

Athabasca University 

Financial Statements

March 31, 2012



Athabasca University Financial Statements

For the year ended March 31, 2012

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Auditor's Report

Independent Auditor's Report

To the Board of Governors of the Athabasca University

Report on the Financial Statements

I have audited the accompanying financial statements of the Athabasca University, which comprise the statement of financial position as at March 31, 2012 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 in my audit 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 the Athabasca University as at March 31, 2012, 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, FCA

Auditor General, FCA
May 25, 2012
Edmonton, Alberta

Athabasca University

Statement of Financial Position

March 31, 2012
(thousands of dollars)

	2012	2011
Assets		
Current assets		
Cash and cash equivalents (Note 3)	\$ 5,142	\$ 7,518
Short-term investments (Note 4)	2,037	6,701
Accounts receivable	1,583	3,616
Inventories and prepaid expenses	5,106	5,607
	13,868	23,442
Long-term investments (Note 4)	33,397	32,059
Capital assets and collections (Note 5)	58,861	53,036
	<u>\$ 106,126</u>	<u>\$ 108,537</u>
Liabilities And Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9,122	\$ 14,452
Deferred contributions, research and other (Note 7)	11,228	10,133
Deferred revenue	13,955	13,669
	34,305	38,254
Employee future benefit liabilities (Note 6)	10,946	9,643
Deferred contributions, capital (Note 7)	923	5,090
Unamortized deferred capital contributions (Note 8)	48,275	43,310
	<u>94,449</u>	<u>96,297</u>
Net assets		
Endowments (Note 9)	2,508	2,297
Investment in capital assets and collections (Note 10)	10,586	9,726
Internally restricted (Note 11)	6,658	7,224
Unrestricted (deficit)	(8,075)	(7,007)
	<u>11,677</u>	<u>12,240</u>
Contractual obligations (Note 12)	<u>\$ 106,126</u>	<u>\$ 108,537</u>

Approved by the Board of Governors:

Original signed by Barry Walker

Barry J Walker, FCA
Chair, Governors of Athabasca University

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, 2012
(thousands of dollars)

	2012 Budget (Note 13)	2012	2011
Revenue			
Government of Alberta Grants (Note 15)	\$ 42,538	\$ 42,341	\$ 45,203
Student tuition and fees:			
Undergraduate	42,633	44,367	42,209
Graduate	17,506	17,504	17,784
Sales of services and products	13,533	14,243	12,169
Federal and other government grants	465	1,608	3,313
Investment income (Note 14)	1,558	1,746	2,038
Donations and other grants	2,625	1,455	952
Amortization of deferred capital contributions (Note 8)	2,758	1,877	824
	<u>123,616</u>	<u>125,141</u>	<u>124,492</u>
Expense			
Salaries	70,253	70,480	73,717
Employee benefits	14,997	15,997	14,827
Materials, supplies and services:			
Fees and purchased services	17,036	15,091	16,466
Materials and supplies	9,493	10,614	10,161
Communications and travel	6,418	5,754	6,134
Rental, insurance and utilities	2,744	2,985	3,008
Amortization of capital assets	4,925	3,973	2,953
Scholarships and bursaries	1,187	1,081	1,036
	<u>127,053</u>	<u>125,975</u>	<u>128,302</u>
Deficiency of revenue over expense	<u>\$ (3,437)</u>	<u>\$ (834)</u>	<u>\$ (3,810)</u>

The accompanying notes are part of these financial statements

Athabasca University

Statement of Changes in Net Assets

For the year ended March 31, 2012
(thousands of dollars)

	Endowments	Investment in Capital Assets and Collections	Internally Restricted Net Assets	Unrestricted Net Assets (Deficit)	Total
2012					
Balance, beginning of year	\$ 2,297	\$ 9,726	\$ 7,224	\$ (7,007)	\$ 12,240
Deficiency of revenue over expense	-	-	-	(834)	(834)
Investment income (Note 14)	59	-	-	-	59
Endowment contributions (Note 9)	152	-	-	-	152
Net transfers	-	-	1,315	(1,315)	-
Net change in investment in capital assets (Note 10)	-	800	-	(800)	-
Contributions of assets not subject to amortization (Note 10)	-	60	-	-	60
Net expenditures of internally restricted net assets	-	-	(1,881)	1,881	-
Balance, end of year	\$ 2,508	\$ 10,586	\$ 6,658	\$ (8,075)	\$ 11,677

	2011				
Balance, beginning of year	\$ 2,346	\$ 10,691	\$ 9,250	\$ (6,287)	\$ 16,000
Deficiency of revenue over expense	-	-	-	(3,810)	(3,810)
Investment income (Note 14)	23	-	-	-	23
Endowment contributions (Note 9)	27	-	-	-	27
Net transfers	(99)	-	(1,379)	1,478	-
Net change in investment in capital assets (Note 10)	-	(965)	-	965	-
Contributions of assets not subject to amortization (Note 10)	-	-	-	-	-
Net expenditures of internally restricted net assets	-	-	(647)	647	-
Balance, end of year	\$ 2,297	\$ 9,726	\$ 7,224	\$ (7,007)	\$ 12,240

The accompanying notes are part of these financial statements

Athabasca University

Statement of Cash Flows

For the year ended March 31, 2012
(thousands of dollars)

	2012	2011
Cash provided from (used in) operating activities:		
Deficiency of revenue over expenses	\$ (834)	(3,810)
Add (deduct) non-cash items:		
Amortization of capital assets	3,973	2,953
Amortization of deferred capital contributions	(1,877)	(824)
Loss (gain) on disposal of capital assets	26	(12)
Change in employee future benefit liability	1,302	(394)
Change in unrealized gain on investments	(1,141)	(883)
	<u>1,449</u>	<u>(2,970)</u>
Net change in non-cash working capital:		
Inventory and prepaid expenses	501	603
Accounts payable and accrued liabilities	(2,776)	(2,100)
Deferred contributions	1,096	(2,198)
Deferred revenue	285	875
Short term investments	4,664	15,900
Accounts receivable	2,033	2,977
	<u>5,803</u>	<u>16,057</u>
	<u>7,252</u>	<u>13,087</u>
Cash used in investing activities:		
Purchases of capital assets, net of proceeds from disposals	(12,327)	(19,148)
Purchase of long term investments, net of sales	(197)	(1,270)
	<u>(12,524)</u>	<u>(20,418)</u>
Cash provided from financing activities:		
Capital contributions	2,674	6,915
Endowment contributions	152	27
Endowment investment earnings	59	23
Interest earned on capital contributions	11	151
	<u>\$ 2,896</u>	<u>7,116</u>
Net cash decrease in cash and cash equivalents	(2,376)	(215)
Cash and cash equivalents, beginning of year	7,518	7,733
Cash and cash equivalents, end of year (Note 3)	<u>\$ 5,142</u>	<u>7,518</u>

The accompanying notes are part of these financial statements

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2012
(thousands of dollars)

1 Authority and Purpose

The Governors of Athabasca University (previously known as Athabasca University Governing Council) is a corporation which manages and operates Athabasca University ("the University") under the *Post-Secondary Learning Act* (Alberta), and the Athabasca University Regulation (Alberta Regulation 50/2004). All members of the Board of Governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education and Technology, with the exception of the President, who is an ex officio member. 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 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, 2012
(thousands of dollars)

2 Summary of Significant Accounting Policies and Reporting Practices *(continued)*

(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.
- **Tuition fees** – when the instruction is delivered. Deferred revenue includes course fees received in advance.

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2012
(thousands of dollars)

2 Summary of Significant Accounting Policies and Reporting Practices *(continued)*

(f) Revenue Recognition *(continued)*

- 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.

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.

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2012
(thousands of dollars)

2 Summary of Significant Accounting Policies and Reporting Practices *(continued)*

(h) Capital Disclosures

The University defines its capital as the amounts included in deferred contributions (Note 7), endowment net assets (Note 9) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded primarily by Alberta Advanced Education and Technology. The University has investment policies (Note 4), spending policies and cash management procedures to ensure the University can meet its capital obligations.

Under the *Post-Secondary Learning Act*, the University must receive ministerial 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 Canadian Public Sector Accounting Board (PSAB) has issued a framework of financial reporting for government not-for-profit organizations. The framework will be effective for fiscal years beginning on or after January 1, 2012.

Effective April 1, 2012, the University will adopt the Canadian Public Sector Accounting (PSA) standards without the public sector PS 4200 series. Adopting these new standards will impact the University's financial statements. As a result, administration has identified the major differences between current and PSAB accounting and reporting standards. Administration is developing a transition plan and continues to work through the remaining differences. The quantitative impact of the transition cannot be fully and reasonably determined at this time.

3 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.

4 Investments

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

	2012		2011	
	Annual Market Yield	Market Value	Annual Market Yield	Market Value
Money market funds, short-term notes, and treasury bills	1.0%	\$ 2,689	1.3%	\$ 7,101
Canadian bonds	8.2%	30,035	5.5%	19,925
Canadian equity	(9.2)%	1,815	17.2%	5,769
US equities	5.5%	616	7.7%	3,638
Overseas equities	(8.1)%	279	7.8%	2,327
		<u>\$ 35,434</u>		<u>\$ 38,760</u>
Short-term investments		2,037		6,701
Long-term investments		33,397		32,059
		<u>\$ 35,434</u>		<u>\$ 38,760</u>

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2012
(thousands of dollars)

4 Investments (continued)

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

- Money market funds, short-term notes and treasury bills: 1.0 per cent (2011 – 1.3 per cent); term to maturity: less than one year
- Canadian government and corporate bonds: 8.2 per cent (2011 – 5.5 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 Board of Governors of Athabasca University, 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.

Credit risk is managed by maintaining a minimum overall credit quality for the fixed income holdings of 'A' and a minimum credit quality for any short-term money market investments of 'R1-Low' or 'A.' Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk is managed by limiting the modified duration of the fixed income holdings to a maximum of plus or minus two years around the duration of the applicable Dex Bond Index. 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. Funds invested in equities have assets and liabilities that are non-interest bearing, accordingly, these funds are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

5 Capital Assets and Collections

	2012			2011		
	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	61,632	18,991	42,641	57,013	17,997	39,016
Leasehold improvements	3,187	3,055	132	3,187	2,642	545
Furnishings, equipment and software	33,060	20,185	12,875	28,207	17,975	10,232
Library materials	5,983	5,131	852	5,928	4,987	941
Works of art	796	-	796	737	-	737
	<u>\$ 106,223</u>	<u>\$ 47,362</u>	<u>\$ 58,861</u>	<u>\$ 96,637</u>	<u>\$ 43,601</u>	<u>\$ 53,036</u>

⁽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 one dollar per year.

⁽²⁾ Included in the cost of capital assets are projects in progress that are not yet being amortized. These include buildings \$571 (2011 – \$30,305) and technology software \$3,216 (2011 – \$5,300)

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2012
(thousands of dollars)

6 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2012	2011
Universities Academic Pension Plan (UAPP)	\$ 8,075	\$ 7,007
Administrative leave plan	2,810	2,590
Flexible benefits plan	61	46
	<u>\$ 10,946</u>	<u>\$ 9,643</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, 2010 and was then extrapolated to March 31, 2012. 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 (2011 – 1.25 per cent) of total earnings by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.34 per cent (2011 – 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 \$314,798 at March 31, 2012. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 5.24 per cent (2011 – 5.09 per cent) of pensionable earnings until December 31, 2021, 1.46 per cent (2011 – 1.01 per cent) of salaries for 2022 and 2023, and 0.45 per cent (2011 – 0.00 per cent) of salaries for 2024 and 2025, all shared equally between employees and employers.

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

	2012	2011
Financial Operations		
Expense		
Current service cost	\$ 3,932	\$ 3,161
Interest cost	1,357	1,190
Amortization of net actuarial losses	1,243	845
Total expense	<u>\$ 6,532</u>	<u>\$ 5,196</u>
Financial Position		
Accrued benefit obligation:		
Balance, beginning of year	\$ 83,364	\$ 68,500
Current service cost	3,932	3,161
Interest cost	5,552	4,834
Benefits paid	(3,757)	(3,195)
Actuarial (gain) loss	(2,496)	10,064
Balance, end of year	<u>86,595</u>	<u>83,364</u>
Plan assets	<u>(63,746)</u>	<u>(63,678)</u>
Funded status – plan deficit	22,849	19,686
Unamortized net actuarial loss	(14,774)	(12,679)
Accrued benefit liability	<u>\$ 8,075</u>	<u>\$ 7,007</u>

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2012
(thousands of dollars)

6 Employee Future Benefit Liabilities *(continued)*

(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:

	2012	2011
Accrued benefit obligation:		
Discount rate	6.50%	6.50%
Average compensation increase	3.50%	3.50%
Benefit cost:		
Discount rate	6.50%	6.50%
Average compensation increase	3.50%	3.50%
Alberta inflation:		
Year 1;	2.25%	2.25%
Years 2 and thereafter)	2.25%	2.25%
Estimated average remaining service life:	10.2 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 \$2,810 (2011 – \$2,590) in employee future benefit liabilities. The significant actuarial assumptions adopted in measuring the University's Administrative Leave Plan are as follows:

	2012	2011
Discount rate	2.10%	2.70%
Rate of compensation increase		
First year	3.00%	3.00%
Subsequent years	3.00%	3.00%
Average remaining service period of active employees	6 years	5 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 \$1,245 (2011 – \$1,329).

An actuarial valuation of the PSPP was carried out as at December 31, 2010 and was then extrapolated to December 31, 2011. At December 31, 2011, the PSPP reported an actuarial deficiency of \$ 1,790,383 (2010 – \$2,067,151).

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2012
(thousands of dollars)

7 Deferred Contributions

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

	2012		2011	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	\$ 5,090	\$ 10,133	\$ 17,477	\$ 12,331
Grants and donations received	-	10,135	-	12,486
Investment income (Note 14)	11	6	151	196
Recognized as revenue	-	(6,372)	-	(7,965)
Transfers	2,674	(2,674)	6,915	(6,915)
Transferred to unamortized deferred capital contributions (Note 8)	(6,842)	-	(19,453)	-
Transferred to investment in capital assets, not subject to amortization	(10)	-	-	-
Balance, end of the year	\$ 923	\$ 11,228	\$ 5,090	\$ 10,133

8 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:

	2012	2011
Balance, beginning of the year	\$ 43,310	\$ 24,681
Additions from deferred contributions, capital (Note 7)	6,842	19,453
Amortization to revenue	(1,877)	(824)
Balance, end of the year	\$ 48,275	\$ 43,310

9 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
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

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For the year ended March 31, 2012
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9 Endowments (continued)

The composition of endowments is as follows:

	2012	2011
Balance, beginning of year	\$ 2,297	\$ 2,346
Endowment contributions	152	27
Investment income (Note 14)	59	23
Transfer from endowments	-	(99)
Balance, end of year	\$ 2,508	\$ 2,297
Cumulative contributions	\$ 2,221	\$ 2,069
Cumulative capitalized income	287	228
	\$ 2,508	\$ 2,297

10 Investment in Capital Assets and Collections

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

	2012	2011
Capital assets at net book value (Note 5)	\$ 58,861	\$ 53,036
Less amounts financed by:		
Unamortized deferred capital contributions (Note 8)	(48,275)	(43,310)
Investment in capital assets, end of year	\$ 10,586	\$ 9,726
The changes during the year are as follows:		
Investment in capital assets, beginning of year	\$ 9,726	\$ 10,691
Acquisition of internally funded capital assets	2,995	1,164
Net book value of internally funded asset disposals	(99)	-
Amortization of investment in capital assets	(2,096)	(2,129)
Net change in investment in capital assets	800	(965)
Contributions of assets not subject to amortization	60	-
Increase (decrease) for the year	860	(965)
Investment in capital assets, end of year	\$ 10,586	\$ 9,726

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11 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. Those amounts are not available for other purposes without the approval of the Board of Governors. 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	\$ (1,348)	\$ 1,315	\$ 878
Future student awards	1,762	84	-	1,846
Research and academic projects	165	-	-	165
	<u>2,838</u>	<u>(1,264)</u>	<u>1,315</u>	<u>2,889</u>
Appropriation for capital activities				
Investment in system development	4,386	(617)	-	3,769
	<u>\$ 7,224</u>	<u>\$ (1,881)</u>	<u>\$ 1,315</u>	<u>\$ 6,658</u>

12 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.

	2012	2011
Capital projects	\$ 154	\$ 3,471
Service contracts, information systems and technology, and long term leases	9,509	10,166
	<u>\$ 9,663</u>	<u>\$ 13,637</u>

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

	2012				
	Capital Projects	Service Contracts	Information Systems and Technology	Long-term Leases	Total
2013	\$ 154	\$ 3,480	\$ 2,500	\$ 715	\$ 6,849
2014	-	93	618	558	1,269
2015	-	2	14	440	456
2016	-	2	14	428	444
Thereafter	-	5	35	605	645
	<u>\$ 154</u>	<u>\$ 3,582</u>	<u>\$ 3,181</u>	<u>\$ 2,746</u>	<u>\$ 9,663</u>

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For the year ended March 31, 2012
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13 Budget Comparison

The University's 2011–2012 budget was approved by the Board of Governors and was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2010–2014 Comprehensive Institutional Plan. Certain budget figures from the University's 2010–2014 Comprehensive Institutional Plan have been reclassified to conform to the presentation adopted in the 2012 financial statements.

14 Investment Income

	2012	2011
Income on investments held for endowments	\$ 65	\$ 196
Income on other investments	1,727	2,277
	1,792	2,473
Transfers to endowment net assets (Note 9)	(59)	(23)
Transfers to deferred contributions, research and other (Note 7)	(6)	(196)
Transfers to deferred contributions, capital (Note 7)	(11)	(151)
Other transfers	30	(65)
Total investment income recognized	<u>\$ 1,746</u>	<u>\$ 2,038</u>

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Notes to the Financial Statements

For the year ended March 31, 2012
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15 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.

	2012	2011
Grants		
Advanced Education and Technology:		
Operating grants	\$ 38,900	\$ 39,106
Infrastructure Maintenance Program	5,020	919
Research grants	750	346
Alberta Innovates - Technology Futures	573	323
Alberta Innovates - Health Solutions	188	-
Knowledge Infrastructure Program	-	3,813
Access to the future fund (matching grants)	-	1,200
Advanced Technology Industries	-	275
Other	49	13
	<u>45,480</u>	<u>45,995</u>
Other GOA departments and agencies grants:		
Treasury Board and Enterprises	394	328
Culture and Community Spirit	98	35
Human Services	37	-
Health and Wellness	-	1,750
Education	-	350
	<u>529</u>	<u>2,463</u>
Total contributions received	46,009	48,458
Less: deferred contributions	(3,668)	(3,255)
Grants from GOA	<u>\$ 42,341</u>	<u>\$ 45,203</u>
Accounts receivable		
Advanced Education and Technology	\$ 232	\$ 482
Other GOA departments and agencies	71	121
	<u>\$ 303</u>	<u>\$ 603</u>
Accounts payable		
Advanced Education and Technology	\$ 98	\$ 199
Other GOA departments and agencies	5	7
	<u>\$ 103</u>	<u>\$ 206</u>

In addition to the grants listed above, the University received \$533 (2011 – \$813) 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.

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16 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.

	2012				2011
	Base Salary ⁽¹⁾	Cash Benefits ⁽²⁾	Non cash Benefits ⁽³⁾	Total	Total
Governance ⁽⁴⁾					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	-	-	-
Executive Officers					
President	360	44	136	540	521
Vice-Presidents:					
Academic	236	17	86	339	336
Advancement	204	9	75	288	268
Finance and Administration ⁽⁵⁾	211	9	61	281	251
Information Technology & CIO	217	12	33	262	261

⁽¹⁾ Base salary is pensionable and includes pay for vacation time taken.

⁽²⁾ Cash benefits include amounts to compensate for the UAPP salary cap, 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, 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 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.

⁽⁴⁾ The chair and the 17 members (2011 – 17) of the Board of Governors receive no remuneration for participation on the Board.

⁽⁵⁾ Two individuals held this position during the year.

The current service cost and accrued obligation for each executive officer under the Administrative Leave plan is as follows:

	2012				Accrued Obligation ⁽⁶⁾ March 31, 2012
	Accrued Obligation March 31, 2011	Service costs	Interest and other costs	Actuarial loss (gain)	
President	\$ 364	\$ 75	\$ 12	\$ (2)	\$ 449
Vice-Presidents:					
Academic	231	48	8	(1)	286
Advancement	29	44	2	-	75
Finance and Administration	-	25	1	(1)	25
Information Technology & CIO	248	-	7	(7)	248

⁽⁶⁾ The accrued obligation is based on Athabasca University years of eligible service and other factors such as age, salary and actuarial assumptions.

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

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17 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 received up to 50 per cent of its funding from Government of Canada contributions through direct payments made by the Province. The remaining portion of funding for KIP projects consisted 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 were as follows:

	2012	2011	2010	February 24, 2009 to March 31, 2009	Total
Contributions	\$ -	\$ 3,813	\$ 3,814	\$ -	\$ 7,627
Total Eligible Costs	\$ 1,439 ⁽¹⁾	\$ 10,272 ⁽¹⁾	\$ 3,564 ⁽¹⁾	\$ -	\$ 15,275

⁽¹⁾ Externally funded portion is \$511 (2011 – \$9,244, 2010 – \$3,564).

18 Comparative Figures

Certain 2011 figures have been reclassified to conform to the presentation adopted in the 2012 financial statements.

Athabasca University 

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