

UNIVERSITY OF ALBERTA

2009-2010

# Annual Report

*for submission to the Government of Alberta*



**Approved by the Board of Governors**  
October 15, 2010



**dare**to discover

# DARE TO DISCOVER: A VISION FOR A GREAT UNIVERSITY

*Quaecumque vera—  
Whatsoever things are true*

*"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*

## VALUES

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

We value:

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

## VISION

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

## MISSION

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

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# Message from the Chair

On behalf of my colleagues on the University of Alberta Board of Governors, I am proud to present this annual report for 2009-10 as a record of the university's achievements on the local, provincial, national and international stages. The Board of Governors celebrates the accomplishments and service of our distinguished university in the early years of our second century of learning, discovery and citizenship.

This annual report for the year ending March 31, 2010 has been prepared under the Board's direction in accordance with the Government Accountability Act, the Post-Secondary Learning Act and associated ministerial guidelines. All economic, environmental, or fiscal implications of which we are aware have been considered in the preparation of this report. You will find a summary financial report drawn from the University of Alberta's financial statements and a discussion of the key challenges, risks and opportunities faced by the university over the past year.

This report highlights the continued development of the Dare to Discover cornerstones. The university is attracting and retaining talented people; achieving excellence in learning, discovery and citizenship; forging strong connections with its community locally, nationally and internationally; and improving and adding to transformative organization and support. These cornerstones represent the university's goals and ambitions; this report describes our progress while navigating the economic challenges of the current fiscal climate. This has not been an easy task.

The University of Alberta is committed to ensuring that Alberta and Canada are competitively positioned for the recovery and beyond. We are an integral partner in the pursuit of an innovative and prosperous province and nation as we connect the local, provincial, national and international through the exciting and leading-edge work undertaken by our students and faculty. Those same people are the foundation of the next generation economy and have forged important personal connections and large networks across disciplines that span the globe.

Combining world-class talent with top infrastructure, a record of outstanding accomplishment and an exciting vision is the formula for the University of Alberta's ongoing competitiveness. Our partners from government, business, community agencies and individuals have been and will be instrumental in our university's ability to provide the learning and discovery that will ensure this province's and its citizens' prosperity, health and quality of life long into the future.

Brian Heidecker  
Chair, University of Alberta Board of Governors

# 2009-10 Board of Governors

## Chair

*Brian Heidecker (June 2006 to current)*

## Statutory Members

*Indira Samarasekera  
President*

*Linda Hughes  
Chancellor*

## Members

*Marc de La Bruyère  
Public Member*

*Robert Campenot  
Association of Academic Staff (from Sep 2009)*

*C.H. William Cheung  
Alumni Member*

*Gordon Clanachan  
Public Member*

*Roy Coulthard  
GSA President (from January 2010)*

*Steven Dollansky  
Undergraduate Student Representative*

*Zachary Fentiman  
Students' Union President (from February 2010)*

*Louis Hugo Francescutti  
General Faculties Council (from July 2009)*

*John Hoddinott  
Association of Academic Staff (to June 2009)*

*J.D. Hole  
Public Member (to October 2009)*

*Agnes Hoveland  
Public Member*

*Jennifer Nicole Landry  
GSA President (to October 2009)*

*Jay Nagendran  
Senate Member*

*Tanya Martelle  
Non-Academic Staff (from October 2009)*

*Kory Mathewson  
Students' Union President (to January 2010)*

*Don Matthew  
Public Member*

*Janelle Morin  
Students' Union President (to April 2009)*

*George Pavlich  
General Faculties Council (to June 2009)*

*Gerard Protti  
Public Member*

*Sol Rolinger  
Public Member*

*Oliver Rossier  
Non-Academic Staff (to September 2009)*

*Bruce Saville  
Public Member*

*Don Sieben  
Public Member*

*Robert Teskey  
Public Member (from December 2009)*

*Ben Whynot  
GSA President (to April 2009)*

*Dick Wilson  
Alumni Member*

# Overview from the President

There is no doubt that the University of Alberta has set an ambitious plan for itself—to be among the top public universities in the world. With a strong foundation built upon decades of teaching and research excellence, the U of A is taking its place of prominence among the great universities of the world. Becoming one of the great universities for the public good takes a remarkable breadth and depth of leadership, collegiality, focus, and commitment. We will accomplish it by enabling discovery and investigation in areas of critical need as well as by the continual advancement of knowledge, creativity and innovation.

As the flagship university in Campus Alberta, the U of A's outstanding accomplishments and benefits also accrue to our partners and the rest of Alberta. A diverse, knowledge-based economy that is globally competitive remains a long-term goal of the province. Current economic realities underline the importance of having a diversified economy, and by extension, highlight the leadership role that a world-class public research university plays in building a strong economy and civil society.

The fiscal year 2009-10 has been an outstanding year of achievement for the university. We continue to advance our vision and the mission rooted in the four cornerstones of Dare to Discover: talented people; learning, discovery and citizenship; connecting communities; and transformative organization. From establishing the new Li Ka Shing Institute of Virology and Helmholtz Alberta Initiative to expanding Community Service Learning—from securing four of the 19 Canada Excellence Research Chairs to awarding over \$89 million in student awards and bursaries—the University of Alberta continues to meet and exceed the goals that have been set.

However, as with all post-secondary and indeed other institutions, organizations and businesses, in the public and private sector alike, the U of A is now managing the effects of the global recession. Looking ahead, several key factors that will help carry the U of A through these challenging times: a collegial culture which fosters open and productive dialogue among faculty, students, staff and administration so that our best ideas can be heard and debated; strong historical foundations; ongoing momentum achieved by recent outstanding achievements; and the recruitment and retention of world-class faculty, students and partnerships from here at home and abroad.

The tremendous overall progress the University of Alberta has made in recent years has been enabled, in large part, by successive increases in operating funding from the Provincial government. We acknowledge that this level of investment will be difficult to maintain in the immediate future. In response, we have exceeded fundraising goals for 2009-10 and we continue to seek out new and innovative sources of revenue in order to leverage public dollars as effectively as possible.

Looking ahead, our commitment is to meet our own high expectations for excellence and to earn our reputation as one of the world's top public research universities through our achievements and service to the province, the nation, and the world.

Indira V. Samarasekera, OC  
President and Vice-Chancellor

# Year in Review

## The University in 2009/10

Created by the *University Act*, 1906 of the Legislative Assembly of the Province of Alberta, the University of Alberta is a board-governed, publicly-funded university that operates as a Comprehensive, Academic and Research Institution under the authority of Alberta's *Post-Secondary Learning Act*. Its fundamental mandate, originally expressed by its first president, is to serve the entire province "for the uplifting of the whole people." To this end, the university has graduated generations of students and inspired an impressive record of research and creativity.

Recognized nationally and internationally for educational and research pre-eminence, the University of Alberta is a comprehensive academic research institution under the Provincial *Roles and Mandates Policy Framework*, offering undergraduate and graduate programs, a full range of post doctoral fellowships, certificate and outreach programs and a variety of professional development opportunities.

The University of Alberta is a vibrant academy, with strong arts and sciences programs featuring the Faculties of Agricultural, Life and Environmental Sciences, Arts, Augustana, Extension, Native Studies, Physical Education and Recreation, Science and the Campus Saint-Jean. These faculties are foundational to and interlinked with the university's network of strong professional faculties, including Business, Education, Engineering, Graduate Studies and Research, Law, Medicine and Dentistry, Nursing, Pharmacy and Pharmaceutical Studies, Public Health and Rehabilitation Medicine. In addition, all of our faculties are involved in professional development and continuing education.

The university also plays a leading role in Campus Alberta through collaboration with other Alberta institutions, responding to vital community relationships at every level and giving a national and international voice to Alberta innovation. Its activities enhance student opportunities and build Alberta's capacity for long-term, knowledge-driven sustainable development at the global forefront.

<b>Summary Statistics</b>		
	<b>2009-10</b>	<b>2008-09</b>
<b>Students</b>		
Undergraduate ( <i>full-time</i> )	28,491	28,101
Graduate ( <i>full-time</i> )	5,745	5,203
Undergraduate ( <i>part-time</i> )	1,966	2,047
Graduate ( <i>part-time</i> )	1,386	1,485
	<b>37,588</b>	<b>36,836</b>
Faculty of Extension	<b>14,289</b>	<b>14,926</b>
<b>Tuition</b>		
Arts & Social Sciences	\$5,101	\$4,901
Law	\$9,797	\$9,412
Medicine	\$11,540	\$11,086
M.A., M.Sc., and PhD	\$3,590	\$3,449
<b>Degrees &amp; Diplomas Granted</b> ( <i>calendar year</i> )		
Undergraduate	6,715	6,894
Graduate	1,599	1,514
Diplomas and Certificates	139	109
	<b>8,453</b>	<b>8,517</b>
<b>Sponsored Research Income</b>	\$513.5 Million	\$527.9 Million
<b>Faculty &amp; Staff</b> ( <i>excludes temporary staff</i> )		
Faculty	2,169	2,085
Other Academic Staff	641	580
Support Staff	2,637	2,540
	<b>5,447</b>	<b>5,205</b>

Current facility inventory of the University of Alberta totals 1.4 million square metres of gross floor area. The University of Alberta currently has 4,552 residence bed spaces for approximately 12.5% of the student population. The university's commitment to sustainability is evident throughout various programs, which have been in place for over 30 years. The university was recognized by Maclean's magazine for the second year in a row as one of Canada's Top 30 Greenest Employers and Triffo Hall became the first major renewal building within the post-secondary ministry to receive LEED® (Leadership in Energy and Environmental Design) Gold certification.

## Notable Accomplishments in 2009-10

The following highlights some of the accomplishments in support of the *Dare to Discover* cornerstones. Additional information is available in the *Dare to Discover Report* and the *Report to the Community*.

### ***Cornerstone 1: The University of Alberta will attract and retain talented people***

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Over \$89 million in student awards and bursaries were provided to University of Alberta students.

Centenary Scholarships, Select School Scholarships, and First Year Excellence scholarships were created for China, India, Mexico, Germany, and the USA. As of February 2010, international graduate applications have increased 29 per cent.

The university welcomed 433 postdoctoral fellows and many distinguished visiting scholars to share expertise with students and faculty through credit and non-credit learning opportunities. Visitors included philosopher Michael Naasm from DePaul University; historian Albert van Helden from the Netherlands; artistic director and actor James Sanders from Realwheels in Vancouver; and Donald Lopez from the Department of Asian Languages & Cultures, University of Michigan.

The Aboriginal Student Services Centre worked not only with specific groups on campus to support our Aboriginal students but also with external partners, including NAIT, Grant MacEwan University, Yellowhead Tribal College, Keyano College, Blue Quills First Nations College and numerous other community groups.

In March 2009, the 2<sup>nd</sup> annual Aboriginal Discovery Day involved approximately 140 prospective students as the event showcased current research projects, faculty visits, and discussions with current students about their university experiences. Distinguished Scholar in Residence Susan Aglukark also met with students to discuss entrepreneurship and her mentorship program.

International Week 2010 drew 7,250 people to more than 60 events ranging from anti-racism workshops to expert panels and lectures dealing with global issues. With more than 200 presenters, exhibitors and performers, the program featured 29 community organizations, four government departments, 17 student groups and 42 university units from a wide range of faculties. The event received the Canadian Bureau for International Education's Award for Outstanding Program in International Education.

We secured four of the 19 recipients of prestigious new Canada Excellence Research Chair's. Four of the world's top researchers in fields as diverse as diamonds and diabetes are moving the University as part of a federal initiative to attract the highest calibre researchers to Canada.

### ***Cornerstone 2: The University of Alberta will represent excellence in learning, discovery and citizenship***

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In February 2010 we hosted the third successful Festival of Teaching to celebrate the integration of teaching and learning as a core activity and valued part of the University of Alberta experience.

35 community service-learning courses were offered in 21 departments and six faculties. More than 600 students contributed about 14,000 hours to the voluntary sector and more than 20 completed the non-credit Non-Profit Board Internship Program.

The Interdisciplinary Health Education Partnership project was launched as a joint initiative between the University of Alberta, NorQuest College, MacEwan University, NAIT, and Alberta Health Services. The aim is to help

students in health programs across these institutions learn how to collaborate with each other.

John Vederas, Chemistry, was awarded a fellowship in the Royal Society. The Society includes the most eminent scientists, engineers and technologists from the UK and the Commonwealth.

Students in their final year of the Bachelor in Fine Arts (acting) degree participated in the Vancouver 2010 Cultural Olympiad. VANOC commissioned the Department of Drama and a Vancouver theatre company, Realwheels, to co-produce a new play, *Spine*, by U of A's playwright-in-residence, Kevin Kerr.



The School of Public Health's Indigenous Summer Research Institute won the Deputy Minister of Health Award for Creativity and Innovation. The Faculty of Engineering's DiscoverE program received the national Actua Award for Leadership and Innovation in 2009 in recognition of programs bringing science camps to youth in rural communities and inner city communities. During 2009, the program reached an all-time high of 16,209 students, with staff providing a record 713 workshops in 147 schools in 50 communities.

Two PhD students in the Faculty of Education won top honours for their graduate research in 2009. George Georgiou, in Education Psychology, won the Outstanding Dissertation Award from the Canadian Psychological Association and Catherine Adams, in Secondary Education, won the Harold A. Innis

Award for Outstanding Dissertation in the Field of Media Ecology.

The following new programs were approved by the Minister:

- a 5-year bachelor of music / bachelor of education (elementary) combined degree;
- a master of education in health sciences education; and
- a 4-year bachelor of arts in environmental studies program.

Thanks to a \$28-million gift from the Li Ka Shing Foundation and the announcement of \$52.5 million in related funding from the Government of Alberta, the University will take a big step forward in its efforts to treat and cure virus-based diseases through the new Li Ka Shing Institute of Virology.

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

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In September 2009, the University of Alberta and the Helmholtz Association of German Research Centres signed a memorandum of understanding to create a five-year agreement called the Helmholtz Alberta Initiative. The goal of the initiative is to collaborate with a world-class research partner to address sustainability challenges related to oilsands production.

Learning Services opened EPLgo in partnership with Edmonton Public Library. EPL borrowing privileges have been extended to students to request EPL items online and pick them up at Cameron Library.

In support of improving student access to higher education and maximizing student mobility between Alberta post-secondary Institutions, the University of Alberta led Campus Alberta in transfer credit agreements with a total near 5,000. The university has welcomed new students from every Alberta Council on Admissions and Transfers institution over the past year.

The Faculty of Medicine & Dentistry partnered with Alberta Health Services to fund eight multidisciplinary research teams to study blindness, schizophrenia, Alzheimer's disease, cardiovascular disease, diabetes in pregnancy and kidney disease.

In March 2009, the City of Edmonton and the university announced the establishment of an endowed Chair in Urban Traffic Safety.

Play Around the World 2010 marked its 10th anniversary. Doctoral student and senior programs advisor Song Truong was awarded the Canadian Bureau of International Education's student leadership award for internationalization.

A community-based, multi-purpose recreation and sports complex on the South Campus is under construction and is a partnership between the university and the GO Community Centre.

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### ***Cornerstone 4: The University of Alberta will exemplify transformative organization and support***

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The university exceeded its fundraising goal by \$15 million, securing a total of \$103 million in gifts and pledges. Of this amount, \$65 million was allocated for endowed funds, providing much needed support for chairs, professorships, student awards and innovative programs.

The E-Learning Group and University Teaching Services were merged to form a new unit called the Centre for Teaching and Learning. The centre provides one-stop shopping for faculty and students on pedagogy and the use of information technology in the classroom.

The Faculty of Physical Education and Recreation endowed six new scholarships for graduate and undergraduate studies, and for student-athletes.

In the Faculty of Arts, the Kule Institute for Advanced Study was confirmed with a \$4 million donation from Peter and Doris Kule. A gift from the Lodge family established the Henry Cabot and Linnea Lodge Scandinavian Professorship. And an endowed lectureship in Lebanese studies became part of the Islamic studies program through the support of the Mahkzoumi Foundation.

The university negotiated a new administrative information management contract which resulted in significant savings and also provided a new emergency data recovery centre.

The university is working to accommodate some of the space requirements of other Campus Alberta institutions in Enterprise Square. Mount Royal University has been accommodated. A new grants management system was implemented in support of research administration.

A new emergency communication and response protocol, and an alerts notification system were successfully implemented.

In 2009, an opportunity arose to leverage government and institutional funding with funding from the federal Knowledge Infrastructure Program (KIP). Through this program a federal economic stimulus measure, intended to support infrastructure enhancement at post-secondary institutions, the University of Alberta was awarded \$62 million.

## Renewing and Enhancing Facilities and Infrastructure

In support of teaching and innovation, the following capital projects were recorded as substantially completed in 2009-2010:

- **Augustana Library:** A modern facility to support campus growth and enhance student study areas.
- **Centennial Centre for Interdisciplinary Science (CCIS) North Lecture Theatres:** Two large 400- to 500-seat lecture theatres and a building to position scientific, community leaders of tomorrow at the interface between traditional scientific disciplines for innovation.
- **Li Ka Shing Centre for Health Research Innovation and Katz Group Centre for Pharmacy and Health Research Fit-Outs:** An ongoing fit-out program which saw in 2009-2010 the completion of facilities for the: Institute of Virology; Institute for Biomolecular Design; Cardiovascular Translational Research Centre; Centre of Excellence for Gastrointestinal Inflammation and Immunity Research; Ultra-Trace Clean-Laboratory; Surgical Medical Research Institute; and Alliance for Canadian Health Outcomes Research in Diabetes.

Progress has also been made on many other capital projects, including:

- Augustana Forum
- Biological Sciences/Chemistry Centre West Building Upgrades
- Chemical and Materials Engineering Building Renewal
- East Campus Village Graduate Student Housing Project
- The Edmonton Clinic Health Academy
- Continuing fit-up of Li Ka Shing Centre for Health Research Innovation and Katz Group Centre for Pharmacy and Health Research
- Pedways - 87 Avenue and 114 Street & 87 Avenue and 113 Street
- Pharmacy Fit-Out

The main focus for 2010 is on renewal, repurposing and deferred maintenance projects and building on the successes achieved through government's investment in the university's deferred maintenance programs in recent years.

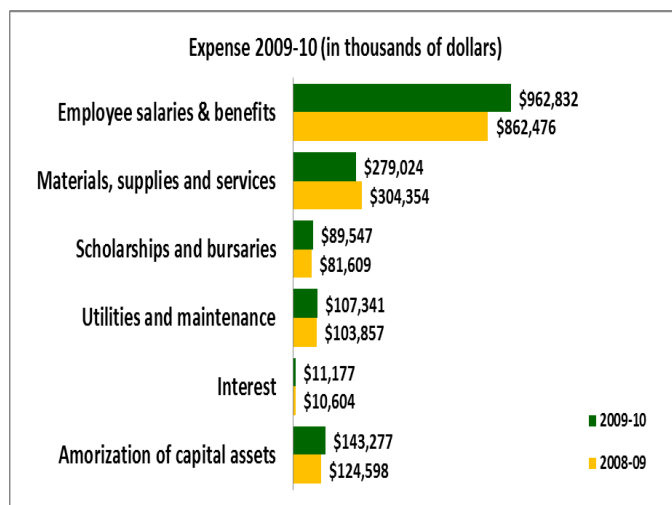
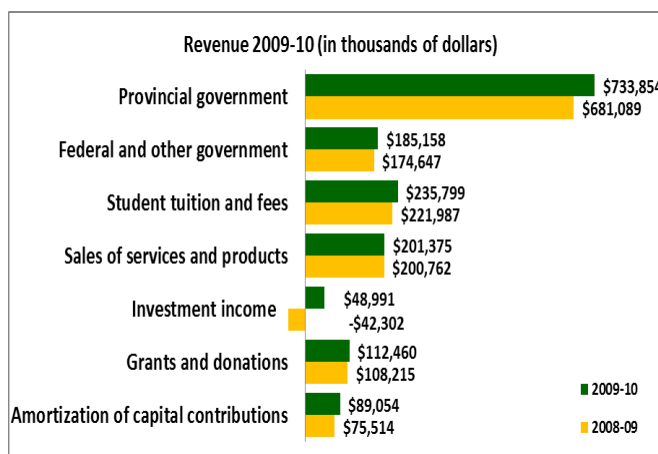
## Financial Highlights 2009-10

The University of Alberta has reported a \$13.5 million excess of revenue over expense for the year ended March 31, 2010 compared to a \$67.6 million deficiency reported last year. The \$60.6 million unrestricted net assets deficit remains unchanged from last year. The Government of Alberta 6% base operating grant increase and positive investment returns have contributed to the break-even position in unrestricted net assets.

The 2010 excess of revenue over expense is mainly due to higher than expected investment income, lower than budgeted utility costs and a spending lag on enrolment planning envelope funding. The investment returns have rebounded significantly this year compared to losses experienced in the previous two years. The Unitized Endowment Pool (UEP) returned 23.7% (2009: 19.5% loss; 2008: 6.0% loss) and the Non-Endowed Investment Pool (NEIP) returned 3.4% (2009: 1.3% loss; 2008: 2.8% loss).

Other financial highlights:

- In 2010, the university recorded \$26.9 million for its share of the Universities Academic Pension Plan unfunded pension liability (post-1991 deficiency), bringing the total university liability to \$81 million. Based on actuarial assumptions, it is anticipated that this liability will be eliminated by approximately December 2021.
- In 2010, the university accrued \$16.1 million in salaries expense (represents approximately 180 staff) for the Voluntary Retirement Incentive Program. This one-time retiring allowance program facilitates retirement of staff effective July 31, 2010.
- Total funding in support of the university's research activity for 2010 is \$513.5 million compared to \$527.9 million in 2009. Sponsored research revenue increased across a variety of funding sources and programs. The decrease in overall research funding is mainly due to a decrease in capital fund research infrastructure grants. The university is among the top five institutions in Canada in attracting research support from the whole range of Canadian and international sponsors.
- The university's successful fund-raising initiatives support many activities across the university. For the 2010 year, new endowment contributions totaled \$30.9 million (includes the Government of Alberta's Access to the Future Fund matching grant of \$5 million) and expendable donations totaled \$26.8 million.



- In support of the university's capital plan, the Government of Alberta provided \$318.4 million in funding for several key capital priorities. Some of the larger projects that received funding in 2010 are the Centennial Centre for Interdisciplinary Science (\$131.0 million) and The Edmonton Clinic Health Academy (\$126.4 million). The provincial government also provided \$31.1 million of Federal KIP funding for various capital projects and \$23.4 million for various upgrade and renovation projects. The university, with assistance from the Government of Alberta, has made significant progress in reducing the overall deferred maintenance on campus.

# Opportunities and Challenges

The change in the economic environment following the global downturn of 2009 has started to affect the speed at which the university can progress toward its goals. However, the university remains committed to its core academic mission to provide exceptional education for our students and enable cutting-edge research for the advancement of the public good.

## The Flagship Role of the University of Alberta

As the province's flagship post-secondary institution, the University of Alberta continues to play a leading role in positioning Alberta as a national and global hub for innovation through the education and recruitment of creative people and the creation of knowledge. Developing a globally competitive talent pool in Alberta that can function in the international context with the right mix of science, engineering, business and arts graduates builds and attracts yet more talent.

Differentiation of the roles and mandates of Alberta post-secondary institutions is critical to the continued creation of a collaborative system that is focused, efficient, and meets the needs of learners, the economy and society. The *Alberta Access Planning Framework* and the forthcoming *Alberta Research Capacity Planning Framework* outline the learning and research contexts seen by Alberta Advanced Education and Technology for Campus Alberta. Within this provincial context it is imperative that the diversity and vibrancy of our comprehensive institution remains. The promotion of an academy such as ours is needed to support the next wave of prosperity as our economy relies on continued support for world-class research and innovation in Alberta, particularly at the University of Alberta where our efforts in becoming world-renowned are starting to pay real dividends.

The distinction of being a flagship institution is more important than ever, because the global arena competes for human talent, and North America no longer has a virtual monopoly as the location where innovation, science and creative influences are arising. Therefore, the university will work with the province to ensure our vibrant, world-class academy remains positioned as a leading institution in support of developing Alberta as a focal point of innovation.

## Supporting Alberta Government Priorities and Economy

The current international struggle to emerge from the economic downturn increases the importance of enhancing the quality of Alberta's post-secondary education system as an innovative engine for Alberta.

The Government of Alberta aims with its *Strategic Business Plan 2010-13* and Budget 2010 to "strike the right balance" in pursuit of the continuing vision of "an innovative and prosperous province where Albertans enjoy a high quality of life built on a healthy environment, a competitive economy and vibrant communities." The Alberta government's focus on advanced learning and innovation is a critically important base for addressing the changing global context while aiming at sustainable development for years to come.

Our commitment to ensuring Alberta is competitively positioned for the recovery has resulted in new international partnerships that have also sought to build on existing areas of shared strength, as with the July establishment of the Hitachi Electron Microscopy Products Development Centre, located at the National Institute for Nanotechnology, and the September signing of the nanotechnology memorandum of understanding between the Government of Alberta and Rice University in Texas. It is as a result of the leadership at the University of Alberta, working in concert with ministers and their teams, that these partnerships have occurred.

In addition to supporting priorities, the university has an immediate economic impact on Alberta through the sheer size and scope of its activity and spending. In terms of return on investment, for every dollar invested by the Alberta government in salaries, benefits, and other operational costs (about 90% of which is spent in Alberta), there is a return through the Alberta economy of an additional \$2.40 (based on 2008-09 figures). Provincial support attracts federal and international sponsored research, visiting scholars, and extraordinary students. The most visible impacts of the economic ripple effect are the tens of thousands of jobs that it creates and the highly educated and creative workforce that it produces.

New companies spun out of University of Alberta research and new technologies licensed to existing companies lead the province in new directions and employ new graduates. To further our contribution, we support TEC Edmonton – our joint venture with Edmonton Economic Development Corporation - TEC Edmonton - a business service provider helping transform technologies into business opportunities with a goal to capture the value of the innovation in our region, for our region.

## Investing in the Next Generation

The university stage is now an international one, featuring global mobility and communication across integrated research and learning enterprises. University of Alberta strategies in all areas, including recruitment of undergraduates, graduate students, postdoctoral fellows and faculty, as well as development of research partnerships and consortia, incorporate international dimensions. In fact, the right balance of internationalization with recognized research and educational excellence at the university is a talent magnet for international talent that can advance Alberta priorities.

Changing demographics in our student population is a trend we expect to continue. In contrast to the 2008 forecast of markedly increasing population-based demand for post-secondary access, the 2009 update offered a more modest expectation averaging about 1% per year to 2018. This highlights an opportunity to improve Alberta's participation rate in post-secondary education, particularly by those in under-represented groups. It also reinforces our strategies in support of becoming an internationally recognized institution, and drives us to seek international collaboration in order to attract world-class individuals to Alberta to ensure the province has the most talented scholars, postdoctoral fellows, graduate students and undergraduates.

Along this road some key advances will be important. The University of Alberta's student-to-faculty ratio of 22:1 is not, for example, on par with the 15:1 ratio at such top North American public research universities. And while the University's undergraduate-to-graduate- student ratio is improving, and is currently at 4.6:1, it does not compare with the ratio of 3:1 at leading public North American universities. The University of Alberta student-to-faculty and graduate-to-undergraduate ratios must become competitive to ensure an enriched undergraduate student experience and an enhanced research and teaching environment.

The productive lives of nearly 9,000 graduates per year, and the research many of them have been part of, constitute the true outcomes of university activity. The impact of every degree accumulates for decades, providing advanced expertise and leadership for all aspects of a knowledge-based economy and society, with new enterprises, innovations in existing enterprises, innovative public policy, and expanded international engagement and attraction for investment in Alberta. The result for Alberta is an enriched community, to be seen not only through the enhanced lifetime earnings spent in Alberta and Canada, but also for its social, community and cultural parameters.

## Financial Risks: Preparing for the Future

The impact of reduced funding prospects, including the universal downturn in investment income, could prevent or delay new initiatives and impede response to the expanded demand from returning students during tough economic times. The university is wholly committed to addressing these risks and will work closely with the provincial government on a long-term strategy that minimizes the university's exposure while maintaining its unprecedented forward momentum.

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

### **1. Government of Alberta operating grant**

The most significant risk facing the university is the reduction in the government base operating grant and other government operating grants. The 2010 year was the final year of a four year provincial government commitment for a 6% annual operating grant increase. In July 2009, the provincial government advised that the university should plan for 0% grant increases in 2011 and 2012.

In 2010 and prior years, separate funding envelopes were provided for enrolment funding and other operational funding. For 2010-2011 the university will receive only one form of operating funding, called the Campus Alberta Grant. Through the establishment of this new funding structure, the enrolment planning envelope funding has been rolled into the base operating grant, which effectively reduces the operating funding in 2011 to the university by approximately 4.5% or \$27 million. The risk associated with this decrease in funding is the university's ability to support enrolment growth and to maintain and enhance the quality of university programs.

To assist in addressing the budgetary issues that the university is facing, a committee has been formed to look at overall revenue enhancements, cost containment and administrative efficiencies. This committee will engage the university community in identifying and implementing balanced strategies in response to the evolving budgetary challenges.

## **2. Deferred Maintenance**

Deferred maintenance for supported infrastructure, which exceeds \$800 million and places programs and initiatives at some risk, is an ongoing concern.

While the deferred maintenance is high, the university, through assistance from the Government of Alberta, has been able to show progress against this liability. To continue managing this risk, the main focus for the 2010 capital plan is renewal, repurposing and deferred maintenance projects and building on the successes achieved through government's investment in the university's deferred maintenance programs in recent years.

## **3. Salary and Benefit Costs**

For 2010 the university has academic and staff salary settlements which do not align with provincial government operating grant commitments.

To date, initiatives undertaken to address the financial shortfall include furlough days agreed to by both staff associations; voluntary early retirements; voluntary personal leave program, administrative efficiencies realizing \$12.5 million to date; and a mandatory non-instructional fee for students. As Faculties and units reduce spending, there have been involuntary lay-offs and some vacancies were not filled. Our ongoing aim is to limit the loss of people and talent as much as possible.

## **4. Utilities, Inflationary Pressures, and Investment Income**

Risk occurs with uncertainty about utility costs due to the volatile energy market, inflationary pressures and investment income which can fluctuate significantly depending on market performance.

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

For a more detailed financial analysis, please refer to the *University of Alberta Audited Financial Statements*, as published by Financial Services (<http://www.financial.ualberta.ca/pdf/FinancialStatements0910.pdf>)

# Performance Indicators

Performance indicators are starting points for monitoring progress toward expected outcomes and goals, and in our case, cornerstones. Those that follow provide three years of results against 2010-11 targets introduced in the University of Alberta's *University Plan 2007-11*. Targets were set to reach challenging yet attainable progress over the 2005-06 baselines. The following 15 indicators are meant to gauge progress towards the University of Alberta's Vision, *Dare to Discover*, and its four cornerstones. These indicators were chosen and developed on the basis of input from key university partners as well as the planning efforts that produced the university's academic plan, *Dare to Deliver*, and those of the faculties and administrative units during the 2007 planning process. They also include information about those measures required by Alberta Advanced Education and Technology.

Performance information provides important indications to students, faculty and staff, the Board of Governors, governments, and the community as to the overall trends and challenges along the university's journey toward achieving its vision.

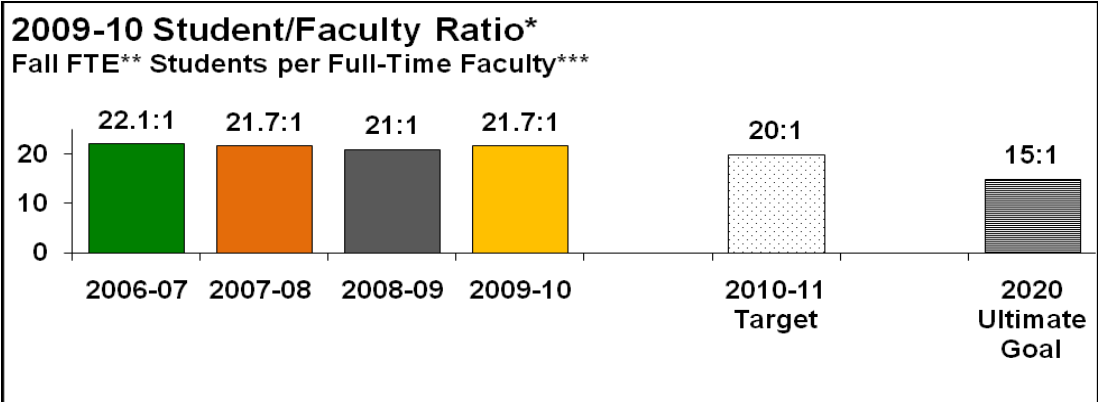
With the next report, it is our intent to align these measures with those outlined in the President's annual *Dare to Discover Report*.

## Cornerstone 1: The University of Alberta will attract and retain talented people

### 1.1 Student/Faculty Ratio

Student-faculty ratios at the institutional level provide a general indication of the available level of resources for the student learning experience. A significant part of the student experience depends on access to faculty (e.g., opportunities for interaction and feedback on work). The 2010-11 target is contingent on implementing new funding for new professors.

The growth of full-time continuing faculty depends not only on additional base operating funding, but also on the level of competition from other universities nationally and globally who are increasing their efforts to attract top researchers and instructors.



Source: University of Alberta Enrolment numbers (Dec. 1<sup>st</sup> data) and Statistics Canada Salary Surveys for Faculty Information. The Statistics Canada Salary Survey information for Faculty excludes faculty paid through trust accounts.

\*\* Ratio = Fall FTE Student / Full-time Faculty

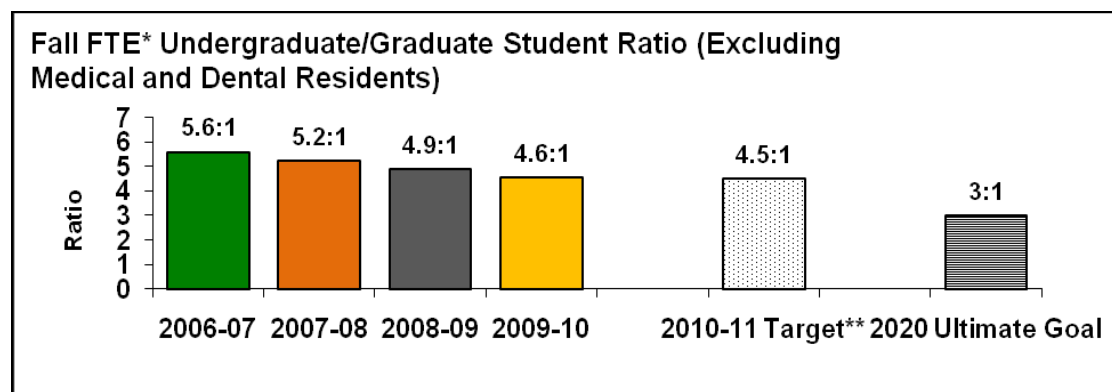
\*\*\* Fall Full-time Equivalent (FTE) figures accommodate North American peer comparisons. FTE is calculated by adding all full-time students (at least three courses) to 1/3 of part-time students.

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



## 1.2 Undergraduate/Graduate Student Ratio

Many leading public research universities have a 3:1 ratio of undergraduate-to-graduate students that helps to foster a dynamic, discovery-based learning environment. The University of Alberta has an undergraduate-to-graduate ratio well 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.



Sources: Summary of Statistics and Data Book

\* FTE is calculated by adding all full-time students (at least three courses) plus 1/4 of part-time undergraduates and 1/3 of part-time graduate students.)

\*\*The 2010-11 target is contingent upon new funding for additional graduate students.

## 1.3 Full Load Equivalent (FLE\*) Enrolment

Enrolment growth has been in line with funding and priorities of the Alberta government initiatives. The university has set in motion strategies to pursue selected long-term objectives within the enrolment growth. These include representative proportions of undergraduates from rural and aboriginal communities of Alberta, as well as higher proportions of international undergraduate and graduate enrolments. We have made good progress towards attaining our target of 30% international graduate enrolment with an increase to 27.3% for the 2009-10 academic year.

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

May to April FLE	2007-08 Actual	2008-09 Actual	2009-10 Actual
Total Enrolment	32,673	32,844	33,882
Undergraduate	27,083	26,884	27,328
Graduate	5,589	5,960	6,554

\*FLE (Full-Load Equivalent) measures every student's actual course load against a normal full course load, which varies by program.

### Proportions of Fall Headcount (Full-time plus Part-time) Enrolment

- Undergraduate enrolment from rural\* Alberta: 2007-08: 22.6% 2008-09: 21.7% 2009-10: 21.0%
- Undergraduate enrolment of self-identified aboriginal: 2007-08: 2.8% 2008-09: 2.5% 2009-10: 2.6%
- Undergraduate enrolment with international visa\*\*: 2007-08: 5.8% 2008-09: 6.2% 2009-10: 6.9%
- Graduate enrolment with international visa\*\*: 2007-08: 21.8% 2008-09: 22.9% 2009-10: 27.3%

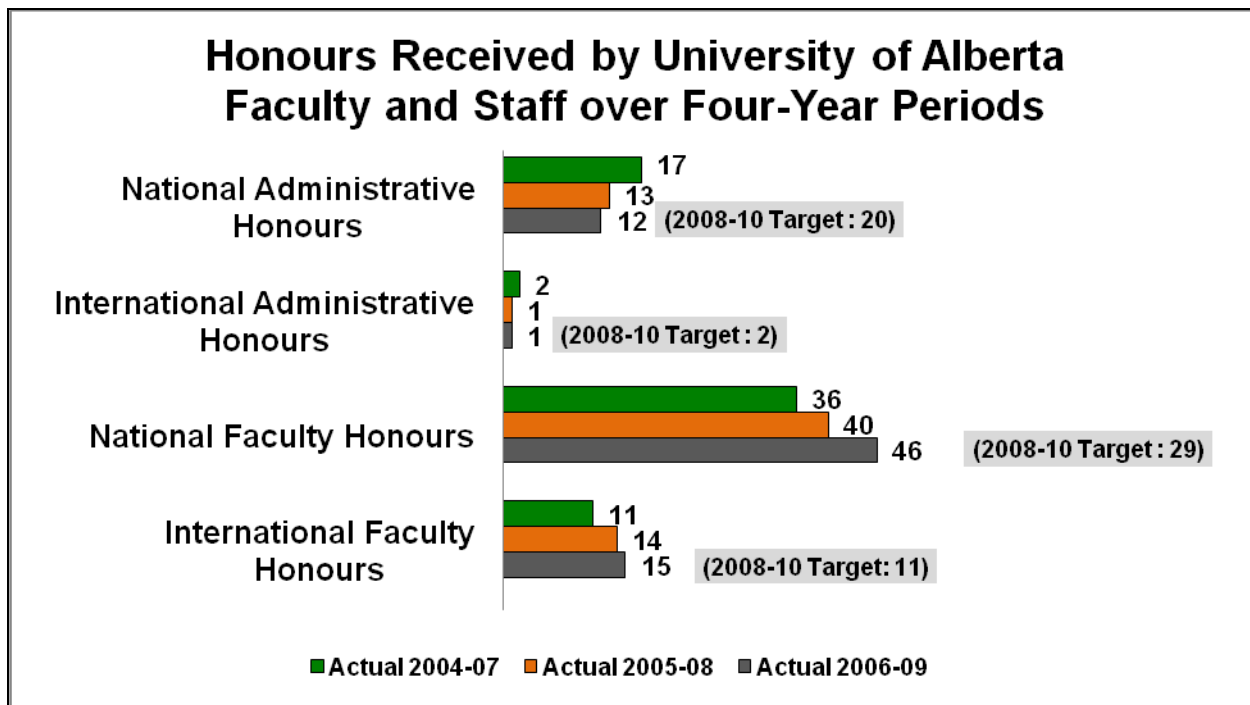
\*Rural means home addresses outside greater Edmonton and Calgary census divisions.

\*\*Undergraduate and graduate student visa enrolment proportions have been revised to include part-time students.



### 1.4 Faculty and Staff Honours

Recognition of excellence through awarded honours is an important measure of institutional quality. The following graph tracks selected top national and international awards for teaching, research, administrative and workplace contributions. Targets set for 2008-11 were based on a modest 10 per cent increase over 2003-06. The number of honours and awards received in the past three four-year periods (2004-07, 2005-08 and 2006-09) have shown growth in both national and international faculty honours, demonstrating a concentration of recognized scholars at the U of A and a concerted effort by the university to have them recognized.



Sources: International and national award websites.

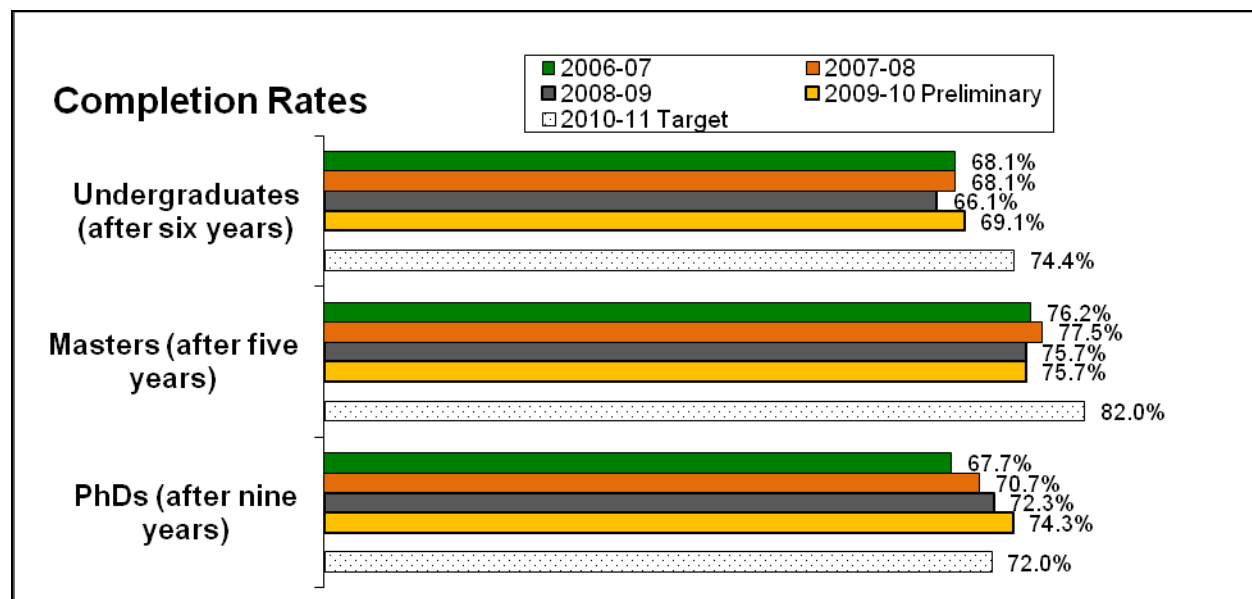
**Notes:**

1. The values presented above represent the total number of awards received by University of Alberta administrative staff and faculty for the years 2004-07, 2005-2008 and 2006-2009. The target is to increase from the 2003-06 totals by 10 per cent by 2008-2011.
2. National administrative honours include a number of awards administered by the Canadian Association of University Business Officers, the Canadian Association of Research Libraries and the Canadian Council for the Advancement of Education.
3. International administrative honours include a number of awards administered by the National Association of College and University Business Officers, the Society for College and University Planning and the Council for Advancement and Support of Education.
4. National faculty honours include: 3M Teaching Fellowships, Federal Tri-Council's Highest Prizes (excluding 2008 data), Killam Research Fellowships, Molson Prizes, Royal Society of Canada Fellowships, Royal Society of Canada Medals, Governor General's Literary Awards and NSERC Steacie Fellowships.
5. International faculty honours include: Sloan Research Fellowships, American Academy of Arts and Sciences Awards, Guggenheim Fellowships, ISI Highly Cited Researchers, American Association for the Advancement of Sciences Awards, Royal Society of London Fellowships and Howard Hughes Awards and Fellowships.

**Cornerstone 2: The University of Alberta will represent excellence in learning, discovery and citizenship**

**2.1 Graduate and Undergraduate Completion Rates**

Progress has been made in completion rates among undergraduate and doctoral students based on the most current available data, but not for master’s students. By its nature, this indicator will take some time to improve, since strategies implemented with current students will generate indicator results many years later. The target set for 2010-11 is to increase 2005-06 completion rates by five per cent.



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

**2.2 Student Satisfaction with Educational Experience (biennial survey)**

Alberta Advanced Education and Technology measures student satisfaction with educational quality through its biennial *Graduate Outcomes Survey* of graduates two years after degree completion by asking them “Overall, how satisfied are you with the quality of your educational experience?”

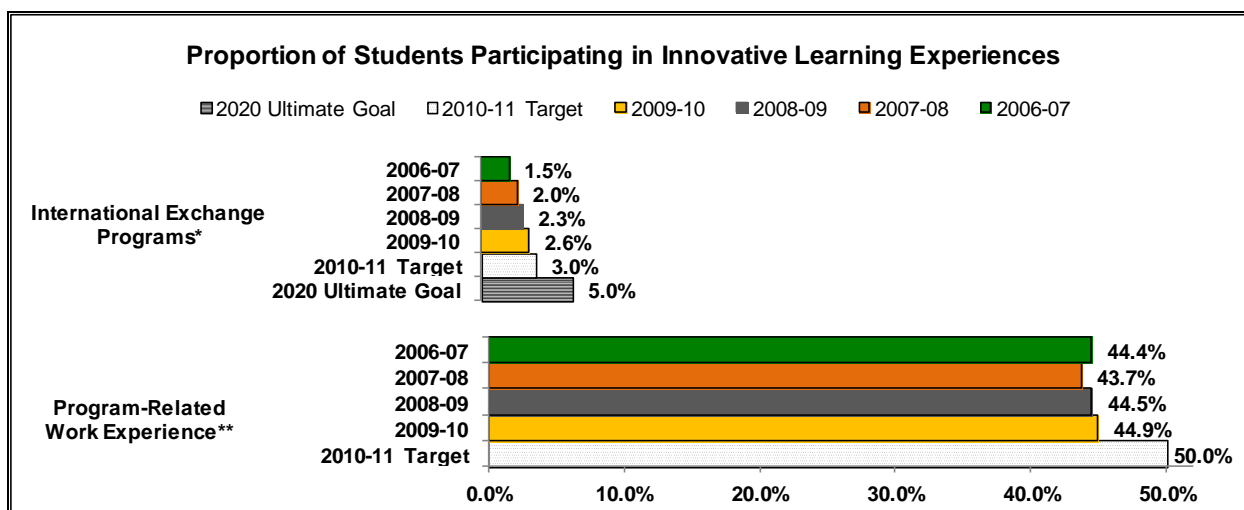


Source: Alberta Advanced Education and Technology’s Biennial Graduate Outcomes Survey

Interim tracking of student satisfaction can come from National Survey of Student Engagement (NSSE) of current student impressions. NSSE also tracks a great variety of particular experiences which can help to measure progress with specific improvement strategies. The 2008 NSSE survey revealed that on average, University of Alberta seniors rated their overall university education experience (2.94 out of 4) as comparable to that of their peers at other G13 universities (average 2.97 out of 4).

### 2.3 Innovative Learning Experiences

Non-traditional approaches to learning are increasingly important elements of the academic environment at the University of Alberta. Program-related work, international and community experience, and discovery learning help tremendously to enrich the student experience. The university is expanding the number of programs that include international, discovery learning, work and community experiences, and the trend is positive as 2009-10 student participation in international exchanges in moving towards the 2010-11 target.

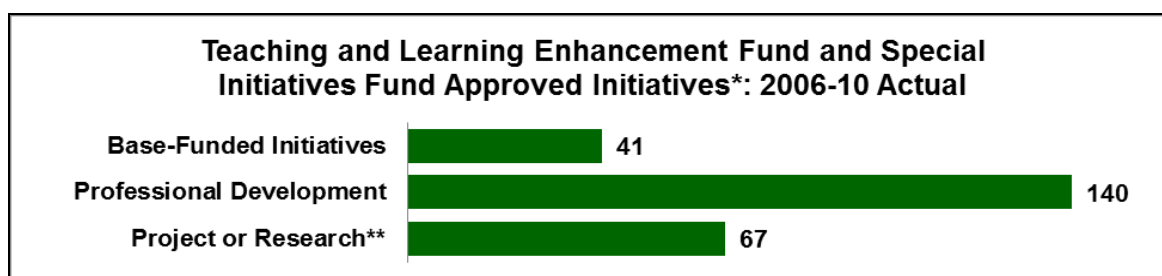


Sources: Fall Full-time Enrolment: Data Book 2009/10 Table 2.1.1 , Outgoing exchange and Study Abroad participants: U of A International Office and Program-related work and Community Experience data developing in the Strategic Analysis Office.

\*Proportion of Fall full-time enrolment.

\*\*Proportion of graduate students. Excludes articling law students.

The Teaching and Learning Enhancement Fund (TLEF) was launched in 2006 as a key initiative in support of commitments to enhance discovery learning, to strengthen student engagement in the learning process, and to enable students to be active and contributing citizens at the university and in the wider community. Twelve projects were supported in 2009-10 through TLEF with another 43 initiatives, development opportunities and studentships were provided in support of teaching and learning excellence.



\*Approved initiatives include Graduate Student Funding, Law PhD program and summer studentships.

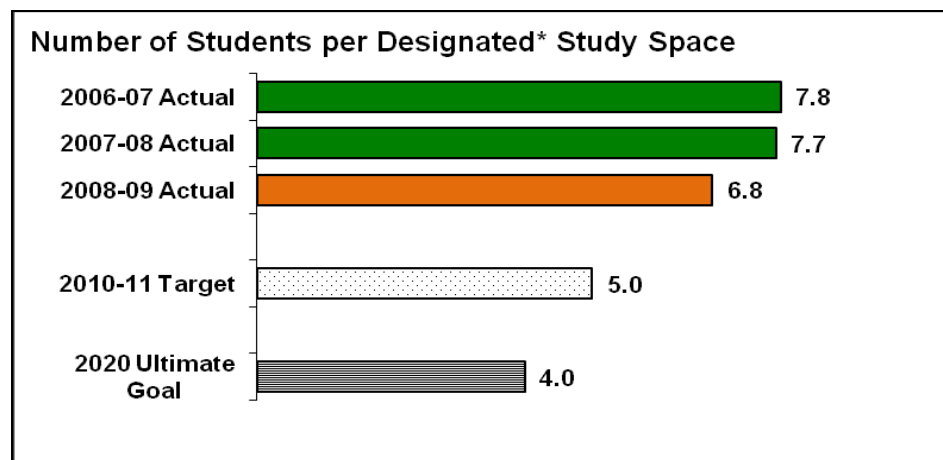
\*\*Special Initiatives Fund one-time awards plus Teaching & Learning Enhancement Fund projects and research awards.

Note: Cumulative awards from 2006-2008 were:

- Base Funded Initiatives – 16;
- Professional Development – 23; and
- Projects or Research – 39.

## 2.4 Students per Designated Study Space

The increase of designated student study space available continues to signal the university's commitment to learning, discovery and incubating scholarship. The ratio is decreasing in response to completion of some of the planned renovation and repurposing projects. Further reductions are anticipated as renovations are completed and new designated student study space comes on line through to 2012. The university continues to identify funding required for these efforts in the context of Alberta Advanced Education and Technology's *Roles and Mandates Policy Framework*.



\* Designated study space includes individual and group study spaces at University of Alberta libraries. It does not include casual, residence or computer lab study space. If formal and informal learning spaces are considered, the number of students per study space is 2.

## 2.5 Sponsored Research Funding

The level of funding for research from external sources is a result of application success, most of it in the context of peer-reviewed competition, and thus constitutes both a measure and support of scholarly excellence. In 2008-09 (the latest year of available comparative data), the University of Alberta ranked third in Canada for attracting research support from the Canadian and other governments, Canadian and foreign industry, and from Canadian and foreign associations, foundations, and individuals. The university will strive to maintain a rank among the top five Canadian universities. Rank order is used in this case because actual dollar targets are elusive given the volatile nature of overall funding available.

Rank	University	2008-09	2007-08
1	Toronto	\$857.9	\$844.6
2	British Columbia	\$524.6	\$470.1
3	<b>Alberta*</b>	<b>\$507.6</b>	<b>\$491.7</b>
4	Montréal	\$486.2	\$468.7
5	McGill	\$432.1	\$418.6
6	McMaster	\$377.7	\$373.5
7	Laval	\$282.7	\$278.6
8	Calgary	\$264.4	\$236.2
9	Western Ontario	\$241.3	\$221.9
10	Ottawa	\$236.8	\$245.3

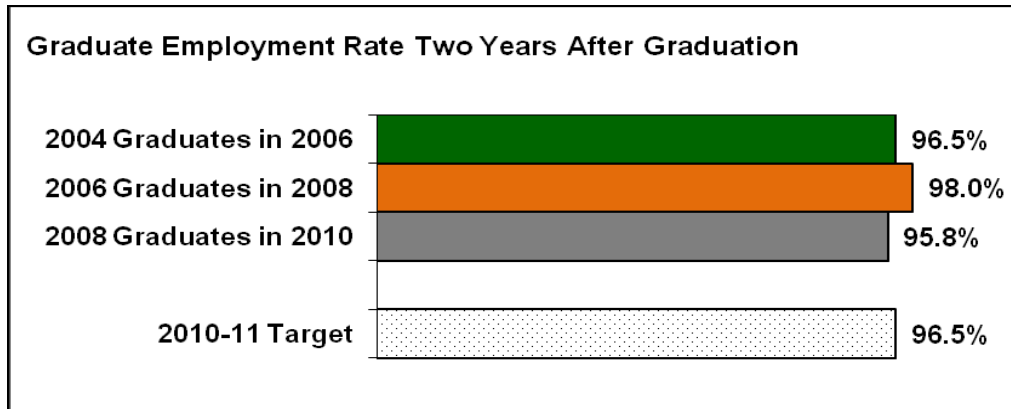
Sources: CAUBO: 2006-07, 2007-08, and 2008-09.

\*Includes \$24.3 million in 2008-09 in clinical trials and related research funding with Capital Health and the Alberta Cancer Board (not reported in CAUBO). Does not include \$20.3 million that was included in the financial statements & analysis associated with the spending allocation for research-related endowments as funded from endowment cumulative capitalized income.

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

**3.1 Graduate Employment Rate**

One measure of success in a university education is the employability of graduates. Based on the outcomes of Alberta Advanced Education and Technology’s biennial survey, this measure shows the proportion of University of Alberta graduates (all levels) employed two years after graduation.



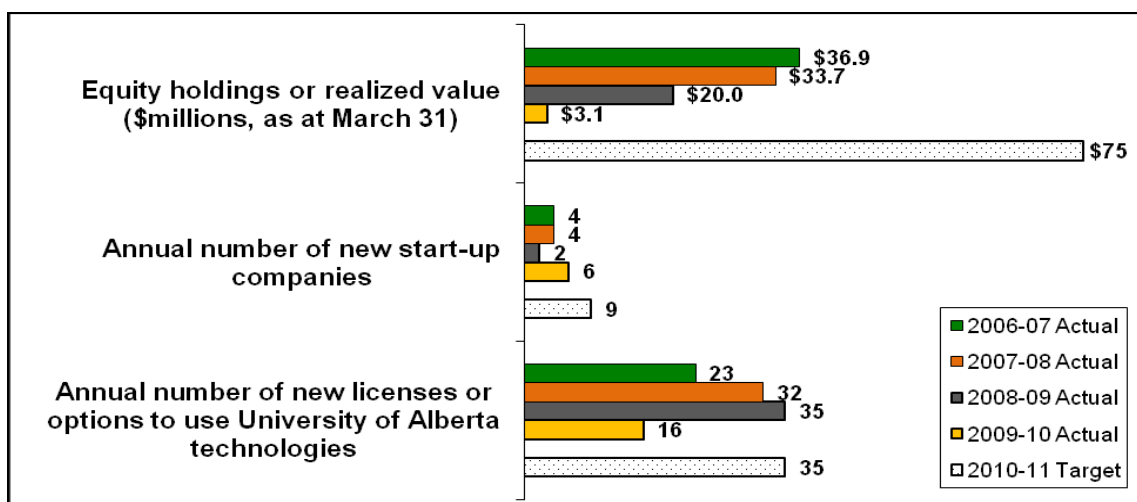
Source: Advanced Education and Technology requirement from biennial survey of graduates.

**3.2 Technology Transfer Activities**

Retaining the ability to grant exclusive licenses is essential to company start-up activity, which is a key contribution to the overall economic impact of university licensing of new technologies, processes and innovations. Start-up companies enable the university to share new knowledge with the community and attract top-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.

One of the university’s spin off companies had an excellent opportunity to provide resources through a share option. Unfortunately, it’s Phase 3 clinical trial did not achieve the level of efficacy required; as a result, share values dropped significantly. The university has divested its interest in the company.

In line with provincial priorities, TEC Edmonton, the university’s commercialization agent, has focused since 2006 on new company development as a first priority, and licensing for the university’s commercial gain as a second priority. This is because lasting economic benefit results from sustainable company development more than from licensing, even though licensing may provide more short-term revenue to the university. As a result, the revenue to the university is reduced, although the economic benefit to the province will be increased. According to the Association of University Technology Managers, the University of Alberta ranks seventh among all North American universities for spinoffs that are still in operation.



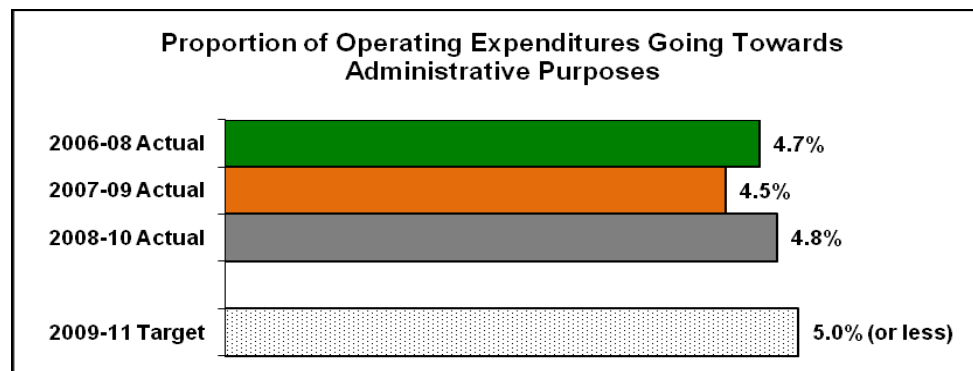
Source: TEC Edmonton Annual Reports.

## Cornerstone 4: The University of Alberta will exemplify transformative organization and support

### 4.1 Administrative Expenditures Proportion of Identified Operating Expenditures

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). The indicator presented here conforms to the ministry's KPI detailed specifications for a two-year average.

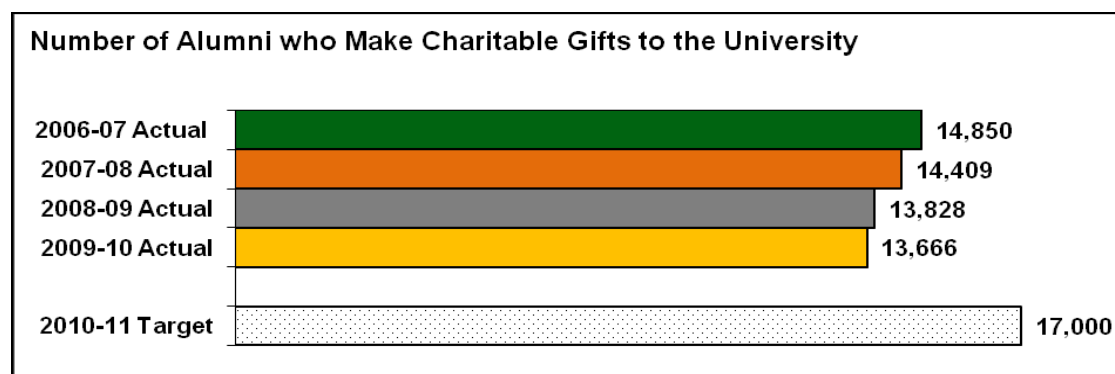
In order to maintain an expenditure percentage of less than 5%, the university is striking an administrative efficiencies task force to examine opportunities for internal administrative savings. U of A also remains committed to leading Campus Alberta partnerships to gain additional efficiencies throughout the post-secondary sector. Ideas currently under review include audit, bulk purchasing, province-wide vendor agreements, and information technology, among others.



Source: Preliminary 2009-10 information developed for the provincial Financial Information Reporting System (FIRS).

### 4.2 Alumni Support

Building and maintaining relationships with alumni is critical for the University of Alberta to realize its vision and goals. The downward trend of alumni giving to North American universities and colleges in the current economic conditions may make reaching the 2010-11 target difficult. New and innovative integration between the Offices of Development and of Alumni Affairs, along with investment in alumni engagement, position the university for modest increases in alumni support.



Source: External Relations, Advancement Services

### 4.3 Library Quality

Library quality matches superior information resource collections with quality access and other public-facing services - the latter both on-site and by way of networked applications. Appropriate indicators of collection strength and service quality would include, but are not limited to: ranking surveys conducted by external organizations and internal service quality surveys conducted by the library, or on behalf of the library. Through attention to these measures, the University of Alberta Library seeks to be ranked in the top 10 of the ARL Library Investment Index by 2010 and strives also to close any perceived gap between service expectation and service delivery.

The index measured expenditures in US currency and the U of A ranking was affected by the fluctuation in the conversion rate used.

Year	Rank* in North America
Actual 2006-07	19
Actual 2007-08	12
Actual 2008-09**	16
Target 2010-11	10

Source: Association of Research Libraries (ARL)

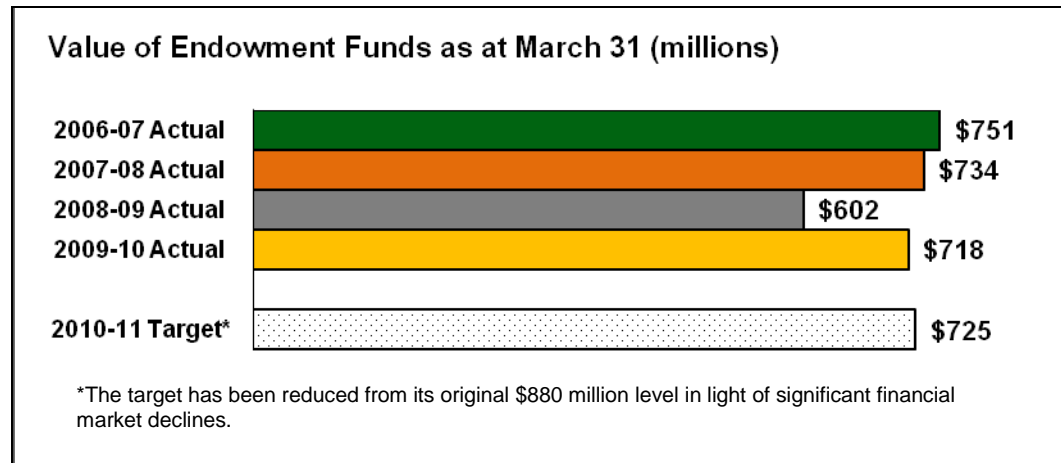
\*This rank is based on ARL's Library Investment Index, which takes into account total library expenditures, salaries and wages of professional staff, expenditures on library materials, and the number of professional and support staff members.

\*\*2008-09 is the latest data available from ARL.

### 4.4 Endowment Market Value

A university's endowment provides support for scholarships, teaching, research and other educational programs now and in the future. It also provides leverage, allowing the institution to develop new and innovative opportunities. The volatility of financial markets has had an impact on the value of the University of Alberta's endowment.

The University of Alberta's endowment ranks fourth highest in Canada, but it is still in its infancy relative to the majority of its North American peers. The university is working to move its endowment levels on a per student basis to the top in Canada and closer to levels seen at comparable U.S. institutions.



Source: Statement of Financial Position at March 31, 2010.

# Management's Responsibility for Reporting

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

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

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

*Original Signed by Indira Samarasekera*

*Original Signed by Phyllis Clark*

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Indira V. Samarasekera, OC  
President

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





## Auditor's Report

To the Board of Governors

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

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

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

*Original signed by Merwan N. Saher*  
CA  
Auditor General

Edmonton, Alberta  
May 31, 2010



University of Alberta  
Audited Financial Statements  
*for the Year Ended March 31, 2010*



**THE UNIVERSITY OF ALBERTA**  
**STATEMENT OF FINANCIAL POSITION**  
**YEAR ENDED MARCH 31**  
(thousands of dollars)

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (note 3)	\$ 99,229	\$ 119,621
Short-term investments (note 4)	718,415	719,958
Accounts receivable	168,677	117,841
Inventories and prepaid expenses	21,608	17,309
	<u>1,007,929</u>	974,729
Long-term investments (note 4)	877,156	790,326
Capital assets and collections (note 5)	2,309,290	1,970,766
	<u>\$ 4,194,375</u>	<u>\$ 3,735,821</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 217,385	\$ 231,638
Current portion of employee future benefit liabilities (note 6)	8,392	8,199
Current portion of long-term liabilities (note 7)	10,656	10,483
Deferred contributions, research and other (note 8)	315,411	269,444
Deferred revenue	16,897	15,351
	<u>568,741</u>	535,115
Employee future benefit liabilities (note 6)	131,537	99,597
Long-term liabilities (note 7)	179,765	193,852
Deferred contributions, research and other (note 8)	90,000	90,000
Deferred contributions, capital (note 8)	437,617	495,632
Unamortized deferred capital contributions (note 9)	1,662,878	1,329,723
	<u>3,070,538</u>	2,743,919
<b>Net Assets</b>		
Endowments (note 10)	717,495	602,414
Investment in capital assets and collections (note 11)	466,896	450,023
Unrestricted (deficit)	(60,554)	(60,535)
	<u>1,123,837</u>	991,902
	<u>\$ 4,194,375</u>	<u>\$ 3,735,821</u>

Contingent liabilities and commitments (note 12)

Signed on behalf of the Board of Governors:

*Original signed by Brian Heidecker*

Chair, Board of Governors

*Original signed by Indira Samarasekera*

President



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

	<u>2010</u>	<u>2009</u>
<b>REVENUE</b>		
Government of Alberta grants (note 15)	\$ 733,854	\$ 681,089
Federal and other government grants	185,158	174,647
Student tuition and fees	235,799	221,987
Sales of services and products	201,375	200,762
Donations and other grants	112,460	108,215
Investment income (loss) (note 14)	48,991	(42,302)
Amortization of deferred capital contributions (note 9)	89,054	75,514
	<u>1,606,691</u>	<u>1,419,912</u>
<b>EXPENSE</b>		
Salaries	794,643	725,191
Employee benefits	168,189	137,285
Materials, supplies and services	290,201	314,958
Scholarships and bursaries	89,547	81,609
Maintenance and repairs	68,433	64,728
Utilities	38,908	39,129
Amortization of capital assets	143,277	124,598
	<u>1,593,198</u>	<u>1,487,498</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE</b>	13,493	(67,586)
<b>NET TRANSFERS (TO) FROM ENDOWMENTS (note 10)</b>	(34)	29,974
<b>NET CHANGE IN INVESTMENT IN CAPITAL ASSETS (note 11)</b>	<u>(13,478)</u>	<u>(31,076)</u>
Change in unrestricted net assets for the year	(19)	(68,688)
<b>UNRESTRICTED NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<u>(60,535)</u>	<u>8,153</u>
<b>UNRESTRICTED NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ (60,554)</u>	<u>\$ (60,535)</u>



**THE UNIVERSITY OF ALBERTA**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED MARCH 31**  
(thousands of dollars)

	<u>Endowments</u>	<u>Investment in Capital Assets and Collections</u>	<u>Unrestricted Net Assets (deficit)</u>
<b>NET ASSETS, March 31, 2008</b>	\$ 734,191	\$ 407,668	\$ 8,153
Deficiency of revenue over expense	-	-	(67,586)
Investment loss (note 14)	(140,959)	-	-
Endowment contributions (note 10)	39,156	-	-
Net transfers (note 10)	(29,974)	-	29,974
Net change in investment in capital assets (note 11)	-	31,076	(31,076)
Contributions of assets not subject to amortization (note 11)	-	11,279	-
<b>NET ASSETS, March 31, 2009</b>	<u>\$ 602,414</u>	<u>\$ 450,023</u>	<u>\$ (60,535)</u>
Excess of revenue over expense	-	-	13,493
Investment income (note 14)	80,029	-	-
Endowment contributions (note 10)	35,018	-	-
Net transfers (note 10)	34	-	(34)
Net change in investment in capital assets (note 11)	-	13,478	(13,478)
Contributions of assets not subject to amortization (note 11)	-	3,395	-
<b>NET ASSETS, March 31, 2010</b>	<u><u>\$ 717,495</u></u>	<u><u>\$ 466,896</u></u>	<u><u>\$ (60,554)</u></u>



**THE UNIVERSITY OF ALBERTA**  
**STATEMENT OF CASH FLOW**  
**YEAR ENDED MARCH 31**  
(thousands of dollars)

	2010	2009
<b>CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expense	\$ 13,493	\$ (67,586)
Add (deduct) non-cash items:		
Amortization of capital assets	143,277	124,598
Amortization of deferred capital contributions	(89,054)	(75,514)
Change in employee future benefit liabilities	32,133	10,809
Change in unrealized (gain) loss on investments	(7,059)	54,256
Total non-cash items	79,297	114,149
Net change in non-cash working capital (*)	(20,332)	(196,413)
	<b>72,458</b>	<b>(149,850)</b>
<b>CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES</b>		
Purchases of capital assets and collections, net of proceeds on disposals	(478,407)	(364,948)
Purchases of long-term investments, net of sales	1,146	44,481
Endowment investment loss	(886)	(15,910)
	<b>(478,147)</b>	<b>(336,377)</b>
<b>CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES</b>		
Endowment contributions	35,018	39,156
Capital contributions	364,193	489,148
Long-term liabilities - new financing, net of repayments	(13,914)	201
	<b>385,297</b>	<b>528,505</b>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(20,392)</b>	<b>42,278</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>119,621</b>	<b>77,343</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (note 3)</b>	<b>\$ 99,229</b>	<b>\$ 119,621</b>
<b>(<sup>c)</sup> Net change in non-cash working capital:</b>		
Decrease (increase) in short-term investments	\$ 1,543	\$ (309,557)
(Increase) decrease in accounts receivable	(50,836)	71,856
Increase in inventories and prepaid expenses	(4,299)	(349)
(Decrease) increase in accounts payable and accrued liabilities	(14,253)	56,467
Increase (decrease) in deferred contributions, research and other	45,967	(11,357)
Increase (decrease) in deferred revenue	1,546	(3,473)
	<b>\$ (20,332)</b>	<b>\$ (196,413)</b>



**1. Authority and purpose**

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

**2. Summary of significant accounting policies and reporting practices**

**(a) General - GAAP and use of estimates**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. University administration uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets and asset-backed commercial paper investments are the most significant items based on estimates. In administration’s opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

**(b) Interest in joint ventures**

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

- Canada School of Energy and Environment (46.2% interest) - a joint venture with two other universities to promote coordination and collaboration in research and education related to the implementation of Alberta’s energy and environment strategies.
- Northern Alberta Clinical Trials and Research Centre (50% interest) - a joint venture with Alberta Health Services to support the shared missions of Alberta Health Services and the University for collaborative clinical research.
- TEC Edmonton (50% interest) - a joint venture with Edmonton Economic Development Corporation to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society.
- Tri-University Meson Facility (TRIUMF) (14.3% interest) - a joint venture with six other universities to operate a sub-atomic physics research facility.

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

**(c) Financial instruments**

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

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



The calculation of fair value is based upon market conditions at a specific point in time, with the exception of real estate held directly by the University which is not for operational use. The value of investments recorded in the financial statements is determined as follows:

- Short-term investments are comprised primarily of certificates of deposit, guaranteed investment certificates, government treasury bills and commercial paper with a maturity between 91 days and one year and units in a pooled money market fund. These investments are valued based on cost plus accrued income, which approximates fair value. When a loss in value of such investments occurs that is other than temporary, the investment is written down to recognize the loss.
- Publicly traded securities are valued based on the latest bid prices.
- Investments in pooled funds are valued at their net asset value per unit.
- Real estate directly held by the University which is not for operational use is recorded at cost.
- Infrequently traded securities are based on quoted market yields or prices of comparable securities, as appropriate.

The University's financial instruments are recognized on their trade date and fair values have been recorded for all assets in transit. Transaction costs related to all financial instruments are expensed as incurred.

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

Financial statements are exposed to credit risk, interest rate risk, foreign exchange risk, market risk, commodity price risk and liquidity risk. Each of these risks is managed through the University's collection procedures, investment guidelines, banking arrangements and other internal policies, guidelines and procedures.

#### **(d) Inventories**

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at cost.

#### **(e) Capital assets and collections**

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

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

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

#### **(f) Asset retirement obligations**

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





**(g) Revenue recognition**

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

- Unrestricted contributions - when received, or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Unrestricted investment income - when earned; this includes interest, dividends, realized and unrealized gains and losses.
- Pledges - when collected.
- Revenues received for services and products - when the services or products are substantially provided and collection is reasonably assured.
- Tuition fees - when the instruction is delivered.
- Restricted contributions - based on the deferral method.

**Deferral method**

Contributions, including investment income on the contributions, which are restricted for purposes other than endowment or capital asset acquisitions, are deferred and recognized as revenue when the conditions of the contribution are met.

Contributions to acquire capital assets with limited life are first recorded as deferred contributions, capital when received, and when expended, they are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-Secondary Learning Act* allocated to endowment principal, are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are deferred and recognized as revenue when the conditions of the endowment are met.

Contributions restricted to the acquisition of land and permanent collections are first recorded as deferred contributions when received, and when expended, they are recognized as direct increases in investment in capital assets and collections.

**(h) Foreign currency translation**

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate. Revenues and expenses are translated at average weekly exchange rates. Gains or losses from these translations are included in investment income.

**(i) Employee future benefits**

**Pension**

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

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

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



### **Supplementary retirement plans**

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

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

### **Long-term disability**

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

### **Early retirement**

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

### **(j) Capital disclosures**

The University defines its capital as the amounts included in deferred contributions (note 8), endowment net assets (note 10) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded primarily by Alberta Advanced Education and Technology. The University has investment policies (note 4), spending policies and cash management procedures to ensure the University can meet its capital obligations.

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

### **(k) Contributed services**

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



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**3. Cash and cash equivalents**

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

	<u>2010</u>	<u>2009</u>
Cash	\$ 4,596	\$ 1,615
Money market funds, short-term notes and treasury bills	<u>94,633</u>	<u>118,006</u>
	<u>\$ 99,229</u>	<u>\$ 119,621</u>

**4. Investments**

The composition and fair value of investments are as follows:

	<u>2010</u>	<u>2009</u>
Cash, money market funds, short-term notes and treasury bills	\$ 726,579	\$ 724,346
Asset-backed commercial paper	89,118	93,098
Canadian government and corporate bonds	252,006	259,477
Canadian equity	126,583	108,309
Foreign equity	376,875	301,915
Pooled hedge funds	23,335	22,061
Annuities	89	92
Real estate	986	986
	<u>\$ 1,595,571</u>	<u>\$ 1,510,284</u>
Short-term investments	\$ 718,415	\$ 719,958
Long-term investments	<u>877,156</u>	<u>790,326</u>
	<u>\$ 1,595,571</u>	<u>\$ 1,510,284</u>

As at March 31, 2010, the average effective yields and the terms to maturity are as follows:

- Money market funds, short-term notes and treasury bills: 0.54% (2009 - 1.73%); term to maturity: less than one year.
- Canadian government and corporate bond funds: 2.75% (2009 - 1.40%) terms to maturity: range from less than one year to more than 10 years.

The University's investments are managed using two pools, the Non-Endowed Investment Pool (NEIP) with investment holdings of \$850,118 (2009 - \$883,196) and the Unitized Endowment Pool (UEP) with investment holdings of \$745,453 (2009 - \$627,088). The primary objective for the NEIP is to earn a rate of return that exceeds the DEX 91 day T-Bill return with an emphasis on liquidity and the preservation of capital. The primary objective for the UEP is to earn a long-term rate of return that, in real terms, exceeds total endowment spending at an acceptable level of risk. The UEP also includes non-endowed assets that will not be required for spending in the next five years.

Derivative financial instruments are used to manage certain market and currency exposures primarily with respect to the University's investments. The University uses foreign currency forward contracts to manage its foreign exchange currency exposure on certain investments, and has entered into foreign currency forward contracts to minimize exchange rate fluctuations. All outstanding contracts have a remaining term to maturity of less than one year. The University has contracts outstanding held in US dollars, Euro, Japanese yen and the British pound among others. The fair value of net outstanding foreign currency forward contracts receivable is \$7,510 (2009 - \$505).

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



**Asset-backed commercial paper**

The University holds \$138,602 (2009 - \$156,553) in "New Restructured Notes" that were received on January 21, 2009 in exchange for asset-backed commercial paper (ABCP) formerly held by the University. The ABCP had been restructured under the restructuring agreement of the Pan-Canadian Investments Committee (known as the Montreal Accord). Certain notes, classified as Other ABCP, were not part of the Montreal Accord and were restructured directly with the sponsors or remain subject to ongoing legal proceedings.

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

Note type	2009		2010			
	Estimated fair value	Cost	Note cancellations	Redemptions	Cost	Estimated fair value
Traditional assets <sup>(1)</sup>	\$ 16,197	\$ 17,640	\$ -	\$ (13,337)	\$ 4,303	\$ 3,743
Synthetic assets <sup>(2)</sup>	67,168	117,763	-	(188)	117,575	75,570
IA tracking notes <sup>(3)</sup>	4,263	21,150	(2,578)	(1,848)	16,724	3,752
	87,628	156,553	(2,578)	(15,373)	138,602	83,065
Other ABCP <sup>(4)</sup>	5,470	8,660	-	-	8,660	6,053
<b>Total</b>	<b>\$ 93,098</b>	<b>\$ 165,213</b>	<b>\$ (2,578)</b>	<b>\$ (15,373)</b>	<b>\$ 147,262</b>	<b>\$ 89,118</b>

- (1) Primarily rated as AA+ or higher by DBRS, with a yield based upon the income generated by the underlying assets. Anticipated yield is Bankers Acceptance (BA) plus 0.40%. Scheduled repayment dates are between 4 and 6 years with legal maturity dates between 12 and 26 years.
- (2) Primarily rated as A and BBB (low) by DBRS, with a yield of BA minus 0.50%. Scheduled repayment date is January 2017 with a legal maturity date of July 2056.
- (3) No stated amount, interest paid will be based on income generated by underlying assets. Scheduled repayment and legal maturity dates are between 3 and 30 years.
- (4) Stated yield ranges from BA to Canadian Deposit Offering Rate plus 0.33%. Scheduled repayment and legal maturity dates are between 4 and 7 years.

Valuation

ABCP restructured under the Montreal Accord:

In the absence of a well-functioning market for third-party ABCP subject to the Montreal Accord, the University has estimated the fair value of these investments as at March 31, 2010 using a discounted cash flow valuation model. This model incorporates administration's best estimates of multiple factors, updated to reflect market-related and other additional information.

The valuation also involves assumptions regarding the difference between the yield the University expects to earn from the restructured floating rate notes and the appropriate market-discount attributable to such investments. The estimated investment yields were determined based on available information. The estimated market-discount rates for the floating rate notes were determined by reference to market rates for other investments and appropriate forward-credit indices. They were then adjusted to include an estimated premium to reflect the expected lack of liquidity in the restructured floating rate notes together with the leveraged nature of the underlying assets and were adjusted for subordination where appropriate. The shortfall between the expected yield and the estimated discount rate for notes in the synthetic assets ranges from 562 basis to 862 basis points. An increase of 100 basis points in the estimated discount rate would decrease the fair value by approximately \$9,000.

Other ABCP:

In the absence of an active market for these investments, the University has estimated their fair value as at March 31, 2010, using a discounted cash flow valuation model similar to the approach used for the ABCP restructured under the Montreal Accord.

Measurement uncertainty

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



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**5. Capital assets and collections**

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings and utilities	\$ 2,476,454	\$ 748,376	\$ 1,728,078	\$ 2,094,047	\$ 702,133	\$ 1,391,914
Equipment and furnishings	984,646	653,704	330,942	918,945	585,497	333,448
Learning resources	278,328	182,020	96,308	258,252	162,691	95,561
Land	53,296	-	53,296	53,296	-	53,296
Library permanent collections	35,490	-	35,490	34,650	-	34,650
Other permanent collections	65,176	-	65,176	61,897	-	61,897
	<u>\$ 3,893,390</u>	<u>\$ 1,584,100</u>	<u>\$ 2,309,290</u>	<u>\$ 3,421,087</u>	<u>\$ 1,450,321</u>	<u>\$ 1,970,766</u>

Included in buildings and utilities is \$657,974 (2009 - \$308,316) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions include in-kind contributions (such as learning resources, equipment, software, buildings and land) in the amount of \$12,081 (2009 - \$38,417).



**6. Employee future benefit liabilities**

Employee future benefit liabilities are comprised of the following:

	2010			2009		
	Academic staff	Support staff	Total	Academic staff	Support staff	Total <sup>(1)</sup>
UAPP	\$ 81,004	\$ -	\$ 81,004	\$ 54,090	\$ -	\$ 54,090
Long-term disability	7,253	21,825	29,078	7,260	20,920	28,180
Early retirement	540	23,517	24,057	835	22,028	22,863
SRP (defined benefit)	3,350	-	3,350	2,663	-	2,663
SRP (defined contribution)	2,440	-	2,440	-	-	-
Total	94,587	45,342	139,929	64,848	42,948	107,796
Less current portion	2,598	5,794	8,392	2,628	5,571	8,199
Long-term portion	\$ 91,989	\$ 39,548	\$ 131,537	\$ 62,220	\$ 37,377	\$ 99,597

<sup>(1)</sup> Vacation pay has been reclassified from employee future benefits to accounts payable and accrued liabilities to conform to the presentation adopted in the 2010 financial statements.

**(a) Defined benefit**

**Multi-employer pension plans**

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members. At December 31, 2009, the UAPP reported an actuarial deficiency of \$971,000 (2008 - \$1,055,471) consisting of a pre-1992 deficiency (\$665,980) and a post-1991 deficiency (\$305,020). An actuarial valuation of the UAPP was carried out as at December 31, 2008 and was then extrapolated to December 31, 2009. A further extrapolation to March 31, 2010 has resulted in a decrease of the UAPP deficiency to \$924,067 (2009 - \$1,299,860) consisting of a pre-1992 deficiency (\$646,208) and a post-1991 deficiency (\$277,859).

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

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members and is accounted for on a defined contribution basis. At December 31, 2009, the PSPP reported an actuarial deficiency of \$1,729,196 (2008 - \$1,187,538). An actuarial valuation of the PSPP was carried out as at December 31, 2008 and was then extrapolated to December 31, 2009. The pension expense recorded in these financial statements is \$18,294 (2008 - \$15,861).

**Long-term disability and early retirement**

The University provides long-term disability (academic and support staff) and early retirement (support staff) defined benefits to its employees. The most recent actuarial valuation for these benefits was as at March 31, 2010.

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

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



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**Supplementary retirement plans (SRP)**

The University provides non-contributory defined benefit supplementary retirement benefits to executives. An actuarial valuation of these benefits was carried out as at March 31, 2010.

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

	2010				2009			
	UAPP <sup>(1)</sup>	Long-term disability <sup>(2)</sup>	Early retirement <sup>(2)</sup>	SRP	UAPP <sup>(1)</sup>	Long-term disability <sup>(2)</sup>	Early retirement <sup>(2)</sup>	SRP
<b>Expense</b>								
Current service cost	\$ 31,005	\$ 6,159	\$ 1,323	\$ 516	\$ 27,600	\$ 4,144	\$ 1,278	\$ 573
Interest cost	17,527	1,528	1,474	212	8,340	1,174	1,261	135
Amortization of net actuarial (gain) loss	17,343	(1,495)	11	(81)	6,180	(1,597)	170	-
Amortization of past service cost	-	-	-	41	-	-	-	-
<b>Total expense</b>	<b>\$ 65,875</b>	<b>\$ 6,192</b>	<b>\$ 2,808</b>	<b>\$ 688</b>	<b>\$ 42,120</b>	<b>\$ 3,721</b>	<b>\$ 2,709</b>	<b>\$ 708</b>
<b>Financial Position</b>								
Accrued benefit obligation:								
Balance, beginning of year	\$ 667,510	\$ 20,934	\$ 23,074	\$ 2,054	\$ 594,790	\$ 21,776	\$ 24,888	\$ 1,891
Current service cost	31,005	6,159	1,323	516	27,600	4,144	1,278	573
Interest cost	45,775	1,528	1,474	212	40,780	1,174	1,261	135
Recognition of past service	-	-	-	434	-	-	-	-
Benefits paid	(30,389)	(5,294)	(1,614)	-	(27,330)	(4,888)	(1,884)	-
Actuarial (gain) loss	(93,876)	1,224	(2,733)	317	31,670	(1,272)	(2,469)	(545)
Balance, end of year	<u>620,025</u>	<u>24,551</u>	<u>21,524</u>	<u>3,533</u>	<u>667,510</u>	<u>20,934</u>	<u>23,074</u>	<u>2,054</u>
Plan assets	(467,820)	-	-	-	(417,440)	-	-	-
Funded status - plan deficit	152,205	24,551	21,524	3,533	250,070	20,934	23,074	2,054
Unamortized net actuarial gain (loss)	(71,201)	4,527	2,533	(183)	(195,980)	7,246	(211)	609
Accrued benefit liability	<u>\$ 81,004</u>	<u>\$ 29,078</u>	<u>\$ 24,057</u>	<u>\$ 3,350</u>	<u>\$ 54,090</u>	<u>\$ 28,180</u>	<u>\$ 22,863</u>	<u>\$ 2,663</u>

Plan assets:

<sup>(1)</sup> UAPP - the unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2008 - 1.25%) of total earnings by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.03% (2008 - 1.74%) of total earnings required to eliminate the unfunded deficiency by December 31, 2043. The actuarial valuation shows that the present value at December 31, 2008 of the Province of Alberta's obligation for the future additional contributions was \$270,200. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 4.08% (2008 - 4.08%) of pensionable earnings shared equally between employees and employers until December 31, 2021.

<sup>(2)</sup> Long-term disability and early retirement - the University plans to use its working capital to finance these future obligations.



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

	2010				2009			
	UAPP	Long-term disability	Early retirement	SRP	UAPP	Long-term disability	Early retirement	SRP
Accrued benefit obligation:								
Discount rate	6.90%	5.70%	5.70%	6.80%	6.70%	6.25%	6.25%	7.40%
Long-term average compensation increase	3.50%	n/a	3.00%	3.00%	3.00%	n/a	3.00%	3.00%
Benefit cost:								
Discount rate	6.70%	5.70%	5.70%	6.80%	6.70%	5.00%	5.00%	5.50%
Long-term average compensation increase	3.00%	n/a	3.00%	3.00%	3.00%	n/a	3.00%	3.00%
Alberta inflation (long term)	2.25%	3.00%	3.00%	n/a <sup>(1)</sup>	2.70%	3.00%	3.00%	n/a <sup>(1)</sup>
Estimated average remaining service life	11.3	5	12	n/a <sup>(2)</sup>	10.5	5	12	n/a <sup>(2)</sup>

(1)

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

(2) Actuarial gains and losses and past service costs are amortized over the remaining contract terms of the participants.

**(b) Defined contribution**

**Supplementary retirement plan (SRP)**

In 2010, the University introduced a non-contributory defined contribution supplementary retirement plan to provide benefits to eligible academic staff members. The expense recorded in these statements is \$2,440.





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**7. Long-term liabilities**

	Collateral	Maturity date	Fixed interest rate %	Amount outstanding	
				2010	2009
Mortgages payable to Canada Mortgage and Housing Corporation (CMHC):					
Lister Residences	(1)	July 2014	5.125	\$ -	\$ 828
Michener Park Phase I	(1)	April 2018	5.875	-	1,948
MacKenzie Hall	(1)	November 2018	6.250	-	1,064
Debentures payable to Alberta Capital Finance Authority:					
Health Research Innovation Facility	(3)	June 2011	5.030	<b>1,000</b>	1,000
Enterprise Square	(1)	October 2011	4.162	<b>2,549</b>	3,747
Natural Resources Engineering Facility	(2)	June 2014	4.974	<b>8,176</b>	9,760
Energy Management Program, Year 1	(3)	September 2014	4.551	<b>1,771</b>	2,118
Energy Management Program, Year 2	(3)	March 2016	4.525	<b>2,562</b>	2,926
Natural Resources Engineering Facility	(2)	June 2017	5.056	<b>6,358</b>	7,039
Health Research Innovation Facility	(3)	June 2017	5.053	<b>12,953</b>	14,342
Extension Centre	(3)	October 2017	8.750	<b>1,778</b>	1,928
Energy Management Program, Year 3	(3)	December 2017	4.493	<b>2,919</b>	3,216
Energy Management Program, Year 4	(3)	March 2019	3.718	<b>3,205</b>	3,500
Steam Turbine Generator	(2)	May 2020	6.250	<b>11,744</b>	12,472
Newton Place	(1)	August 2024	6.000	<b>12,137</b>	12,629
Newton Place Renovation	(1)	August 2024	6.000	<b>2,099</b>	2,184
Lister Residence II	(1)	November 2027	5.875	<b>18,323</b>	18,889
Windsor Car Park	(2)	September 2028	6.000	<b>6,023</b>	6,191
Saville Centre	(2)	December 2028	5.875	<b>3,963</b>	4,075
East Campus Village	(1)	March 2029	4.960	<b>8,149</b>	8,403
Centennial Centre for Interdisciplinary Science Phase I	(3)	September 2029	5.353	<b>8,772</b>	9,023
Centennial Centre for Interdisciplinary Science Phase I	(3)	June 2030	4.518	<b>1,926</b>	1,982
Health Research Innovation Facility	(3)	June 2032	5.191	<b>5,400</b>	5,525
Killam Centre	(3)	September 2036	4.810	<b>1,968</b>	2,005
Enterprise Square	(1)	September 2036	4.627	<b>40,500</b>	41,267
Jubilee Carpark	(2)	December 2047	4.814	<b>15,855</b>	16,000
				<b>180,130</b>	194,061
Liabilities under capital leases				<b>163</b>	210
Other long-term liabilities (includes asset retirements and liabilities for site restoration)				<b>10,128</b>	10,064
				<b>190,421</b>	204,335
Less current portion				<b>10,656</b>	10,483
				<b>\$ 179,765</b>	<b>\$ 193,852</b>

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

The principal portion of long-term debt repayments required over the next five years is as follows:  
2011 - \$10,862; 2012 - \$12,409; 2013 - \$10,629; 2014 - \$11,120; 2015 - \$10,423

Interest expense on long-term liabilities is \$11,177 (2009 - \$10,604) and is included in materials, supplies and services.

The weighted average interest rate is 5.204% (2009 - 5.209%).

The University has recorded a liability for an asset retirement obligation of \$1,128 (2009 - \$1,064). The asset retirement obligation represents the legal obligation associated with the eventual decommissioning of a research reactor.



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**8. Deferred contributions**

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

	2010		2009	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	\$ 495,632	\$ 359,444	\$ 290,074	\$ 370,801
Grants and donations received	321,269	483,314	418,882	480,464
Recognized as revenue	-	(397,169)	-	(424,180)
Transferred to unamortized deferred capital contributions (note 9)	(379,284)	(40,178)	(213,324)	(67,641)
Balance, end of the year	437,617	405,411	495,632	359,444
Less amounts included in current liabilities	-	315,411	-	269,444
	<u>\$ 437,617</u>	<u>\$ 90,000</u>	<u>\$ 495,632</u>	<u>\$ 90,000</u>

**9. Unamortized deferred capital contributions**

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

	2010	2009
Balance, beginning of the year	\$ 1,329,723	\$ 1,121,647
Additions from deferred contributions - capital (note 8)	379,284	213,324
Additions from deferred contributions - research and other (note 8)	40,178	67,641
Long-term liabilities - repayment	2,747	2,625
Amortization to revenue	(89,054)	(75,514)
Balance, end of the year	<u>\$ 1,662,878</u>	<u>\$ 1,329,723</u>



**10. Endowments**

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

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

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

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

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

The composition of endowments is as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 602,414	\$ 734,191
Gifts of endowment principal	35,018	39,156
Transfers to endowments	131	7,943
Transfers from endowments	(97)	(37,917)
Investment income (loss)	80,029	(140,959)
Balance, end of year	<u>\$ 717,495</u>	<u>\$ 602,414</u>
Cumulative contributions	\$ 530,715	\$ 495,663
Cumulative capitalized income	<u>186,780</u>	<u>106,751</u>
	<u>\$ 717,495</u>	<u>\$ 602,414</u>

During the year, the University capitalized \$80,029 of investment income. A portion of this amount was added to endowments through the authority provided to the University under the *Post-Secondary Learning Act*. The University intends that this portion be maintained in perpetuity. During the 2009 year, cumulative capitalized income of \$178,735 was required to cover the investment loss on endowments of \$140,959, the approved endowment spending allocation of \$31,389 and the transfer to unrestricted net assets to repay the 2008 spending allocation and investment loss on the internally restricted endowments of \$6,387.

The Board of Governors approved the permanent endowment of certain unrestricted funds and transferred \$131 (2009 - \$7,943) from unrestricted net assets to endowments. In accordance with the terms and conditions of specific endowments, \$97 was decapitalized for spending purposes (2009 - \$141).

Gifts of endowment principal include matching grant funds of \$5,000 (2009 - \$5,000) from the Province of Alberta's Access to the Future Fund.



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**11. Investment in capital assets and collections**

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

	<u>2010</u>	<u>2009</u>
Capital assets and collections at net book value (note 5)	<b>\$ 2,309,290</b>	\$ 1,970,766
Less amounts financed by:		
Unamortized deferred capital contributions (note 9)	<b>(1,662,878)</b>	(1,329,723)
Long-term liabilities related to capital expenditures	<b>(179,516)</b>	(191,020)
Investment in capital assets and collections, end of year	<b><u>\$ 466,896</u></b>	<b><u>\$ 450,023</u></b>

	<u>2010</u>	<u>2009</u>
The changes during the year are as follows:		
Investment in capital assets and collections, beginning of year	<b><u>\$ 450,023</u></b>	<b><u>\$ 407,668</u></b>
Acquisition of capital assets and collections	<b>59,277</b>	86,037
Long-term liabilities - repayment	<b>11,437</b>	7,445
Long-term liabilities - new financing	<b>(2,680)</b>	(12,586)
Net book value of asset disposals	<b>(333)</b>	(736)
Amortization of investment in capital assets	<b>(54,223)</b>	(49,084)
Net change in investment in capital assets	<b><u>13,478</u></b>	<u>31,076</u>
Contributions of assets not subject to amortization	<b><u>3,395</u></b>	<u>11,279</u>
Increase for the year	<b><u>16,873</u></b>	<u>42,355</u>
Investment in capital assets and collections, end of year	<b><u>\$ 466,896</u></b>	<b><u>\$ 450,023</u></b>



## 12. Contingent liabilities and commitments

- (a) The University is a defendant in a number of legal proceedings. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Administration has concluded that none of the claims meet the criteria for recording an accrued liability under GAAP.
- (b) The University 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, 2009 CURIE had a surplus of \$32,032 (2008 - \$17,748). This surplus is an accumulation of five different underwriting periods. The University participates in four of the underwriting periods, which have an accumulated surplus of \$28,647 (2008 - \$13,771) of which the University's pro rata share is approximately 6.78% (2008 - 6.66%). This surplus is not recorded in the financial statements.
- (c) At March 31, 2010 the University has contractual commitments for capital projects greater than \$1 million of approximately \$358,000 (2009 - approximately \$629,000).
- (d) Effective July 1, 2005 the University renewed their agreement for information technology support with an external party. The cost of \$1,506 over the remaining 3 months provides for manager application support services.
- (e) During the year, the University entered into agreements with two external parties for information technology support. The agreement for infrastructure management services has a five year term (effective July 1, 2010) with a total cost of \$12,630. The agreement for application management services has a three year term (effective July 1, 2010) with a total cost of \$6,522.
- (f) In order to manage its exposure to the volatility in the electrical industry, the University has entered into contracts to fix a portion of its electrical cost at an average of \$64.85 (2009 - \$67.10) per megawatt hour. The five contracts (2009 - four contracts) with expenditures totaling \$137,614 (2009 - \$120,101) expire on December (2010, 2012, 2013, 2015, 2016).
- (g) The University has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedures to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these assets will be recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation.
- (h) The University has invested in a partnership agreement with iNovia Investment Fund II-B, Limited Partnership, which invests in the technology, energy, life sciences and applied sciences sectors. The partnership will continue until April 17, 2017, extendable for up to three additional years. The University subscribed to five million partnership units at a price of \$1.00 per unit of which the University has purchased 1,750,000 units. The remaining commitment of \$3,250 (2009 - \$4,000) is due at such times and in such amounts as the General Partner may determine.
- (i) The Board of Governors has approved a \$25,000, 30 year debenture with an interest rate of 4.886% for the East Campus Village Graduate Student Housing project, which will be drawn on September 15, 2010.



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**13. Budget comparison**

The University's 2009-10 budget was approved by the Board of Governors and was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2009-2010 Business Plan.

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue		(unaudited)	
Government	\$ 919,012	\$ 875,209	\$ 43,803
Student tuition and fees	235,799	231,141	4,658
Sales of services and products	201,375	180,806	20,569
Grants, donations and investment income	161,451	112,678	48,773
Amortization of deferred capital contributions	89,054	66,233	22,821
	<u>1,606,691</u>	<u>1,466,067</u>	<u>140,624</u>
Expense			
Salaries	794,643	740,684	53,959
Employee benefits	168,189	138,483	29,706
Materials, supplies, services and other expenses	487,089	467,303	19,786
Amortization of capital assets	143,277	118,569	24,708
	<u>1,593,198</u>	<u>1,465,039</u>	<u>128,159</u>
Excess of revenue over expense	<u>\$ 13,493</u>	<u>\$ 1,028</u>	<u>\$ 12,465</u>

**14. Investment income (loss)**

	<u>2010</u>	<u>2009</u>
Income (loss) on investments held for endowment	<b>\$ 134,213</b>	\$ (140,959)
Income on other investments	<b>9,130</b>	3,230
Asset-backed commercial paper recovery (write-down)	<b>13,966</b>	(31,114)
	<b>157,309</b>	(168,843)
Amounts deferred	<b>(28,289)</b>	(14,418)
Endowment income capitalized (Note 10)	<b>(80,029)</b>	-
Loss charged to endowment net assets (note 10)	-	140,959
	<u><b>\$ 48,991</b></u>	<u><b>\$ (42,302)</b></u>



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**15. Related party transactions and balances**

The University operates under the authority and statutes of the Province of Alberta. Transactions and balances between the University and the Government of Alberta (GOA) are measured at the exchange amount and summarized below.

	<u>2010</u>	<u>2009</u>
Revenue from GOA		
Advanced Education and Technology grants:		
Operating grant	\$ 518,146	\$ 484,774
Enrolment planning envelope grants	61,842	53,865
Capital grants	313,180	396,430
Alberta Ingenuity Fund	-	20,556
Alberta Innovates Bio Solutions	2,615	-
Alberta Innovates Energy and Environment	2,263	-
Alberta Innovates Health Solutions	34,707	-
Alberta Innovates Technology Futures	24,670	-
Other research grants	21,903	25,819
Other grants	5,637	16,117
Total Advanced Education and Technology	<u>984,963</u>	<u>997,561</u>
Other GOA departments and agencies grants:		
Alberta Education	5,957	627
Alberta Environment	6,614	3,063
Alberta Health and Wellness	59,102	49,468
Alberta Health Services	12,687	6,275
Alberta Heritage Foundation for Medical Research	-	31,636
Alberta Infrastructure	28	9,614
Alberta Lottery Fund	5,120	295
Other grants	12,044	16,027
Total other GOA departments and agencies	<u>101,552</u>	<u>117,005</u>
Total contributions received	1,086,515	1,114,566
Amounts deferred	<u>(352,661)</u>	<u>(433,477)</u>
	<u>\$ 733,854</u>	<u>\$ 681,089</u>
Accounts receivable:		
Advanced Education and Technology	\$ 24,923	\$ 29,544
Other GOA departments and agencies	11,742	2,325
	<u>\$ 36,665</u>	<u>\$ 31,869</u>
Accounts payable:		
Advanced Education and Technology	\$ 746	\$ 2,987
Other GOA departments and agencies	1,154	9,574
	<u>\$ 1,900</u>	<u>\$ 12,561</u>

The Province of Alberta's Access to the Future Fund has provided \$5,000 (2009 - \$5,000) in matching grant funds, which is included in endowments. The University has long-term liabilities with Alberta Capital Finance Authority as described in note 7.

Due to the GOA reorganization in April 2009, the table above shows the new departments and agencies in 2010, as compared to the previous organizational structure. The categorization reflects the entities from which the University received its funding.



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**16. Salary and employee benefits**

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

	2010				Restated 2009
	Base salary <sup>(3)</sup>	Non-cash benefits <sup>(4)</sup>	Non-cash benefits (SRP) <sup>(5)</sup>	Total	Total
<b>Governance<sup>(1)</sup></b>					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	-	-	-
<b>Executive</b>					
President	479	222	235	936	753
Vice-Presidents:					
Provost and Vice-President Academic	461	32	105	598	619
Vice-President Research	431	82	74	587	598
Vice-President Facilities and Operations	414	58	79	551	565
Vice-President Finance and Administration	414	47	77	538	543
Vice-President External Relations <sup>(2)</sup>	237	29	20	286	457

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

<sup>(2)</sup> Two individuals held this position in the current year, and the position was vacant for approximately two months. An Interim Vice-President was appointed on September 2009.

<sup>(3)</sup> Base salary includes pensionable base pay, and also includes an administrative honorarium for the Provost and Vice-President Academic.

<sup>(4)</sup> Non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee and family assistance program, critical illness, supplementary health care, short and long-term disability plans and dental plan. Benefits for some of the executive also include professional leave, car allowance, parking, supplemental life insurance and interest free or forgivable housing loans. Additional non-cash benefits for the President include administrative leave, legal fees (related to advice to the President with respect to a new employment contract) and utility costs (related to the personal use portion of the house).

On July 1, 2009 the University purchased the President's house at a price equal to fair market value (independently appraised at \$930) and has entered into a lease for the personal use space of this house with the President at fair market value (independently assessed). Included in non-cash benefits is a pro rata amount related to the utilities paid by the University for this space. For the period prior to July 1, 2009, in recognition that the University used a portion of the President's home for various University functions, the University continued to pay for certain costs for the general operation of the house determined in accordance with a contractual arrangement entered into by the President and the University. Included in non-cash benefits is the personal use portion (46%) of these costs.

On July 1, 2009, the President entered into a new employment contract with the University. Under the terms of the new contract, the value of the President's cumulative supplemental retirement plan benefit (SRP) has been increased from 2% to 5% of final base salary multiplied by years of service at the University of Alberta. A portion of this additional cost is reflected in non-cash benefits in the current year and the remaining portion is deferred and will be amortized over the contract term (per footnote <sup>(5)</sup>). Also, under the terms of the new contract, the administrative leave accrual proration was changed. Under the previous contract the accrual of the one year leave was pro rated over the fourth and fifth years of the contract. Under the new contract the accrual of that same year leave is pro rated equally over each of the first five years of service. In 2010 the administrative leave accrual included in non-cash benefits is \$97 (2009 - \$97 restated). The total administrative leave accrued as at March 31, 2010 is \$460 which represents one year of administrative leave based on approximately five years of service.

<sup>(5)</sup> Under the terms of the SRP, the executive may receive supplementary retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expenses for the rights to future compensation. Costs shown reflect the total estimated cost to provide supplementary retirement benefits. The SRP provides future benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro rated on service, a market interest rate, and other assumptions included in the Canadian Institute of Actuaries' lump-sum commuted value standard. Net actuarial gains and losses of the benefit obligations are amortized over the remaining contract terms of the participants. Current service cost is the actuarial present value of the benefits earned in the current year. Prior service and other costs include amortization of past service costs, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.





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The current service cost and accrued obligation for each executive under the SRP is outlined in the following table:

	2010					2009	
	Years of University of Alberta service	Current service cost	Prior service and other costs	Net cost	Accrued obligation <sup>(5a)</sup>	Net cost	Accrued obligation
President	4.8	\$ 152	\$ 83	\$ 235	\$ 981	\$ 120	\$ 263
Vice-Presidents:							
Provost and Vice-President Academic	6.8	82	23	105	660	139	473
Vice-President Research	2.8	65	9	74	211	83	115
Vice-President Facilities and Operations	7.2	64	15	79	436	90	305
Vice-President Finance and Administration	7.9	62	15	77	420	86	296
Vice-President External Relations	3.0	14	6	20	189	65	149

<sup>(5a)</sup> The accrued obligation is based on University of Alberta years of service and other factors such as age, salary and actuarial assumptions.

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

## 17. Comparative figures

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