



# **Consolidated Financial Statements**

**For the Year Ended  
March 31, 2017**

## TABLE OF CONTENTS

---

Statement of Management Responsibility .....	1
Independent Auditor's Report .....	2
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Operations.....	4
Consolidated Statement of Change in Net Financial Assets.....	5
Consolidated Statement of Remeasurement Gains and Losses.....	6
Consolidated Statement of Cash Flows.....	7
Notes to the Consolidated Financial Statements.....	8

---

### FINANCIAL REPORTING

3<sup>rd</sup> Floor Administration Building • University of Alberta • Edmonton • Canada • T6G 2M7

Telephone: (780) 492-3000 • Fax: (780) 492-2846

Website: [www.ualberta.ca/finance-procurement-planning/financial-management](http://www.ualberta.ca/finance-procurement-planning/financial-management)

E-mail: [fs.requests@ualberta.ca](mailto:fs.requests@ualberta.ca)

**STATEMENT OF MANAGEMENT RESPONSIBILITY  
YEAR ENDED MARCH 31, 2017**

---

The consolidated financial statements of the University of Alberta have been prepared by management in accordance with Canadian public sector accounting standards. The consolidated financial statements present fairly the financial position of the university as at March 31, 2017 and the results of its operations, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that university assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

The Board of Governors is responsible for reviewing and approving the consolidated financial statements, and overseeing management's performance of its financial reporting responsibilities.

The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Audit Committee. With the exception of the President, all members of the Audit Committee are not employees of the university. The Audit Committee meets with management and the external auditors and internal auditors to discuss the results of audit examinations and financial reporting matters. The external and internal auditors have full access to the Audit Committee, with and without the presence of management.

These consolidated financial statements have been reported on by the Auditor General of Alberta, the auditor appointed under the *Post-secondary Learning Act*. The Independent Auditor's Report outlines the scope of the audit and provides the audit opinion on the fairness of presentation of the information in the consolidated financial statements.

*Original signed by David H. Turpin*

---

President

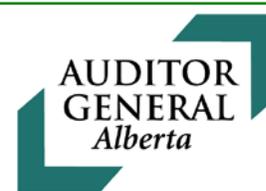
*Original signed by Gitta Kulczycki*

---

Vice-President (Finance & Administration)  
Chief Financial Officer

**INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED MARCH 31, 2017**

---



Independent Auditor's Report

To the Board of Governors of the University of Alberta

**Report on the Consolidated Financial Statements**

I have audited the accompanying consolidated financial statements of the University of Alberta, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, change in net financial assets, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the University of Alberta as at March 31, 2017, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

Auditor General

May 29, 2017

Edmonton, Alberta

**UNIVERSITY OF ALBERTA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2017**  
*(thousands of dollars)*

	Note	2017	2016
<b>Financial assets excluding portfolio investments restricted for endowments</b>			
Cash and cash equivalents	3	\$ 18,768	\$ 13,091
Portfolio investments - non-endowment	4	849,115	808,612
Accounts receivable		143,216	131,563
Inventory		2,642	3,325
		<b>1,013,741</b>	956,591
<b>Liabilities</b>			
Accounts payable and accrued liabilities		179,148	174,971
Employee future benefit liabilities	6	251,060	259,100
Debt	7	250,562	246,812
Deferred revenue	8	560,420	509,728
		<b>1,241,190</b>	1,190,611
<b>Net debt excluding portfolio investments restricted for endowments</b>		<b>(227,449)</b>	(234,020)
Portfolio investments - restricted for endowments	4	1,304,254	1,149,716
<b>Net financial assets</b>		<b>1,076,805</b>	915,696
<b>Non-financial assets</b>			
Tangible capital assets	10	2,710,920	2,745,552
Prepaid expenses		7,199	8,517
		<b>2,718,119</b>	2,754,069
<b>Net assets before spent deferred capital contributions</b>		<b>3,794,924</b>	3,669,765
Spent deferred capital contributions	9	1,921,756	1,992,440
<b>Net assets</b>		<b>\$ 1,873,168</b>	\$ 1,677,325
<b>Net assets is comprised of:</b>			
Accumulated surplus		\$ 1,623,869	\$ 1,540,519
Accumulated remeasurement gains		249,299	136,806
		<b>\$ 1,873,168</b>	\$ 1,677,325

Contingent liabilities and contractual obligations (note 12 and 13)

**UNIVERSITY OF ALBERTA**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

	Note	Budget	2017	2016
<b>Revenue</b>				
Government of Alberta grants	15	\$ 969,586	\$ <b>946,630</b>	\$ 958,157
Federal and other government grants		183,647	<b>208,276</b>	173,483
Student tuition and fees		334,378	<b>319,181</b>	316,795
Sales of services and products		192,433	<b>205,509</b>	196,649
Donations and other grants		133,816	<b>119,451</b>	132,209
Investment income		62,743	<b>68,924</b>	62,678
		1,876,603	<b>1,867,971</b>	1,839,971
<b>Expense</b>				
Learning		1,131,998	<b>1,145,558</b>	1,124,541
Research		476,452	<b>469,436</b>	438,550
Facility operations and maintenance		134,716	<b>140,411</b>	147,282
Ancillary services		95,816	<b>87,489</b>	96,536
		1,838,982	<b>1,842,894</b>	1,806,909
<b>Annual operating surplus</b>		37,621	<b>25,077</b>	33,062
Endowment contributions		15,450	<b>31,996</b>	20,885
Endowment capitalized investment income		-	<b>26,277</b>	8,414
		15,450	<b>58,273</b>	29,299
<b>Annual surplus</b>		53,071	<b>83,350</b>	62,361
<b>Accumulated surplus, beginning of year</b>		1,540,519	<b>1,540,519</b>	1,478,158
<b>Accumulated surplus, end of year</b>	11	\$ 1,593,590	\$ <b>1,623,869</b>	\$ 1,540,519

**UNIVERSITY OF ALBERTA**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

	Budget	2017	2016
Annual surplus	\$ 53,071	\$ <b>83,350</b>	\$ 62,361
Acquisition of tangible capital assets, net of proceeds on disposals	(217,078)	<b>(142,280)</b>	(149,906)
Amortization of tangible capital assets	176,233	<b>173,556</b>	173,301
Loss on disposal of tangible capital assets	-	<b>3,356</b>	1,131
	(40,845)	<b>34,632</b>	24,526
Change in prepaid expenses	(27)	<b>1,318</b>	1,359
Change in spent deferred capital contributions	(56,232)	<b>(70,684)</b>	(57,823)
Change in remeasurement gains and losses	-	<b>112,493</b>	(73,773)
(Decrease) increase in net financial assets	(44,033)	<b>161,109</b>	(43,350)
<b>Net financial assets, beginning of year</b>	915,696	<b>915,696</b>	959,046
<b>Net financial assets, end of year</b>	\$ 871,663	\$ <b>1,076,805</b>	\$ 915,696

**UNIVERSITY OF ALBERTA**  
**CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

	Note	2017	2016
<b>Accumulated remeasurement gains, beginning of year</b>		<b>\$ 136,806</b>	\$ 210,579
Unrealized gains (losses) attributable to:			
Portfolio investments - non-endowment		<b>18,570</b>	(10,696)
Portfolio investments - restricted for endowments		<b>143,173</b>	(27,901)
Amounts reclassified to consolidated statement of operations:			
Portfolio investments - non-endowment		<b>330</b>	(1,160)
Portfolio investments - restricted for endowments		<b>(49,580)</b>	(34,016)
Net change for the year		<b>112,493</b>	(73,773)
<b>Accumulated remeasurement gains, end of year</b>	11	<b>\$ 249,299</b>	\$ 136,806
 <b>Accumulated remeasurement gains is comprised of:</b>			
Portfolio investments - non-endowment		<b>\$ 37,091</b>	\$ 18,191
Portfolio investments - restricted for endowments		<b>212,208</b>	118,615
		<b>\$ 249,299</b>	\$ 136,806

**UNIVERSITY OF ALBERTA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

	2017	2016
<b>Operating transactions</b>		
Annual surplus	\$ 83,350	\$ 62,361
Add (deduct) non-cash items:		
Amortization of tangible capital assets	173,556	173,301
Expended capital recognized as revenue	(114,315)	(117,027)
Gain on sale of portfolio investments	(49,251)	(35,176)
Loss on disposal of tangible capital assets	3,356	1,131
(Decrease) increase in employee future benefit liabilities	(8,040)	5,711
Change in non-cash items	5,306	27,940
(Increase) decrease in accounts receivable	(11,653)	10,936
Decrease in inventory	683	292
Increase (decrease) in accounts payable and accrued liabilities	4,177	(47,755)
Increase (decrease) in deferred revenue	50,692	(17,102)
Decrease in prepaid expenses	1,318	1,359
Increase in spent deferred capital contributions, less in kind donations	40,709	41,094
<b>Cash provided by operating transactions</b>	<b>174,582</b>	<b>79,125</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets, net of proceeds on disposals	(139,358)	(131,796)
<b>Cash applied to capital transactions</b>	<b>(139,358)</b>	<b>(131,796)</b>
<b>Investing transactions</b>		
Purchases of portfolio investments	(385,980)	(378,371)
Proceeds on sale of portfolio investments	352,683	363,742
<b>Cash applied to investing transactions</b>	<b>(33,297)</b>	<b>(14,629)</b>
<b>Financing transactions</b>		
Debt repayment	(13,750)	(13,072)
Debt - new financing	17,500	35,500
<b>Cash provided by financing transactions</b>	<b>3,750</b>	<b>22,428</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>5,677</b>	<b>(44,872)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>13,091</b>	<b>57,963</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 18,768</b>	<b>\$ 13,091</b>

**UNIVERSITY OF ALBERTA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

---

**1. Authority and purpose**

The Governors of The University of Alberta is a corporation that 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, with the exception of the Chancellor and President, who are ex officio members. Under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, the university is a comprehensive academic and research institution offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The university is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

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

**(a) General – Canadian public sector accounting standards (PSAS) and use of estimates**

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

**(b) Valuation of financial assets and liabilities**

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

Portfolio investments - fair value

Cash and cash equivalents, Accounts receivable, Accounts payable and accrued liabilities, Debt - amortized cost

Inventory - lower of cost and expected net realizable value

Unrealized gains and losses from changes in the fair value of financial assets and liabilities are recognized in the consolidated statement of remeasurement gains and losses. When the restricted nature of a financial instrument and any related changes in fair value create a liability, unrealized gains and losses are recognized as deferred revenue.

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

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

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

**(c) Revenue recognition**

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

**Government grants, non-government grants and donations**

Government transfers are referred to as government grants.

Restricted grants and donations are recognized as deferred revenue if the terms for use, or the terms along with the university's actions and communications as to the use, create a liability. These grants and donations are recognized as revenue when the terms are met. If the grants and donations are used to acquire or construct tangible capital assets, revenue will be recognized over the useful life of the tangible capital assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

---

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

**(c) Revenue recognition**

Government grants without terms for the use of the grant are recognized as revenue when the university is eligible to receive the funds. Non-government grants and donations with no restrictions are recognized as revenue in the year received or in the year the funds are committed to the university if the amount can be reasonably estimated and collection is reasonably assured.

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

**Grants and donations related to land**

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

**Endowment donations**

Endowment donations are recognized as revenue in the consolidated statement of operations in the year in which they are received, and are required by donors to be maintained intact in perpetuity.

**Investment income**

Investment income includes dividends, interest income and realized gains and losses on the sale of portfolio investments. Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as revenue when the terms of the grant or donation are met.

The endowment spending allocation portion of investment income earned by endowments is recognized as deferred revenue when the terms for use by the endowment create a liability. Investment income earned by endowments in excess of this amount is recognized as revenue in the consolidated statement of operations (realized income) and the consolidated statement of remeasurement gains and losses (unrealized gains and losses), and is capitalized and maintained intact in perpetuity.

**(d) 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 by the endowments in excess of the amount required for spending allocation is capitalized to maintain and grow the real value of the endowments. Benefactors as well as university policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and by reinvesting unexpended income.

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

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

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

**(e) Inventory**

Inventory is determined using the weighted average method.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

---

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

**(f) Tangible capital assets**

Tangible capital asset acquisitions are recognized at cost, which includes amounts that are directly related, such as design, construction, development, improvement or betterment of the assets, and costs associated with asset retirement obligations. Cost includes overhead directly attributable to construction and development.

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

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

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

**(g) Asset Retirement Obligations**

Asset retirement obligations are recognized for statutory, contractual or legal obligations, associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations.

**(h) Employee future benefits**

**Pension**

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

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

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

**Long-term disability**

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

**Early retirement**

The cost of providing accumulating post-employment benefits under the university's early retirement plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially determined using the projected benefit method prorated on services, a discount rate based on the university's cost of borrowing and management's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

---

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

**(h) Employee future benefits**

**Supplementary retirement plans**

The university provides non-contributory defined benefit supplementary retirement benefits to executive based on years of service and earnings. The expense for this plan is actuarially determined using the projected benefit method prorated on service. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

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

**Administrative/professional leave**

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

**General illness**

The cost of providing non-vesting and non-accumulating compensated absences to a maximum of 26 weeks (academic staff) or 120 days (support staff) under the university's general illness plan is charged to expense in full when the event occurs which obligates the university to provide the benefit. The cost of this benefit is actuarially determined using the accumulated benefit method and management's best estimate of the period of employee disability.

**(i) Investment in government partnerships**

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

- Northern Alberta Clinical Trials and Research Centre (50% interest) - a joint venture with Alberta Health Services to support the shared missions of Alberta Health Services and the university for collaborative clinical research.
- TEC Edmonton (50% interest) - a joint venture with Edmonton Economic Development Corporation to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society.
- Tri-University Meson Facility (TRIUMF) (8.33% interest) - a joint venture with eleven other universities to operate a sub-atomic physics research facility.
- Western Canadian Universities Marine Sciences Society (20% interest) - provides research infrastructure in the marine sciences for member universities and the world-wide scientific community.

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

**(j) Expense by function**

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

**Learning**

Expenses relating to support for the academic functions of the university both directly and indirectly. This function includes expenses incurred by faculties for their scholarly activities and learning administrative services. Other expenses associated with this function include expenses for student awards and bursaries and other programs involving teaching and learning, and community service specifically funded by restricted grants and donations.

**Research**

Expenses for research activities funded by externally sponsored research funds intended for specific research purposes as well as internal funds designated for research related spending. Other expenses associated with this function include costs such as research administration and research related amortization.

**Facility operations and maintenance**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

---

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

**(j) Expense by function**

**Ancillary services**

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

**(k) Future accounting changes**

In March 2015, the Public Sector Accounting Board issued PS 2200 Related party disclosures and PS 3420 Inter-entity transactions. In June 2015, the Public Sector Accounting Board issued PS 3210 Assets, PS 3320 Contingent assets, PS 3380 Contractual rights, and PS 3430 Restructuring transactions. These accounting standards are effective for fiscal years starting on or after April 1, 2017, with the exception of PS 3430, which is effective for fiscal years starting on or after April 1, 2018.

- PS 2200 - Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS 3420 - Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.
- PS 3210 - Assets provides guidance for applying the definition of assets set out in PS 1000, Financial statement concepts, and establishes general disclosure standards for assets.
- PS 3320 - Contingent assets defines and establishes disclosure standards for contingent assets.
- PS 3380 - Contractual rights defines and establishes disclosure standards on contractual rights.
- PS 3430 - Restructuring transactions defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

Management is currently assessing the impact of these new standards on the consolidated financial statements. The university discloses transactions and balances related to the Government of Alberta in note 15.

**3. Cash and cash equivalents**

	<b>2017</b>	2016
Cash	\$ 3,789	\$ 7,097
Money market funds	<b>14,979</b>	5,994
	<b>\$ 18,768</b>	\$ 13,091

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

**4. Portfolio investments**

	2017	2016
Portfolio investments - non-endowment	\$ 849,115	\$ 808,612
Portfolio investments - restricted for endowments	1,304,254	1,149,716
	<b>\$ 2,153,369</b>	<b>\$ 1,958,328</b>

The composition of portfolio investments measured at fair value is as follows:

	2017				2016			
	Level 1 <sup>(1)</sup>	Level 2 <sup>(2)</sup>	Level 3 <sup>(3)</sup>	Total	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 25,923	\$ 537,363	\$ 403	\$ 563,689	\$ 24,562	\$ 540,179	\$ 5,636	\$ 570,377
Canadian government and corporate bonds	-	244,609	-	244,609	-	204,620	-	204,620
Canadian equity	374,432	-	25,952	400,384	320,449	-	11,367	331,816
Foreign equity	791,130	-	14,019	805,149	691,047	-	8,749	699,796
Pooled hedge funds	-	52,064	-	52,064	-	70,819	-	70,819
Real estate funds	-	-	80,688	80,688	-	-	74,155	74,155
	<b>1,191,485</b>	<b>834,036</b>	<b>121,062</b>	<b>2,146,583</b>	<b>1,036,058</b>	<b>815,618</b>	<b>99,907</b>	<b>1,951,583</b>
Other at amortized cost				<b>6,786</b>				<b>6,745</b>
	<b>\$ 1,191,485</b>	<b>\$ 834,036</b>	<b>\$ 121,062</b>	<b>\$ 2,153,369</b>	<b>\$ 1,036,058</b>	<b>\$ 815,618</b>	<b>\$ 99,907</b>	<b>\$ 1,958,328</b>

The fair value measurements are those derived from:

- <sup>(1)</sup> Quoted prices in active markets for identical assets.
- <sup>(2)</sup> Inputs other than quoted prices included within level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- <sup>(3)</sup> Valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

As at March 31, 2017, the average effective yields and the terms to maturity are as follows:

- Money market funds: 1.09% (2016 - 0.84%); term to maturity: less than one year.
- Canadian government and corporate bonds: 1.19% (2016 - 0.76%); terms to maturity: range from less than one year to more than 10 years.

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

	2017	2016
<b>Balance, beginning of year</b>	<b>\$ 99,907</b>	<b>\$ 90,019</b>
Unrealized gains	531	4,362
Purchases	35,432	11,151
Proceeds on sale	(14,808)	(5,625)
	<b>\$ 121,062</b>	<b>\$ 99,907</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

**5. Financial risk management**

The university is exposed to the following risks:

**Market price risk**

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the university has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The university's Investment Committee, a subcommittee of the Board of Governors, has the delegated authority for oversight of the university's portfolio investments. The university's management of this risk has not changed from prior year.

The university assesses its portfolio sensitivity to a percentage increase or decrease in the market prices. The sensitivity rate is determined using the historical annualized standard deviation for the total Unitized Endowment Pool over a four year period as determined by the BNY Mellon Asset Servicing Global Risk Solutions consulting report. At March 31, 2017, if market prices had a 5.2% (2016 - 6.0%) increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains for the year would be \$67,821 (2016 - \$68,983).

**Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The university is exposed to foreign exchange risk on portfolio investments that are denominated in foreign currencies, specifically U.S. dollars. The university does not hedge its foreign currency exposure with currency forward contracts or any other type of derivative financial instruments.

The impact of a change in value of the U.S. dollar is as follows:

Currency	Fair Value	2.5% decrease	1.0% decrease	1.0% increase	2.5% increase
U.S. dollar	U.S. and International Equity \$ 805,149	\$ 785,020	\$ 797,098	\$ 813,200	\$ 825,278

**Credit risk**

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

The distribution of money market funds by risk rating area is as follows:

- Money market funds: R-1(high) 59.2% (2016 - 66.9%); R-1(mid) 40.8% (2016 - 33.1%).
- Bonds: AAA 85.3% (2016 - 95.4%); AA 12.5% (2016 - 3.0%); not rated 0.2% (2016 - 1.6%).

**Liquidity risk**

Liquidity risk is the risk that the university will encounter difficulty in meeting obligations associated with its financial liabilities. The university maintains a portfolio of short-term investments with rolling maturity dates to manage short-term cash requirements. The university maintains a short-term line of credit to ensure that funds are available to meet current and forecasted financial requirements. In 2017, the line of credit was not drawn upon.

**Interest rate risk**

Interest rate risk is the risk to the university's earnings that will be affected by the fluctuation and degree of volatility in interest rates. This risk is managed by investment policies that limit the term to maturity of certain fixed income instruments that the university holds. Interest rate risk on the university's debt is managed through fixed rate agreements with Alberta Capital Finance Authority (note 7).

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

	< 1 year	1 - 5 years	> 5 years	Average effective market yield
	%	%	%	%
Money market funds	100.0	-	-	1.1
Canadian government and corporate bonds	-	65.4	34.6	1.2

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

**6. Employee future benefit liabilities**

	2017			2016		
	Academic staff	Support staff	Total	Academic staff	Support staff	Total
Universities Academic Pension Plan	\$ 157,557	\$ -	\$ 157,557	\$ 170,670	\$ -	\$ 170,670
Long-term disability	7,211	21,710	28,921	6,048	21,559	27,607
Early retirement	-	26,404	26,404	-	25,964	25,964
SRP (defined contribution)	22,339	-	22,339	18,271	-	18,271
SRP (defined benefit)	9,694	-	9,694	10,380	-	10,380
Administrative/professional leave	3,916	-	3,916	4,795	-	4,795
General illness	1,387	842	2,229	737	676	1,413
	\$ 202,104	\$ 48,956	\$ 251,060	\$ 210,901	\$ 48,199	\$ 259,100

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

**Universities Academic Pension Plan (UAPP)**

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2014 and was then extrapolated to March 31, 2017, resulting in a UAPP deficit of \$763,861 (2016 - \$868,735) consisting of a pre-1992 deficit (\$806,430) and a post-1991 surplus (\$42,569). The university's portion of the UAPP deficit has been allocated based on its percentage of the plan's total employer contributions for the year.

The unfunded deficit for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2016 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 3.54% (2016 - 3.54%) of salaries required to eliminate the unfunded deficit by December 31, 2043. The Government of Alberta's obligation for the future additional contributions is \$293,557 at March 31, 2017.

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

The university provides long-term disability and general illness defined benefits to its academic and support staff. An actuarial valuation of these benefits was carried out as at March 31, 2017. The long-term disability plan provides pension and non-pension benefits after employment, but before the employee's normal retirement date. The general illness plan provides similar benefits but for a maximum of 26 weeks (academic staff) or 120 days (support staff).

**Early retirement**

The early retirement benefits for support staff include a bridge benefit (2017 - \$19,511; 2016 - \$19,153) and a retirement allowance (2017 - \$6,893; 2016 - \$6,811). An actuarial valuation of these benefits was carried out as at March 31, 2017. The bridge benefit 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 (those with 20 years of pensionable service at retirement date) one week's base pay per full year of employment to a maximum 25 days pay.

**Supplementary retirement plan (SRP)**

The university provides a non-contributory defined benefit supplementary retirement benefit to executive. The SRP obligation is calculated based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries. An actuarial valuation of these benefits was carried out as at March 31, 2017. The SRP was closed to new members effective June 30, 2014, as part of the approval of the new defined contribution SRP for executives.

**Administrative/professional leave (leave)**

The university provides for certain executive to accrue a paid leave at the end of their executive appointment. Upon completing their term of service, the individual's salary and benefits in effect at the end of the service are paid for the duration of the leave. The leave obligation is calculated based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries, which management has adopted as their best estimate. An actuarial valuation of these benefits was carried out as at March 31, 2017.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

**6. Employee future benefit liabilities**

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

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

	2017				2016			
	UAPP	LTD, GI <sup>(1)</sup>	Early retirement <sup>(1)</sup>	SRP, leave <sup>(1)</sup>	UAPP	LTD, GI <sup>(1)</sup>	Early Retirement <sup>(1)</sup>	SRP, leave <sup>(1)</sup>
<b>Expense</b>								
Current service cost	\$ 42,135	\$ 16,393	\$ 1,019	\$ 1,066	\$ 41,758	\$ 12,747	\$ 1,092	\$ 1,139
Interest cost	9,222	1,735	1,055	656	13,169	1,671	1,108	684
Past service cost	-	-	-	-	-	-	-	175
Amortization of actuarial (gains) losses	(2,609)	376	(280)	(455)	3,139	59	(250)	(266)
	<b>\$ 48,748</b>	<b>\$ 18,504</b>	<b>\$ 1,794</b>	<b>\$ 1,267</b>	<b>\$ 58,066</b>	<b>\$ 14,477</b>	<b>\$ 1,950</b>	<b>\$ 1,732</b>
<b>Liability</b>								
<b>Accrued benefit obligation</b>								
Balance, beginning of year	\$ 1,071,971	\$ 30,317	\$ 23,099	\$ 14,326	\$ 1,076,035	\$ 29,634	\$ 22,628	\$ 13,415
Current service cost	42,135	16,393	1,019	1,066	41,758	12,747	1,092	1,140
Interest cost	65,463	1,735	1,055	656	66,708	1,671	1,108	684
Past service cost	-	-	-	-	-	-	-	175
Benefits paid	(46,125)	(16,374)	(1,354)	(2,832)	(48,447)	(15,171)	(1,251)	(608)
Actuarial (gains) losses	14,312	1,695	(4,617)	832	(64,083)	1,436	(478)	(480)
Balance, end of year	1,147,756	33,766	19,202	14,048	1,071,971	30,317	23,099	14,326
Plan assets	(1,030,922)	-	-	-	(929,474)	-	-	-
Plan deficit	116,834	33,766	19,202	14,048	142,497	30,317	23,099	14,326
Unamortized actuarial gains (losses)	40,723	(2,616)	7,202	(438)	28,173	(1,297)	2,865	849
	<b>\$ 157,557</b>	<b>\$ 31,150</b>	<b>\$ 26,404</b>	<b>\$ 13,610</b>	<b>\$ 170,670</b>	<b>\$ 29,020</b>	<b>\$ 25,964</b>	<b>\$ 15,175</b>

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

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

	2017			2016		
	UAPP	SRP, leave	LTD, GI, early retirement	UAPP	SRP, leave	LTD, GI, early retirement
	%	%	%	%	%	%
<b>Accrued benefit obligation</b>						
Discount rate	6.0	4.4	4.4	6.0	4.5	4.5
Long-term average compensation increase	3.0	2.0	3.0	3.0	2.0	3.0
<b>Benefit cost</b>						
Discount rate	6.0	4.5	4.4	6.1	4.8	4.5
Long-term average compensation increase	3.0	2.0	3.0	3.5	2.0	3.0
Alberta inflation (long-term)	2.0	2.2	2.0	2.0	1.8	2.0
Estimated average remaining services life	10.8 yrs	- <sup>(1)</sup>	1 - 14 yrs	10.8 yrs	- <sup>(1)</sup>	3 - 11 yrs

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

**6. Employee future benefit liabilities**

**(b) Defined benefit plan accounted for on a defined contribution basis**

**Public Service Pension Plan (PSPP)**

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members. As the university does not have sufficient information to follow the accounting standards for defined benefit plans, it is accounted for on a defined contribution basis. The pension expense recognized in these consolidated financial statements is \$32,769 (2016 - \$32,342).

An actuarial valuation of the PSPP was carried out as at December 31, 2014 and was then extrapolated to December 31, 2016. At December 31, 2016, the PSPP reported an actuarial surplus of \$302,975 (2015 - deficit of \$133,188). For the year ended December 31, 2016 PSPP reported employer contributions of \$350,083 (2015 - \$347,759). For the 2016 calendar year, the university's employer contributions were \$32,256 (2015 calendar year - \$32,342).

**(c) Defined contribution plans**

**Supplementary retirement plans (SRP)**

The university provides non-contributory defined contribution supplementary retirement benefits to eligible executive and academic staff members. The expense recognized in these consolidated financial statements is \$4,068 (2016 - \$1,745).

**7. Debt**

The following debt is with Alberta Capital Finance Authority and measured at amortized cost:

	<b>Maturity Date</b>	<b>Interest rate %</b>	<b>2017</b>	<b>2016</b>
<b>Collateral</b>				
Title to land, building	August 2024 - June 2045	3.243 - 6.000	\$ 129,565	\$ 116,184
Cash flows from facility	June 2017 - December 2047	4.814 - 6.250	49,988	53,186
General Security Agreement	December 2028 - June 2034	2.459 - 3.623	50,959	53,350
None	June 2017 - September 2036	2.599 - 8.750	20,050	24,092
<b>Balance, end of year</b>			<b>\$ 250,562</b>	<b>\$ 246,812</b>

Interest expense on debt recognized in these consolidated financial statements is \$9,585 (2016 - \$10,137).

Land and buildings pledged as collateral have a net book value of \$239,294 (2016 - \$181,193).

The university has entered into agreements for an additional \$104,700 in debt for fiscal 2018.

Principal and interest payments are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 13,314	\$ 10,731	\$ 24,045
2019	11,584	10,142	21,726
2020	11,693	9,610	21,303
2021	12,239	9,064	21,303
2022	11,304	8,491	19,795
Thereafter	190,428	74,543	264,971
	<b>\$ 250,562</b>	<b>\$ 122,581</b>	<b>\$ 373,143</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

**8. Deferred revenue**

	2017			2016	
	Unspent externally restricted grants and donations	Student tuition and other revenue	Total	Total	Total
<b>Balance, beginning of year</b>	\$ 487,235	\$ 22,493	\$ 509,728	\$ 526,830	
<b>Net change for the year</b>					
Grants, donations, endowment spending allocation and tuition	629,274	328,024	957,298	865,700	
Transfers to spent deferred capital contributions	(43,631)	-	(43,631)	(59,204)	
Recognized as revenue	(538,430)	(324,545)	(862,975)	(823,598)	
<b>Net change for the year</b>	<b>47,213</b>	<b>3,479</b>	<b>50,692</b>	<b>(17,102)</b>	
<b>Balance, end of year</b>	<b>\$ 534,448</b>	<b>\$ 25,972</b>	<b>\$ 560,420</b>	<b>\$ 509,728</b>	

**9. Spent deferred capital contributions**

Spent deferred capital contributions is comprised of externally restricted grants and donations spent on tangible capital assets, less amortization recognized as revenue.

	2017	2016
<b>Balance, beginning of year</b>	\$ 1,992,440	\$ 2,050,263
<b>Net change for the year</b>		
Transfers from unspent externally restricted grants and donations	43,631	59,204
Expended capital recognized as revenue	(114,315)	(117,027)
<b>Net change for the year</b>	<b>(70,684)</b>	<b>(57,823)</b>
<b>Balance, end of year</b>	<b>\$ 1,921,756</b>	<b>\$ 1,992,440</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

**10. Tangible capital assets**

	2017					2016
	Buildings and utilities	Equipment, furnishings and systems	Learning resources	Land	Total	Total
<b>Cost</b>						
Beginning of year	\$ 3,409,044	\$ 1,327,465	\$ 404,693	\$ 88,783	\$ 5,229,985	\$ 5,088,349
Acquisitions	77,652	42,058	25,001	564	145,275	149,906
Disposals	(1,413)	(37,760)	-	(5,390)	(44,563)	(8,270)
	<b>3,485,283</b>	<b>1,331,763</b>	<b>429,694</b>	<b>83,957</b>	<b>5,330,697</b>	<b>5,229,985</b>
<b>Accumulated amortization</b>						
Beginning of year	1,168,477	1,018,702	297,254	-	2,484,433	2,318,271
Amortization expense	86,635	67,973	18,948	-	173,556	173,301
Disposals	(1,165)	(37,047)	-	-	(38,212)	(7,139)
	<b>1,253,947</b>	<b>1,049,628</b>	<b>316,202</b>	<b>-</b>	<b>2,619,777</b>	<b>2,484,433</b>
<b>Net book value, March 31, 2017</b>	<b>\$ 2,231,336</b>	<b>\$ 282,135</b>	<b>\$ 113,492</b>	<b>\$ 83,957</b>	<b>\$ 2,710,920</b>	<b>\$ 2,745,552</b>
Net book value, March 31, 2016	\$ 2,240,567	\$ 308,763	\$ 107,439	\$ 88,783	\$ 2,745,552	

Included in buildings and utilities is \$107,711 (2016 - \$35,709) recognized as construction in progress, which is not amortized as the assets are not in service.

Acquisitions include in kind donations in the amount of \$2,922 (2016 - \$18,110).

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

**11. Net assets**

	2017				2016			
	Accumulated deficit from operations	Investment in tangible capital assets	Endowments	Total	Accumulated deficit from operations	Investment in tangible capital assets	Endowments	Total
<b>Net assets, beginning of year</b>	\$ (23,782)	\$ 551,391	\$ 1,149,716	\$ 1,677,325	\$ (2,187)	\$ 509,431	\$ 1,181,493	\$ 1,688,737
<b>Annual operating surplus</b>	25,077	-	-	25,077	33,062	-	-	33,062
<b>Endowments</b>								
New donations	-	-	31,996	31,996	-	-	20,885	20,885
Capitalized investment income	-	-	26,277	26,277	-	-	8,414	8,414
Transfer to endowments	(2,672)	-	2,672	-	(841)	-	841	-
<b>Tangible capital assets</b>								
Acquisitions	(97,494)	97,494	-	-	(91,917)	91,917	-	-
Debt repayment	(10,551)	10,551	-	-	(10,201)	10,201	-	-
Debt - new financing	15,215	(15,215)	-	-	3,884	(3,884)	-	-
Amortization	59,241	(59,241)	-	-	56,274	(56,274)	-	-
<b>Change in accumulated remeasurement gains</b>	18,900	-	93,593	112,493	(11,856)	-	(61,917)	(73,773)
<b>Net assets, end of year</b>	\$ (16,066)	\$ 584,980	\$ 1,304,254	\$ 1,873,168	\$ (23,782)	\$ 551,391	\$ 1,149,716	\$ 1,677,325

**Net assets is comprised of:**

Accumulated surplus	\$ (53,157)	\$ 584,980	\$ 1,092,046	\$ 1,623,869	\$ (41,973)	\$ 551,391	\$ 1,031,101	\$ 1,540,519
Accumulated remeasurement gains	37,091	-	212,208	249,299	18,191	-	118,615	136,806
	\$ (16,066)	\$ 584,980	\$ 1,304,254	\$ 1,873,168	\$ (23,782)	\$ 551,391	\$ 1,149,716	\$ 1,677,325

**12. Contingent liabilities**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

**13. Contractual obligations**

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

	Capital projects	Service contracts	Long-term leases	Total
2018	\$ 167,750	\$ 75,340	\$ 4,845	\$ 247,935
2019	16,202	36,810	3,646	56,658
2020	4,462	21,910	2,805	29,177
2021	1,937	5,506	1,905	9,348
2022	-	-	1,254	1,254
Thereafter	-	-	4,568	4,568
	\$ 190,351	\$ 139,566	\$ 19,023	\$ 348,940

The significant service contracts are as follows:

- In order to manage its exposure to the volatility in the electrical industry, the university has entered into contracts to fix a portion of its electrical cost. The six contracts (2016 - five contracts) with expenditures totaling \$44,032 (2016 - \$67,552) expire over the next three years.
  - Effective August 1, 2015, the university entered into an agreement with an external party for dining and catering services. The agreement has three years remaining with a total estimated cost of \$34,667 (2016 - \$45,067).
  - Effective July 1, 2015, the university entered into an agreement for infrastructure management services. The agreement has four years remaining with a cost of \$14,625 (2016 - \$14,809). Effective July 1, 2015, the university entered into an agreement for application management services. The agreement has three months remaining with a cost of \$1,125 (2016 - \$3,761, one year remaining).
  - Effective August 1, 2014, the university entered into an agreement with an external party for custodial services. The agreement has four months remaining with a cost of \$3,000 (2016 - \$9,911).
- (b) The university is one of 61 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, 2016, CURIE had a surplus of \$84,907 (2015 - \$69,679), of which the university's pro rata share is approximately 7.23% (2016 - 7.19%). This surplus is not recognized in the consolidated financial statements.

**14. Budget**

The university's 2016-17 budget was approved by the Board of Governors and was presented to the Minister of Advanced Education as part of the university's submission of its 2016-17 Comprehensive Institutional Plan.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

**15. Government of Alberta grants**

	2017	2016
Advanced Education - Campus Alberta grant	\$ 628,276	\$ 607,963
Advanced Education - other grants	128,775	105,907
Health - Academic Alternative Relationship Plans	73,000	75,753
Health - other grants	23,940	65,439
Economic Development and Trade	61,019	-
Alberta Health Services	9,448	9,191
Other departments and agencies	10,725	15,200
	<b>935,183</b>	879,453
Expended capital recognized as revenue	71,351	86,482
Deferred revenue	(59,904)	(7,778)
	<b>\$ 946,630</b>	\$ 958,157
<hr/>		
Accounts Receivable		
Advanced Education	\$ 1,984	\$ 1,354
Other GOA departments and agencies	20,177	8,254
Other post secondary institutions	1,142	821
	<b>\$ 23,303</b>	\$ 10,429
<hr/>		
Accounts Payable		
Advanced Education	\$ 423	\$ 1,675
Other GOA departments and agencies	3,441	3,549
Other post secondary institutions	188	1,662
	<b>\$ 4,052</b>	\$ 6,886

The university holds \$6,347 (2016 - \$8,511) on behalf of government agencies.

In fiscal 2017, the four Alberta Innovates corporations (previously under Advanced Education and Health) were placed under Economic Trade and Development.

**16. Expense by object**

	2017 Budget	2017	2016
Salaries	\$ 930,206	\$ 938,672	\$ 900,113
Employee benefits	188,462	182,949	183,340
Materials, supplies and services	306,371	294,276	305,594
Maintenance and repairs	91,960	95,561	111,398
Scholarships and bursaries	87,105	108,066	89,303
Utilities	58,645	49,814	43,860
Amortization of tangible capital assets	176,233	173,556	173,301
	<b>\$ 1,838,982</b>	<b>\$ 1,842,894</b>	<b>\$ 1,806,909</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

**17. Salaries and employee benefits**

2017							
	Base salary <sup>(7)</sup>	Other cash benefits <sup>(8)</sup>	Non-cash benefits <sup>(9)</sup>	Non-cash benefits (DB SRP) <sup>(10)</sup>	Non-cash benefits (DC SRP) <sup>(11)</sup>	Non-cash benefits (leave) <sup>(12),(13)</sup>	Total
<b>Governance <sup>(1)</sup></b>							
Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Executive</b>							
President	500	95	48	25	65	91	824
Provost and Vice-President (Academic) <sup>(13)</sup>	415	-	41	-	37	-	493
Vice-President (Research)	520	-	7	115	-	104	746
Vice-President (Facilities and Operations) <sup>(2)</sup>	425	5	43	64	13	41	591
Vice-President (Finance and Administration) <sup>(2)</sup>	442	5	44	85	16	46	638
Vice-President (University Relations) <sup>(3)</sup>	313	40	45	50	-	38	486
Vice-President (Advancement)	375	9	42	-	24	33	483
2016							
	Base salary <sup>(7)</sup>	Other cash benefits <sup>(8)</sup>	Non-cash benefits <sup>(9)</sup>	Non-cash benefits (DB SRP) <sup>(10)</sup>	Non-cash benefits (DC SRP) <sup>(11)</sup>	Non-cash benefits (leave) <sup>(12),(13)</sup>	Total
<b>Governance <sup>(1)</sup></b>							
Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Executive</b>							
President <sup>(4)</sup>	508	39	89	127	21	104	888
Provost and Vice-President (Academic) <sup>(5),(13)</sup>	375	27	37	-	18	-	457
Vice-President (Research)	506	-	42	109	-	125	782
Vice-President (Facilities and Operations)	479	-	41	156	-	92	768
Vice-President (Finance and Administration)	469	-	32	131	-	40	672
Vice-President (University Relations)	375	9	41	89	-	208	722
Vice-President (Advancement) <sup>(6)</sup>	374	11	42	-	7	16	450

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

<sup>(2)</sup> In 2017, two individuals held this position.

<sup>(3)</sup> In 2017, two individuals held this position. The interim Vice-President (University Relations) did not participate in any executive benefit programs.

<sup>(4)</sup> In 2016, two individuals held this position.

<sup>(5)</sup> In 2016, two individuals held this position. The interim Provost and Vice-President (Academic) did not participate in any executive benefit programs.

<sup>(6)</sup> In 2016, two individuals held this position. The interim Vice-President (Advancement) did not participate in any executive benefit programs.

<sup>(7)</sup> Base salary includes pensionable base pay for all executive. Certain base salary amounts also include a retroactive salary settlement and a reduction for the optional personal leave program (days off without pay).

<sup>(8)</sup> Other cash benefits include market supplements, academic executive allowances, car allowances, mobile device allowances and honoraria.

<sup>(9)</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 parking, supplemental life insurance, forgivable housing loans, reimbursement for legal fees and club dues. Additional non cash benefits for the former President include expenses related to the personal use portion of the residence which the former President rented from the university.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

**17. Salaries and employee benefits**

<sup>(10)</sup> Under the terms of the Defined Benefit Supplementary Retirement Plan (DB SRP), the executive may receive supplemental 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 DB SRP provides future benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro rated on service, a market interest rate, and other assumptions included in the Canadian Institute of Actuaries' lump sum commuted value standard. Net actuarial gains and losses of the benefit obligations are amortized over the remaining terms of the participants' contracts. Current service cost is the actuarial present value of the benefits earned in the current year. The DB SRP was closed to new members effective June 30, 2014.

The DB SRP current service cost and accrued obligation is as follows:

	2016		2017			
	Years of eligible University of Alberta service	Accrued obligation	Service costs	Interest and other costs	Actuarial (gain) loss	Accrued obligation <sup>(10e)</sup>
President <sup>(10a)</sup>	1.8	\$ 18	\$ 24	\$ 1	\$ (13)	\$ 30
Vice-President (Research)	9.8	812	93	22	44	971
Former Vice-President (Facilities and Operations) <sup>(10b)</sup>	14.1	1,260	40	24	-	1,324
Former Vice-President (Finance and Administration) <sup>(10c)</sup>	14.9	1,236	51	34	-	1,321
Former Vice-President (University Relations) <sup>(10d)</sup>	6.3	443	39	11	209	702

<sup>(10a)</sup> The DB SRP was closed to new members effective June 30, 2014. However, a portion of the supplementary retirement benefit for the current President is calculated on a defined benefit basis, and the liability will be disclosed on this basis as service is provided.

<sup>(10b)</sup> Includes service to August 31, 2016 and the accrued obligation shown is at August 31, 2016.

<sup>(10c)</sup> Includes service to October 31, 2016 and the accrued obligation shown is at October 31, 2016.

<sup>(10d)</sup> Includes service to September 30, 2016, amount to be paid out in fiscal 2018.

<sup>(10e)</sup> The significant actuarial assumptions used to measure the accrued obligation are disclosed in (note 6).

<sup>(11)</sup> Under the terms of the executive Defined Contribution Supplementary Retirement Plan (DC SRP), the executive may receive supplemental 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 cost to provide supplementary retirement benefits. The DC SRP provides future benefits to participants based on the value of the contributions at the end of their service. The cost of these benefits is calculated based on pensionable salary multiplied by a factor based on age and service. The DC SRP was introduced effective July 1, 2014, for all executives commencing employment on or after that date.

The DC SRP current service cost and amount due is as follows:

	2016		2017		
	Years of eligible University of Alberta service	Amounts due to participants	Service costs	Interest and investment earnings <sup>(11a)</sup>	Amounts due to participants
President	1.8	\$ 21	\$ 61	\$ 4	\$ 86
Provost and Vice-President (Academic)	1.8	18	35	2	55
Vice-President (Facilities and Operations)	0.6	-	13	-	13
Vice-President (Finance and Administration)	0.4	-	16	-	16
Vice-President (Advancement)	1.5	7	23	1	31

<sup>(11a)</sup> Contributions are made on an annual basis at the end of the plan (calendar) year. Interest is paid in lieu of contributions being made every month. Investment earnings are distributed to each plan participant based on the overall return of the plan's investments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2017**  
*(thousands of dollars)*

**17. Salaries and employee benefits**

(12) The leave plan current service cost and accrued obligation is as follows:

	Years of eligible University of Alberta service	2016		2017		
		Accrued obligation	Service costs	Interest and other costs	Actuarial losses (gains)	Accrued obligation <sup>(12c)</sup>
President	1.8	\$ 65	\$ 87	\$ 4	\$ 3	\$ 159
Vice-President (Research)	9.8	903	103	1	40	1,047
Vice-President (Facilities and Operations)	0.6	-	18	1	-	19
Former Vice-President (Facilities and Operations) <sup>(12a)</sup>	13.0	1,219	-	22	-	1,241
Vice-President (Finance and Administration)	0.4	-	14	1	-	15
Former Vice-President (Finance and Administration) <sup>(12b)</sup>	13.0	1,211	-	31	-	1,242
Former Vice-President (University Relations)	6.3	210	37	1	(248)	-
Vice-President (Advancement)	1.5	16	32	1	1	50

<sup>(12a)</sup> Includes service to August 31, 2016 and the accrued obligation shown is at August 31, 2016.

<sup>(12b)</sup> Includes service to October 31, 2016 and the accrued obligation shown is at October 31, 2016.

<sup>(12c)</sup> The significant actuarial assumptions used to measure the accrued obligation are disclosed in (note 6).

<sup>(13)</sup> The Provost and Vice-President (Academic) participates in the administrative leave program available to faculty members in eligible administrative positions. Under that administrative leave program, an individual must apply for and receive approval for a leave; therefore, there is no leave accrual.

**18. Approval of financial statements**

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

**19. Comparative figures**

Certain comparative figures have been reclassified to conform to current year presentation.