Athabasca University

Financial Statements For the year ended March 31, 2008

To the Athabasca University Governing Council

I have audited the statement of financial position of Athabasca University as at March 31, 2008 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

I draw attention to Note 19 to the financial statements that describes the unfunded liability of the Universities Academic Pension Plan which may affect the University's future financial statements. Our opinion is not qualified in respect of this matter.

Original signed by Fred J. Dunn, FCA

Auditor General

Edmonton, Alberta
May 9, 2008

Statement of Financial Position
March 31, 2008
(thousands of dollars)

	2008	2007
ASSETS		
Current assets		
Cash and short-term investments (Note 3)	$ 23,334	$ 20,213
Accounts receivable (Notes 18)	5,439	4,558
Inventory of course materials	3,805	3,340
Prepaid expenses	1,184	834
	33,762	28,945
Non-current investments (Notes 3 and 4)	51,340	29,468
Deferred course development costs (Note 5)	141	211
Capital assets (Note 6)	21,842	20,062
	$ 107,085	$ 78,686
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accruals	$ 4,736	$ 3,099
Salaries and benefits payable (Note 7)	7,168	6,091
Deferred revenue	11,791	11,829
Deferred contributions (Note 8)	4,545	2,943
Current portion of deferred lease inducement (Note 9)	117	117
	28,357	24,079
Deferred salaries and benefits payable (Notes 7 and 19)	3,689	3,338
Deferred lease inducement (Note 9)	146	263
Deferred capital contributions (Note 10)	29,771	-
Unamortized deferred capital contributions (Note 11)	10,206	11,441
Unamortized course development contributions (Note 11)	141	211
	72,310	39,332
Net assets		
Investment in capital assets (Note 6)	11,636	8,621
Endowments (Note 12)	1,595	1,560
Internally restricted (Note 13)	19,529	27,009
Unrestricted	2,015	2,164
	34,775	39,354
	$ 107,085	$ 78,686

Approved on behalf of the Governing Council

Original signed by Joy Romero

Joy Romero, P.Eng., MBA PM
Chair

Original signed by Frits Pannekoek

Dr. Frits Pannekoek
President

The accompanying notes are part of these financial statements.

Statement of Operations
For the year ended March 31, 2008
(thousands of dollars)

	2008	2007
Revenue		
Province of Alberta grants (Note 18)	$ 34,211	$ 31,064
Undergraduate student fees	36,844	33,485
Graduate student fees	13,153	12,282
Sales of goods and services	12,908	12,635
Amortization of unamortized deferred capital contributions (Note 11)	1,876	1,892
Research and other grants	909	780
Investment income (Note 14)	661	2,351
Donations (Note 15)	673	684
Other	88	118
Amortization of deferred course development contributions (Note 11)	70	71
	101,393	95,362
Expenses		
Salaries and benefits	68,367	59,828
Fees and purchased services	14,427	13,100
Materials and supplies	9,312	8,421
Communications and travel	7,346	6,541
Amortization of capital assets	3,601	3,780
Facilities rental	1,605	1,079
Insurance, utilities and taxes	730	677
Scholarships	494	419
Loss on disposal of capital assets	76	-
Amortization of deferred course development costs (Note 5)	70	71
	106,028	93,916
Excess (deficiency) of revenue over expenses	$ (4,635)	$ 1,446

The accompanying notes are part of these financial statements.

Statement of Changes in Net Assets
For the year ended March 31, 2008
(thousands of dollars)

	2008					2007
	Investment in Capital Assets	Endowments (Note 12)	Internally Restricted (Note 13)	Unrestricted	Total	Total
Balance, beginning of year	$ 8,621	$ 1,560	$ 27,009	$ 2,164	$ 39,354	$ 37,618
Excess (deficiency) of revenue over expenses	-	-	-	(4,635)	(4,635)	1,446
Investment in capital assets, internally funded	4,825	-	(3,229)	(1,596)	-	-
Proceeds from sale of capital assets	(9)	-	-	9	-	-
Amortization of internally funded capital assets	(1,725)	-	-	1,725	-	-
Loss on disposal of capital assets	(76)	-	-	76	-	-
Expenditure of internally restricted net assets	-	-	(1,912)	1,912	-	-
Endowment contributions and net transfers	-	35	(47)	68	56	290
Transfer from internally restricted net assets	-	-	(2,292)	2,292	-	-
Balance, end of year	$ 11,636	$ 1,595	$ 19,529	$ 2,015	$ 34,775	$ 39,354

The accompanying notes are part of these financial statements.

Statement of Cash Flows
For the year ended March 31, 2008
(thousands of dollars)

	2008	2007
Cash provided from operating activities:		
Excess (deficiency) of revenue over expenses	$ (4,635)	$ 1,446
Items not affecting cash flow:		
Amortization of capital assets	3,601	3,780
Transfer to deferred capital contributions (Note 10)	129	50
Amortization of deferred course development costs	70	71
Loss on disposal of capital assets	76	-
Increase in deferred salaries and benefits payable	351	634
Amortization of deferred course development contributions	(70)	(71)
Amortization of deferred lease inducement	(117)	(97)
Amortization of deferred capital contributions	(1,876)	(1,892)
	(2,471)	3,921
Change in non-cash working capital		
Change in current assets, except cash and short-term investments	(1,696)	(500)
Change in current liabilities, except current portion of deferred lease inducement	4,278	3,675
	2,582	3,175
	111	7,096
Cash used in investing activities:		
Capital asset acquisitions, internally funded	(4,825)	(2,257)
Capital asset acquisitions, externally funded	(641)	(50)
Proceeds on disposal of capital assets	9	30
Decrease (increase) in non-current investments	(21,872)	(1,375)
	(27,329)	(3,652)
Cash provided from financing activities:		
Capital contributions	30,000	-
Transfer interest to capital contributions	283	-
Endowment contributions and net transfers	56	290
Capital lease payments	-	(52)
	30,339	238
Increase in cash and short-term investments	3,121	3,682
Cash and short-term investments, beginning of year	20,213	16,531
Cash and short-term investments, end of year	$ 23,334	$ 20,213

The accompanying notes are part of these financial statements.

Notes to the Financial Statements
For the year ended March 31, 2008
(thousands of dollars)

Note 1 Authority and Purpose

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

Note 2 Significant Accounting Policies and Reporting Practices

(a) General – GAAP and Use of Estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates, the potential errors in which are, in the administration's opinion, within reasonable limits of materiality, have been made using professional judgment and conform to the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Revenue Recognition

Government grants are recognized as revenue in the period received or receivable, unless a portion of a grant relates to a future period, in which case that portion is deferred and recognized in the appropriate future period.

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

Investment income includes interest income and realized and unrealized investment gains and losses. Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the statement of operations, or deferred, or reported as direct increases to net assets, depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Other unrestricted investment income is recognized as revenue when earned.

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

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

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

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

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

(c) Change in Accounting Policy

Financial Instruments

On April 1, 2007, the University adopted the provisions of CICA Handbook Section 3855, "Financial Instruments, Recognition and Measurement" and Section 3861, "Financial Instruments, Disclosure and Presentation."

The new standards require the University to classify financial assets as held-for-trading, held-to-maturity, loans and receivables or available-for-sale and to classify financial liabilities as held-for-trading or as other financial liabilities.

Financial instruments classified as held-for-trading are measured at fair value with changes in fair value recognized in the statement of operations. Financial instruments classified as held-to-maturity, as loans and receivables and as other financial liabilities are measured at amortized cost with gains and losses recognized in the statement of operations when the asset or liability is derecognized. Financial instruments classified as available-for-sale are measured at fair value with changes in unrealized gains and losses recognized directly as changes in net assets until the asset is derecognized.

In accordance with the new standards, the University has classified cash and short-term investments and non-current investments as held-for-trading, accounts receivable as loans and receivables, and accounts payable and accruals and salaries and benefits payable as other financial liabilities.

Inventory of course materials, prepaid expenses, deferred course development costs, capital assets, deferred revenue, deferred contributions, current portion of deferred lease inducement, deferred salaries and benefits payable, deferred lease inducement, unamortized deferred capital contributions and unamortized course development contributions are not within the scope of the new standards and accordingly have not been classified.

The amortized cost of loans and receivables and other financial liabilities approximates their carrying value. The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The value of the University's financial instruments are recognized on their settlement date. Transaction costs related to all financial instruments are expensed as incurred.

The new standards have been applied retrospectively without restatement of prior periods. The relevant balances in the University's March 31, 2007, statement of financial position approximate their fair value at April 1, 2007, and as a result, there has been no transitional adjustment recorded in the University's financial statements.

As permitted, the University has elected to exclude from the scope of Section 3855, "Financial Instruments, Recognition and Measurement", non-financial contracts or derivatives embedded in non-financial contracts, leases and insurance contracts.

Future Change to Accounting Policy

The Canadian Institute of Chartered Accountants (CICA) has issued four new standards: CICA Handbook sections 1535: "Capital Disclosures," 3031: "Inventories," 3862: "Financial Instruments – Disclosures," and 3863: "Financial Instruments – Presentation."

Section 1535 requires the disclosure of qualitative and quantitative information that will enable users of financial statements to evaluate an entity's objectives, policies and processes for managing capital. Sections 3862 and 3863 are intended to enhance the ability of users of financial statements to evaluate the significance of financial instruments to an entity, the related exposure to risks and the management of these risks. These future accounting policy changes will require only additional note disclosure and will not affect the statements of financial position, operations, changes in net assets or cash flows.

Section 3031 prescribes the accounting treatment for inventories and provides guidance on the determination of cost and its subsequent recognition of expense, including any write-down to net realizable value. The new requirements for the determination of cost may require the University to include certain additional costs in the measurement of its inventories. The effect of this change is uncertain at this time.

In accordance with the transitional provisions of these new standards, the University has chosen to adopt the related changes in accounting policies for the fiscal year beginning April 1, 2008.

(d) Investments

Investments are recorded at fair market value. They are initially recognized at acquisition cost and subsequently remeasured at fair value at each reporting date. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the statement of financial position date.

(e) Inventory of Course Materials

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

(f) Copyrights

The University obtains copyrights on all course materials produced. These copyrights are recorded at a nominal value of one dollar and are included in prepaid expenses.

(g) Deferred Course Development Costs

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

(h) Capital Assets

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

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

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

(i) Employee Future Benefits

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

Pension costs included in these financial statements comprise the amount of employer contributions required for the University's employees during the year, based on contribution rates that are expected to provide for benefits payable under the respective pension plans. The University does not record its portion of the pension plans' deficits or surpluses.

The University's other defined benefit plans include the following: Administrative Leave, Flexible Benefits, Extended Health and Dental Care, Life and Dependent Life Insurance, Weekly Indemnity, Long-term Disability and General Illness.

For the Administrative Leave and Flexible Benefit Plans, the cost of benefits earned by employees is actuarially determined using the projected benefit method, prorated on service and management's best estimate of salary escalation. Net actuarial gains (losses) are recognized immediately.

For the Extended Health and Dental Care Plans, the costs of benefits earned by employees are the actual claims paid during the period, the insurer's cost of administration (net of interest), plus the year-over-year change in the estimate for any claims that may have occurred but have not been paid.

For the Life and Dependent Life Insurance, Weekly Indemnity and Long Term Disability Plans, the cost of the employee future benefit, if any, is not reflected. Future premium rates are negotiated annually. Rate adjustments are determined based on a combination of the insurer's manual rate and the University's actual claims experience over the past five years. Any plan assets resulting from the surplus or deficit of the plans are attributed to the insurer.

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

(j) Deferred Lease Inducement

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

(k) Internally Restricted Net Assets

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

Note 3 Cash and Investments

Cash and investments are recorded at fair market value and consist of the following:

	2008	2007
Bank balances[1]	$ 6,172	$ 6,587
Money market investments[2]	22	16,589
Investment Fund	68,480	25,908
Other investments (Note 4)	-	597
Total Cash and Investments	74,674	49,681
Less amount recorded as non-current	(51,340)	(29,468)
Cash and short-term investments	$ 23,334	$ 20,213
Non-current investments consist of		
Endowments	$ 1,595	$ 1,560
Deferred salaries and benefits payable	3,689	3,338
Deferred capital contributions	29,771	-
Internally restricted net assets, non-current portion	16,285	23,973
Shares and joint venture interest	-	597
Non-current investments	$ 51,340	$ 29,468

(1) From April 1, 2007, to December 31, 2007, interest was earned on cash in bank based on the Canadian prime interest rate less 2.05%, applied against the daily closing cash balance. From January 1, 2008, to March 31, 2008, interest was earned based on the daily-tiered closing balance as follows: $0 to $49,999 - no interest, $50,000 to $749,999 - prime less 2.25% and $750,000 and over - prime less 1.95%

(2) Money market investments were purchased at a discount and were rated R-1 or better (by the Dominion Bond Rating Service). For the year ending March 31, 2008, the average effective yield was 4.70% (2007 – 4.36%). In 2007-08, the majority of the remaining money market investments were transferred to the Investment Fund, which is managed by an external fund manager on a pooled basis.

The University's investments are subject to normal interest rate, market, foreign currency, credit and liquidity risks, which could affect future cash flows, revenues and financial position. Interest rate, market and foreign currency risks refer to the potential adverse consequences of changes in interest rates, market value and foreign currency respectively. Credit risk relates to the potential that the issuer of a financial instrument will fail to discharge an obligation and cause the University to incur a financial loss. Liquidity risk refers to the risk that an issuer will encounter difficulty in raising funds to meet its commitments. These risks are managed in a number of ways through the University's Investment Policy, the Investment Advisory Group and the University's external fund manager.

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

An investment objective is to ensure that the investments are selected to match the anticipated cash flow requirements of the University. Therefore, short-, medium-, and long-term (including endowment) investment portfolios have been established. Based on cash flow projections, the University determines the amounts to be invested in each portfolio.

The Investment Policy defines minimum and maximum ranges for each type of qualifying investment within each investment portfolio.

The Investment Fund comprises

	2008					2007
	Short-term (less than 1 year)	Medium-term (1 to 5 years)	Long-term (more than 5 years)	Endowment (more than 5 years)	Total Investment Fund	Total Investment Fund
Cash and short-term	$ 33,321	$ 113	$ 468	$ 38	$ 33,940	$ 2,361
Fixed income	-	14,039	9,124	833	23,996	15,139
Equities						
Canadian	-	976	3,111	284	4,371	3,374
U.S.	-	934	2,517	229	3,680	3,100
International	-	681	1,661	151	2,493	1,934
Total equities	-	2,591	7,289	664	10,544	8,408
Total Investment Fund	$ 33,321	$ 16,743	$ 16,881	$ 1,535	$ 68,480	$ 25,908

In accordance with the Investment Policy, the entire short-term portfolio was invested in readily liquid Canadian securities or in cash.

Eighty-five per cent (2007 – 83 per cent) of the medium-term portfolio was invested in fixed income securities, which is within the prescribed range of 75 to 100 per cent, while 15 per cent (2007 – 17 per cent) was invested in equities, which is within the prescribed range of up to 25 per cent.

Fifty-seven per cent (2007 – 52 per cent) of the long-term and endowment portfolios were invested in fixed income securities, which is within the prescribed range of 50 to 100 per cent, while 43 per cent (2007 – 48 per cent) were invested in equities, which is within the prescribed range of up to 50 per cent.

In accordance with the Investment Policy, Canadian equities are listed in the S&P/TSX composite index, and U.S. and International equities are limited to shares and pooled funds listed and traded on recognized stock market exchanges.

The University's external fund manager allocates the investments within the above portfolios into specific pools or funds including a Canadian Money Market Fund, a Bond Fund, a Canadian Equity Fund, a U.S. Equity Fund and an Overseas Equity Fund.

As at March 31, 2008, 70.1 per cent of the cash and short-term investments in the Canadian Money Market Fund were issued by banks and other financial institutions, 10.0 per cent were issued or guaranteed by the federal government or a provincial government and the remainder were issued by corporations across a variety of sectors.

The entire fixed income portfolio is invested in the Bond Fund. As instructed by the Investment Advisory Group, all bonds and debentures are rated BBB or higher, as measured by the Dominion Bond Rating Service (DBRS). A primary strategy used by the external fund manager to address risks in this fund is varying duration based on anticipation of future yields. The external fund manager also manages risks by varying the percentage of bonds and debentures issued by corporations as compared to those issued or guaranteed by the federal government or a provincial government. As of March 31, 2008, for example, 38.6 per cent of this fund was invested in bonds, debentures and mortgages issued or guaranteed by the federal government or a provincial government, and the remainder was invested in bonds and debentures issued by corporations, primarily banks and other financial institutions. For the Bond Fund, risks related to foreign currency exchange rate fluctuations are insignificant, with over 98 per cent of the bonds and debentures denominated in Canadian currency, and the remaining 2 per cent denominated in U.S. currency. However, 13.5 per cent of those denominated in Canadian currency are guaranteed by foreign governments, agencies or corporations. These are known as Maple Bonds, and they add diversification to the portfolio while protecting it from foreign currency exchange rate and interest rate fluctuations.

The external fund manager manages risks in the equity funds primarily by varying investments across sectors and judiciously selecting specific stocks within those sectors. The largest concentration of equities at March 31, 2008, was in the financial sector, comprising 31.5 per cent of the Canadian Equity Fund, 18.1 per cent of the U.S. Equity Fund and 24.8 per cent of the Overseas Equity Fund. More moderate concentrations of equities include the energy, industrials, consumer staples and health care sectors.

The annualized, daily weighted average rates of return for the investment pools were as follows:

	2008
Canadian Money Market Fund	4.70%
Bond Fund	4.60%
Canadian Equity Fund	-2.20%
United States Equity Fund	-15.80%
Overseas Equity Fund	-14.30%

Note 4 Interest in Joint Venture

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

On January 1, 2008, the terms of this relationship were substantively modified, and a new decentralized administrative and operational structure was established. The joint venture was terminated, and the equity was distributed on January 1, 2008. The University's interest in the joint venture is included in Cash and Investments (Note 3).

	2008	2007
Current assets	$ -	$ 647
Capital assets	-	1
	$ -	$ 648
Current liabilities	$ -	$ 50
Investment in capital assets	-	1
	-	51
Joint venture interest		
Opening balance	597	316
Net distribution	(708)	(101)
Excess of revenue over expenses	111	382
	-	597
	$ -	$ 648

Note 5 Deferred Course Development Costs

	2008	2007
Balance, beginning of year	$ 211	$ 282
Amount amortized during year	(70)	(71)
Balance, end of year	$ 141	$ 211

Note 6 Capital Assets and Investment in Capital Assets

	2008			2007		
	Cost [1][2]	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$ 1,565	$ -	$ 1,565	$ 1,565	$ -	$ 1,565
Buildings and site improvements	27,212	15,935	11,277	26,624	15,142	11,482
Leasehold improvements	3,400	1,671	1,729	2,180	1,404	776
Furnishings, equipment and software	20,016	14,385	5,631	22,391	17,574	4,817
Library materials	5,585	4,590	995	5,367	4,565	802
Works of art	645	-	645	620	-	620
	$ 58,423	$ 36,581	$ 21,842	$ 58,747	$ 38,685	$ 20,062
Unamortized deferred capital contributions related to capital assets (Note 11)			(10,206)			(11,441)
Investment in capital assets			$ 11,636			$ 8,621

(1) Beginning August 1, 2006, for a term of 99 years, the University has leased certain lands (Lot 3 and 4, Block 8, Plan 0623053, to the north of and adjacent to its main campus) to the Town of Athabasca and the County of Athabasca for a nominal amount of $1 per year.

(2) Included in the cost of capital assets are projects in progress that are not yet being amortized. These include leasehold improvements $925 (2007 - $0), software $677 (2007 - $0) and buildings $512 (2007 -$0).

Note 7 Salaries and Benefits Payable

	2008	2007
Other defined benefit plans		
Administrative Leave Plan	$ 1,615	$ 1,573
Flexible Benefit Plan	1,243	1,276
Total other defined benefit plans (Note 19)	2,858	2,849
Salaries and wages	3,422	2,823
Vacation pay	2,427	1,951
Professional development funds	2,150	1,806
Total salaries and benefits payable	10,857	9,429
Current portion of salaries and benefits payable	(7,168)	(6,091)
Deferred salaries and benefits payable	$ 3,689	$ 3,338

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

Note 8 Deferred Contributions

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

	2008	2007
Balance, beginning of year	$ 2,943	$ 1,550
Contributions received		
Grants	2,969	2,899
Donations (Note 15)	1,007	-
Transfer to deferred capital contributions (Note 10)	(129)	(50)
Amount recognized as revenue		
Grants	(1,905)	(1,456)
Donations (Note 15)	(340)	-
Balance, end of year	$ 4,545	$ 2,943
The balance consists of funds restricted from:		
Province of Alberta		
Access to the Future Fund	$ 2,330	$ 1,200
Enrolment Planning Envelope	439	523
Other provincial foundations	74	-
Community Incentive Program	50	50
Innovation and Science	45	90
Health and Wellness	20	30
Sponsored research special projects	1,587	1,050
	$ 4,545	$ 2,943

Note 9 Deferred Lease Inducement

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

	2008	2007
2008	$ -	$ 117
2009	117	117
2010	117	117
2011	29	29
Total unamortized deferred lease inducement	263	380
Less: current portion	(117)	(117)
Long-term portion of deferred lease inducement	$ 146	$ 263

Note 10 Deferred Capital Contributions

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

	2008	2007
Balance, beginning of year	$ -	$ -
Grant received	30,000	-
Interest earned	283	-
Transfers from deferred contributions (Note 8)	129	50
	30,412	50
Transfers to unamortized deferred capital contributions (Note 11)	(641)	(50)
Balance, end of year	$ 29,771	$ -

Note 11 Unamortized Deferred Capital and Deferred Course Development Contributions

	2008		2007	
	Captial	Course Development	Capital	Course Development
Balance, beginning of year	$ 11,441	$ 211	$ 13,283	$ 282
Transfer from deferred capital contributions (Note 10)	641	-	50	-
	12,082	211	13,333	282
Amortized to revenue	(1,876)	(70)	(1,892)	(71)
Balance, end of year	$ 10,206	$ 141	$ 11,441	$ 211

Note 12 Endowments

Endowments consist of externally restricted donations, the principal of which is required to be maintained intact.

	2008				2007
	Endowments				
	Capital Contributions	Capitalized Earnings	Expendable Earnings	Total	Total
Balance, beginning of year	$ 1,439	$ 93	$ 28	$ 1,560	$ 1,249
Donations received (Note 15)	-	-	-	-	250
Investment earnings	-	63	-	63	62
Transfer from internally restricted net assets	-	-	47	47	21
Transfer to unrestricted net assets	-	-	(68)	(68)	(15)
Administrative fees	-	-	(7)	(7)	(7)
Balance, end of year	$ 1,439	$ 156	$ -	$ 1,595	$ 1,560

Note 13 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by Athabasca University Governing Council for specific future operating and capital needs. These amounts are not available for other purposes without the approval of the Governing Council.

	Balance, beginning of year	Expenditures	Transfers	Balance, end of year
Operating				
New program development	$ 8,700	$ (1,446)	$ -	$ 7,254
Bridging to retirement	4,100	(330)	(2,300)	1,470
Future student awards	1,754	-	(40)	1,714
Future claims reserve	412	-	48	460
	14,966	(1,776)	(2,292)	10,898
Capital				
Investment in systems development	10,000	(1,882)	-	8,118
Infrastructure	2,043	(1,530)	-	513
	12,043	(3,412)	-	8,631
Total internally restricted net assets	$ 27,009	$ (5,188)	$ (2,292)	$ 19,529

Note 14 Investment Income

	2008	2007
Investment income from:		
Operating bank accounts	$ 351	$ 235
Investment fund	315	45
Marketable securties	240	1,819
Joint venture and other	101	314
Total investment income	1,007	2,413
Transfer to deferred capital contributions (Note 10)	(283)	-
Transfer to endowments (Note 12)	(63)	(62)
Total investment income recognized as revenue	$ 661	$ 2,351

Note 15 Donations

Donations were received during the year as follows:

	2008			2007
	Cash(1)	In-kind(2)	Total	Total
Amount recognized as revenue	$ 364	$ 309	$ 673	$ 684
Net transfers to deferred contributions(3) (Note 9)	667	-	667	-
Transfer to endowments (Note 13)	-	-	-	250
Total donations received	$ 1,031	$ 309	$ 1,340	$ 934

(1) Includes shares contributed with a fair value of $982, converted to cash, for a research related project. A further gift of shares from the same donor, with an approximate value of $325, is expected in 2008-09.
(2) In-kind donations of $309 (2007 - $638) consisted of professional services received during the year.
(3) Donations received subject to external restrictions: $1,007 less $340 recognized as revenue.

Note 16 Budget

The budget for the year ended March 31, 2008, as approved by Athabasca University Governing Council on March 30, 2007, is presented together with actual revenue and expenses for the year.

	Actual	Budget
Revenue		
Province of Alberta grants	$ 34,211	$ 34,484
Undergraduate student fees	36,844	38,817
Graduate student fees	13,153	14,261
Sales of goods and services	12,908	14,572
Amortization of unamortized deferred capital contributions	1,876	2,132
Research and other grants	909	888
Investment income	661	2,027
Donations	673	2,000
Other	88	144
Amortization of deferred course development contributions	70	-
	101,393	109,325
Expenses		
Salaries and benefits	68,367	76,050
Fees and purchased services	14,427	15,946
Materials and supplies	9,312	10,319
Communications and travel	7,346	6,551
Amortization of capital assets	3,601	4,783
Facilities rental	1,605	1,143
Insurance, utilities and taxes	730	715
Scholarships	494	616
Loss on disposal of capital assets	76	-
Amortization of deferred course development costs	70	-
	106,028	116,123
Deficiency of revenue over expenses	$ (4,635)	$ (6,798)

Note 17 Operating Lease Commitments

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

2009	$ 1,296
2010	$ 1,302
2011	$ 1,460
2012	$ 1,441
2013	$ 770

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

Note 18 Related Party Transactions

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

	2008	2007
Operating grant	$ 30,512	$ 26,210
Capital grant	30,000	-
Enrolment Planning Envelope	3,407	3,311
Infrastructure maintenance	142	142
Other	447	1,443
Total contributions	64,508	31,106
Change in deferred contributions and other accruals from provincial sources	(30,297)	(42)
Province of Alberta grants revenue	$ 34,211	$ 31,064

At March 31, 2008, the University had accounts receivable from the Province of Alberta of $2,171 (2007 - $1,436) and from the University of Lethbridge of $559 (2007- $9).

The University offered certain courses at other provincial post-secondary institutions. The revenue for these courses amounted to $1,393 (2007 - $1,628).

During the year, the University conducted certain other business transactions with other universities and public colleges. The revenues and expenses incurred for these business transactions have been included in the statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as those with non-related parties and are recorded at fair value amounts.

Note 19 Employee Future Benefits

Pension Plans

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 plans that provide pensions for the University's participating employees based on years of service and earnings. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of $4,236 (PSPP - $851; UAPP - $3,385) for the year ended March 31, 2008 (2007 - $3,553: PSPP - $727; UAPP - $2,825).

At December 31, 2007, the PSPP reported an actuarial deficiency of ($92,070) (2006 -$153,024 surplus). An actuarial valuation of the PSPP was carried out as at December 31, 2005, and was then extrapolated to December 31, 2007.

At December 31, 2007, the UAPP reported an actuarial deficiency of $535,843 (2006 - $409,128) consisting of a pre-1992 deficiency of $501,300 and a post-1991 deficiency of $34,543. An actuarial valuation of the UAPP was carried out as at December 31, 2006, and was then extrapolated to December 31, 2007. The unfunded liability for service prior to January 1, 1992, is financed by additional contributions of 1.25 per cent (2006 – 1.25 per cent) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.28 per cent (2006 – 2.28 per cent) of salaries required to eliminate the unfunded liability by December 31, 2043. The actuarial evaluation shows that the present value at December 31, 2006, of the Province of Alberta's obligation for the future additional contributions was $213,900. The unfunded liability for service after December 31, 1991, is financed by special payments of 2.64 per cent (2006 - 2.64 per cent) of salaries shared equally between employees and employers until December 31, 2017. The special payments will decrease to 1.38 per cent of pensionable earnings on January 1, 2018, and continue until December 31, 2019. At March 31, 2008, the University's share of total payroll, upon which contributions are based, was 4.8 per cent.

Changes are being contemplated for the UAPP which will substantially alter the underlying assumptions used to estimate the plan's actuarial deficiency or surplus. The outcome of these changes is unknown at this time; however, they could have a material effect on the University's future financial statements. Under GAAP, the UAPP and the University are required to report pension related matters in accordance with the recommendations of different CICA handbook sections. The UAPP actuarial funding deficiency of $535,843 is reported under CICA 4100: Pension Plans. The University has used the best information available to estimate the unfunded deficiency under defined benefit pension accounting recommendations in CICA 3461: Employee Future Benefits. The estimated unfunded deficiency calculated using the CICA 3461 methodology is approximately $975 million for the entire UAPP, as extrapolated to March 31, 2008. The University estimated its share of this deficiency by prorating the total employers' share by the University's percentage of the total payroll costs of the plan. The University's estimated share of the unfunded UAPP deficiency under CICA 3461, given significant measurement uncertainty in the methodology and assumptions used, is approximately $17 million.

Administrative Leave and Flexible Benefit Plan

The University's Administrative Leave Plan and Flexible Benefit Plan have no plan assets. The University has provided for these plans by accruing a benefit obligation of $2,858 (2007 - $2,849) in salaries and benefits payable (Note 7).

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

	2008	2007
Discount rate and rate of return		
Administrative Leave Plan	5.50%	4.75%
Flexible Benefit Plan	5.75%	5.00%
Rate of compensation increase		
First year	7.00%	7.00%
Subsequent years	7.00%	7.00%
Average remaining service period of active employees		
Administrative Leave Plan	9 years	8 years
Flexible Benefit Plan	14 years	13 years
Retirement age	62 years	60 years

During the year, the University paid benefits from these benefit plans totaling $432 (2007 - $634). Employee future benefit costs recognized in the year are $1,017 (2007 - $920).

Extended Health and Dental Care Plans

The accrued benefit obligation and plan assets for the Extended Health and Dental Care defined benefit plans are $95 (2007 - $77) and $554 (2007 - $489) respectively. The net position of the plans of $460 (2007 - $412) is recorded in accounts receivable in the University's statement of financial position. The change in the net position of $48 (2007 - $75) is recorded as a reduction to expenses in the University's statement of operations. Employer premiums paid to Alberta Blue Cross of $2,032 (2007 - $1,752) are recorded as an expense in the University's statement of operations.

Note 20 Salary and Benefits Disclosure

A Treasury Board directive under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2008				2007
	Base Salary(1)	Cash Benefits(2)	Non-cash Benefits(3)	Total	Total
Governing Council(4)					
Chair of Governing Council	$ -	$ -	$ -	$ -	$ -
Governing Council members	-	-	-	-	-
Executive Officers					
President	339	30	47	416	326
Vice-presidents					
Academic	197	13	28	238	227
Advancement	199	13	28	240	122
Finance and Administration	193	12	28	233	215
Chief Information Officer	162	9	28	199	184
Associate Vice-presidents					
Academic	132	-	27	159	166
Research	163	-	29	192	174
Increase in Administrative Leave Plan accruals(5)					
President				98	53
Vice-presidents					
Academic				51	28
Advancement				41	23
Finance and Administration				65	44
Chief Information Officer				54	45
Associate Vice-presidents					
Academic				15	31
Research				-	-

(1) Base salary is pensionable and includes pay for vacation time taken.
(2) Cash benefits include lump sum payments and any other non-pensionable direct cash remuneration.
(3) Non-cash benefits include the employer's share of all employee benefits and contribution payments made on behalf of employees for pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance, and long- and short-term disability plans. In addition, non-cash benefits include tuition paid on behalf of employees.
(4) The chair and the 16 members (2007 – 15) of Governing Council receive no remuneration for participation on the council.
(5) Administrative Leave Plan accrual amounts include the current service cost, the related net actuarial gains or losses and adjustments for past service accrued at current salary rates.

Note 21 Comparative Figures

Certain 2007 comparative figures have been reclassified to conform to the presentation adopted in the 2008 financial statements.