



Athabasca  
University

# Financial Statements

March 31, 2015





# Athabasca University Financial Statements

For the year ended March 31, 2015

## Table of Contents

Auditor's Report .....	4
Financial Statements	
Statement of Financial Position .....	5
Statement of Operations .....	6
Statement of Remeasurement Gains and Losses .....	7
Statement of Cash Flows .....	7
Notes to the Financial Statements .....	9

# 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 Athabasca University, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, 2015, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

Auditor General  
May 29, 2015  
Edmonton, Alberta

# Athabasca University

## Statement of Financial Position

As at March 31, 2015  
(in thousands)

	2015	2014
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 3,877	\$ 4,009
Portfolio investments (Note 4)	39,049	39,474
Accounts receivable (Note 6)	2,983	2,278
Inventories and prepaid expenses	3,655	4,110
Tangible capital assets (Note 7)	58,822	57,862
	<u>\$ 108,386</u>	<u>\$ 107,733</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 9,794	\$ 9,027
Employee future benefit liabilities (Note 8)	21,124	22,421
Deferred revenue (Note 9)	68,787	71,335
	<u>99,705</u>	<u>102,783</u>
<b>Net assets</b>		
Endowments (Note 10)	3,159	2,772
Accumulated operating surplus (Note 11)	3,813	1,317
Accumulated remeasurement gains	1,709	861
	<u>8,681</u>	<u>4,950</u>
	<u>\$ 108,386</u>	<u>\$ 107,733</u>

Contractual obligations (Note 12)

Approved by the Board of Governors: (Note 19)

*Original signed by Margaret Mrazek*

Margaret Mrazek, Q.C.  
Acting Chair, Board of Governors

*Original signed by Colette Miller*

Colette Miller, FCA, ICD.D  
Chair, Audit Committee

*The accompanying notes are an integral part of these financial statements.*

# Athabasca University

## Statement of Operations

Year ended March 31, 2015  
(in thousands)

	Budget 2015	Actual 2015	Actual 2014
	(Note 17)		
<b>Revenue</b>			
Government of Alberta grants (Note 15)	\$ 43,805	\$ 44,994	\$ 43,182
Student tuition and fees	67,226	64,989	64,757
Sales of services and products	16,025	15,277	15,579
Donations and other grants	1,285	1,809	2,728
Federal and other government grants	1,555	2,475	2,610
Investment income (Note 13)	1,060	1,481	1,498
	<u>130,956</u>	<u>131,025</u>	<u>130,354</u>
<b>Expense</b>			
Instruction and non-sponsored research	74,976	70,619	73,651
Academic and student support	15,816	12,295	14,181
Institutional support	12,126	13,918	11,545
Ancillary services	8,763	8,627	8,584
Computing and communication	8,614	9,421	7,078
Facility operations and maintenance	6,655	7,450	6,318
Sponsored research and special purpose	3,984	6,199	5,369
	<u>130,934</u>	<u>128,529</u>	<u>126,726</u>
Operating surplus	22	2,496	3,628
Accumulated operating surplus (deficit), beginning of year	-	1,317	(2,311)
Accumulated operating surplus, end of year (Note 11)	<u>\$ 22</u>	<u>\$ 3,813</u>	<u>\$ 1,317</u>

The accompanying notes are an integral part of these financial statements.

# Athabasca University

## Statement of Remeasurement Gains and Losses

Year ended March 31, 2015  
(in thousands)

	2015	2014
Accumulated remeasurement gains, beginning of year	\$ 861	\$ 742
Unrealized gains attributable to: Portfolio investments	1,039	358
Amounts reclassified to the statement of operations: Portfolio investments	(191)	(239)
Accumulated remeasurement gains, end of year	<u>\$ 1,709</u>	<u>\$ 861</u>

*The accompanying notes are an integral part of these financial statements.*

# Athabasca University

## Statement of Cash Flows

Year ended March 31, 2015  
(in thousands)

	2015	2014
<b>Operating transactions</b>		
Operating surplus	\$ 2,496	\$ 3,628
Add (deduct) non-cash items:		
Amortization of tangible capital assets	5,209	4,658
Expended capital recognized as revenue	(3,394)	(3,203)
Loss (gain) on disposal of tangible capital assets, net	100	(78)
Change in employee future benefit liabilities	(1,297)	867
Total non-cash items	618	2,244
Increase in accounts receivable	(705)	(482)
Decrease in inventories and prepaid expenses	455	1,245
Increase (decrease) in accounts payable and accrued liabilities	767	(2,655)
(Decrease) increase in deferred revenue	(1,212)	1,112
Cash provided by operating transactions	2,419	5,092
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(6,284)	(4,317)
Proceeds on sale of tangible capital assets	15	81
Cash applied to capital transactions	(6,269)	(4,236)
<b>Investing transactions</b>		
Purchases of investments	(1,700)	(6,510)
Proceeds on sale of portfolio investments	3,029	5,000
Endowment investment - realized gains capitalized	72	36
Cash provided by investing transactions	1,401	(1,474)
<b>Financing transactions</b>		
Endowment contributions	315	200
Capital contributions	2,002	1,512
Cash provided by financing transactions	2,317	1,712
(Decrease) increase in cash and cash equivalents	(132)	1,094
Cash and cash equivalents, beginning of year	4,009	2,915
Cash and cash equivalents, end of year	\$ 3,877	\$ 4,009

The accompanying notes are an integral part of these financial statements.



# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

### 1 Authority and Purpose

The Governors of Athabasca University 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 Innovation and Advanced Education, 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 – Public Sector Accounting Standards and Use of Estimates

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. University administration uses judgment to determine such estimates. Employee future benefit liabilities, amortization of tangible capital assets, and the revenue recognition for expended capital 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) Net Debt Model Presentation

Canadian public sector accounting standards require a net debt presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as net debt or net financial assets as an indicator of the future revenues required to pay for past transactions and events. The University operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

#### (c) Valuation of Financial Assets and Liabilities

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

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash and cash equivalents	Fair value
Portfolio investments	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Unrealized gains and losses from changes in the fair value of unrestricted financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

Unrealized gains and losses from changes in the fair value of restricted financial instruments are recognized as a liability under deferred revenues.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

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

#### (c) Valuation of Financial Assets and Liabilities (continued)

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed in the statement of operations for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Alternatively, transaction costs for financial instruments measured at fair value are expensed as incurred.

The University does not use foreign currency contracts or any other type of derivative financial instruments for trading or speculative purposes.

University administration evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the University's normal purchase, sale or usage requirements are not recognized as financial assets or liabilities. The University does not have any embedded derivatives.

#### (d) Revenue Recognition

All revenue is reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

##### (i) Government grants, non-government grants and donations

Government transfers are referred to as government grants.

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

Government grants without terms for the use of the grant are recorded as revenue when the University is eligible to receive the funds. Unrestricted non-government grants and donations are recognized as revenue in the year received or in the year the funds are committed to the University if the amount can be reasonably estimated and collection is reasonably assured.

In kind donations of services, materials and tangible capital assets are recorded at fair value when a fair value can reasonably be determined. Transfers of tangible capital assets from related parties are recorded at the carrying value. While volunteers as well as members of the staff of the University contribute a significant amount of time each year to assist the University in carrying out its mission, the value of their services is not recognized in the financial statements because fair value cannot be reasonably determined.

##### (ii) Grants and donations related to land

Grants and donations for the purchase of land are recognized as deferred revenue when received, and recognized as revenue when the land is purchased.

An in-kind contribution of land is recognized as revenue at the fair value of the land when a fair value can be reasonably determined. When the fair value cannot be reasonably determined the in-kind contribution is recorded at nominal value.

##### (iii) Endowments

Donations that must be maintained in perpetuity are recognized as a direct increase in endowment net assets when received or receivable. Investment income on endowment principle that also must be maintained in perpetuity is recognized as endowment net assets when received or receivable. The unrealized gains and losses attributable to restricted endowment portfolio investments are recognized as deferred revenue.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

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

#### (d) Revenue Recognition (continued)

##### (iv) Investment Income

Investment income includes dividend and interest income, and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments from unrestricted grants and donations are recognized in the statement of accumulated remeasurement gains and losses until settlement. Once realized, these gains or losses are recognized as investment income in the statement of operations.

Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as investment income when the terms of the grant or donation are met.

#### (e) Inventories

Inventories held for resale are valued at the lower of cost and expected net realizable value and are determined using the weighted average method. Inventories held for consumption are valued at cost.

#### (f) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Work in progress, which includes facilities and improvement projects and development of information systems, is not amortized until after the project is complete and the asset is in service.

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

Buildings	40 years
Site improvements	10 - 25 years
Computer hardware and software	3 - 10 years
Furniture and equipment	5 - 20 years
Other – leasehold improvements	lesser of 5 years or lease term
Other – library holdings	10 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the University's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as an expense in the statement of operations.

Works of art, cultural and historical properties, and treasures are expensed when acquired and not recognized as tangible capital assets.

#### (g) Foreign Currency Translation

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year end exchange rate. Revenues and expenses are translated based upon an estimate of the actual exchange rate on the date of the transaction. In the period of settlement realized gains or losses from these translations are included in investment income. Unrealized gains and losses are recognized in the statement of remeasurement gains and losses.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

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

#### (h) Employee Future Benefits

##### (i) Pension

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

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

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

##### (ii) Other Employee Benefit Plans

The University's other 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 Plan, 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.

#### (i) Expense by function

The University uses the following function categories on its statement of operations

##### Instruction and non-sponsored research

Expenses relating to the academic activities supporting innovative learning, programming, and teaching. This function also includes expenses incurred by faculty and within academic departments for their scholarly and non-sponsored research activities.

##### Academic and student support

Expenses relating to activities directly supporting the academic functions and support of the student body. Includes expenses incurred by the library and centralized administrative activities supporting students such as registry, counseling services and scholarship awards.

##### Institutional support

Expenses relating to administration, governance, public relations and marketing, alumni relations, fund development, finance, human resources and any other centralized university-wide administrative services.

##### Ancillary services

Expenses relating to the provision of course materials to students, including textbooks (print or electronic) and other learning resources, print production materials, shipping and handling.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

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

#### (i) Expense by function (continued)

##### Computing and communication

Expenses relating to the delivery and support of centralized core computing, networks, data communication, and other information technology activities. Includes operations, maintenance, and amortization of information technology systems.

##### Facility operations and maintenance

Expenses relating to the operation and maintenance of all University facilities (owned or leased) that house the teaching, research and administrative activities. Includes utilities, rental costs, facilities administration, building maintenance, custodial services, grounds keeping, major repairs and renovations, and amortization of building and facility related equipment.

##### Sponsored research and special purpose

Expenses specifically funded by externally restricted grants and donations; sponsored research activities and expenses for student scholarships, bursaries, and other initiatives involving teaching and learning, and community service.

#### (j) Changes in Accounting Policies

##### PS 3260 Liability for Contaminated Sites

In June 2010 the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The University adopted this accounting standard retroactively as of April 1, 2014 but without restatement prior period results. The adoption of this standard had no impact on the University's financial results.

#### (k) Future Accounting Changes

In March 2015 the Public Sector Accounting Board issued the following two accounting standards that are effective for fiscal years starting on or after April 1, 2017. University administration is currently assessing the impact of these new standards on the financial statements.

##### PS2200 Related Party Disclosures

This accounting standard defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.

##### PS3420 Inter-entity Transactions

This accounting standard establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

### 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 Portfolio Investments

All of the University's investments are in units of pooled investment funds and are valued based upon quoted prices in active markets for identical investments. The composition and fair value are as follows:

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

### 4 Portfolio Investments (continued)

	2015			
	Level 1	Level 2	Level 3	Total
Pooled Investment Funds				
Bonds listed in active market	\$ 30,186	-	-	30,186
Equities listed in active market	6,072	-	-	6,072
Money Market Funds	2,791	-	-	2,791
Total Investments	\$ 39,049	-	-	39,049
	2014			
	Level 1	Level 2	Level 3	Total
Pooled Investment Funds				
Bonds listed in active market	\$ 30,921	-	-	30,921
Equities listed in active market	6,112	-	-	6,112
Money Market Funds	2,441	-	-	2,441
Total Investments	\$ 39,474	-	-	39,474

The fair value measurements are derived from:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Market-based inputs other than quoted prices that are observable for the asset or liability either directly as prices or indirectly derived from prices.

Level 3: Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

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

- Money Market pooled funds: 1.29%; term to maturity: less than one year.
- Pooled funds of government and corporate bonds: 2.01%; terms to maturity: range from less than one year to more than 10 years.

In addition to unrealized gains and losses on unrestricted funds, as reported on the statement of remeasurement gains and losses, the accumulated unrealized gains and losses on restricted funds are as follows:

	2015	2014
Net unrealized gains, beginning of year	\$ 443	\$ 167
Unrealized gains attributable to: Portfolio investments (Note 13)	56	276
Net unrealized gains, end of year, recorded in deferred revenue	\$ 499	\$ 443

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

### 5 Financial Risk Management

The University is exposed to the following risks:

#### Market risk

The University is exposed to market risk; the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the University has established an investment policy with a target asset mix that is diversified by asset class with individual issuer limits and is designed to achieve a long-term rate of return within specific risk tolerances.

The University's portfolio is sensitive to an increase or decrease in market prices. At March 31, 2015, if market prices had a 5% increase or decrease with all other variables held constant, the increase or decrease in remeasurement gains and losses and endowment net assets, and externally restricted deferred contributions for the year would have been a total of \$1,952 (2014 - \$1,972).

#### Credit risk

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

The University has indirectly invested in debt securities with the following credit ratings and percentages of the total investment fund:

	2015	2014
Credit rating		
AAA	44%	46%
AA	7%	9%
A	25%	25%
BBB	9%	5%
	<u>85%</u>	<u>85%</u>

#### Interest rate risk

The University invests in units of pooled investment funds. Indirectly the University is exposed to risks associated with interest rate fluctuation and volatility. Interest rate risk is the risk to the University's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates. This risk is managed by managing the term to maturity of certain fixed income securities that the University holds.

The maturity of the interest bearing investments held in pooled funds are as follows:

	Less than 1 year	1 to 5 years	Greater than 5 years
Money Market Funds	\$ 2,791	\$ -	\$ -
Bonds listed in active market	\$ 181	\$ 16,941	\$ 13,064

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

### 5 Financial Risk Management (continued)

#### Interest rate risk (continued)

The impact of a change in interest rates on those pooled investment funds which are primarily invested in fixed income debt instruments is as follows:

	0.50% decrease.	0.25% decrease	0.25% increase	0.50% increase
Dollar value change	\$ 726	\$ 363	\$ (363)	\$ (726)

#### Foreign currency risk

The University invests primarily in Canadian dollar denominated securities and therefore has minimal exposure to currency risk.

### 6 Accounts Receivable

	2015	2014
Accounts receivable	\$ 2,891	\$ 2,145
Other receivable	92	133
Less provision for doubtful accounts	-	-
	<u>\$ 2,983</u>	<u>\$ 2,278</u>

Accounts receivable are unsecured and non-interest bearing. Other receivables are secured and interest bearing.

### 7 Tangible Capital Assets

	2015						2014
	Land	Buildings and site improvements	Computer hardware and software	Furniture and equipment <sup>(4)</sup>	Other <sup>(5)</sup>	Total	Total
Cost <sup>(1) (2)</sup>							
Beginning of year	\$ 1,565	61,946	30,951	6,881	8,556	109,899	\$ 106,614
Additions	-	-	4,681	1,191	412	6,284	4,317
Disposals, including write-downs <sup>(3)</sup>	-	-	(115)	(465)	(1,053)	(1,633)	(1,032)
	<u>\$ 1,565</u>	<u>61,946</u>	<u>35,517</u>	<u>7,607</u>	<u>7,915</u>	<u>114,550</u>	<u>109,899</u>
Accumulated amortization							
Beginning of year	\$ -	22,236	16,738	5,243	7,820	52,037	\$ 48,408
Amortization expense	-	1,602	3,128	467	12	5,209	4,658
Effects on disposals, including write-downs	-	-	-	(465)	(1,053)	(1,518)	(1,029)
	<u>\$ -</u>	<u>23,838</u>	<u>19,866</u>	<u>5,245</u>	<u>6,779</u>	<u>55,728</u>	<u>52,037</u>
Net book value at March 31, 2015	<u>\$ 1,565</u>	<u>38,108</u>	<u>15,651</u>	<u>2,362</u>	<u>1,136</u>	<u>58,822</u>	<u>\$ 57,862</u>
Net book value at March 31, 2014	<u>\$ 1,565</u>	<u>39,710</u>	<u>14,213</u>	<u>1,638</u>	<u>736</u>	<u>57,862</u>	



# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

### 7 Tangible Capital Assets (continued)

No interest was capitalized by the University in 2014-2015.

- (1) Historic cost includes work-in-progress at March 31, 2015 totaling \$4,745 comprised of equipment \$274 (2014 - \$298), and computer hardware and software \$4,471 (2014 - \$8,378).
- (2) The University holds a number of works of art, cultural and historical properties, and treasures; under public sector accounting standards they are expensed when acquired and not recognized as tangible capital assets.
- (3) Write-downs in the amount of \$115 (2014 - \$0) are included within disposals for 2014-2015.
- (4) Equipment includes vehicles, office equipment and furniture, and other equipment.
- (5) Other tangible capital assets include leasehold improvements and library.

### 8 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2015	2014
Universities Academic Pension Plan (UAPP)	\$ 19,179	\$ 19,945
Administrative leave plan	1,945	2,446
Flexible benefits plan	-	30
	\$ 21,124	\$ 22,421

#### (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, 2012. This was then extrapolated to the plan's year end of December 31, 2014 and further extrapolated to the University's year end of March 31, 2015. The University's portion of the UAPP deficit has been allocated based on its percentage of the plan's total employer contributions for the year.

The UAPP unfunded deficit for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2014 - 1.25%) of total salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.87% (2014 - 2.87%) of total salaries required to eliminate the unfunded deficit by December 31, 2043. The Government of Alberta's obligation for the future additional contributions was \$313,536 at March 31, 2015 (2014 - \$310,693). The unfunded deficit for service after December 31, 1991 is financed by special payments of 5.79% (2014 - 5.54%) of pensionable earnings until December 31, 2021 then 1.71% (2014 - 1.71%) for 2022 and 2023, and 0.70% (2014 - 0.70%) for 2024 and 2025, and 0.25% (2014 - 0.25%) for 2026 and 2027, all shared equally between employees and employers.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

### 8 Employee Future Benefit Liabilities (continued)

#### (a) Defined Benefit Plans accounted for on a defined benefit basis (continued)

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

	2015	2014
Financial Operations		
Expense		
Current service cost	\$ 3,951	\$ 4,527
Interest cost	1,362	1,582
Amortization of net actuarial (gains) losses	(26)	562
Total expense	\$ 5,287	\$ 6,671
Financial Position		
Accrued benefit obligation:		
Balance, beginning of year	\$ 102,050	\$ 101,028
Current service cost	3,951	4,527
Interest cost	6,843	6,409
Benefits paid	(4,638)	(4,378)
Actuarial losses (gains)	6,941	(5,536)
Balance, end of year	115,147	102,050
Plan assets	(93,560)	(82,330)
Plan deficit	21,587	19,720
Unamortized net actuarial (losses) gains	(2,408)	225
Accrued benefit liability	\$ 19,179	\$ 19,945

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

	2015	2014
Accrued benefit obligation:		
Discount rate	6.10%	6.60%
Average compensation increase	3.50%	3.50%
Benefit cost:		
Discount rate	6.10%	6.60%
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:	8.6 years	8.6 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 \$1,945 (2014 - \$2,446) in employee future benefit liabilities. The University plans to use its working capital to finance these future obligations.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

### 8 Employee Future Benefit Liabilities (continued)

#### (a) Defined Benefit Plans accounted for on a defined benefit basis (continued)

The expense and financial position of the Administrative Leave Plan is as follows:

	2015	2014
Financial Operations		
Expense		
Current service cost	\$ 403	\$ 403
Interest cost	51	53
Amortization of net actuarial losses	(181)	(54)
Total expense	<u>\$ 273</u>	<u>\$ 402</u>
Financial Position		
Accrued benefit liability:		
Balance, beginning of year	\$ 2,446	\$ 2,463
Current service cost	403	404
Interest cost	51	53
Benefits paid	(774)	(420)
Actuarial (gain)	(181)	(54)
Balance, end of year	<u>\$ 1,945</u>	<u>\$ 2,446</u>

The significant actuarial assumptions adopted in measuring the University's Administrative Leave Plan are as follows:

	2015	2014
Discount rate	3.84%	2.10%
Rate of compensation increase		
First year	2.00%	2.00%
Subsequent years	2.00%	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 \$1,371 (2014 - \$1,487).

An actuarial valuation of the PSPP was carried out as at December 31, 2013 and was then extrapolated to December 31, 2014. At December 31, 2014, the PSPP financial statements reported an actuarial deficit of \$803,299 (2013 - \$1,254,678). For the year ended December 31, 2014, PSPP reported employer contributions of \$326,134 (2013 - \$315,830). For the 2014 calendar year, the University's employer contributions were \$1,436 (2013 - calendar year - \$1,522). The PSPP's deficit is being discharged through additional contributions from both employees and employers until 2026 (2013-2028). Other than the requirement to make all additional contributions, the University does not bear any risks related to the PSPP deficit.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

### 9 Deferred Revenue

Deferred revenue is comprised of unspent externally restricted grants and donations, restricted grants and donations spent on capital acquisitions (not yet recognized as revenue), unearned tuition and other fees. Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement.

	2015			
	Research and special purpose	Capital	Student and other fees	Total
Balance, beginning of year	\$ 10,736	\$ 46,155	\$ 14,444	\$ 71,335
Grants, tuition, donations received	5,829	-	50,354	56,183
Restricted investment income (Note 13)	96	-	-	96
Unrealized gains (Note 4, Note 13)	56	-	-	56
Unearned capital acquisition transfers	(2,002)	2,002	-	-
Recognized as revenue	(5,607)	(3,394)	(49,872)	(58,873)
Other	(10)	-	-	(10)
Balance, end of year	\$ 9,098	\$ 44,763	\$ 14,926	\$ 68,787

Capital is comprised of \$44,763 (2014 - \$45,790) restricted grants and donations spent on capital acquisitions and \$0 (2014 - \$364) of unspent restricted grants and donations.

	2014			
	Research and special purpose	Capital	Student and other fees	Total
Balance, beginning of year	\$ 9,688	\$ 47,846	\$ 14,104	\$ 71,638
Grants, tuition, donations received	7,776	-	49,253	57,029
Restricted investment income (Note 13)	121	-	-	121
Unrealized gains (Note 4, Note 13)	276	-	-	276
Unearned capital acquisition transfers	(1,512)	1,512	-	-
Recognized as revenue	(5,613)	(3,203)	(48,913)	(57,729)
Other	-	-	-	-
Balance, end of year	\$ 10,736	\$ 46,155	\$ 14,444	\$ 71,335

### 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.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

### 10 Endowments (continued)

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

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

The composition of endowments is as follows:

	2015	2014
Balance, beginning of year	\$ 2,772	\$ 2,536
Endowment contributions	315	200
Investment gain - realized	72	36
Balance, end of year	<u>\$ 3,159</u>	<u>\$ 2,772</u>
Cumulative contributions	\$ 2,736	\$ 2,421
Cumulative capitalized income	423	351
	<u>\$ 3,159</u>	<u>\$ 2,772</u>

### 11 Accumulated Operating Surplus (Deficit)

Accumulated operating surplus is comprised of the following:

	Accumulated deficit from operations	Investment in tangible capital assets <sup>(1)</sup>	Total accumulated operating surplus (deficit)
Balance as at March 31, 2013	\$ (13,195)	\$ 10,884	\$ (2,311)
Operating surplus	3,628	-	3,628
Amortization of internally funded tangible capital assets	1,456	(1,456)	-
Net book value of tangible capital assets disposals	3	(3)	-
Internally funded acquisition of tangible capital assets	(2,647)	2,647	-
Balance as at March 31, 2014	<u>(10,755)</u>	<u>12,072</u>	<u>1,317</u>
Operating surplus	2,496	-	2,496
Amortization of internally funded tangible capital assets	1,815	(1,815)	-
Net book value of tangible capital assets disposals	115	(115)	-
Internally funded acquisition of tangible capital assets	(3,918)	3,918	-
Balance as at March 31, 2015	<u>\$ (10,247)</u>	<u>\$ 14,060</u>	<u>\$ 3,813</u>

<sup>(1)</sup> Investment in tangible capital assets represents the amount of the University's accumulated operating surplus that has been invested in the University's capital assets.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

### 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.

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

	2015				
	Service Contracts	Capital Projects	Information Systems and Technology	Long-term Leases	Total
2016	\$ 5,466	\$ 306	\$ 3,013	\$ 1,160	\$ 9,945
2017	659	-	379	1,037	2,075
2018	558	-	123	427	1,108
2019	349	-		252	601
2020				249	249
Thereafter		-		20	20
	<u>\$ 7,032</u>	<u>\$ 306</u>	<u>\$ 3,515</u>	<u>\$ 3,145</u>	<u>\$ 13,998</u>

### 13 Investment Income

	2015			2014
	Realized Gains and Losses	Unrealized Gains and Losses	Total	
Restricted funds				
Investment earnings on cash, cash equivalents, and portfolio investments held for endowments and other restricted purposes	\$ 168	56	224	\$ 433
Transferred to endowment net assets (Note 10)	(72)	-	(72)	(36)
Transferred to deferred revenue (Note 9)	(96)	(56)	(152)	(397)
Add deferred revenue recognized as investment income	26	-	26	23
Restricted funds recognized as investment income	<u>\$ 26</u>	<u>-</u>	<u>26</u>	<u>\$ 23</u>
Unrestricted funds				
Investment earnings on unrestricted cash, cash equivalents, portfolio investments	1,455	848	2,303	1,594
Transferred to accumulated remeasurement gains and losses		(848)	(848)	(119)
Unrestricted funds recognized as investment income	<u>\$ 1,455</u>	<u>-</u>	<u>1,455</u>	<u>\$ 1,475</u>
Total investment income recognized	<u>\$ 1,481</u>	<u>-</u>	<u>1,481</u>	<u>\$ 1,498</u>

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
*(thousands of dollars)*

### 14 Expense by Object

The following is a summary of expense by object.

	2015		2014
	Budget (Note 17)	Actual <sup>(1)</sup>	Actual <sup>(1)</sup>
Salaries	\$ 73,199	\$ 71,808	\$ 70,551
Employee benefits	15,801	13,685	15,834
Materials, supplies and services:			
Fees and purchased services	16,440	18,797	16,916
Materials and supplies	10,889	12,315	11,346
Communications and travel	5,539	3,281	3,826
Rental, insurance and utilities	2,870	2,406	2,648
Amortization of capital assets	4,996	5,209	4,658
Scholarships and bursaries	1,200	1,028	947
	<u>\$ 130,934</u>	<u>\$ 128,529</u>	<u>\$ 126,726</u>

<sup>(1)</sup> Includes \$534 (2014 - \$2,091) termination benefits as defined under PSA Handbook section 3255.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

### 15 Government of Alberta Transactions and Balances

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

	2015	2014
Grants from Government of Alberta		
Innovation and Advanced Education:		
Operating	\$ 39,432	\$ 38,741
Infrastructure Maintenance Program	1,340	1,700
Access to the Future Fund	1,120	-
Research	625	983
Alberta Innovates-Technology Futures	80	108
Other	70	54
Total Innovation and Advanced Education	42,667	41,586
Other Government of Alberta departments and agencies:		
Treasury Board and Finance	416	425
Health	329	128
Culture	94	71
Education	50	-
Total other Government of Alberta departments and agencies	889	624
Total grants received	43,556	42,210
Add deferred revenue	1,688	972
Less transfer endowments	(250)	-
Total grants from Government of Alberta	\$ 44,994	\$ 43,182
Accounts receivable		
Innovation and Advanced Education	\$ -	\$ 115
Other Government of Alberta departments and agencies	220	-
Other post-secondary institutions	-	1
	\$ 220	\$ 116
Accounts payable		
Innovation and Advanced Education	\$ 5	\$ 7
Other Government of Alberta departments and agencies	-	3
Other post-secondary institutions	70	77
	\$ 75	\$ 87

In addition to the grants listed above, the University received \$340 (2014 - \$310) from the Ministry of Culture, included in sales of services and products, for a service agreement to assist with the delivery of a specific program.

The University has \$187 (2014 - \$33) of contractual obligations with other post-secondary institutions for service and lease agreements that will become liabilities in the future when the terms of the agreements are met.



# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

### 16 Salary and Employee Benefits

Under the authority of the *Fiscal Management Act*, the President of Treasury Board and Minister of Finance require the disclosure of certain salary and employee benefits information.

	2015				2014
	Base Salary <sup>(3)</sup>	Cash Benefits <sup>(4)</sup>	Non cash Benefits <sup>(5)</sup>	Total	Total
Governance <sup>(1)</sup>					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	-	-	-
Executive Officers					
President <sup>(2)</sup>	368	6	20	394	537
Vice-Presidents:					
Academic <sup>(2)</sup>	246	-	106	352	317
Advancement	229	27	88	344	317
Finance and Administration	249	29	94	372	337
Information Technology and CIO	202	13	43	258	251

<sup>(1)</sup> The chair and the 14 members (2014 – 18) of the Board of Governors receive no remuneration for participation on the Board.

<sup>(2)</sup> The position was occupied by two individuals at different times during the year.

<sup>(3)</sup> Base salary is pensionable and includes pay for vacation time taken.

<sup>(4)</sup> Cash benefits include, if applicable, earnings such as vacation payouts, amounts to compensate for the UAPP salary cap, and other nonpensionable direct cash payments including severance.

<sup>(5)</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. 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.

The current service cost and accrued obligation for each executive officer (current incumbents) under the Administrative Leave Plan as of March 31, 2015 is outlined in the following table:

	Accrued Obligation March 31, 2014	Service Costs	Interest and other costs	Actuarial loss (gain)	Accrued Obligation <sup>(6)</sup> March 31, 2015
President	\$ -	\$ -	\$ -	\$ -	\$ -
Vice-Presidents:					
Academic	100	72	4	(4)	172
Advancement	172	55	5	(7)	225
Finance and Administration	120	56	4	2	182
Information Technology and CIO	16	16	1	(7)	26

<sup>(6)</sup> The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 8.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2015  
(thousands of dollars)

### 17 Budget Figures

The University's 2014-2015 budget figures have been provided for comparison purposes. The amounts have been approved by the Board of Governors and were presented to the Minister of Innovation and Advanced Education as part of the University's 2014-2017 Comprehensive Institutional Plan.

The following table provides amounts as presented in the 2014-2015 budget, expense by object, reconciled to expense by function:

Function	Salaries	Employee benefits	Fees and purchased services	Materials and supplies	Communication and travel	Rental insurance, and utilities	Amortize capital assets	Scholarships	Total
Instruction and non-sponsored research	\$ 49,770	10,112	8,874	2,277	3,294	629	15	5	\$ 74,976
Academic and student support	9,306	2,370	2,478	439	624	153	99	347	15,816
Institutional support	7,836	1,863	1,459	321	605	40	-	2	12,126
Ancillary services	455	118	380	7,180	567	24	39	-	8,763
Computing and communication	3,065	736	1,570	321	147	-	2,775	-	8,614
Facility operations and maintenance	918	215	1,344	66	20	2,024	2,068	-	6,655
Sponsored research and special purpose	1,849	387	335	285	282	-	-	846	3,984
<b>Budget Total</b>	<b>\$ 73,199</b>	<b>15,801</b>	<b>16,440</b>	<b>10,889</b>	<b>5,539</b>	<b>2,870</b>	<b>4,996</b>	<b>1,200</b>	<b>\$ 130,934</b>

### 18 Comparative Figures

Certain 2014 figures have been reclassified to conform to the presentation in the 2015 financial statements.

### 19 Approval of Financial Statements

The financial statements were approved by the Board of Governors of Athabasca University.



# Athabasca University **Financial Statements**

For the year ended March 31, 2015



# Athabasca University

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