

**Athabasca University  
Financial Statements  
March 31, 2009**



Auditor's Report  
For the year ended March 31, 2009

To the Athabasca University Governing Council

I have audited the statement of financial position of Athabasca University as at March 31, 2009 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Original signed by Fred J. Dunn, FCA*

Auditor General

Edmonton, Alberta  
May 29, 2009

# Statement of Financial Position

March 31, 2009  
(thousands of dollars)

	<b>2009</b>	<b>2008</b>
		(Restated, Note 3)
<b>ASSETS</b>		
Current assets		
Cash and short-term investments (Note 4)	\$ 21,586	\$ 23,334
Accounts receivable (Notes 18)	4,939	5,439
Inventory of course materials	4,040	3,805
Prepaid expenses	1,077	1,184
	<u>31,642</u>	<u>33,762</u>
Non-current investments (Notes 4)	39,992	51,340
Deferred course development costs (Note 5)	71	141
Capital assets (Note 6)	25,526	21,842
	<u>\$ 97,231</u>	<u>\$107,085</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accruals	\$ 3,351	\$ 4,736
Salaries and benefits payable (Note 7)	6,564	7,168
Deferred revenue	12,672	11,791
Deferred contributions (Note 8)	5,940	4,545
Current portion of deferred lease inducement (Note 9)	117	117
	<u>28,644</u>	<u>28,357</u>
Deferred salaries and benefits payable (Notes 7 and 19)	3,767	3,689
Deferred lease inducement (Note 9)	29	146
Deferred capital contributions (Note 10)	27,615	29,771
Universities Academic Pension Plan unfunded liability (Note 19)	4,330	3,570
Unamortized deferred capital contributions (Note 11)	12,454	10,206
Unamortized course development contributions (Note 11)	71	141
	<u>76,910</u>	<u>75,880</u>
Net assets		
Investment in capital assets (Note 6)	13,072	11,636
Endowments (Note 12)	2,029	1,595
Internally restricted (Note 13)	9,550	19,529
	<u>24,651</u>	<u>32,760</u>
Unrestricted	-	2,015
Universities Academic Pension Plan unfunded deficiency (Note 19)	(4,330)	(3,570)
	<u>(4,330)</u>	<u>(1,555)</u>
	<u>20,321</u>	<u>31,205</u>
	<u>\$ 97,231</u>	<u>\$107,085</u>

Approved on behalf of the Governing Council

*Original signed by Joy Romero*

Joy Romero, P.Eng., MBA PM  
Chair

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

*Original signed by Frits Pannekoek*

Dr. Frits Pannekoek  
President

# Statement of Operations

For the year ended March 31, 2009  
(thousands of dollars)

	<b>2009</b>	<b>2008</b>
		(Restated, Note 3)
<b>Revenue</b>		
Province of Alberta grants (Note 18)	\$ 38,537	\$ 34,211
Undergraduate student fees	39,070	36,844
Graduate student fees	15,138	13,153
Sales of goods and services	12,444	12,908
Research and other grants	1,231	909
Donations (Note 15)	1,228	673
Amortization of unamortized deferred capital contributions (Note 11)	833	1,876
Other	121	88
Amortization of deferred course development contributions (Note 11)	70	70
Investment income (loss) (Note 14)	(2,463)	661
	<u>106,209</u>	<u>101,393</u>
<b>Expenses</b>		
Salaries and benefits	77,536	67,097
Fees and purchased services	15,718	14,427
Materials and supplies	9,861	9,312
Communications and travel	7,600	7,346
Amortization of capital assets	2,907	3,601
Facilities rental	1,864	1,605
Scholarships	1,302	494
Insurance, utilities and taxes	880	730
Amortization of deferred course development costs (Note 5)	70	70
Loss (gain) on disposal of capital assets	(15)	76
	<u>117,723</u>	<u>104,758</u>
Deficiency of revenue over expenses	<u>\$ (11,514)</u>	<u>\$ (3,365)</u>

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

# Statement of Changes in Net Assets

For the year ended March 31, 2009  
(thousands of dollars)

	2009						2008
	Investment in Capital Assets	Endowments (Note 13)	Internally Restricted (Note 13)	Unrestricted	UAPP unfunded deficiency	Total	Total
Balance, beginning of year as previously reported	\$11,636	\$ 1,595	\$19,529	\$ 2,015	\$ -	\$34,775	\$39,354
Restatement (Note 3)					(3,570)	(3,570)	(4,840)
Balance, beginning of year as restated	\$11,636	\$ 1,595	\$19,529	\$ 2,015	\$(3,570)	\$31,205	\$34,514
Deficiency of revenue over expenses	-	-	-	(10,754)	(760)	(11,514)	(3,365)
Investment in capital assets, internally funded	3,510	-	(2,485)	(1,025)	-	-	-
Proceeds from sale of capital assets	(15)	-	-	15	-	-	-
Amortization of internally funded capital assets	(2,074)	-	-	2,074	-	-	-
Gain on disposal of capital assets	15	-	-	(15)	-	-	-
Expenditure of internally restricted net assets	-	-	(2,269)	2,269	-	-	-
Endowment contributions and net transfers	-	434	-	196	-	630	56
Transfer from internally restricted net assets	-	-	(5,225)	5,225	-	-	-
Balance, end of year	\$13,072	\$ 2,029	\$9,550	\$ -	\$(4,330)	\$20,321	\$31,205

The accompanying notes are part of these financial statements.

# Statement of Cash Flows

For the year ended March 31, 2009  
(thousands of dollars)

	<u>2009</u>	<u>2008</u>
	<small>(Restated, Note 3)</small>	
Cash provided from operating activities:		
Deficiency of revenue over expenses	\$ (11,514)	\$ (3,365)
Items not affecting cash flow:		
Amortization of capital assets	2,907	3,601
Amortization of deferred course development costs	70	70
Loss (gain) on disposal of capital assets	(15)	76
Increase in deferred salaries and benefits payable	78	351
Increase (decrease) in UAPP unfunded liability	760	(1,270)
Amortization of deferred course development contributions	(70)	(70)
Amortization of deferred lease inducement	(117)	(117)
Amortization of deferred capital contributions	(833)	(1,876)
Unrealized loss on investments	3,922	1,580
	<u>(4,812)</u>	<u>(1,020)</u>
Change in non-cash working capital		
Change in current assets, except cash and short-term investments	372	(1,696)
Change in current liabilities, except current portion of deferred lease inducement and capital construction holdbacks	283	4,125
	<u>655</u>	<u>2,429</u>
	<u>(4,157)</u>	<u>1,409</u>
Cash used in investing activities:		
Capital asset acquisitions, internally funded	(3,510)	(4,825)
Capital asset acquisitions, externally funded	(3,077)	(488)
Proceeds on disposal of capital assets	15	9
Decrease (increase) in non-current investments	11,348	(21,872)
Unrealized loss on investments	(3,922)	(1,580)
	<u>854</u>	<u>(28,756)</u>
Cash provided from financing activities:		
Capital contributions	74	30,129
Interest earned on capital contributions	851	283
Endowment contributions	630	56
	<u>1,555</u>	<u>30,468</u>
Increase (decrease) in cash and short-term investments	(1,748)	3,121
Cash and short-term investments, beginning of year	\$ 23,334	20,213
Cash and short-term investments, end of year	<u>\$ 21,586</u>	<u>\$ 23,334</u>

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

# Notes to the Financial Statements

For the year ended March 31, 2009  
(thousands of dollars)

## **Note 1 Authority and Purpose**

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

## **Note 2 Significant Accounting Policies and Reporting Practices**

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

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

### (b) Revenue Recognition

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

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

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

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



as deferred contributions in the period in which they are received and, when expended, are recognized as direct increases in net assets.

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

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

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

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

(c) Financial Instruments

Financial assets and liabilities are classified in order to recognize, measure and account for changes in fair value.

Financial assets classified:

- as held-for-trading are measured at fair value with changes in fair value recognized immediately in the statement of operations, and
- as held-to-maturity, or as loans and receivables, are measured at amortized cost with gains and losses recognized in the statement of operations when the asset is derecognized.

Financial liabilities classified:

- as held-for-trading are measured at fair value with changes in fair value recognized immediately in the statement of operations, and
- as other financial liabilities are measured at amortized cost with gains and losses recognized in the statement of operations when the liability is derecognized.

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

<b><u>Financial Statement category</u></b>	<b><u>Classification</u></b>	<b><u>Measurement</u></b>
Cash and short-term investments	Held-for-trading	Fair value
Non-current investments	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accruals	Other financial liabilities	Amortized cost
Salaries and benefits payable	Other financial liabilities	Amortized cost

*Note 2 Significant Accounting Policies and Reporting Practices (continues)*

Other accounts in the Statement of Financial Position have not been classified as they are not within the scope of the accounting standard. These include; inventory of course materials, prepaid expenses, deferred course development costs, capital assets, deferred revenue, deferred contributions, current portion of deferred lease inducement, deferred salaries and benefits payable, deferred lease inducement, Universities Academic Pension Plan unfunded liability, unamortized deferred capital contributions and unamortized course development contributions. The amortized cost of loans and receivables and other financial liabilities approximates their carrying value. The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

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

The University has elected, as permitted by the standard, not to classify non-financial contracts or derivatives embedded in non-financial contracts, leases and insurance contracts.

(d) Investments

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

(e) Inventory of Course Materials

Inventory of course materials is valued at the lower of cost and net realizable value. Cost of purchased inventory includes the purchase price, shipping and net tax. For internally produced inventory, cost also includes direct and indirect overhead.

(f) Copyrights

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

(g) Deferred Course Development Costs

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

(h) Capital Assets

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

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

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

(i) **Employee Future Benefits**

The University participates with other employers in two defined benefit pension plans, the 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 costs for PSPP are accounted for using the defined contribution method and comprise the amount of employer contributions to the plan that are required for the University's employees during the year, based on contribution rates that are expected to provide for benefits payable.

Pension costs for UAPP are accounted for using the defined benefit method and comprise the amount as actuarially determined using the projected defined benefit value of UAPP in total, and allocated to the University based on University's respective percentage of pensionable earnings.

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

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

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

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

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

*Note 2 Significant Accounting Policies and Reporting Practices (continues)*

(j) Deferred Lease Inducement

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

(k) Internally Restricted Net Assets

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

**Note 3 Restatement**

In previous years, the University had accounted for its pension costs related to the Universities Academic Pension Plan (UAPP) based on a defined contribution basis. These pension costs are now recorded using the defined benefit method. The University's share of the liability has been allocated based on a percentage of pensionable earnings.

These changes have been applied retroactively with restatement of comparative numbers. As a result, the University's financial statements have been restated as follows:

	<u>2008</u>
Statement of Financial Position - Liabilities	
Universities Academic Pension	
Plan unfunded liability, as previously stated	\$ -
April 1, 2007 balance	4,840
Change in liability, 2008	(1,270)
Universities Academic Pension	
Plan unfunded liability, as restated	<u>\$ 3,570</u>
Statement of Operations	
Deficiency of revenue over expense, as previously stated	\$ (4,635)
Change in liability, decrease benefit expense	1,270
Deficiency of revenue over expense, as restated	<u>\$ (3,365)</u>
Statement of Financial Position - Net Assets	
Unrestricted - Universities Academic Pension	
Plan unfunded deficiency, as previously stated	\$ -
April 1, 2007 balance	(4,840)
Change in liability, 2008	1,270
Unrestricted - Universities Academic Pension	
Plan unfunded deficiency, as restated	<u>\$ (3,570)</u>

#### Note 4 Cash and Short-Term Investments and Non-Current Investments

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

	<u>2009</u>	<u>2008</u>
Bank balances <sup>(1)</sup>	\$ 2,131	\$ 6,172
Money market investments <sup>(2)</sup>	22	22
Investment Fund	59,425	68,480
Total Cash and Investments	61,578	74,674
Less amount recorded as non-current	(39,992)	(51,340)
Cash and short-term investments	<u>\$21,586</u>	<u>\$23,334</u>
Non-current investments consist of		
Endowments	\$2,029	\$1,595
Deferred salaries and benefits payable	3,767	3,689
Deferred capital contributions	27,615	29,771
Internally restricted net assets, non-current portion	6,581	16,285
Non-current investments	<u>\$39,992</u>	<u>\$51,340</u>

(1) From April 1, 2008, to March 31, 2009, interest was earned based on the daily-tiered closing balance as follows: \$0 to \$49,999 – no interest, \$50,000 to \$749,999 - prime less 2.25% and \$750,000 and over - prime less 1.95%.

(2) Money market investments were purchased at a discount and were rated R-1 or better by the Dominion Bond Rating Service. For the year ending March 31, 2009, the average effective yield was nil (2008 – 4.70%).

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

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

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

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

Note 4 Cash and Short-Term Investments and Non-Current Investments (continues)

The Investment Fund comprises

	2009				2008	
	Short-term (less than 1 year)	Medium-term (1 to 5 years)	Long-term (more than 5 years)	Endowment (more than 5 years)	Total Investment Fund	Total Investment Fund
Cash and short-term	\$28,305	\$ -	\$ -	\$ -	\$28,305	\$33,940
Fixed income	-	11,957	9,475	1,263	22,695	23,996
Equities						
Canadian	-	1,132	2,180	294	3,606	4,371
U.S.	-	761	2,000	263	3,024	3,680
International	-	432	1,203	160	1,795	2,493
Total equities	-	2,325	5,383	717	8,425	10,544
Total Investment Fund	\$28,305	\$14,282	\$14,858	\$1,980	\$59,425	\$68,480

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

Eighty-four per cent (2008 – 85 per cent) of the medium-term portfolio was invested in fixed income securities, which is within the prescribed range of 75 to 100%, while 16 per cent (2008 – 15 per cent) was invested in equities, which is within the prescribed range of up to 25 per cent.

Sixty-four per cent (2008 – 57 per cent) of the long-term and endowment portfolios were invested in fixed income securities, which is within the prescribed range of 50 to 100 per cent, while 36 per cent (2008 – 43 per cent) were invested in equities, which is within the prescribed range of up to 50 per cent.

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

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

As at March 31, 2009, 74 per cent of the cash and short-term investments in the Canadian Money Market Fund were issued by banks and other financial institutions, 10 per cent were issued or guaranteed by the federal government or a provincial government and the remainder were issued by corporations across a variety of sectors.

The entire fixed income portfolio is invested in the Bond Fund. As instructed by the Investment Advisory Group, all bonds and debentures are rated BBB or higher, as measured by the Dominion Bond Rating Service (DBRS). A primary strategy used by the external fund manager to address risks in this fund is varying duration based on anticipation of future yields. The external fund manager also manages risks by varying the percentage of bonds and debentures issued by corporations as compared to those issued or guaranteed by the federal government or a provincial government. As of March 31, 2009, for example, 40 per cent of this fund was invested in bonds, debentures and mortgages issued or guaranteed by the federal government or a provincial government, and the remainder was invested in bonds and debentures issued by corporations, primarily banks and other

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

The external fund manager manages risks in the equity funds primarily by varying investments across sectors and judiciously selecting specific stocks within those sectors. The largest concentration of equities at March 31, 2009, was in the financial sector, comprising 33 per cent of the Canadian Equity Fund, 17 per cent of the U.S. Equity Fund and 11 per cent of the Overseas Equity Fund. More moderate concentrations of equities include the energy, industrials, consumer staples and health care sectors.

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

	<u>2009</u>	<u>2008</u>
Canadian Money Market Fund	3.1%	4.7%
Bond Fund	3.0%	4.6%
Canadian Equity Fund	-32.8%	-2.2%
United States Equity Fund	-25.2%	-15.8%
Overseas Equity Fund	-33.1%	-14.3%

#### Note 5 Deferred Course Development Costs

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$141	\$211
Amount amortized during year	(70)	(70)
Balance, end of year	<u>\$71</u>	<u>\$141</u>

#### Note 6 Capital Assets and Investment in Capital Assets

	<u>2009</u>			<u>2008</u>		
	Cost <sup>(1)</sup>	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,565	\$ -	\$ 1,565	\$ 1,565	\$ -	\$ 1,565
Buildings and site improvements	30,219	16,732	13,487	27,212	15,935	11,277
Leasehold improvements	3,193	1,532	1,661	3,400	1,671	1,729
Furnishings, equipment and software	22,307	15,189	7,118	20,016	14,385	5,631
Library materials	5,761	4,734	1,027	5,585	4,590	995
Works of art	668	-	668	645	-	645
	<u>\$63,713</u>	<u>\$38,187</u>	<u>\$25,526</u>	<u>\$58,423</u>	<u>\$36,581</u>	<u>21,842</u>
Unamortized deferred capital contributions related to capital assets (Note 11)			<u>(12,454)</u>			<u>(10,206)</u>
Investment in capital assets			<u>\$13,072</u>			<u>\$11,636</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 \$1 per year.

(2) Included in the cost of capital assets are projects in progress that are not yet being amortized. These include leasehold improvements \$0 (2008 - \$925), software \$0 (2008 - \$677) and buildings \$3,519 (2008 - \$512).

**Note 7 Salaries and Benefits Payable**

	<u>2009</u>	<u>2008</u>
Other defined benefit plans		
Administrative Leave Plan	\$1,765	\$1,615
Flexible Benefit Plan	1,200	1,243
Total other defined benefit plans (Note 19)	2,965	2,858
Salaries and wages	2,302	3,422
Vacation pay	2,681	2,427
Professional development funds	2,383	2,150
Total salaries and benefits payable	10,331	10,857
Current portion of salaries and benefits payable	<u>(6,564)</u>	<u>(7,168)</u>
Deferred salaries and benefits payable	<u>\$3,767</u>	<u>\$3,689</u>

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

**Note 8 Deferred Contributions**

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

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$4,545	\$2,943
Contributions received		
Grants	5,294	2,969
Donations (Note 15)	439	1,007
Other	157	-
Transfer to deferred capital contributions (Note 10)	(74)	(129)
Amount recognized as revenue		
Grants	(3,915)	(1,905)
Donations (Note 15)	(506)	(340)
Balance, end of year	<u>\$5,940</u>	<u>\$4,545</u>
The balance consists of funds restricted from Province of Alberta		
Access to the Future Fund	\$2,536	\$2,330
Infrastructure Maintenance Program	585	-
Enrolment Planning Envelope	419	439
Other ministries, agencies or foundations	121	189
Sponsored research projects	1,589	1,587
Special projects	518	-
Student awards	172	-
	<u>\$5,940</u>	<u>\$4,545</u>



**Note 9 Deferred Lease Inducement**

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

	<b>2009</b>	<b>2008</b>
2009	-	117
2010	117	117
2011	29	29
Total unamortized deferred lease inducement	146	263
Less: current portion	(117)	(117)
Long-term portion of deferred lease inducement	<u>\$29</u>	<u>\$146</u>

**Note 10 Deferred Capital Contributions**

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

	<b>2009</b>	<b>2008</b>
Balance, beginning of year	\$29,771	\$ -
Grant received	-	30,000
Interest earned (Note 14) <sup>(1)</sup>	851	283
Transfers from deferred contributions (Note 8)	74	129
	925	30,412
Transfers to unamortized deferred capital contributions (Note 11)	(3,081)	(641)
Balance, end of year	<u>\$27,615</u>	<u>\$29,771</u>

(1) Interest on capital grant, originally received from the Province of Alberta in 2008 fiscal.

**Note 11 Unamortized Deferred Capital and Deferred Course Development Contributions**

	<b>2009</b>		<b>2008</b>	
	Capital	Course Development	Capital	Course Development
Balance, beginning of year	\$10,206	\$141	\$11,441	\$211
Transfer from deferred capital contributions (Note 10)	3,081	-	641	-
	13,287	141	12,082	211
Amortized to revenue	(833)	(70)	(1,876)	(70)
Balance, end of year	<u>\$12,454</u>	<u>\$71</u>	<u>\$10,206</u>	<u>\$141</u>

## Note 12 Endowments

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

	2009				2008
	Capital Contributions	Endowments Capitalized Earnings	Expendable Earnings	Total	Total
Balance, beginning of year	\$1,439	\$ 156	\$ -	\$1,595	\$1,560
Donations received (Note 15)	630	-	-	630	-
Awards	-	-	(11)	(11)	(47)
Transfer from internally restricted net assets	-	-	-	-	47
Transfer from (to) unrestricted net assets <sup>(1)</sup>	-	51	(236)	(185)	35
Balance, end of year	\$2,069	\$ 207	\$ (247)	\$2,029	\$1,595

(1) Capitalized earnings \$51 (2008 - \$63) allocated from expendable earnings. The accumulated loss in expendable earnings is expected to be recovered by future investment income. Includes investment earnings (loss) of (\$189) (2008 - \$63).

## Note 13 Internally Restricted Net Assets

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

	Balance, beginning of year	Net expenditures	Net transfers	Balance, end of year
Operating				
New program development	\$7,254	\$(990)	\$(6,075)	\$189
Bridging to retirement	1,470	(494)	-	976
Future student awards	1,714	-	(162)	1,552
Future claims reserve	460	171	-	631
	10,898	(1,313)	(6,237)	3,348
Capital				
Investment in systems development <sup>(1)</sup>	8,118	(3,441)	1,525	6,202
Infrastructure	513	-	(513)	0
	8,631	(3,441)	1,012	6,202
Total internally restricted net assets	\$19,529	\$(4,754)	\$(5,225)	\$9,550

(1) Net expenditures include \$956 materials and purchased services of a non capital nature.

**Note 14 Investment Income**

	<u>2009</u>	<u>2008</u>
Investment income (loss) from		
Operating bank accounts	\$ 124	\$ 351
Investment fund	(1,937)	315
Marketable securities	-	240
Other	12	101
Total investment income (loss)	(1,801)	1,007
Transfer to deferred capital contributions (Note 10)	(851)	(283)
Transfer to endowments (Note 12)	189	(63)
Total investment income (loss) recognized	<u>\$ (2,463)</u>	<u>\$ 661</u>

**Note 15 Donations**

Donations were recognized as revenue during the year as follows:

	<u>2009</u>			<u>2008</u>
	Cash <sup>(1)</sup>	In-kind <sup>(2)</sup>	Total	Total
Donations received	\$1,108	\$ 683	\$1,791	\$1,340
Net transfers to deferred contributions <sup>(3)</sup> (Note 8)	(67)	-	\$(67)	667
Transfer to endowments (Note 12)	630	-	630	-
Total donations recognized	<u>\$ 545</u>	<u>\$ 683</u>	<u>\$1,228</u>	<u>\$ 673</u>

(1) Includes shares contributed with a fair value of \$297, converted to cash, for a research related project.

(2) In-kind donations of \$683 (2008 - \$309) consisted of professional services received during the year.

(3) Donations received subject to external restrictions: \$439 (2008 - \$1,007) less \$506 (2008 - \$340) recognized as revenue.

**Note 16 Budget**

The budget for the year ended March 31, 2009, as approved by Athabasca University Governing Council on March 30, 2008, is presented together with actual revenue and expenses for the year.

	<u>Actual</u>	<u>Budget</u>
Revenue		
Province of Alberta grants	\$ 38,537	\$ 37,485
Undergraduate student fees	39,070	42,149
Graduate student fees	15,138	16,824
Sales of goods and services	12,444	13,730
Research and other grants	1,231	1,004
Donations	1,228	3,500
Amortization of unamortized deferred capital contributions	833	1,007
Other	121	679
Amortization of deferred course development contributions	70	-
Investment income (loss)	(2,463)	2,275
	<u>106,209</u>	<u>118,653</u>
Expenses		
Salaries and benefits	77,536	81,369
Fees and purchased services	15,718	19,112
Materials and supplies	9,861	10,742
Communication and travel	7,600	7,052
Amortization of capital assets	2,907	3,842
Facilities rental	1,864	1,695
Scholarships	1,302	580
Insurance, utilities and taxes	880	715
Amortization of deferred course development costs	70	-
Loss (gain) on disposal of capital assets	(15)	-
	<u>117,723</u>	<u>125,107</u>
Deficiency of revenue over expenses	<u>\$ (11,514)</u>	<u>\$ (6,454)</u>

**Note 17 Contractual Obligations**

The University has contractual commitments of \$27,233 (2008-\$0) for a capital project, of this amount \$16,500 is anticipated to be expended in 2010 and the remainder in 2011. Funding for this project was provided from a Province of Alberta capital grant and is included in deferred capital contributions (Note 10).

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

2010	\$ 1,287
2011	\$ 1,442
2012	\$ 1,423
2013	\$ 679

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

## Note 18 Related Party Transactions

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

	<u>2009</u>	<u>2008</u>
Operating grant	\$33,826	\$30,512
Enrolment Planning Envelope	3,244	3,407
Infrastructure maintenance	919	142
Access to the Future Fund <sup>(1)</sup>	1,200	-
Other	1,576	447
	<u>40,765</u>	<u>34,508</u>
Capital grant	-	30,000
Total contributions received	<u>40,765</u>	<u>64,508</u>
Change in deferred contributions and other accruals from provincial sources	<u>(2,228)</u>	<u>(30,297)</u>
Province of Alberta grants revenue recognized	<u>\$38,537</u>	<u>\$34,211</u>

(1) In 2008 a receivable of \$1,200 is included in the change amount of \$ (30,297).

At March 31, 2009, the University had accounts receivable from the Province of Alberta of \$1,451 (2008 - \$2,171) and from the University of Lethbridge of \$459 (2008- \$559).

The University offered certain courses at other provincial post-secondary institutions. The revenue for these courses amounted to \$1,272 (2008 - \$1,393).

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

## Note 19 Employee Future Benefits

### Pension Plans

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

At December 31, 2008, the PSPP reported an actuarial deficiency of \$1,187,538 (2007 - \$92,070). An actuarial valuation of the PSPP was carried out as at December 31, 2005 and was then extrapolated to December 31, 2008. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of \$897 (2008 - \$851).

At December 31, 2008, the UAPP reported an actuarial funding deficiency of \$1,055,471 (2007 - \$535,843) consisting of a pre-1992 deficiency of \$752,437 (2007 - \$501,300) and a post-1991 deficiency of \$303,034 (2007 \$34,543). An actuarial valuation of the UAPP was carried out as at December 31, 2006 and was then extrapolated to December 31, 2008. A further extrapolation was

*Note 19 Employee Future Benefits (continues)*

completed to March 31, 2009 reporting a net funding deficiency of \$1,299,860 (\$857,110 for pre-1992 service and \$442,750 for post-1991 service). The University's portion, which has been allocated based on its plan members' percentage of pensionable earnings, is estimated to be \$28,420 at March 31, 2009 (2008 - \$ 12,020). The University has recorded an accrued benefit liability of \$4,330 (2008 - \$3,570) and deferred \$24,090 (2008 - \$8,450) of unamortized experience losses as prescribed by the accounting standards for employee future benefits.

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

	<b>2009</b>	<b>2008</b>
Accrued benefit obligation as of March 31		
Discount rate	6.70%	6.70%
Average compensation increase	6.00%	6.00%
Benefit costs for years ended March 31		
Discount rate	6.70%	6.70%
Average compensation increase	6.00%	6.00%

The unfunded liability for service prior to January 1, 1992 is financed by additional contributions of 1.25 per cent (2007 - 1.25 per cent) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 1.74 per cent (2007 - 2.28 per cent) of salaries required to eliminate the unfunded liability by December 31, 2043. The unfunded liability for service after December 31, 1991 is financed by special payments of 1.08 per cent (2007 - 2.64 per cent) of salaries shared equally between employees and employers until December 31, 2021.

Administrative Leave and Flexible Benefits Plan

The University's Administrative Leave Plan and Flexible Benefit Plan have no plan assets. The University has provided for these plans by accruing a benefit obligation of \$2,965 (2008 - \$2,858) in salaries and benefits payable (Note 7).

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

	<b>2009</b>	<b>2008</b>
Discount rate and rate of return		
Administrative Leave Plan	7.70%	5.50%
Flexible Benefit Plan	7.90%	5.75%
Rate of compensation increase		
First year	7.00%	7.00%
Subsequent years	5.00%	7.00%
Average remaining service period of active employees		
Administrative Leave Plan	8	9 years
Flexible Benefit Plan	15	14 years
Retirement age	62	62 years

During the year, the University paid benefits from these benefit plans totaling \$926 (2008 - \$432). Employee future benefit costs recognized in the year are \$1,356 (2008 - \$1,017).

### Extended Health and Dental Care Plans

The accrued benefit obligation and plan assets for the Extended Health and Dental Care defined benefit plans are \$95 (2008 - \$95) and \$725 (2008 - \$554) respectively. The net position of the plans of \$630 (2008 - \$460) is recorded in accounts receivable in the University's statement of financial position. The change in the net position of \$170 (2008 - \$48) is recorded as a reduction to expenses in the University's statement of operations. Employer premiums paid to Alberta Blue Cross of \$2,461 (2008 - \$2,032) are recorded as an expense in the University's statement of operations.

### **Note 20 Salary and Benefits Disclosure**

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

	2009			2008
	Base Salary <sup>(1)</sup>	Cash Benefits <sup>(2)</sup>	Non-cash Benefits <sup>(3)</sup>	Total
<b>Governing Council<sup>(4)</sup></b>				
Chair of Governing Council	\$ -	\$ -	\$ -	\$ -
Governing Council members	-	-	-	-
<b>Executive Officers</b>				
President	341	29	45	416
Vice-presidents				
Academic	222	14	26	238
Advancement	214	14	26	240
Finance and Administration	205	11	26	233
Chief Information Officer	187	11	26	199
Associate Vice-presidents				
Academic	170	-	26	159
Research	176	-	26	192
<b>Increase in Administrative Leave Plan accruals<sup>(5) (6)</sup></b>				
President				79
Vice-presidents				
Academic				41
Advancement				38
Finance and Administration				38
Chief Information Officer				50
Associate Vice-presidents				
Academic				21
Research				-

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

(2) Cash benefits include lump sum payments and any other non-pensionable direct cash remuneration.

(3) Non-cash benefits include the employer's share of all employee benefits and contribution payments made on behalf of employees for pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance, and long- and short-term disability plans. In addition, non-cash benefits include tuition paid on behalf of employees.

(4) The chair and the 17 members (2008 - 16) of Governing Council receive no remuneration for participation on the council.

(5) Administrative Leave Plan accrual amounts include the current service cost, the related net actuarial gains or losses and adjustments for past service accrued at current salary rates.

(6) The total Administrative Leave Plan payable for these members is \$869 (2008 - \$787) (Note 7).