

Athabasca University 

Financial Statements  
March 31, 2011



# Athabasca University

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# Auditor's Report

## Independent Auditor's Report

To the Governing Council of Athabasca University

### Report on the Financial Statements

I have audited the accompanying financial statements of Athabasca University, which comprise the statement of financial position as at March 31, 2011 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Athabasca University as at March 31, 2011, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by Merwan N. Saher, CA

Auditor General

June 10, 2011

Edmonton, Alberta

# Athabasca University

## Statement of Financial Position

March 31  
(thousands of dollars)

	2011	2010 (Restated Note 3)
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 4)	\$ 7,518	\$ 7,733
Short-term investments (Note 5)	6,701	22,601
Accounts receivable	3,616	6,593
Inventories and prepaid expenses	5,607	6,210
	<u>23,442</u>	<u>43,137</u>
Long-term investments (Note 5)	32,059	29,906
Capital assets and collections (Note 6)	53,036	35,372
	<u>\$ 108,537</u>	<u>\$ 108,415</u>
<b>Liabilities And Net Assets</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 14,452	\$ 15,095
Deferred contributions, research and other (Note 8)	10,133	12,331
Deferred revenue	13,669	12,794
	<u>38,254</u>	<u>40,220</u>
Employee future benefit liabilities (Note 7)	9,643	10,037
Deferred contributions, capital (Note 8)	5,090	17,477
Unamortized deferred capital contributions (Note 9)	43,310	24,681
	<u>96,297</u>	<u>92,415</u>
Net assets		
Endowments (Note 10)	2,297	2,346
Investment in capital assets and collections (Note 11)	9,726	10,691
Internally restricted (Note 12)	7,224	9,250
Unrestricted (deficit)	(7,007)	(6,287)
	<u>12,240</u>	<u>16,000</u>
	<u>\$ 108,537</u>	<u>\$ 108,415</u>
Contractual obligations (Note 13)		

Approved by the Governing Council:

Original signed by Barry Walker

Barry J Walker, FCA  
Chair, Athabasca University Governing Council

Original signed by Frits Pannekoek

Dr. Frits Pannekoek  
President

*The accompanying notes are part of these financial statements*

# Athabasca University

## Statement of Operations

For the year ended March 31, 2011  
(thousands of dollars)

	2011 Budget (Note 14)	2011	2010 Restated (Note 3)
<b>Revenue</b>			
Government of Alberta Grants (Note 16)	\$ 51,888	\$ 45,203	\$ 43,055
Student tuition and fees:			
Undergraduate	43,043	42,209	40,905
Graduate	18,087	17,784	16,753
Sales of services and products	13,052	12,169	12,629
Federal and other government grants	2,350	3,313	1,528
Investment income (Note 15)	941	2,038	4,431
Donations and other grants	6,010	952	1,481
Amortization of deferred capital contributions (Note 9)	1,091	824	746
	<u>136,462</u>	<u>124,492</u>	<u>121,528</u>
<b>Expense</b>			
Salaries	68,994	73,717	73,156
Employee benefits	14,040	14,827	16,087
Materials, supplies and services:			
Fees and purchased services	33,484	16,466	16,166
Materials and supplies	9,121	10,161	9,987
Communications and travel	6,617	6,134	6,476
Rental, insurance and utilities	2,475	3,008	2,433
Amortization of capital assets	3,282	2,953	3,269
Scholarships and bursaries	620	1,036	981
	<u>138,633</u>	<u>128,302</u>	<u>128,555</u>
Deficiency of revenue over expense	<u>\$ (2,171)</u>	<u>\$ (3,810)</u>	<u>\$ (7,027)</u>

The accompanying notes are part of these financial statements

# Athabasca University

## Statement of Changes in Net Assets

For the year ended March 31, 2011  
(thousands of dollars)

	Endowments	Investment in Capital Assets	Internally Restricted Net Assets	Unrestricted Net Assets (Deficit)	Total
<b>2011</b>					
Balance, beginning of year (Restated Note 3)	\$ 2,346	\$ 10,691	\$ 9,250	\$ (6,287)	\$ 16,000
Deficiency of revenue over expense	-	-	-	(3,810)	(3,810)
Endowment contributions	50	-	-	-	50
Net transfers	(99)	-	(1,379)	1,478	-
Net change in investment in capital assets (Note 11)	-	(965)	-	965	-
Net expenditures of internally restricted net assets	-	-	(647)	647	-
Balance, end of year	<u>\$ 2,297</u>	<u>\$ 9,726</u>	<u>\$ 7,224</u>	<u>\$ (7,007)</u>	<u>\$12,240</u>

	<b>2010</b>				
Balance, beginning of year	\$ 2,029	\$ 13,072	\$ 9,550	\$ (1,947)	\$ 22,704
Deficiency of revenue over expense (Restated Note 3)	-	-	-	(7,027)	(7,027)
Endowment contributions	317	-	-	-	317
Net transfers	-	-	-	6	6
Net change in investment in capital assets (Note 11)	-	(2,381)	-	2,381	-
Net expenditures of internally restricted net assets	-	-	(300)	300	-
Balance, end of year	<u>\$ 2,346</u>	<u>\$ 10,691</u>	<u>\$ 9,250</u>	<u>\$ (6,287)</u>	<u>\$ 16,000</u>

The accompanying notes are part of these financial statements

# Athabasca University

## Statement of Cash Flows

For the year ended March 31, 2011  
(thousands of dollars)

	2011	2010 (Restated Note 3)
Cash provided from (used in) operating activities:		
Deficiency of revenue over expenses	\$ (3,810)	(7,027)
Add (deduct) non-cash items:		
Amortization of capital assets	2,953	3,269
Amortization of deferred capital contributions	(824)	(746)
(Gain) loss on disposal of capital assets	(12)	76
Change in employee future benefit liability	(394)	2,742
Change in unrealized gain on investments	(883)	(3,354)
	<u>(2,970)</u>	<u>(5,040)</u>
Net change in non-cash working capital:		
Inventory and prepaid expenses	603	(1,024)
Accounts payable and accrued liabilities	(2,100)	5,593
Deferred contributions	(2,198)	6,391
Deferred revenue	875	123
Short term investments	15,900	5,794
Accounts receivable	2,977	(1,654)
	<u>16,057</u>	<u>15,223</u>
	<u>13,087</u>	<u>10,183</u>
Cash provided from (used in) investing activities:		
Purchases of capital assets, net of proceeds from disposals	(19,148)	(12,239)
Purchase of long term investments, net of sales	(1,270)	4,568
	<u>(20,418)</u>	<u>(7,671)</u>
Cash provided from (used in) financing activities:		
Capital contributions	6,915	2,683
Interest earned on capital contributions	151	152
Endowment investment earnings	50	336
Endowment awards	-	(13)
	<u>\$ 7,116</u>	<u>3,158</u>
Net cash (decrease) increase in cash and cash equivalents	(215)	5,670
Cash and cash equivalents, beginning of year	7,733	2,063
Cash and cash equivalents, end of year (Note 4)	<u>\$ 7,518</u>	<u>7,733</u>

The accompanying notes are part of these financial statements

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 1 Authority and Purpose

Athabasca University Governing Council is a corporation which manages and operates Athabasca University ("the University") under the *Post-Secondary Learning Act*, statutes of Alberta 2003, chapter P 19.5, and the Athabasca University Regulation, Alberta Regulation 50/2004. All members of Governing Council are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education and Technology, with the exception of the President, who is an *ex officio* member. Under the *Post-Secondary Learning Act* the University is a comprehensive academic and research institution (as per Campus Alberta Sector Regulation) offering undergraduate and graduate degree programs through distance education. The University is a registered charity and, under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

### 2 Summary of Significant Accounting Policies and Reporting Practices

#### (a) General GAAP and Use of Estimates

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

#### (b) Financial Instruments

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

Financial Statement Components	Classification	Measurement
Cash and cash equivalents	Held for Trading	Fair Value
Investments	Held for Trading	Fair Value
Accounts receivable	Loans and Receivables	Amortized Cost
Accounts payable and accrued liabilities	Other Liabilities	Amortized Cost

The University's financial instruments are recognized on their settlement date. Transaction costs related to all financial instruments are expensed as incurred. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the statement of financial position date.

As permitted for Not for Profit Organizations, the University has elected to not apply the standards on derivatives embedded in non financial contracts, and the University has elected to continue to follow CICA 3861: Disclosure and Presentation.

Financial statements are exposed to market risk, credit risk and commodity price risk.

- **Market Risk:** The University is subject to market risk, foreign currency and interest rate risk with respect to its investment portfolio. To manage these risks, the University has established a target mix of investment types designed to achieve the optimal returns within reasonable risk tolerance.
- **Credit Risk:** The credit risk for accounts receivable is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricted enrolment activities for students with delinquent balances and maintaining standard collection procedures.



# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 2 Summary of Significant Accounting Policies and Reporting Practices (b) Financial Instruments *(continued)*

- **Commodity Price Risk:** The University is exposed to commodity price risk as a result of substantial electricity and natural gas usage required to operate the institution's facilities. To mitigate these risks, the University has entered into contracts to fix the price for electricity and natural gas.

The University is not exposed to significant liquidity or interest rate risk.

#### (c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Cost of purchased inventory includes the purchase price, cost of shipping and net tax. For internally produced inventory, cost also includes direct and indirect overhead. Inventories held for consumption are valued at cost or net replacement cost.

#### (d) 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.

#### (e) Capital Assets

Purchased capital assets are recorded at cost. Donated assets are recorded at fair value when a fair value can be reasonably determined. Works of art purchased by the University are not amortized and include sketches, limited edition prints, photographs, sculptures, rare books, and original paintings. The works of art are held by the University for education, research, and public exhibition purposes.

Construction in progress includes the costs directly attributable to the construction including engineering and legal fees. Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives, as follows:

	Years
Buildings	40
Site improvements	10–25
Leasehold improvements	lesser of 5 years or lease term
Furnishings, equipment and software	3–10
Library materials	10

#### (f) Revenue Recognition

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

- **Unrestricted contributions** - when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- **Operating grants** - when received or receivable, or where a portion of the grant relates to a future period, it is deferred and recognized in the appropriate future period.
- **Unrestricted investment income** - when earned; this includes interest, dividends, and realized and unrealized gains and losses.
- **Pledges** - when collected.
- **Revenues received for services and products** - when the services or products are substantially provided.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 2 **Summary of Significant Accounting Policies and Reporting Practices** **(f) Revenue Recognition** *(continued)*

- Tuition fees - when the instruction is delivered. Deferred revenue includes course fees received in advance.
- Donations of materials – are recorded at fair value when a fair value can be reasonably determined and when materials and services would otherwise have been purchased.
- Restricted contributions - based on the deferral method.

Deferral method:

- Contributions, including investment income on the contributions, which are restricted for purposes other than endowment or capital asset acquisitions are deferred and recognized as revenue when the conditions of the contribution are met.
- Contributions to acquire capital assets with limited life are first recorded as deferred contributions, capital when received; and when expended they are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.
- Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-Secondary Learning Act* allocated to endowment principal, are also recognized as direct increases in endowment net assets.
- Endowment investment earnings that are allocated for spending are deferred and recognized as revenue when the conditions of the endowment are met.
- Contributions restricted to the acquisition of land and permanent collections are first recorded as deferred contributions when received, and when expended, they are recognized as direct increases in investment in capital assets and collections.

### **(g) Employee Future Benefits**

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

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

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

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, and Long-term Disability.

For the Administrative Leave, 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. The net change is recorded as an expense or recovery.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 2 **Summary of Significant Accounting Policies and Reporting Practices** **(g) Employee Future Benefits** *(continued)*

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.

#### **(h) Capital Disclosures**

The University defines its capital as the amounts included in deferred contributions (Note 8), endowment net assets (Note 10) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded primarily by Alberta Advanced Education and Technology. The University has investment policies (Note 5), spending policies and cash management procedures to ensure the University can meet its capital obligations.

Under the *Post-Secondary Learning Act*, the University must receive ministerial approval for a deficit budget, for borrowing and for the sale of any land or buildings.

#### **(i) Contributed Services**

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

#### **(j) Future Accounting Changes**

The Public Sector Accounting Board of the CICA (PSAB) has issued a framework for financial reporting by government not-for-profit organizations. The framework includes the 4400 series of standards from the CICA Handbook – Accounting, which have been incorporated into the Public Service Accounting (PSA) handbook as PS 4200 series of standards. This framework will be effective April 1, 2012.

Government not-for-profit organizations have been given the choice to apply either PS 4200 series of standards plus the PSA Handbook; or PSA handbook without the PS 4200 series of standards. The University has decided that it will initially adopt the PS 4200 series of the standards plus the PSA handbook. The University has started to identify the differences in the standards that will impact the financial statements and will quantify the differences. The University will also determine whether any specific exemptions and exceptions applicable to the first time adoption of PSA standards by government not-for-profit organizations will be applicable to the University.

### 3 **Prior Period Adjustment**

In the prior year, the University incorrectly recorded a construction holdback on a major capital project as an expense rather than as a capital asset (work-in-progress).

The correction of this error has been applied retroactively with restatement of prior year amounts. The impact on the prior year's financial statements as a result of this error is as follows:

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 3 Prior Period Adjustment (continued)

	2010		
	As previously recorded	Adjustment recorded	As restated
Increase (decrease) in:			
Statement of Financial Position			
Capital assets	\$ 34,394	\$ 978	\$ 35,372
Deferred contributions, capital	18,455	(978)	17,477
Unamortized deferred capital contributions	23,703	978	24,681
Unrestricted net assets, end of the year	(7,265)	978	(6,287)
Statement of Operations			
Fees and purchased services	17,144	(978)	16,166
Total expense	129,533	(978)	128,555
Deficiency of revenue over expense	(8,005)	978	(7,027)
Statement of Cash Flows			
Deficiency of revenue over expense	(8,005)	978	(7,027)
Purchase of capital assets net of proceeds from disposals	11,261	978	12,239

### 4 Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposit, money market funds, short-term notes and treasury bills, with a maximum maturity of ninety days at date of purchase.

### 5 Investments

The composition, fair value, and annual market yields on investments are as follows:

	2011		2010	
	Annual Market Yield	Market Value	Annual Market Yield	Market Value
Money market funds, short-term notes, and treasury bills	1.3%	\$ 7,101	0.9%	\$ 40,517
Canadian bonds	5.5%	19,925	10.5%	1,328
Canadian equity	17.2%	5,769	44.0%	5,018
US equities	7.7%	3,638	22.1%	3,541
Overseas equities	7.8%	2,327	28.9%	2,103
		<u>\$ 38,760</u>		<u>\$ 52,507</u>
Short-term investments		6,701		22,601
Long-term investments		32,059		29,906
		<u>\$ 38,760</u>		<u>\$ 52,507</u>

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 5 Investments (continued)

The average effective yields and terms to maturity are as follows:

- Money market funds, short-term notes and treasury bills: 1.3 per cent (2010 - 0.9 per cent); term to maturity: less than one year
- Canadian government and corporate bonds: 5.5 per cent (2010 - 10.5 per cent) terms to maturity: range from less than 1 year to more than 5 years

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.

The 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 amount to be invested in each portfolio. The Investment Policy defines minimum and maximum ranges for each type of qualifying investment within each investment portfolio. Canadian equities are listed in the S&P/TSX composite index, and US and International equities are limited to shares and pooled funds listed and traded on recognized stock market exchanges.

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. For the Bond Fund and Money Market Funds risks related to foreign currency exchange rate fluctuations are insignificant.

### 6 Capital Assets

	2011			2010		
	Cost <sup>(1) (2)</sup>	Accumulated Amortization	Net book Value	Cost <sup>(Restated Note 3)</sup>	Accumulated Amortization	Net book Value <sup>(Restated Note 3)</sup>
Land	\$ 1,565	\$ -	\$ 1,565	\$ 1,565	\$ -	\$ 1,565
Buildings and site improvements	57,013	17,997	39,016	41,041	17,407	23,634
Leasehold improvements	3,187	2,642	545	3,187	2,168	1,019
Furnishings, equipment and software	28,207	17,975	10,232	23,930	16,522	7,408
Library materials	5,928	4,987	941	5,856	4,841	1,015
Works of art	737	-	737	731	-	731
	<u>\$ 96,637</u>	<u>\$ 43,601</u>	<u>\$ 53,036</u>	<u>\$ 76,310</u>	<u>\$ 40,938</u>	<u>\$ 35,372</u>

<sup>(1)</sup> 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 one dollar per year.

<sup>(2)</sup> Included in the cost of capital assets are projects in progress that are not yet being amortized. These include buildings \$30,305 (2010 \$13,355) and technology software \$5,300 (2010 \$1,444).

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 7 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2011	2010
Universities Academic Pension Plan (UAPP)	\$ 7,007	\$ 7,265
Administrative leave plan	2,590	2,733
Flexible benefits plan	46	39
	<u>\$ 9,643</u>	<u>\$ 10,037</u>

#### (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 and professional staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2008 and was then extrapolated to March 31, 2011. The University's portion of the UAPP deficiency has been allocated based on its percentage of the plan's total employer contributions for the year.

The UAPP unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25 per cent (2010 – 1.25 per cent) of total earnings by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.03 per cent (2010 – 2.03 per cent) of total earnings required to eliminate the unfunded deficiency by December 31, 2043. The actuarial valuation shows that the present value of the Government of Alberta's obligation for the future additional contributions was \$315,424 at March 31, 2011. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 5.09 per cent (2010 – 4.64 per cent) of pensionable earnings shared equally between employees and employers until December 31, 2023.

The expense and financial position of the UAPP defined benefit plan is as follows:

	2011	2010
Financial Operations		
Expense		
Current service cost	\$ 3,161	\$ 3,523
Interest cost	1,190	1,983
Amortization of net actuarial losses	<u>845</u>	<u>2,132</u>
Total expense	<u>\$ 5,196</u>	<u>\$ 7,638</u>
Financial Position		
Accrued benefit obligation:		
Balance, beginning of year	\$ 68,500	\$ 75,853
Current service cost	3,161	3,523
Interest cost	4,834	5,203
Benefits paid	(3,195)	(3,453)
Actuarial loss (gain)	<u>10,064</u>	<u>(12,626)</u>
Balance, end of year	83,364	68,500
Plan assets	<u>(63,678)</u>	<u>(51,684)</u>
Funded status - plan deficit	19,686	16,816
Unamortized net actuarial loss	<u>(12,679)</u>	<u>(9,551)</u>
Accrued benefit liability	<u>\$ 7,007</u>	<u>\$ 7,265</u>

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 7 Employee Future Benefit Liabilities (a) Defined benefit plans accounted for on a defined benefit basis (continued)

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

	2011	2010
Accrued benefit obligation:		
Discount rate	6.50%	6.90%
Average compensation increase	3.50%	3.50%
Benefit cost:		
Discount rate	6.90%	6.70%
Average compensation increase	3.50%	3.00%
Alberta inflation:		
(year 1, thereafter;	2.25%	2.25%
years 1-2, thereafter)	2.25%	2.25%
Estimated average remaining service life:	11.3 years	11.3 years

#### Administrative Leave Plan

The University's Administrative Leave Plan has no plan assets. The University has provided for the plan by accruing a benefit obligation of \$2,590 (2010 \$2,733) in employee future benefit liabilities. The significant actuarial assumptions adopted in measuring the University's Administrative Leave Plan are as follows:

	2011	2010
Discount rate	2.70%	3.30%
Rate of compensation increase		
First year	3.00%	3.00%
Subsequent years	3.00%	3.00%
Average remaining service period of active employees	5 years	6 years
Retirement age	62	62

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

##### Public Service Pension Plan (PSPP)

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members. As the University does not have sufficient information to follow the accounting standards for defined benefit plans, it is accounted for on a defined contribution basis. The pension expense recorded in these financial statements is \$1,329 (2010 - \$1,067).

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

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 8 Deferred Contributions

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

	2011		2010 (Restated Note 3)	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	\$ 17,477	\$ 12,331	\$ 27,615	\$ 5,940
Grants and donations received	-	12,486	452	13,500
Investment income	151	196	152	-
Recognized as revenue	-	(7,965)	-	(4,878)
Transfers	6,915	(6,915)	2,231	(2,231)
Transferred to unamortized deferred capital contributions (Note 9)	(19,453)	-	(12,973)	-
Balance, end of the year	<u>\$ 5,090</u>	<u>\$ 10,133</u>	<u>\$ 17,477</u>	<u>\$ 12,331</u>

### 9 Unamortized Deferred Capital Contributions

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

	2011	2010 (Restated Note 3)
Balance, beginning of the year	\$ 24,681	\$ 12,454
Additions from deferred contributions, capital (Note 8)	19,453	12,973
Amortization to revenue	(824)	(746)
Balance, end of the year	<u>\$ 43,310</u>	<u>\$ 24,681</u>

### 10 Endowments

Endowments consist of externally restricted donations received by the University, the principal of which is required to be maintained intact in perpetuity.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors. The primary investment objective is to ensure all funds are prudently invested in accordance with the investment policy, and that investments are selected to match the anticipated cash flow requirements and investment objectives of the University. These goals necessitate incurring generally accepted investment risks through ownership of financial securities.

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

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment



# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 10 Endowments (continued)

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

The composition of endowments is as follows:

	2011	2010
Balance, beginning of year	\$ 2,346	\$ 2,029
Transfer to endowments	27	-
Transfer from endowments	(99)	19
Investment gain	23	336
Balance, end of year	<u>\$ 2,297</u>	<u>\$ 2,346</u>
Cumulative contributions	\$ 2,069	\$ 2,069
Cumulative capitalized income	228	205
Expendable earnings	-	72
	<u>\$ 2,297</u>	<u>\$ 2,346</u>

### 11 Investment in Capital Assets

Net assets invested in internally restricted capital assets represent the carrying amount (net book value) of capital assets less unamortized deferred capital contributions.

	2011	2010 (Restated Note 3)
Capital assets at net book value (Note 6)	\$ 53,036	\$ 35,372
Less amounts financed by unamortized deferred capital contributions (Note 9)	<u>(43,310)</u>	<u>(24,681)</u>
Investment in capital assets, end of year	<u>\$ 9,726</u>	<u>\$ 10,691</u>
The changes during the year are as follows:		
Investment in capital assets, beginning of year	\$ 10,691	\$ 13,072
Acquisition of internally funded capital assets	1,164	157
Net book value of internally funded asset disposals	-	(78)
Amortization of investment in capital assets	<u>(2,129)</u>	<u>(2,523)</u>
Net change in investment in capital assets	(965)	(2,444)
Contributions of assets not subject to amortization	-	63
Decrease for the year	<u>(965)</u>	<u>(2,381)</u>
Investment in capital assets, end of year	<u>\$ 9,726</u>	<u>\$ 10,691</u>

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 12 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University's Governing Council for specific purposes. Those amounts are not available for other purposes without the approval of the Governing Council. Internally restricted net assets are summarized as follows:

	Balance at beginning of year	Appropriations and transfers	Additions (disbursements)	Balance at end of year
Appropriation for operating activities				
New program development	\$ 911	\$ (827)	\$ 827	\$ 911
Future student awards	1,630	132	-	1,762
Future claims reserve	446	-	(446)	-
Research and academic projects	-	165	-	165
	<u>2,987</u>	<u>(530)</u>	<u>381</u>	<u>2,838</u>
Appropriation for capital activities				
Investment in system development	4,942	(556)	-	4,386
Infrastructure	1,321	(293)	(1,028)	-
	<u>6,263</u>	<u>(849)</u>	<u>(1,028)</u>	<u>4,386</u>
	<u>\$ 9,250</u>	<u>\$ (1,379)</u>	<u>\$ (647)</u>	<u>\$ 7,224</u>

### 13 Contractual Obligations

The University has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met.

	2011	2010
Capital projects	\$ 3,471	\$ 15,816
Service contracts, information systems and technology, and long term leases	<u>10,166</u>	<u>8,571</u>
	<u>\$ 13,637</u>	<u>\$ 24,387</u>

The estimated aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	2011				
	Capital Projects	Service Contracts	Information Systems and Technology	Long-term Leases	Total
2012	\$ 3,471	\$ 5,856	\$ 591	\$ 1,042	\$ 10,960
2013	-	916	426	463	1,805
2014	-	113	136	454	703
2015	-	35	-	-	35
Thereafter	-	134	-	-	134
	<u>\$ 3,471</u>	<u>\$ 7,054</u>	<u>\$ 1,153</u>	<u>\$ 1,959</u>	<u>\$ 13,637</u>

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 14 Budget Comparison

The University's 2010-2011 budget was approved by Governing Council and was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2010-2014 Business Plan. Certain budget figures from the University's 2010-2014 Business Plan have been reclassified to conform to the presentation adopted in the 2011 financial statements.

### 15 Investment Income

	2011	2010
Income on investments held for endowments	\$ 196	\$ 336
Income on other investments	<u>2,277</u>	<u>4,583</u>
	2,473	4,919
Transfers to endowment net assets	(23)	(336)
Transfers to deferred contributions	(196)	-
Transfers to deferred contributions, capital	(151)	(152)
Other transfers	<u>(65)</u>	<u>-</u>
Total investment income recognized	<u>\$ 2,038</u>	<u>\$ 4,431</u>

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 16 Related Party Transactions

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

	2011	2010
Grants		
Advanced Education and Technology:		
Operating grants	\$ 39,106	\$ 39,555
Knowledge Infrastructure Program	3,813	7,640
Access to the future fund (matching grants)	1,200	1,350
Infrastructure Maintenance Program	919	919
Research grants	346	712
Alberta Innovates - Technology Futures	323	203
Advanced Technology Industries	275	-
Other	13	38
Alberta Innovates - Health Solutions	-	172
Capital grants	-	250
	<u>45,995</u>	<u>50,839</u>
Other GOA departments and agencies grants:		
Alberta Health and Wellness	1,750	-
Alberta Education	350	330
Finance and Enterprise	328	125
Culture and Community Spirit	35	40
	<u>2,463</u>	<u>495</u>
Total contributions received	48,458	51,334
Less: deferred contributions	(3,255)	(8,279)
Grants from GOA	<u>\$ 45,203</u>	<u>\$ 43,055</u>
Accounts receivable		
Advanced Education and Technology	\$482	\$3,010
Other GOA departments and agencies	121	178
	<u>\$ 603</u>	<u>\$ 3,188</u>
Accounts payable		
Advanced Education and Technology	\$ 199	\$ 165
Other GOA departments and agencies	7	17
	<u>\$ 206</u>	<u>\$ 182</u>

In addition to the grants listed above, the University received \$813 (2010 - \$1,060) from the Ministry of Culture and Community Spirit, included in sales of services and products, for a service agreement to assist with the delivery of a specific program.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 17 Salary and Benefits Disclosure

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

	2011				2010
	Base Salary <sup>(1)</sup>	Cash Benefits <sup>(2)</sup>	Non cash Benefits <sup>(3)</sup>	Total	Total
<b>Governing Council <sup>(4)</sup></b>					
Chair of Governing Council	\$ -	\$ -	\$ -	\$ -	\$ -
Governing Council Members	-	-	-	-	-
<b>Executive Officers</b>					
President	362	110	49	521	529
<b>Vice-Presidents:</b>					
Academic	234	18	84	336	331
Advancement <sup>(5)</sup>	208	4	56	268	322
Finance and Administration	222	9	20	251	259
Information Technology & CIO <sup>(6)</sup>	215	12	34	261	282

<sup>(1)</sup> Base salary is pensionable and includes pay for vacation time taken.

<sup>(2)</sup> Cash benefits include amounts to compensate for the UAPP salary cap, lump sum payments and any other non pensionable direct cash remuneration.

<sup>(3)</sup> Non cash benefits include the employer's share of all employee benefits and contribution payments made on behalf of employees for pension, extended health care, dental, vision, group life insurance, accidental death and dismemberment insurance, and long and short-term disability plans. Non cash benefits for the President include a taxable benefit for a rent allowance of Athabasca University House. Non cash benefits for some of the executive include memberships and the employer's current year expense (current service cost, the related net actuarial gains or losses and adjustments for past service accrued at current salary rates) of Administrative Leave Plan.

<sup>(4)</sup> The chair and the 17 members (2010 – 17) of Governing Council receive no remuneration for participation on the council.

<sup>(5)</sup> Two individuals held this position during the year.

<sup>(6)</sup> Former position title; Chief Information Officer.

### 18 Canada – Alberta Knowledge Infrastructure Program

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

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2011  
(thousands of dollars)

### 18 Canada – Alberta Knowledge Infrastructure Program *(continued)*

	2011	2010	February 24, 2009 to March 31, 2009	Total
Contributions	\$ 3,813	\$ 3,814	\$ -	\$ 7,627
Total Eligible Costs	\$ 9,244	\$ 3,564	\$ -	\$ 12,808

The remaining contractual obligation to complete the projects at March 31, 2011 is \$197. This amount is included in Note 13.

### 19 Comparative Figures

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



Athabasca University 

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