



MOUNT ROYAL
UNIVERSITY
1910

**CONSOLIDATED
FINANCIAL STATEMENTS**

Year Ended
June 30, 2011

**MOUNT ROYAL UNIVERSITY
CONSOLIDATED
FINANCIAL STATEMENTS
Year Ended June 30, 2011**

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

Independent Auditor's Report



To the Board of Governors of Mount Royal University

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Mount Royal University, which comprise the consolidated statement of financial position as at June 30, 2011 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mount Royal University as at June 30, 2011, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Merwan N. Saher, CA]

Auditor General

October 24, 2011

Edmonton, Alberta



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2011
(thousands of dollars)

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents (Note 4) | \$ 45,062 | \$ 58,158 |
| Accounts receivable | 7,525 | 3,550 |
| Inventories and prepaid expenses | 1,997 | 2,138 |
| | <u>54,584</u> | <u>63,846</u> |
| Long-term investments (Note 5) | 92,937 | 80,128 |
| Other long-term assets (Note 6) | 10,384 | 9,962 |
| Capital assets and collections (Note 7) | 229,881 | 201,621 |
| | <u>\$ 387,786</u> | <u>\$ 355,557</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 21,175 | \$ 23,843 |
| Current portion of employee future benefit liabilities (Note 8) | 755 | 329 |
| Current portion of long-term liabilities (Note 9) | 2,152 | 1,762 |
| Deferred contributions (Note 10) | 19,792 | 14,255 |
| Deferred revenue | 5,351 | 5,533 |
| | <u>49,225</u> | <u>45,722</u> |
| Employee future benefit liabilities (Note 8) | 1,109 | 1,486 |
| Long-term liabilities (Note 9) | 59,338 | 60,688 |
| Deferred contributions (Note 10) | 10,684 | 1,792 |
| Deferred capital contributions (Note 10) | 14,590 | 19,305 |
| Unamortized deferred capital contributions (Note 11) | 157,693 | 140,695 |
| | <u>292,639</u> | <u>269,688</u> |
| Net Assets | | |
| Endowments (Note 12) | 39,456 | 33,093 |
| Investment in capital assets and collections (Note 13) | 22,848 | 19,541 |
| Internally restricted (Note 14) | 26,372 | 29,713 |
| Unrestricted | | |
| Accumulated excess of revenue over expenses | 88 | 62 |
| Accumulated net unrealized gain on investments (Note 3) | 6,383 | 3,460 |
| | <u>95,147</u> | <u>85,869</u> |
| | <u>\$ 387,786</u> | <u>\$ 355,557</u> |

Contractual obligations (Note 15)

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)

| | <u>2011</u> | <u>2010</u> |
|--|----------------|-----------------|
| REVENUE | | |
| Government of Alberta grants | \$ 100,165 | \$ 96,721 |
| Federal and other government grants | 326 | 928 |
| Student tuition and fees | 67,307 | 64,791 |
| Sales of services and products | 29,035 | 28,916 |
| Donations and other grants | 241 | 1,032 |
| Investment income (Note 17) | 4,451 | 3,378 |
| Amortization of deferred capital contributions (Note 11) | 8,292 | 9,810 |
| | <u>209,817</u> | <u>205,576</u> |
| EXPENSE | | |
| Salaries and benefits | 141,035 | 137,002 |
| Materials, supplies and services | 37,915 | 33,943 |
| Maintenance and repairs | 3,299 | 5,057 |
| Utilities | 5,582 | 5,313 |
| Cost of goods sold | 6,304 | 6,796 |
| Scholarships, bursaries and awards | 2,479 | 2,677 |
| Amortization of capital assets | 13,110 | 13,207 |
| | <u>209,724</u> | <u>203,995</u> |
| EXCESS OF REVENUE OVER EXPENSE | <u>\$ 93</u> | <u>\$ 1,581</u> |

The accompanying notes are part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

**MOUNT ROYAL
UNIVERSITY**
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| | Unrestricted Net Assets | | | | Total |
|--|--|--|--|--|-----------|
| | Accumulated Excess (Deficiency) of Revenue Over Expenses | Accumulated Net Unrealized Gain on Investments | Internally Restricted Net Assets (Note 14) | Investment in Capital Assets and Collections (Note 13) | |
| NET ASSETS, June 30, 2009 | \$ 77 | \$ 1,940 | 29,706 | \$ 17,952 | \$ 31,727 |
| Excess of revenue over expense | 1,581 | - | - | - | - |
| Investment income (Note 3) | - | 1,520 | - | - | - |
| Endowment contributions (Note 12) | - | - | - | - | 1,366 |
| Net changes in investment in capital assets (Note 13) | (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 |
| Excess of revenue over expense | 93 | - | - | - | - |
| Investment income (Note 3) | - | 2,923 | - | - | - |
| Endowment contributions (Note 12) | - | - | - | - | 6,262 |
| Net transfers | (101) | - | - | - | 101 |
| Net changes in investment in capital assets (Note 13) | (3,307) | - | - | 3,307 | - |
| Net expenditures and transfers of internally restricted net assets | 3,341 | - | (3,341) | - | - |
| NET ASSETS, June 30, 2011 | \$ 88 | \$ 6,383 | \$ 26,372 | \$ 22,848 | \$ 39,456 |
| | | | | | \$ 81,402 |
| | | | | | \$ 85,869 |
| | | | | | \$ 95,147 |

The accompanying notes are part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

| | <u>2011</u> | <u>2010</u> |
|---|------------------|------------------|
| CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES | | |
| Excess of revenue over expense | \$ 93 | \$ 1,581 |
| Add (deduct) non-cash items: | | |
| Amortization of capital assets net of loss on disposal | 13,110 | 13,207 |
| Amortization of deferred capital contributions | (8,292) | (9,810) |
| Change in employee future benefit liabilities | 49 | (14) |
| In-kind contributions | (50) | (74) |
| Total non-cash items | <u>4,910</u> | <u>4,890</u> |
| Net change in non-cash working capital (*) | <u>5,352</u> | <u>5,293</u> |
| | <u>10,262</u> | <u>10,183</u> |
| CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES | | |
| Purchases of capital assets and collections | (41,319) | (41,356) |
| Purchases of long-term investments, net of sales | (7,493) | (3,005) |
| (Increase) decrease in other long-term assets | (422) | 194 |
| | <u>(49,234)</u> | <u>(44,167)</u> |
| CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES | | |
| Endowment contributions | 6,262 | 1,366 |
| Capital contributions | 20,574 | 16,304 |
| Long-term liabilities - new financing, net of repayments (repayments) | (960) | 20,239 |
| | <u>25,876</u> | <u>37,909</u> |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (13,096) | 3,925 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>58,158</u> | <u>54,233</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR (Note 4) | <u>\$ 45,062</u> | <u>\$ 58,158</u> |
| (*) Net change in non-cash working capital: | | |
| (Increase) decrease in accounts receivable | (3,975) | 2,799 |
| Decrease in inventories and prepaid expenses | 141 | 770 |
| (Decrease) Increase in accounts payable and accrued liabilities | (2,668) | 6,391 |
| Increase (decrease) in deferred contributions and other | 12,036 | (4,647) |
| Decrease in deferred revenue | (182) | (20) |
| | <u>\$ 5,352</u> | <u>\$ 5,293</u> |

The accompanying notes are part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

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. 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 does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. As permitted for not-for-profit organizations, the University has elected to not apply the standards on derivatives embedded in non-financial contracts, and the University has elected to continue to follow CICA 3861: *Disclosure 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

(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. Cost is determined by first in first out.

(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 are not amortized and include works of art held for education, research and public exhibition purposes.

Construction in progress includes direct construction costs, architectural costs, 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

(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 10), endowment net assets (note 12) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded by Alberta Advanced Education and Technology, other government funded agencies, donations and the University's entrepreneurial activities. The University has investment policies (note 5), spending policies, and cash management procedures to ensure the University can meet its capital obligations.

Under the *Post-Secondary Learning Act*, the University must receive ministerial 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.

(k) Future Accounting Changes

The Public Sector Accounting Board (PSAB) has issued a framework for financial reporting by government not-for-profit organizations. The framework includes the PS 4200 series of standards for Government Not-For-Profit Organizations. This framework will be effective for fiscal years beginning January 1, 2012. Government not-for-profit organizations have been presented the option to apply either PS 4200 series of standards plus the PSA Handbook; or PSA handbook without the PS 4200 series of standards. The Government of Alberta has decided that Alberta Public Post-Secondary Institutions, as government not-for-profit entities, will adopt the PSA handbook without the PS 4200 series of standards. The University has started to identify the differences in the standards that will impact the financial statements and will quantify the differences. The University will also determine whether any specific exemptions and exceptions applicable to the first time adoption of PSA standards by government not-for-profit organizations will be applicable to the University.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

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

| | 2011 | | | 2010 | | |
|---|--|---|-----------|--|---|----------|
| | Unrealized gain recorded in Deferred Contributions | Unrealized gain recorded in Unrestricted Net assets | Total | Unrealized gain recorded in Deferred Contributions | Unrealized gain recorded in Unrestricted Net assets | Total |
| Net unrealized gain on available-for-sale investments | \$ 2,392 | \$ 2,923 | \$ 5,315 | \$ 1,670 | \$ 1,520 | \$ 3,190 |
| Increase in unrealized gain | 2,392 | 2,923 | 5,315 | 1,670 | 1,520 | 3,190 |
| Balance, beginning of year | 2,831 | 3,460 | 6,291 | 1,161 | 1,940 | 3,101 |
| Balance, end of year | \$ 5,223 | \$ 6,383 | \$ 11,606 | \$ 2,831 | \$ 3,460 | \$ 6,291 |

4. Cash and Cash Equivalents

Cash and cash equivalents, with a maximum maturity of 90 days at date of purchase are as follows:

| | 2011 | 2010 |
|---------------|-----------|-----------|
| Cash | \$ 24,928 | \$ 29,476 |
| Term deposits | 20,134 | 28,682 |
| | \$ 45,062 | \$ 58,158 |

5. Investments

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

| | 2011 | | | | 2010 | | | |
|-----------------------|--------------|-----------|-----------------|--------------|--------------|-----------|-----------------|--------------|
| | Market Yield | Cost Base | Unrealized Gain | Market Value | Market Yield | Cost Base | Unrealized Gain | Market Value |
| Canadian bonds | 4.70% | 41,636 | 1,062 | 42,698 | 7.10% | 36,031 | 1,323 | 37,354 |
| Canadian equity | 15.70% | 19,893 | 5,240 | 25,133 | 10.70% | 19,103 | 2,668 | 21,771 |
| Foreign equity | 18.40% | 19,802 | 5,304 | 25,106 | 6.50% | 18,703 | 2,300 | 21,003 |
| | | \$ 81,331 | \$ 11,606 | \$ 92,937 | | \$ 73,837 | \$ 6,291 | \$ 80,128 |
| Long term investments | | 81,331 | 11,606 | 92,937 | | 73,837 | 6,291 | 80,128 |
| | | \$ 81,331 | \$ 11,606 | \$ 92,937 | | \$ 73,837 | \$ 6,291 | \$ 80,128 |

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

6. Other Long-term Assets

| | <u>2011</u> | <u>2010</u> |
|--|------------------|-----------------|
| Receivable from The Students Association of Mount Royal University (SAMRU) | \$ 11,225 | \$ 10,803 |
| Current portion in accounts receivable | <u>(841)</u> | <u>(841)</u> |
| Balance, end of year | <u>\$ 10,384</u> | <u>\$ 9,962</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 9) 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 9.

7. Capital Assets and Collections

| | <u>2011</u> | | | <u>2010</u> | | |
|---|-------------------|-----------------------------|-------------------|-------------------|-----------------------------|-------------------|
| | Cost | Accumulated amortization | Net Book Value | Cost | Accumulated amortization | Net Book Value |
| Buildings, utilities and site improvements | \$ 295,295 | \$ 92,064 | \$ 203,231 | \$ 262,935 | \$ 84,145 | \$ 178,790 |
| Furnishings, equipment and systems | 54,683 | 39,272 | 15,411 | 50,181 | 38,278 | 11,903 |
| Learning resources | 6,619 | 3,364 | 3,255 | 5,662 | 3,002 | 2,660 |
| Leasehold improvements | 4,006 | 2,888 | 1,118 | 4,006 | 2,602 | 1,404 |
| Land | 6,833 | 4 | 6,829 | 6,833 | 3 | 6,830 |
| Other permanent collections & intangible assets | 39 | 2 | 37 | 34 | - | 34 |
| Capital assets and collections | <u>\$ 367,475</u> | <u>\$ 137,594</u> | <u>\$ 229,881</u> | <u>\$ 329,651</u> | <u>\$ 128,030</u> | <u>\$ 201,621</u> |

Included in buildings, utilities and site improvements is \$5,262 (2010 - \$41,131) 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 \$50 (2010 - \$74).

8. Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

| | <u>2011</u> | <u>2010</u> |
|---|-----------------|-----------------|
| Employee leave | \$ 1,224 | \$ 1,175 |
| Supplementary retirement plans - defined contribution (Note 19) | 365 | 357 |
| Supplementary retirement plans - defined benefit | 275 | 283 |
| Balance, end of year | <u>1,864</u> | <u>1,815</u> |
| Less: current portion | 755 | 329 |
| | <u>\$ 1,109</u> | <u>\$ 1,486</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

A. Defined Benefit

Multi-Employer Pension Plans

The Local Authority Pension Plan (LAPP) is a multi-employer contributory defined benefit pension plan for staff members and is accounted for on a defined contribution basis. At December 31, 2010, the LAPP reported an actuarial deficiency of \$4,635,250 (2010 – \$3,998,614). The pension expense recorded in these financial statements is \$8,975 (2010 – \$8,082).

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 \$92 (2010 - \$67).

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, 2011.

| | <u>2011</u> | <u>2010</u> |
|--|---------------|---------------|
| Expenses | | |
| Current service cost | \$ - | \$ - |
| Interest cost | 19 | 20 |
| Amortization net of actuarial losses (gains) | - | - |
| Amortization of past service cost | - | - |
| Curtailement | - | - |
| Settlement loss | - | - |
| Total expense | <u>\$ 19</u> | <u>\$ 20</u> |
| Financial Position | | |
| Accrued benefit obligation: | | |
| Balance, beginning of year | \$ 388 | \$ 380 |
| Current service cost | - | - |
| Interest cost | 19 | 20 |
| Benefits paid | (35) | (34) |
| Actuarial loss | - | 22 |
| Balance, end of year | <u>372</u> | <u>388</u> |
| Plan assets | <u>-</u> | <u>-</u> |
| Funded status - plan deficit | 372 | 388 |
| Unamortized net actuarial (loss) | <u>(97)</u> | <u>(105)</u> |
| Accrued benefit liability | <u>\$ 275</u> | <u>\$ 283</u> |

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

| | | |
|---|------|------|
| Discount rate | 5.0% | 5.0% |
| Expected average remaining life of employee | 12 | 13 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

9. Long-term Liabilities

| | Collateral | Maturity Date | Interest Rate % | Amount outstanding | |
|---|----------------------|--------------------|--------------------|--------------------|------------------|
| | | | | 2011 | 2010 |
| Debentures payable to Alberta Capital Finance Authority: | | | | | |
| Student Residence | Cash flows, facility | August 15, 2027 | 6.1250% | \$ 27,207 | \$ 28,105 |
| MRU Student Association's Wyckham Student Centre | Cash flows, facility | June 15, 2037 | 5.0030% | \$ 12,165 | 12,390 |
| Mount Royal University Parkade | Cash flows, facility | September 24, 2035 | 4.8675% | \$ 20,780 | 21,000 |
| Obligations under capital leases | | | | \$ 1,338 | 955 |
| Balance, end of year | | | | 61,490 | 62,450 |
| Less: current portion | | | | \$ 2,152 | 1,762 |
| | | | | <u>\$ 59,338</u> | <u>\$ 60,688</u> |

The principal portion of long-term debt repayments required over the next five years is as follows:
2012 - \$2,152; 2013 - \$2,127; 2014 - \$2,172; 2015 - \$2,044; 2016 - \$2,049

Interest expense on long-term obligations is \$2,730 (2010 - \$2,161).

All long-term obligations have fixed interest rates. The weighted average interest rate is 5.480% (2010 - 5.470%).

10. Deferred Contributions

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

| | 2011 | | | 2010 | | |
|---|------------------|------------------|------------------|------------------|-----------------|------------------|
| | Capital | Other | Total | Capital | Other | Total |
| Balance, beginning of year | \$ 19,305 | \$ 16,047 | \$ 35,352 | \$ 27,680 | \$ 19,024 | \$ 46,704 |
| Grants and donations received | 23,561 | 21,239 | 44,800 | 16,741 | 10,189 | 26,930 |
| Recognized as revenue | (3,951) | (8,308) | (12,259) | (1,351) | (13,251) | (14,602) |
| Transferred: | | | | | | |
| • from investment income (Note 17) | 71 | 2,392 | 2,463 | - | 999 | 999 |
| • to unamortized deferred capital contributions (Note 11) | (24,396) | (894) | (25,290) | (23,765) | (914) | (24,679) |
| Balance, end of the year | 14,590 | 30,476 | 45,066 | 19,305 | 16,047 | 35,352 |
| Less amount included in current liabilities | - | 19,792 | 19,792 | - | 14,255 | 14,255 |
| | <u>\$ 14,590</u> | <u>\$ 10,684</u> | <u>\$ 25,274</u> | <u>\$ 19,305</u> | <u>\$ 1,792</u> | <u>\$ 21,097</u> |

11. 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:

| | 2011 | 2010 |
|---|-------------------|-------------------|
| Balance, beginning of year | \$ 140,695 | \$ 125,826 |
| Additions from deferred contributions (Note 10) | 25,290 | 24,679 |
| Amortization to revenue | (8,292) | (9,810) |
| Balance, end of the year | <u>\$ 157,693</u> | <u>\$ 140,695</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

12. 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>2011</u> | <u>2010</u> |
|-------------------------------|------------------|------------------|
| Balance, beginning of year | \$ 33,093 | \$ 31,727 |
| Gifts of endowment principal | 6,262 | 1,366 |
| Transfer to endowments | 101 | - |
| Balance, end of year | <u>\$ 39,456</u> | <u>\$ 33,093</u> |
| Cumulative contributions | \$ 38,152 | \$ 31,789 |
| Cumulative capitalized income | 1,304 | 1,304 |
| | <u>\$ 39,456</u> | <u>\$ 33,093</u> |

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

13. 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>2011</u> | <u>2010</u> |
|---|------------------|------------------|
| Capital assets and collections at net book value (Note 7) | \$ 229,881 | \$ 201,621 |
| Less amount financed by: | | |
| Unamortized deferred capital contributions (Note 11) | (157,693) | (140,695) |
| Long-term liabilities related to capital expenditures | (49,340) | (41,385) |
| Investment in capital assets and collections, end of year | <u>\$ 22,848</u> | <u>\$ 19,541</u> |

The changes during the year are as follows:

| | <u>2011</u> | <u>2010</u> |
|---|------------------|------------------|
| Investment in capital assets and collections, beginning of year | \$ 19,541 | \$ 17,952 |
| Acquisition of capital assets and collections | 15,155 | 15,958 |
| Long-term liabilities - repayments | 1,661 | 1,347 |
| Long-term liabilities - additions | (8,691) | (12,309) |
| Net book value of asset disposals | (26) | (78) |
| Amortization of investment in capital assets | (4,792) | (3,329) |
| Net change in investment in capital assets | <u>3,307</u> | <u>1,589</u> |
| Investment in capital assets and collections, end of year | <u>\$ 22,848</u> | <u>\$ 19,541</u> |

14. 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:

| | <u>2011</u> | | | |
|--|---|--|--|-----------------------------------|
| | <u>Balance at beginning of year</u> | <u>Appropriations from (returned to) unrestricted net assets</u> | <u>Disbursements during the year</u> | <u>Balance at end of year</u> |
| Appropriation for capital activities: | | | | |
| Capital renewal | \$ 6,443 | \$ (132) | \$ 1,631 | \$ 4,681 |
| Residence | 1,005 | - | 324 | 681 |
| New facilities | 9,039 | - | 2,747 | 6,291 |
| Parking | 6,992 | - | 386 | 6,606 |
| | <u>23,479</u> | <u>(132)</u> | <u>5,088</u> | <u>18,259</u> |
| Appropriation for operating activities: | | | | |
| Academic program development | 913 | 87 | 61 | 939 |
| University effectiveness and community needs | 613 | 16 | 128 | 501 |
| Professional development | 249 | (128) | - | 121 |
| Scholarships and bursaries | 605 | 4 | 148 | 461 |
| Research and special projects | 3,854 | 3,502 | 1,265 | 6,091 |
| | <u>6,234</u> | <u>3,481</u> | <u>1,602</u> | <u>8,113</u> |
| Total | <u>\$ 29,713</u> | <u>\$ 3,349</u> | <u>\$ 6,690</u> | <u>\$ 26,372</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

15. 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>2011</u> | <u>2010</u> |
|------------------------------------|------------------|------------------|
| Capital projects | \$ 11,164 | \$ 35,850 |
| Information systems and technology | 4,505 | 4,244 |
| Long-term leases | <u>2,699</u> | <u>3,734</u> |
| | <u>\$ 18,368</u> | <u>\$ 43,828</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 |
|------|---------------------|--|---------------------|------------------|
| 2012 | 9,363 | 2,052 | 1,244 | 12,659 |
| 2013 | 1,261 | 1,347 | 1,194 | 3,802 |
| 2014 | 540 | 758 | 261 | 1,559 |
| 2015 | - | 299 | - | 299 |
| 2016 | - | 49 | - | 49 |
| | <u>\$11,164</u> | <u>\$ 4,505</u> | <u>\$ 2,699</u> | <u>\$ 18,368</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 \$3.69 million.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

16. Budget

The University's 2010-2011 budget was approved by the Board of Governors and was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2010-2011 Business Plan. The Board approved a revised budget for 2010-2011 on May 25, 2010. That approved budget and the full budget for the consolidated entity are as follows:

| | <u>2011</u> |
|--|-----------------|
| Government of Alberta grants | \$ 99,852 |
| Federal and other government grants | 215 |
| Student tuition and fees | 63,249 |
| Sales of services and products | 28,255 |
| Donations and other contributions | 1,577 |
| Investment income | 3,802 |
| Amortization of deferred capital contributions | 6,200 |
| | <u>203,150</u> |
| Salaries and benefits | \$ 140,036 |
| Supplies and services | 32,590 |
| Maintenance and repairs | 3,759 |
| Utilities | 5,734 |
| Cost of goods sold | 6,543 |
| Scholarships, bursaries and awards | 2,307 |
| Amortization of capital assets | 10,660 |
| | <u>201,629</u> |
| Excess of revenue over expense | <u>\$ 1,521</u> |

17. Investment Income

| | <u>2011</u> | <u>2010</u> |
|---|-----------------|-----------------|
| Income on investments held for endowments | \$ 3,930 | \$ 2,598 |
| Income on other investments | 2,984 | 1,779 |
| Total investment income for the year | 6,914 | 4,377 |
| Transfer to: | | |
| • deferred contributions | (2,392) | (999) |
| • deferred capital contributions | (71) | - |
| Total investment income recognized as revenue | <u>\$ 4,451</u> | <u>\$ 3,378</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

18. 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>2011</u> | <u>2010</u> |
|---|-------------------|------------------|
| Contributions from GOA | | |
| Advanced Education and Technology | | |
| Operating grants | \$ 84,045 | \$ 72,564 |
| Capital grants | 20,949 | 13,509 |
| Access to the Future Fund (matching grants) | 3,000 | 3,000 |
| Other | <u>7,629</u> | <u>14,733</u> |
| Total Advanced Education and Technology | <u>115,623</u> | <u>103,806</u> |
| Other GOA departments and agencies grants: | | |
| Alberta Culture and Community Spirit | 10,071 | - |
| Alberta Health and Wellness | 3,156 | 3,142 |
| Other | <u>760</u> | <u>1,744</u> |
| Total other GOA departments and agencies | <u>13,987</u> | <u>4,886</u> |
| | | |
| Total contributions received | 129,317 | 108,396 |
| Less: deferred contributions | <u>23,389</u> | <u>18,924</u> |
| | <u>\$ 105,928</u> | <u>\$ 89,472</u> |
| | | |
| Accounts receivable: | | |
| Advanced Education and Technology | \$ 49 | \$ 207 |
| Other GOA departments and agencies | <u>38</u> | <u>34</u> |
| | <u>\$ 87</u> | <u>\$ 241</u> |

The University has long-term liabilities with Alberta Capital Finance Authority as described in Note 9.

The GOA has provided \$500,000 (2010 - \$500,000) in matching grants for externally restricted endowment contributions during the year, which is included in endowment net assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(thousands of dollars)**

19. 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.

| | 2011 | | | | 2010 | | | |
|--|----------------------------|------------------------------------|--|-------|----------------------------|------------------------------------|--|-------|
| | Base Salary ⁽¹⁾ | Other Cash Benefits ⁽²⁾ | Other Non-cash Benefits ^{(3) (4)} | Total | Base Salary ⁽¹⁾ | Other Cash Benefits ⁽²⁾ | Other Non-cash Benefits ^{(3) (4)} | Total |
| Governance: | | | | | | | | |
| Chair of The Board of Governors | \$ 5 | \$ - | \$ - | \$ 5 | \$ 6 | \$ - | \$ - | \$ 6 |
| Members of The Board of Governors | 18 | - | - | 18 | 23 | - | - | 23 |
| Executive: | | | | | | | | |
| President ⁽⁵⁾ | 269 | 89 | 197 | 555 | 269 | 61 | 111 | 441 |
| Vice-President | | | | | | | | |
| Academic ⁽⁶⁾ | 224 | 31 | 83 | 338 | 211 | 9 | 109 | 329 |
| Administrative Services ⁽⁷⁾ | 225 | - | 154 | 379 | 224 | - | 111 | 335 |
| External Relations | 180 | - | 40 | 220 | 180 | - | 49 | 229 |
| Student Affairs and Campus Life | 164 | - | 49 | 213 | 164 | - | 46 | 210 |

- 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 certain 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 \$38,994 in 2011 (2010 - \$40,638).
- 3) 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) Effective June 30, 2011 the current President retired from the University. The total compensation recorded reflects all cash and non-cash payments and benefits associated with accrued liabilities owed as at June 30, 2011. These include pension, administrative and education leaves, club memberships, and vehicle and other allowances. The President has a place on the Board for which he received no remuneration.
- 6) Associated with his contract renewal effective August 1, 2010, the Provost & Vice President, Academic received payment for previously accumulated SRP and administrative leave plan benefits. Benefits both paid and accrued as at June 30, 2011 are reflected.
- 7) The Vice President, Administrative Services retires effective August 31, 2011. All contractual commitments associated with the retirement were finalized and are presented effective June 30, 2011.

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

| | 2011 | | | | 2010 | | | |
|---------------------------------|----------------------------------|------------------|----------------------|----------------------------------|----------------------------------|------------------|----------------------|----------------------------------|
| | Accrued Obligation June 30, 2010 | Current Payments | Current Service Cost | Accrued Obligation June 30, 2011 | Accrued Obligation June 30, 2009 | Current Payments | Current Service Cost | Accrued Obligation June 30, 2010 |
| Vice-President: | | | | | | | | |
| Academic | \$ 66 | \$ 84 | \$ 18 | \$ - | \$ 48 | \$ - | \$ 18 | \$ 66 |
| Administrative Services | 113 | - | 44 | 157 | 93 | - | 20 | 113 |
| External Relations | 118 | - | 16 | 134 | 103 | - | 15 | 118 |
| Student Affairs and Campus Life | 60 | - | 14 | 74 | 46 | - | 14 | 60 |
| | \$ 357 | \$ 84 | \$ 92 | \$ 365 | \$ 290 | \$ - | \$ 67 | \$ 357 |

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 8.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The current service cost and accrued obligation for each executive under the Administrative leave plans is outlined in the following table:

| | 2011 | | | | 2010 | | | |
|-------------------------|-----------------------|----------|--------------|-----------------------|-----------------------|----------|--------------|-----------------------|
| | Accrued Obligation | | Current | Accrued Obligation | Accrued Obligation | | Current | Accrued Obligation |
| | June 30, 2010 | Payments | Service Cost | June 30, 2011 | June 30, 2009 | Payments | Service Cost | June 30, 2010 |
| President | \$ 157 | \$ - | \$ 79 | \$ 236 | \$ 75 | \$ - | \$ 82 | \$ 157 |
| Vice-President: | | | | | | | | |
| Academic | 243 | 247 | 48 | 44 | 185 | - | 58 | 243 |
| Administrative Services | 200 | - | 63 | 263 | 142 | - | 58 | 200 |

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 8.

20. Canada – Alberta Knowledge Infrastructure Program

The Canada – Alberta Knowledge Infrastructure Program (KIP) was established to provide funding in support of capital projects at post secondary institutions in order to offset the impact of the global economies recession by providing employment opportunities. Eligible KIP projects can receive up to 50% of their funding from Government of Canada contributions through direct payments made by the Province. The remaining portion of funding for KIP projects is made up of internal resources and provincial contributions. The KIP program supports eligible costs incurred from February 24, 2009 to March 31, 2011; however, some projects under the program have been extended to either June 30, 2011 or July 31, 2011. Amounts received from the Province of Alberta representing Government of Canada contributions and total eligible costs incurred on KIP projects are as follows:

| | April 1, 2011 to June 30, 2011 | July 1, 2010 to March 31, 2011 | July 1, 2009 to June 30, 2010 | February 24, 2009 to June 30, 2009 | Total |
|----------------|-----------------------------------|-----------------------------------|----------------------------------|---------------------------------------|-----------|
| Contributions | \$ - | \$ 8,625 | \$ 8,625 | \$ - | \$ 17,250 |
| Eligible Costs | 8,016 | 11,905 | 14,883 | 904 | 35,708 |

The remaining contractual obligation to complete the projects at June 30, 2011 is \$2,742. This amount is included in note 15.

21. Comparative Figures

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

22. Approval of Financial Statements

The Board of Governors have approved these financial statements.