants	94,273	112,685
Infrastructure	22,455	-
Health	127,232	69,100
Alberta Health Services	4,726	9,875
Other departments and agencies	18,773	13,709
	847,383	809,526
Restricted expended capital recognized as revenue	93,608	94,033
Deferred revenue	(49,378)	4,247
	\$ 891,613	\$ 907,806

The net amount receivable is \$1,041 (2013 - \$409 payable).

The university holds \$12,236 on behalf of government agencies (Innovation and Advanced Education - \$10,993; Alberta Health Services \$1,243) for various initiatives.

17. Expense by object

	2014 Budget	2014	2013
Salaries	\$ 885,029	\$ 896,266	\$ 873,406
Employee benefits	179,960	182,899	174,377
Materials, supplies and services	195,493	179,424	182,911
Cost of goods sold and recovered	103,912	104,502	95,827
Scholarships and bursaries	93,170	89,150	92,323
Maintenance and repairs	72,102	78,423	74,239
Utilities	43,143	46,346	42,917
Amortization of tangible capital assets	176,555	169,151	166,387
	\$ 1,749,364	\$ 1,746,161	\$ 1,702,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

18. Salaries and employee benefits

	2014					Total
	Base salary ⁽³⁾	Non-cash benefits ⁽⁵⁾	Non-cash benefits (SRP) ⁽⁶⁾	Non-cash benefits (leave) ⁽⁷⁾		
Governance ⁽¹⁾						
Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -	-
Executive						
President	544	47	426	127		1,144
Provost and Vice-President (Academic) ⁽²⁾	420	36	40	206		702
Vice-President (Research)	496	95	104	109		804
Vice-President (Facilities and Operations)	472	41	166	99		778
Vice-President (Finance and Administration)	459	33	179	101		772
Vice-President (University Relations)	377	39	106	-		522
Vice-President (Advancement)	383	35	77	-		495

	2013					Total
	Base salary ^{(3) (4)}	Non-cash benefits ^{(4) (5)}	Non-cash benefits (SRP) ⁽⁶⁾	Non-cash benefits (leave) ⁽⁷⁾		
Governance ⁽¹⁾						
Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -	-
Executive						
President	547	46	437	142		1,172
Provost and Vice-President (Academic) ⁽²⁾	430	36	58	-		524
Vice-President (Research)	485	94	117	133		829
Vice-President (Facilities and Operations)	467	41	167	129		804
Vice-President (Finance and Administration)	460	32	215	117		824
Vice-President (University Relations)	370	38	95	-		503
Vice-President (Advancement)	369	33	53	-		455

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

⁽²⁾ The incumbent Provost and Vice-President (Academic) applied for and was approved for a one year administrative leave commencing July 1, 2012. This was extended to two years in February 2013. The incumbent Provost and Vice-President (Academic) requested and was granted permission to return from the administrative leave five months early (in February 2014). The acting Provost and Vice-President (Academic) did not participate in executive benefit programs. The 2014 salary and benefits includes the incumbent Provost and Vice-President (Academic)'s information for two months (2013 - three months) and the acting Provost and Vice-President (Academic)'s information for ten months (2013 – nine months).

⁽³⁾ Base salary includes pensionable base pay for all executive, and an administrative stipend for the acting Provost and Vice-President (Academic) in 2013 and 2014, and for the incumbent in 2013. Certain base salary amounts also include a car allowance, a reduction for amounts recovered from workers' compensation, and a reduction for the optional personal leave program (days off without pay).

⁽⁴⁾ The disclosure of certain benefits has been reclassified to base salary to more accurately reflect the nature of those benefits. The prior year disclosure has been updated to reflect this change, which does not change the the total compensation.

⁽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 parking, supplemental life insurance, forgivable housing loans, and club dues. Additional non-cash benefits for the President include expenses related to the personal use portion of the residence which the President rents from the university.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

18. Salaries and employee benefits (continued)

⁽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 terms of the participants' contracts. Current service cost is the actuarial present value of the benefits earned in the current year.

The supplementary retirement plan accrued obligation for each executive is as follows:

	2013		2014			
	Years of eligible University of Alberta service	Accrued obligation	Service costs	Interest and other costs ^(6b)	Actuarial losses	Accrued obligation ^(6c)
President	8.8	\$ 2,158	\$ 278	\$ 126	\$ (402)	\$ 2,160
Provost and Vice-President (Academic) ^(6a)	10.8	1,408	144	80	(729)	903
Vice-President (Research)	6.8	426	74	26	(59)	467
Vice-President (Facilities and Operations) ^(6b)	10.5	685	118	41	(129)	715
Vice-President (Finance and Administration) ^(6b)	11.0	707	129	43	(139)	740
Vice-President (University Relations)	3.7	238	87	17	(36)	306
Vice-President (Advancement)	3.6	168	64	12	(50)	194

^(6a) The incumbent Provost and Vice-President (Academic) continued to accrue pensionable service during the administrative leave period noted in (2) above.

^(6b) Includes additional costs with respect to plan amendments.

^(6c) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in (note 8).

⁽⁷⁾ The leave plan accrued obligation for each executive is as follows:

	2013		2014			
	Years of eligible University of Alberta service	Accrued obligation	Service costs	Interest and other costs	Actuarial losses	Accrued obligation ^(7a)
President	8.8	\$ 794	\$ 103	\$ 24	\$ (12)	\$ 909
Provost and Vice-President (Academic)	2.1	-	204	2	(23)	183
Vice-President (Research)	6.8	529	92	17	(36)	602
Vice-President (Facilities and Operations)	11.2	901	74	25	(63)	937
Vice-President (Finance and Administration)	11.9	955	74	27	(81)	975

^(7a) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in (note 8).

19. Approval of financial statements

The consolidated financial statements were approved by the Board of Governors.



Phone: 780.492.3212

Edmonton, Alberta, Canada

uofapres@ualberta.ca

www.ualberta.ca