



MOUNT ROYAL
UNIVERSITY
1910

**CONSOLIDATED
FINANCIAL STATEMENTS**

Year Ended
June 30, 2010

MOUNT ROYAL UNIVERSITY
CONSOLIDATED
FINANCIAL STATEMENTS
Year Ended June 30, 2010

Auditor's Report
Consolidated Statements of Financial Position
Consolidated Statements of Operations
Consolidated Statements of Changes in Net Assets
Consolidated Statements of Cash Flow
Notes to the Consolidated Financial Statements



Auditor's Report

To the Board of Governors of Mount Royal University

I have audited the consolidated statements of financial position of Mount Royal University as at June 30, 2010 and 2009 and the consolidated statements of operations, changes in net assets and cash flow for the years 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 audits.

I conducted my audits 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 consolidated financial statements present fairly, in all material respects, the financial position of the University as at June 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Merwan N. Saher]
CA
Auditor General

Edmonton, Alberta
October 25, 2010



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30
(thousands of dollars)

	<u>2010</u>	<u>2009</u>
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 29,476	\$ 25,601
Short-term investments (Note 4)	28,682	28,632
Accounts receivable	3,550	6,349
Inventories and prepaid expenses	<u>2,138</u>	<u>2,908</u>
	63,846	63,490
Long-term investments (Note 4)	80,128	73,933
Other long-term assets (Note 5)	9,962	10,156
Capital assets and collections (Note 6)	<u>201,621</u>	<u>173,397</u>
	<u>\$ 355,557</u>	<u>\$ 320,976</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 23,843	\$ 17,452
Current portion of employee future benefit liabilities (Note 7)	329	218
Current portion of long-term liabilities (Note 8)	1,762	1,454
Deferred contributions (Note 9)	14,255	17,882
Deferred revenue	<u>5,533</u>	<u>5,551</u>
	45,722	42,557
Employee future benefit liabilities (Note 7)	1,486	1,611
Long-term liabilities (Note 8)	60,688	40,758
Deferred contributions (Note 9)	1,792	1,142
Deferred capital contributions (Note 9)	19,305	27,680
Unamortized deferred capital contributions (Note 10)	<u>140,695</u>	<u>125,826</u>
	<u>269,688</u>	<u>239,574</u>
Net Assets		
Endowments (Note 11)	33,093	31,727
Investment in capital assets and collections (Note 12)	19,541	17,952
Internally restricted (Note 13)	29,713	29,706
Unrestricted		
Accumulated excess of revenue over expenses	62	77
Accumulated net unrealized gain on investments (Note 3)	<u>3,460</u>	<u>1,940</u>
	85,869	81,402
	<u>\$ 355,557</u>	<u>\$ 320,976</u>

Contractual obligations (Note 14)

The accompanying notes are part of these consolidated statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30
(thousands of dollars)

	<u>2010</u>	<u>2009</u>
REVENUE		
Government of Alberta grants	\$ 96,721	\$ 85,817
Federal and other government grants	928	835
Student tuition and fees	64,791	57,869
Sales of services and products	28,916	28,120
Donations and other contributions	1,032	5,248
Investment income (loss) (Note 16)	3,378	(5,483)
Amortization of deferred capital contributions (Note 10)	9,810	6,207
	<u>205,576</u>	<u>178,613</u>
EXPENSE		
Salaries and benefits	137,002	121,834
Materials, supplies and services	33,943	30,324
Maintenance and repairs	5,057	2,273
Utilities	5,313	5,152
Cost of goods sold	6,796	6,421
Scholarships, bursaries and awards	2,677	3,435
Amortization of capital assets	13,207	10,144
	<u>203,995</u>	<u>179,583</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	<u><u>\$ 1,581</u></u>	<u><u>\$ (970)</u></u>

The accompanying notes are part of these consolidated statements.



**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30
(thousands of dollars)**

	Unrestricted Net Assets		Internally Restricted Net Assets (Note 13)	Investment in Capital Assets and Collections (Note 12)	Endowments (Note 11)	Total
	Accumulated Excess (Deficiency) of Revenue Over Expenses	Accumulated Net Unrealized Gain on Investments				
NET ASSETS, June 30, 2008	\$ 674	\$ 1,721	\$ 31,600	\$ 16,431	\$ 29,781	\$ 80,207
Deficiency of revenue over expense	(970)	-	-	-	-	(970)
Investment income (Note 3)	-	219	-	-	-	219
Endowment contributions (Note 11)	-	-	-	-	1,946	1,946
Net change in investment in capital assets (Note 12)	(1,521)	-	-	1,521	-	-
Net expenditures and transfers of internally restricted net assets	1,894	-	(1,894)	-	-	-
NET ASSETS, June 30, 2009	\$ 77	\$ 1,940	29,706	\$ 17,952	\$ 31,727	\$ 81,402
Excess of revenue over expense	1,581	-	-	-	-	1,581
Investment income (Note 3)	-	1,520	-	-	-	1,520
Endowment contributions (Note 11)	-	-	-	-	1,366	1,366
Net changes in investment in capital assets (Note 12)	(1,589)	-	-	1,589	-	-
Net expenditures and transfers of internally restricted net assets	(7)	-	7	-	-	-
NET ASSETS, June 30, 2010	\$ 62	\$ 3,460	\$ 29,713	\$ 19,541	\$ 33,093	\$ 85,869

The accompanying notes are part of these consolidated statements.



**CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30
(thousands of dollars)**

	<u>2010</u>	<u>2009</u>
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expense	\$ 1,581	\$ (970)
Add (deduct) non-cash items:		
Amortization of capital assets	13,207	10,144
Amortization of deferred capital contributions	(9,810)	(6,207)
Change in employee future benefit liabilities	(14)	321
Unrealized permanent decline in the value of equity investments	-	3,401
In-kind contributions	(74)	(24)
Total non-cash items	<u>4,890</u>	<u>6,665</u>
Net change in non-cash working capital (*)	<u>5,243</u>	<u>(12,795)</u>
	<u>10,133</u>	<u>(6,130)</u>
 CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Purchases of capital assets and collections	(41,356)	(11,948)
Purchases of long-term investments, net of sales	(3,005)	3,051
Proceeds from (decrease in) other long-term assets	<u>194</u>	<u>(3,959)</u>
	<u>(44,167)</u>	<u>(12,856)</u>
 CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Endowment contributions	1,366	1,946
Contributions restricted for capital	16,304	23,019
Long-term liabilities - new financing, net of repayments (repayments)	<u>20,239</u>	<u>(1,961)</u>
	<u>37,909</u>	<u>23,004</u>
 INCREASE IN CASH AND CASH EQUIVALENTS	3,875	4,018
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>25,601</u>	<u>21,583</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR (Note 4)	<u>\$ 29,476</u>	<u>\$ 25,601</u>
 (*) Net change in non-cash working capital:		
Increase in short-term investments	\$ (50)	\$ (3,494)
Decrease (increase) in accounts receivable	2,799	(1,776)
Decrease (increase) in inventories and prepaid expenses	770	(567)
Increase in accounts payable and accrued liabilities	6,391	2,842
Decrease in deferred contributions	(4,647)	(9,798)
Decrease in deferred revenue	(20)	(2)
	<u>\$ 5,243</u>	<u>\$ (12,795)</u>

The accompanying notes are part of these consolidated statements.

1. Authority and Purpose

“The Board of Governors of Mount Royal University” is a corporation which manages and operates Mount Royal University (“the University”) under the *Post-Secondary Learning Act* (Alberta). All members of the board of governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education and Technology, with the exception of the President, who is an *ex officio* member. Under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, the University is a Baccalaureate and Applied Studies Institution offering baccalaureate degrees, certificates, diplomas and applied degrees as well as a full range of continuing education programs and activities. The University is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

2. Summary of Significant Accounting Policies and Reporting Practices

(a) General - GAAP and Use of Estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, 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. University management uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets and deferred capital contributions are the most significant items based on estimates. In management’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) Consolidated Financial Statements

The financial statements are prepared on a consolidated basis and include the accounts for the following controlled entities:

- The Mount Royal University Foundation incorporated under the Companies Act of Alberta
- The Mount Royal College Day Care Society incorporated under the Societies Act of Alberta

(c) Financial Instruments

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

Financial Statement Components	Classification	Measurement
Cash and Cash Equivalents	Available for Sale	Fair Value
Investments	Available for Sale	Fair Value
Accounts Receivable	Loans and Receivables	Cost
Other Long-term Assets	Loans and Receivables	Amortized Cost
Accounts Payable and Accrued Liabilities	Other Liabilities	Cost
Long-term Liabilities	Other Liabilities	Amortized Cost

The University’s financial instruments are recognized on their trade date and transaction costs related to all financial instruments are expensed as incurred. Financial assets classified as available-for-sale are measured at fair value with changes in fair values recognized in the Statement of Changes in Net Assets or deferred contributions as appropriate until realized, at which time the cumulative changes in fair value are recognized in the Statement of Operations.

The carrying value of cash, receivables, payables, and accruals approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of investments is market value.

When the market value of an investment falls below its cost and the decline is determined to be other-than-temporary, the cumulative loss that had been recognized directly in net assets is removed and recognized directly in the Statement of Operations even though the financial asset has not been derecognized. Impairment losses recognized in the Statement of Operations for a financial instrument classified as available-for-sale are not reversed in subsequent years.

The University has elected to not apply the standards on derivatives embedded in non-financial contracts, and the University has elected to continue to follow CICA 3861: *Disclosure Presentation*.

Financial instruments are exposed to credit risk, interest rate risk, foreign exchange risk, market risk, commodity price risk, and liquidity risk. Each of these risks is managed through the University’s collection procedures, investment guidelines, banking arrangements and other internal policies, guidelines and procedures.

(d) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at cost or net replacement cost.

(e) Capital Assets and Collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair value when a fair value can be reasonably determined. Permanent collections and works of art held for education, research and public exhibition purposes.

Construction in progress includes direct construction costs, architectural costs, and engineering costs and interest on related debt.

Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Buildings, utilities and site improvements	20 - 40 years
Furnishings, equipment and systems	3 - 10 years
Learning resources	10 years
Leasehold improvements	2.5 - 5 years

(f) Revenue Recognition

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

- Unrestricted contributions - when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Operating grants - when received or receivable, or where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period.
- Unrestricted investment income - when earned; this includes interest, dividends, and realized gains and losses.
- Pledges - when collected.
- Revenues received for services and products - when the services or products are substantially provided and collection is reasonably assured.
- Tuition fees - when the instruction is delivered.
- Donations of materials – are recorded at fair value when a fair value can be reasonably determined and when materials would otherwise have been purchased.
- Restricted contributions - based on the deferral method.

Deferral method

Contributions, including investment income on the contributions, which are restricted for purposes other than endowment or capital asset acquisitions, are deferred and recognized as revenue when the conditions of the contribution are met.

Contributions to acquire capital assets with limited lives are first recorded as deferred capital contributions when received, and when expended they are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-Secondary Learning Act* allocated to endowment principal, are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are deferred and recognized as revenue when the conditions of the endowment are met.

Contributions restricted for the acquisition of land and permanent collections are first recorded as deferred contributions when received, and when expended, they are recognized as direct increases in investment in capital assets and collections.

(g) 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 at average weekly exchange rates. Gains or losses from these translations are included in investment income.

(h) Employee Future Benefits

Pension

The University participates with other employers in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit pension plan that provides pensions for the University's participating employees based on years of service and earnings.

The University does not have sufficient plan information on the LAPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the LAPP 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.

Supplementary retirement plans

The pension expense for defined benefit supplementary retirement plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The pension expense for the defined contribution supplementary retirement plan is the employer's current year contribution to the plan as calculated in accordance with the plan rules.

Early retirement

The cost of providing accumulating post employment benefits under the University's early retirement and supplemental pension plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially determined using the projected benefit method prorated on services, a market interest rate and administration's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. The excess of net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service period of active employees expected to receive benefits under the plans.

(i) Capital Disclosures

The University defines its capital as the amounts included in deferred contributions (Note 9), endowments (Note 11) and unrestricted net assets. The University's capital is created by funding from Alberta Advanced Education and Technology, other government funding agencies, donations and the University's entrepreneurial activities. The University has investment policies (Note 4), spending policies, and cash management procedures to ensure the University can meet its capital obligations.

Under the *Post-Secondary Learning Act*, the University must receive ministerial or Lieutenant Governor in Council approval for a deficit budget, mortgage and debenture borrowing and the sale of any land, other than donated land, that is held by and being used for the purposes of the University.

(j) Contributed Services

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

3. Net Unrealized Gains on Available-For-Sale Investments

	2010			2009		
	Unrealized gain recorded in Deferred Contributions	Unrealized gain recorded in Unrestricted Net assets	Total	Unrealized (loss) gain recorded in Deferred Contributions	Unrealized (loss) gain recorded in Unrestricted Net assets	Total
Net unrealized gain (loss) on available-for-sale investments	\$ 1,670	\$ 1,520	\$ 3,190	\$ (1,285)	\$ (1,923)	\$ (3,208)
Permanent decline in the value of equity investments	-	-	-	1,259	2,142	3,401
Increase (decrease) in unrealized gain	1,670	1,520	3,190	(26)	219	193
Balance, beginning of year	1,161	1,940	3,101	1,187	1,721	2,908
Balance, end of year	\$ 2,831	\$ 3,460	\$ 6,291	\$ 1,161	\$ 1,940	\$ 3,101

4. Investments

As at June 30, 2010, the composition and fair value of investments are as follows:

	2010				2009			
	Market Yield	Cost Base	Unrealized Gain	Market Value	Market Yield	Cost Base	Unrealized Gain	Market Value
Cash		\$ 29,476	\$ -	\$ 29,476		\$ 25,601	\$ -	\$ 25,601
Term deposits		28,682	-	28,682		28,632	-	28,632
Total cash and cash equivalents	0.40%	58,158	-	58,158	1.40%	54,233	-	54,233
Canadian bonds	9.81%	36,031	1,323	37,354	-11.00%	32,812	504	33,316
Canadian equity	-4.98%	19,103	2,668	21,771	-0.13%	20,103	1,318	21,421
Foreign equity	4.38%	18,703	2,300	21,003	-6.12%	17,918	1,278	19,196
		<u>\$ 131,995</u>	<u>\$ 6,291</u>	<u>\$ 138,286</u>		<u>\$ 125,066</u>	<u>\$ 3,100</u>	<u>\$ 128,166</u>
Cash and cash equivalents		\$ 29,476	\$ -	\$ 29,476		\$ 25,601	\$ -	\$ 25,601
Short-term investments		28,682	-	28,682		28,632	-	28,632
Long-term investments		73,837	6,291	80,128		70,833	3,100	73,933
		<u>\$ 131,995</u>	<u>\$ 6,291</u>	<u>\$ 138,286</u>		<u>\$ 125,066</u>	<u>\$ 3,100</u>	<u>\$ 128,166</u>

The University Board of Governors has approved an investment policy. The Board's Audit and Finance Committee has been delegated by the Board of Governors the authority for the oversight of the University's investments. The primary investment objective is to maintain the level of distribution from invested funds while preserving capital in real (inflation adjusted) terms over the long term. The Board provides guidelines on asset mix, diversification, quality and nature of securities, and terms of fixed income. The Audit and Finance Committee periodically reviews the performance of the investment managers to ensure they are in compliance with the investment objectives and policies of the University.

5. Other Long-term Assets

	2010	2009
Receivable from The Students Association of Mount Royal University (SAMRU)	\$ 10,803	\$ 10,997
Current portion in accounts receivable	(841)	(841)
Balance, end of year	<u>\$ 9,962</u>	<u>\$ 10,156</u>

The University and the SAMRU entered into an agreement to finance the expansion of the SAMRU's Wyckham Student Centre facilities on campus. The University borrowed the sum of \$13 million (Note 8) to fund the costs of construction for the expansion and the SAMRU is repaying the amount on the same terms and conditions as the borrowing outlined in Note 8.

6. Capital Assets and Collections

	2010			2009		
	Cost	Accumulated amortization	Net Book Value	Cost	Accumulated amortization	Net Book Value
Buildings, utilities and site improvements	\$ 262,935	\$ 84,145	\$ 178,790	\$ 226,457	\$ 78,003	\$ 148,454
Furnishings, equipment and systems	50,181	38,278	11,903	49,061	37,187	11,874
Learning resources	5,662	3,002	2,660	5,086	2,707	2,379
Leasehold improvements	4,006	2,602	1,404	3,827	-	3,827
Land	6,833	3	6,830	6,833	3	6,830
Other permanent collections	34	-	34	33	-	33
Capital assets and collections	<u>\$ 329,651</u>	<u>\$ 128,030</u>	<u>\$ 201,621</u>	<u>\$ 291,297</u>	<u>\$ 117,900</u>	<u>\$ 173,397</u>

Included in buildings, utilities and site improvements is \$41,131 (2009 - \$4,677) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions during the year includes in-kind contributions of learning resources, equipment, works of art, and musical instruments in the amount of \$74 (2009 - \$24).

7. Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2010	2009
Employee leave	\$ 1,175	\$ 1,248
Supplementary retirement plans - defined contribution (Note 18)	357	290
Supplementary retirement plans - defined benefit	283	291
Balance, end of year	1,815	1,829
Less: current portion	329	218
	<u>\$ 1,486</u>	<u>\$ 1,611</u>

A. Defined Benefit

Multi-Employer Pension Plans

The Local Authority Pension Plan (LAPP) is a multi-employer contributory defined benefit pension plan for support staff members and is accounted for on a defined contribution basis. At December 31, 2009, the LAPP reported an actuarial deficiency of \$3,998,614 (2008 - \$4,413,971 deficiency). The pension expense recorded in these financial statements is \$8,082 (2009 - 6,571).

B. Defined Contribution

Supplementary retirement (defined contribution)

The University provides non-contributory supplementary retirement benefits under a defined contribution plan to current executive members. The pension expense recorded in these financial statements is \$67 (2009 - \$64).

C. Supplementary retirement (defined benefit)

The University provides non-contributory defined supplementary retirement benefits to a past executive member. An actuarial valuation of these benefits was carried out at June 30, 2010.

	<u>2010</u>	<u>2009</u>
Expenses		
Current service cost	\$ -	\$ -
Interest cost	20	21
Amortization net of actuarial losses (gains)	-	-
Amortization of past service cost	-	-
Curtailment	-	-
Settlement loss	-	-
Total expense	\$ 20	\$ 21
Financial Position		
Accrued benefit obligation:		
Balance, beginning of year	\$ 380	\$ 394
Current service cost	-	-
Interest cost	20	21
Benefits paid	(34)	(34)
Actuarial loss	22	-
Balance, end of year	<u>388</u>	<u>381</u>
Plan assets	-	-
Funded status - plan deficit	<u>388</u>	<u>381</u>
Unamortized net actuarial (loss)	<u>(105)</u>	<u>(90)</u>
Accrued benefit liability	\$ 283	\$ 291

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

Discount rate	5.0%	5.5%
Expected average remaining service life of employee	13	13

8. Long-term Liabilities

	Collateral	Maturity Date	Interest Rate %	Amount outstanding	
				<u>2010</u>	<u>2009</u>
Debentures payable to Alberta Capital Finance Authority:					
Student Residence	Cash flows, facility	August 15, 2027	6.1250%	\$ 28,105	\$ 28,953
MRU Student Association's Wyckham Student Centre	Cash flows, facility	June 15, 2037	5.0030%	12,390	12,603
Mount Royal University Parkade	Cash flows, facility	September 24, 2035	4.8675%	21,000	-
Obligations under capital leases				955	656
Balance, end of year				<u>62,450</u>	<u>42,212</u>
Less: current portion				1,762	1,454
				\$ 60,688	\$ 40,758

The principal portion of long-term debt repayments required over the next five years is as follows:
2011 - \$1,762; 2012 - \$1,933; 2013 - \$1,895; 2014 - \$1,925; 2015 - \$1,939.

Interest expense on long-term obligations is \$2,161 (2009 - \$1,854).

All long-term obligations have fixed interest rates. The weighted average interest rate is 5.470% (2009 - 5.785%).

9. Deferred Contributions

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

	2010			2009		
	Capital	Other	Total	Capital	Other	Total
Balance, beginning of year	\$ 27,680	\$ 17,863	\$ 45,543	\$ 12,336	\$ 26,311	\$ 38,647
Unrealized gain on investments, beginning of year	-	1,161	1,161	-	1,187	1,187
Change on unrealized gain on investments related to deferred contributions	-	1,670	1,670	-	(27)	(27)
Grants and donations received	16,741	10,188	26,929	18,233	9,667	27,901
Investment income	-	18	18	-	177	177
Recognized as revenue	(1,351)	(13,939)	(15,290)	(7)	(13,498)	(13,505)
Transferred to unamortized deferred capital contributions (Note 10)	(23,765)	(914)	(24,679)	(2,882)	(4,793)	(7,676)
Balance, end of the year	19,305	16,047	35,352	27,680	19,024	46,704
Less: current portion	-	14,255	14,255	-	17,882	17,882
	<u>\$ 19,305</u>	<u>\$ 1,792</u>	<u>\$ 21,097</u>	<u>\$ 27,680</u>	<u>\$ 1,142</u>	<u>\$ 28,822</u>

10. Unamortized Deferred Capital Contributions

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

	2010	2009
Balance, beginning of year	\$ 125,826	\$ 124,357
Additions from deferred contributions (Note 9)	24,679	7,676
Long-term liabilities - repayment	-	-
Amortization to revenue	(9,810)	(6,207)
Balance, end of the year	<u>\$ 140,695</u>	<u>\$ 125,826</u>

11. Endowments

Endowments consist of externally restricted donations received by the University and internal allocations by the University's Board of Governors, 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 or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

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.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. However, for individual endowment funds without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

The composition of endowments is as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 31,727	\$ 29,781
Gifts of endowment principal	1,366	1,946
Balance, end of year	<u>\$ 33,093</u>	<u>\$ 31,727</u>
Cumulative contributions	\$ 31,789	\$ 30,423
Cumulative capitalized income	1,304	1,304
	<u>\$ 33,093</u>	<u>\$ 31,727</u>

During the year, the University did not capitalize any investment income.

12. Investment in capital assets and collections

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

	<u>2010</u>	<u>2009</u>
Capital assets and collections at net book value (Note 6)	\$ 201,621	\$ 173,397
Less amount financed by:		
Unamortized deferred capital contributions (Note 10)	(140,695)	(125,826)
Long-term liabilities related to capital expenditures	<u>(41,385)</u>	<u>(29,619)</u>
Investment in capital assets and collections, end of year	<u>\$ 19,541</u>	<u>\$ 17,952</u>

The changes during the year are as follows:

	<u>2010</u>	<u>2009</u>
Investment in capital assets and collections, beginning of year	\$ 17,952	\$ 16,431
Acquisition of capital assets and collections	15,958	4,273
Long-term liabilities - repayments	1,347	1,187
Long-term liabilities - new financing	(12,309)	-
Net book value of asset disposals	(78)	(40)
Amortization of investment in capital assets	<u>(3,329)</u>	<u>(3,899)</u>
Net change in investment in capital assets	<u>1,589</u>	<u>1,521</u>
Investment in capital assets and collections, end of year	<u>\$ 19,541</u>	<u>\$ 17,952</u>

13. Internally restricted net assets

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. These amounts are not available for other purposes without the approval of the Board and do not have interest allocated to them. Internally restricted net assets are summarized as follows:

	2010			
	Balance at beginning of year	Appropriations from (returned to) unrestricted net assets	Disbursements during the year	Balance at end of year
Appropriation for capital activities:				
Capital renewal	\$ 8,823	\$ 1,626	\$ 1,667	\$ 8,782
Residence	957	750	702	1,005
New facilities	6,700	-	-	6,700
Parking	5,331	1,700	40	6,991
	<u>21,811</u>	<u>4,076</u>	<u>2,409</u>	<u>23,478</u>
Appropriation for operating activities:				
Academic program development	1,260	155	502	913
University effectiveness and community needs	268	637	292	613
Professional development	276	(27)	-	249
Scholarships and bursaries	904	(164)	135	605
Research and special projects	5,187	82	1,414	3,855
	<u>7,895</u>	<u>683</u>	<u>2,343</u>	<u>6,235</u>
Total	<u>\$ 29,706</u>	<u>\$ 4,759</u>	<u>\$ 4,752</u>	<u>\$ 29,713</u>

14. 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.

	<u>2010</u>	<u>2009</u>
Capital projects	\$ 35,850	\$ 41,750
Information systems and technology	4,244	6,205
Long-term Leases	<u>3,734</u>	<u>4,675</u>
	<u>\$ 43,828</u>	<u>\$ 52,630</u>

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

	Capital Projects	Information Systems & Technology	Long-term Leases	Total
2011	\$35,850	\$ 1,923	\$ 1,209	\$ 38,982
2012	-	1,433	1,082	2,515
2013	-	738	1,082	1,820
2014	-	150	361	511
Thereafter	-	-	-	-
	<u>\$35,850</u>	<u>\$ 4,244</u>	<u>\$ 3,734</u>	<u>\$ 43,828</u>

Additionally, in 2008, the University entered into a five year contract (expiring on December 31, 2013) to manage its exposure to volatility in the electrical industry. Based on management's estimate, the annual costs for the year ending June 30, 2011 are expected to be approximately \$3.42 million.

15. Budget

The University's 2009 - 2010 budget was approved by the Board of Governors and was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2009-2010 Business Plan. The Board approved a revised budget for 2009 – 2010 on October 26, 2009. That approved budget and the full budget for the consolidated entity are as follows:

	<u>2010</u>
Government of Alberta grants	\$ 94,334
Federal and other government grants	785
Student tuition and fees	61,087
Sales of services and products	25,869
Donations and other contributions	1,949
Investment income	4,586
Amortization of deferred capital contributions	6,400
	<u>195,010</u>
Salaries and benefits	\$ 137,915
Supplies and services	25,639
Maintenance and repairs	3,732
Utilities	5,913
Cost of goods sold	7,117
Scholarships, bursaries and awards	2,926
Amortization of capital assets	10,150
	<u>193,392</u>
Excess of revenue over expense	<u>\$ 1,618</u>

16. Investment Income

	<u>2010</u>	<u>2009</u>
Income (loss) on investments held for endowments	\$ 928	\$ (522)
Income (loss) on other investments	2,450	(4,961)
Investment income (loss)	<u>\$ 3,378</u>	<u>\$ (5,483)</u>

17. Related Party 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.

	<u>2010</u>	<u>2009</u>
Contributions from GOA		
Advanced Education and Technology		
Operating grants	\$ 72,564	\$ 68,044
Capital grants	13,509	15,600
Access to the Future Fund (matching grants)	3,000	3,000
Other	<u>14,733</u>	<u>16,752</u>
Total Advanced Education and Technology	<u>103,806</u>	<u>103,396</u>
Other GOA departments and agencies grants:		
Alberta Health and Wellness	3,142	2,822
Alberta Health Services	-	24
Other	<u>1,744</u>	<u>890</u>
Total other GOA departments and agencies	<u>4,886</u>	<u>3,736</u>
Total contributions received	108,396	106,755
Less: deferred contributions	<u>18,924</u>	<u>29,734</u>
	<u>\$ 89,472</u>	<u>\$ 77,021</u>
Accounts receivable:		
Advanced Education and Technology	\$ 207	\$ 955
Other GOA departments and agencies	<u>34</u>	<u>991</u>
	<u>\$ 241</u>	<u>\$ 1,946</u>
Accounts payable:		
Advanced Education and Technology	\$ -	\$ 1,379
Other GOA departments and agencies	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 1,379</u>

The University has long-term liabilities with Alberta Capital Finance Authority as described in Note 7.

The GOA has provided \$500,000 (2009 - \$500,000) in matching grants for externally restricted endowment contributions during the year, which is included in endowment net assets.

18. Salary and Employee Benefits

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

	2010				2009			
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-cash Benefits ^{(3) (4)}	Total	Base Salary	Other Cash Benefits	Other Non-cash Benefits	Total
Governance:								
Chair of The Board of Governors	\$ 6	\$ -	\$ -	\$ 6	\$ 6	\$ -	\$ -	\$ 6
Members of The Board of Governors	23	-	0	23	15	-	0	15
Executive:								
President ⁽⁵⁾	269	61	95	425	257	55	88	400
Vice-President								
Academic	211	9	109	329	202	9	103	314
Administrative Services	224	11	99	334	202	-	79	281
External Relations	180	-	49	229	172	-	51	223
Student Affairs and Campus Life	164	-	46	210	141	-	44	185

- 1) Base Salary includes pensionable base salary.
- 2) Other Cash Benefits include the following. Consistent with other post secondary institutions and in recognition that the University uses the Executives' homes for various University functions, the University pays for certain costs for the general operation of the home determined in accordance with a contractual arrangement entered into with the executive member and the University. In lieu of a supplementary retirement plan, the President receives a lump sum transfer to a registered retirement plan on an annual basis which equated to \$40 in 2010 (2009: \$35).
- 3) Other non-cash benefits includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, extended health care, dental care, long-term disability, and group life insurance. The other non-cash benefits also include the employer's share of the cost of additional benefits including administrative leaves or other special leaves with pay, supplementary retirement plans, car allowances, and club memberships.
- 4) Under the terms of the supplementary retirement plan (SRP), executive officers may receive supplemental retirement payments. Retirement arrangement costs, as detailed below, are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the defined annual contributions to the plan on behalf of the plan member including accrued interest on the accrued liability in the plan.
- 5) The President has a place on the Board for which he receives no remuneration. The University provides a vehicle to the President, the value of which is not included in benefits.

The current service cost and accrued obligation for each executive under the SRP is outlined in the following table.

	2010				2009			
	Accrued Obligation June 30, 2009	Payments	Current Service Cost	Accrued Obligation June 30, 2010	Accrued Obligation June 30, 2008	Payments	Current Service Cost	Accrued Obligation June 30, 2009
Vice-President:								
Academic	\$ 48	\$ -	\$ 18	\$ 66	\$ 30	\$ -	\$ 18	\$ 48
Administrative Services	93	-	20	113	75	-	18	93
External Relations	103	-	15	118	87	-	16	103
Student Affairs and Campus Life	46	-	14	60	34	-	12	46
	\$ 290	\$ -	\$ 67	\$ 357	\$ 226	\$ -	\$ 64	\$ 290

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

June 30, 2010

The current service cost and accrued obligation for each executive under the Administrative leave plans is outlined in the following table.

	2010				2009			
	Accrued Obligation		Current	Accrued Obligation	Accrued Obligation		Current	Accrued Obligation
	June 30, 2009	Payments	Service Cost	June 30, 2010	June 30, 2008	Payments	Service Cost	June 30, 2009
President	\$ 75	\$ -	\$ 82	\$ 157	\$ -	\$ -	\$ 75	\$ 75
Vice-President:								
Academic	185	-	58	243	132	-	53	185
Administrative Services	142	-	58	200	113	-	29	142

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 7.

19. Comparative Figures

Certain 2009 figures have been reclassified to conform to the presentation adopted in the 2010 financial statements.

20. Approval of Financial Statements

The Board of Governors have approved these financial statements.