

2012-2013 ANNUAL REPORT

FOR SUBMISSION TO THE GOVERNMENT OF ALBERTA
June 2013



DARE TO DISCOVER: A VISION FOR A GREAT UNIVERSITY

QUAECUMQUE VERA — WHATSOEVER THINGS ARE TRUE

University of Alberta Vision, Mission, Cornerstones, and Values

The University of Alberta *vision* is to inspire the human spirit through outstanding achievements in learning, discovery, and citizenship in a creative community, building one of the world's great universities for the public good.

Our mission is to create and sustain a vibrant and supportive learning environment that discovers, disseminates, and applies new knowledge through teaching and learning, research, creative activity, community involvement, and partnerships. The University of Alberta gives a national and international voice to innovation in our province, taking a lead role in placing Canada at the global forefront.

The U of A aspires to become one of the top public universities in the world by 2020 by focusing academic planning and strategic decision-making on *four cornerstones*:

1. Talented People
2. Learning, Discovery, and Citizenship
3. Connecting Communities
4. Transformative Organization and Support

Our values: The U of A community of students, faculty, staff, and alumni rely on shared, deeply held values that guide behaviour and actions. These values are drawn from the principles on which the University of Alberta was founded in 1908 and reflect a dynamic, modern institution of higher learning, leading change nationally and internationally.

Excellence: Excellence in teaching that promotes learning; outstanding research and creative activity that fuel discovery and advance knowledge; and enlightened service that builds citizenship.

Student Experience: The centrality of our students and our responsibility to provide an intellectually superior educational environment.

Integrity and Academic Freedom: Integrity, fairness, and principles of ethical conduct built on the foundation of academic freedom, open inquiry, and the pursuit of truth.

Diversity and Creativity: A diverse, yet inclusive, dynamic collegial community that welcomes change and seizes opportunity with passion and creativity.

Pride: Pride in our history and traditions, including contributions from Aboriginal people and other groups, which enrich and distinguish the university.

*“The people demand that knowledge shall not be the concern of scholars alone.
The uplifting of the whole people shall be its final goal.”*

- Henry Marshall Tory, September, 1908

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Message from the Chair

On behalf of my colleagues on the University of Alberta Board of Governors, I present the 2012-2013 Annual Report as a record of the University's continued progress towards the goals outlined in its Comprehensive Institutional Plan and Academic Plan, Dare to Deliver 2011-2015. This report for the year ending March 31, 2013 has been prepared under the Board's direction in accordance with the Government Accountability Act, the Post-Secondary Learning Act and associated ministerial guidelines. All economic, environmental and fiscal implications of which we are aware have been considered in the preparation of this report. It includes a financial report drawn from the University's financial statements, as well as a discussion of key challenges, risks, and opportunities faced by the University of Alberta over the past year.

As I submit this report, I am pleased to note the University's remarkable capacity to advance the Province of Alberta's ambitious goals. The University is bold, driven by a vision of excellence and success, as is the province. We share a vision of a future bolstered by a diverse economic system – one defined both by productivity and by creativity.

True to our mandate, as approved in 2009 by the Minister of Advanced Education and Technology, we offer a broad range of outstanding learning and research programs to prepare citizens and leaders who make a difference. We play a leading role in Campus Alberta by collaborating with other Alberta institutions, responding to vital community relationships at every level, and giving a national and international voice to Alberta innovation. Also in line with our mandate, the University of Alberta enhances student opportunities and builds Alberta's capacity for long-term, knowledge-driven sustainable development at the global forefront.

As Governors, we share the provincial government's overarching goal of assuring that Alberta's post-secondary system serves our citizens effectively and efficiently, and competes with the best higher education systems in the world. As Board Chair, I thank the Government of Alberta for its continued support of lifelong learning, research, and innovation – support that is even more essential for the next generation of Albertans. Today's students are entering a world in which knowledge, creativity, innovation, and entrepreneurialism serve as our global currency; in which highly skilled people are as valuable as our traditional natural resources; and in which education offers the essential edge toward achieving a truly prosperous society. There has never been a more important time to envision and support a talent base that can think beyond traditional economic and social boundaries. Indeed, our future depends on it.

As I continue in my term as Chair of the Board of Governors, I look forward to advancing the University of Alberta's promise of "uplifting the whole people," and working to assure that the province's flagship institution achieves its academic mission while advancing Alberta on the global stage.

Sincerely yours,

Original signed by Douglas O. Goss, Q.C.

Chair, Board of Governors

2012-13 Board of Governors

BOARD MEMBER	CONSTITUENCY
Belosevic, Miodrag (Mike)	General Faculties Council
Bernier, Ashlyn	Graduate Students' Association
Fleming, Don	Alumni
Goss, Douglas	Public (Chair)
Hole, Jim	Alumni
Hoveland, Agnes	Public
Jeraj, Shenaz	Public
Kelly, Brent	Students' Union Nominee
Matthew, Don	Public
Minsos, Ove	Public
Naqvi, Jerry	Public
Pu, Christopher	Non-Academic Support Staff
Renke, Wayne	Association of Academic Staff
Reuscher, Bernd Michael	Senate
Samarasekera, Indira	President (Statutory Member)
Teskey, Robert (Bob)	Public
Wilson, Richard (Dick)	Public
Yamagishi, Colten	Students' Union President
Young, Ralph	Chancellor (Statutory Member)

Overview from the President

As advanced education and research continue to transform on a global scale, there has been vigorous discussion around the role that universities play in society. There is increased urgency and competition for resources and talent, in addition to greater pressure to produce transformative innovation and prepare our students to become leaders and innovators when they graduate.

Reflection on the remarkable accomplishments of this past year shows that the University of Alberta's reputation as one of Canada's and the world's top public research institutions is well-earned, based upon measurable outcomes in research and teaching, growth in influential, high-impact international partnerships, and high-quality undergraduate and graduate student experiences.

Our 2012-2013 Annual Report outlines the progress made in four cornerstone areas: Talented People; Learning, Discovery and Citizenship; Connecting Communities; and Transformative Organization and Support. Many accomplishments of the last year highlight that excellence in teaching and research go hand-in-hand. The University of Alberta remains the undisputed leader in winning 3M National Teaching Fellowships with two more faculty members receiving Canada's highest award for undergraduate teaching this year. As universities around the world look for new ways to expand their reach, we have entered an agreement with Udacity, a top online education provider, to lead in the creation, delivery and research of digital learning technologies. Also, our School of Public Health became the first accredited school of public health in Canada, and only the second one outside the United States. These and many other notable achievements indicate that the University of Alberta—with vital support from the government and people of Alberta—is fostering an environment which stimulates discovery and innovation to the benefit of every sector of society, as well as preparing next generation leaders and citizens.

As the province's flagship institution, the University of Alberta remains dedicated to "the uplifting of the whole people", a promise invoked by our first president, Henry Marshall Tory, more than 100 years ago. We look forward to delivering on that promise by attracting and nurturing talent, developing innovation and solutions to address society's challenges, and playing a leadership role in advancing Alberta by engaging partners nationally and internationally.

Original signed by Indira V. Samarasekera, OC

President and Vice-Chancellor

The University in 2012-13

Alberta has built a strong foundation of excellence in education from kindergarten through post-secondary and today this province is recognized as a place where pioneering talent and innovation can flourish.

In periods of uncertainty and change, a bold vision for the future is essential. The University of Alberta has such a vision: to be one of the world's top public universities for the public good. This vision is tied to the future—a knowledge-based, innovation-fueled future characterized by blurred international boundaries, intensified economic competition, and urgent global challenges. Yet, this vision is also rooted in the history and traditions of the University of Alberta, especially our continued commitment to President Henry Marshall Tory's founding promise that the University will strive for the uplifting of the whole people.

The province of Alberta, too, has a vision: to forge a stable, diversified economic system defined by creative leaders and visionaries, in both the public and private sectors, who connect the province to the world at large. It seeks an educated and skilled workforce. It needs a collaborative, cutting-edge research community, and an effective, innovative health system.

As it stands at the crossroads of its future, the province of Alberta needs what the University of Alberta delivers.

High-quality teaching, learning, and research at the University of Alberta equips students with the knowledge and tools to be active and engaged citizens, leaders, and entrepreneurs. Indeed, graduates of the University of Alberta drive innovation and change in all sectors of society. They advance Alberta throughout the world—and most of them do so from right here in the province. Seventy-seven per cent of all University of Alberta alumni

stay, find employment, and create businesses in Alberta. How significant is their impact? The U of A added \$12.3 billion to the provincial economy in 2009-10 alone, according to a recent economic impact study conducted by business professors Anthony Briggs and Jennifer Jennings. That is equivalent to approximately 5 per cent of Alberta's gross domestic product.

In the last decade, boosted by strong provincial investment in capital and operating budgets, the University of Alberta's national and international reputation has consistently risen. What does this mean for the province? The University of Alberta:

- Connects Alberta to the world and the world to Alberta, by attracting and retaining world-class talent;
- Fuels positive economic and social change, innovation, diversification, and growth in Alberta, by supplying highly-skilled, talented human capital and sophisticated, high-quality research and development capacity;
- Elevates the province's national and global profile by building top-level international partnerships and by transferring made-in-Alberta ideas and innovations to the global community and marketplace; and
- Draws attention to Alberta's strengths as its alumni have an impact throughout Alberta, across Canada, and around the world through their leadership and accomplishments.

As nations throughout the world recognize the critical need for strong educational systems in today's economy, Alberta cannot become complacent. The University of Alberta recognizes that the Government of Alberta is facing significant financial challenges due to decreasing resource revenues. Faced with these challenges, the province is striving to make decisions that will lead to economic diversification, beneficial social outcomes, and ultimately, to prosperity, in its fullest sense, for Alberta.

Countries around the world, faced with similar financial constraints, are choosing to invest in education and research. They are choosing to invest in their flagship research universities differently than other institutions in their public systems. Taking a differential approach, they are supporting and leveraging the vital role that world class research institutions play in advancing a region's economy and enhancing its competitiveness. They recognize graduate students' critical role in creating a vibrant economic ecosystem and are meeting the unique costs associated with supporting internationally competitive research environments.

Alberta can do the same. The opportunity now exists to realign the current financial model so that the University

of Alberta can continue to build on existing areas of excellence, further enhance the province's profile, attract higher levels of funding from external partners, and most importantly, allow the provincial government to reap the benefits of a growing and diversified economy and Alberta's enhanced international competitiveness.

If the province chooses not to advance in this direction, and does not significantly change the current funding model, the University of Alberta will have to make significant decisions to manage an inevitable shrinking of the academy. The University will not continue with across the board re-allocations which have now begun to impact the viability of the entire organization. Instead, the University will take major steps to strategically re-align its operations to reflect new financial realities, and invest in its strategic strengths going forward.

We have already begun to envision the U of A of the future. Our aim is to be visionary and strategic, to keep pace with trends now underway in the world's most highly regarded and forwarding thinking institutions, and to think boldly about new ways we can build on our strengths and enhance our reputation for excellence in quality in both teaching and research.

Summary Statistics

	2012-13 ACADEMIC YEAR	2011-12 ACADEMIC YEAR
Students	39,502	38,774
Undergraduate (full-time)	29,947	29,268
Graduate (full-time)	6,083	5,968
Undergraduate (part-time)	1,957	2,032
Graduate (part-time)	1,515	1,506
Faculty of Extension Registrations (including Brokered Registrations)	12,105 (preliminary)	14,305
Tuition		
Arts & Social Sciences	\$5,269	\$5,195
Law	\$10,121	\$9,977
Medicine	\$11,925	\$11,755
M.A., M.Sc., and PhD	\$3,626	\$3,575
Faculty & Staff	5,291	5,355
Faculty	2,090	2,121
Other Academic Staff	674	650
Support Staff	2,527	2,584
	2012 – 13 FISCAL YEAR	2011 – 12 FISCAL YEAR
Research Revenue	\$423 million	\$460 million
	2012 CALENDAR YEAR	2011 CALENDAR YEAR
Degrees & Diplomas Granted	8,593	8,603
Undergraduate	6,696	6,680
Graduate	1,897	1,923

NOTABLE ACCOMPLISHMENTS IN 2012-13

The following cornerstone achievements highlight significant accomplishments in 2012-13 and also gauge progress towards the University of Alberta's Vision, *Dare to Discover*, and its four cornerstones.

The reported performance measures provide complementary data and were chosen and developed on the basis of input from key university partners as well as the planning efforts that produced the University's Comprehensive Institutional Plan. These measures help to monitor progress toward the University of Alberta's four cornerstones and the goals of access and research.

CORNERSTONE 1



The University of Alberta will attract and retain talented people

The world's most talented faculty, promising students, and dedicated staff — the world's most creative thinkers, prolific researchers, and innovative teachers — seek a university that offers the support, facilities, and commitment to excellence they need to thrive. The right environment is essential if the University of Alberta is to become a super-magnet for this kind of talent.

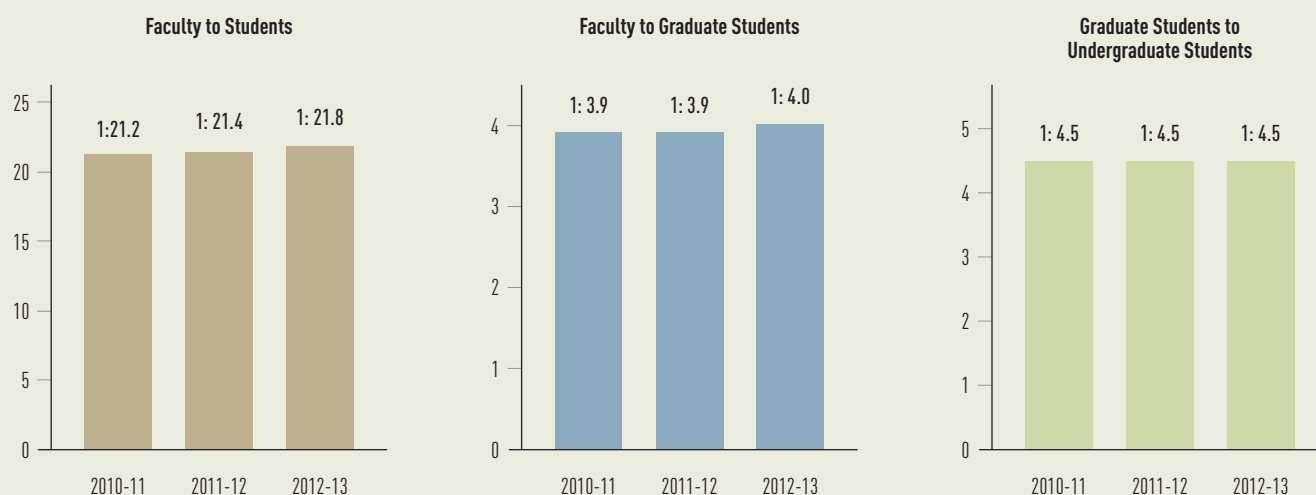
HIGHLIGHTS

- The U of A's excellence in teaching continues to be rewarded nationally, as two more professors have been added to the U of A's list of 3M National Teaching Fellowship recipients. Kim Fordham Misfeldt (Augustana) and Heather Zwicker (English and Film Studies) have each been recognized for their outstanding work, bringing the U of A's total number of winners to 40. This year also saw U of A student Emerson Csorba (Political Science) receive the 3M National Student Fellowship.
- University of Alberta Provost and Vice-President (Academic) Carl Amrhein will be helping to guide the future development of Canada's post-secondary sector as the Visiting Executive on the Conference Board of Canada. Amrhein will help to further advance the U of A's reputation as a thought-leader as he works to help advise the board on the advancement of Canadian post-secondary education, skill development, and innovation.

PERFORMANCE MEASURES

A great university has at its foundation the ability to offer an outstanding student experience

FIGURE 1 FULL-TIME EQUIVALENT (FTE) RATIOS



Notes: All student data is based on information in effect on December 1 of the reported year. Post-graduate medical education students are excluded. FTE (full-time equivalent) represents the number of full-time students plus one-third the number of part-time students, and is based on the number of individual students within each reporting category. Staff data is based on information in effect on October 1 of the reported year. 2012 data are preliminary. **Sources:** Student enrolments based on Acorn Data Warehouse. Faculty counts based on U of A Human Resources data as reported in staff census extracts from PeopleSoft for indicated years as calculated by Strategic Analysis Office, (previously from UCASS extracts, which have been discontinued by Stats Canada).

HIGHLIGHTS

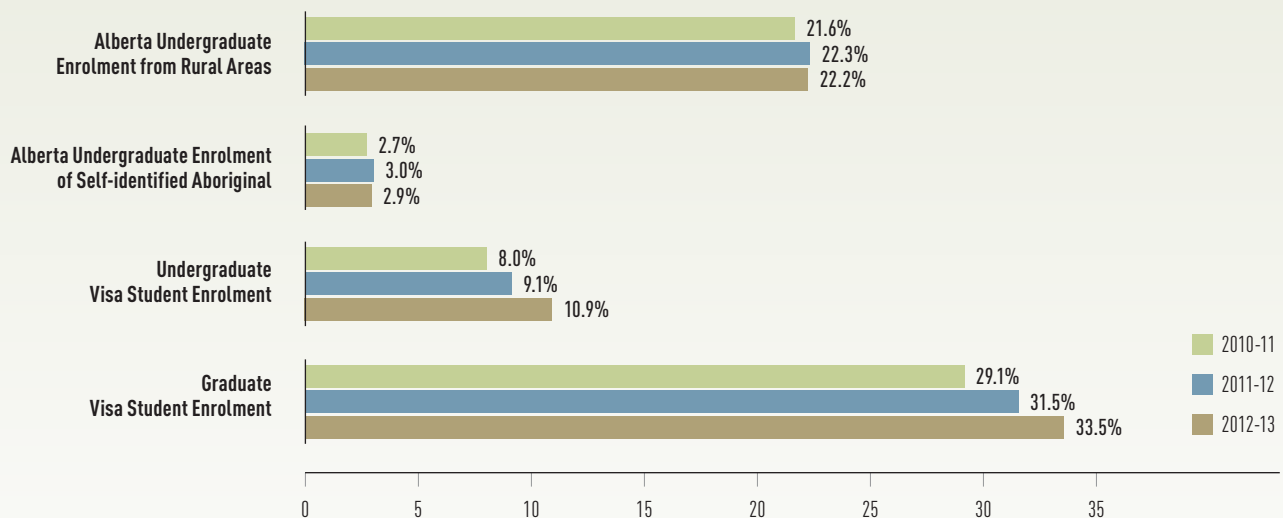
- Graduate Student Megan Engel has been the recipient of two prestigious awards for her research in the world of biophysics. Engel became the latest U of A Rhodes Scholar in November 2012. In February 2013, she was able to add the André Hamer Postgraduate Prize to her growing list of accomplishments. The prize is a \$10,000 award that is granted by the Natural Sciences and Engineering Research Council of Canada.
- In 2012-13, the U of A was awarded two new Canada Research Chairs (CRCs), renewed seven chairs, and saw one chair advance from Tier 2 to Tier 1, bringing

\$9,500,000 to the U of A. As a result, the U of A was home to 95 CRCs (46 Tier 1 and 49 Tier 2) this past year, bringing in approximately \$131,083,000 in federal research funding from this program.

- In 2012, ten U of A doctoral students received prestigious Vanier Canada Graduate Scholarships. The Vanier Canada Graduate Scholarship program aims to attract and retain world-class doctoral students by supporting students who demonstrate both leadership skills and a high standard of scholarly achievement in graduate studies.

The U of A attracts and retains outstanding students and provides them with foundational support structures

FIGURE 2 ENROLMENT OF SELECTED STUDENT GROUPS

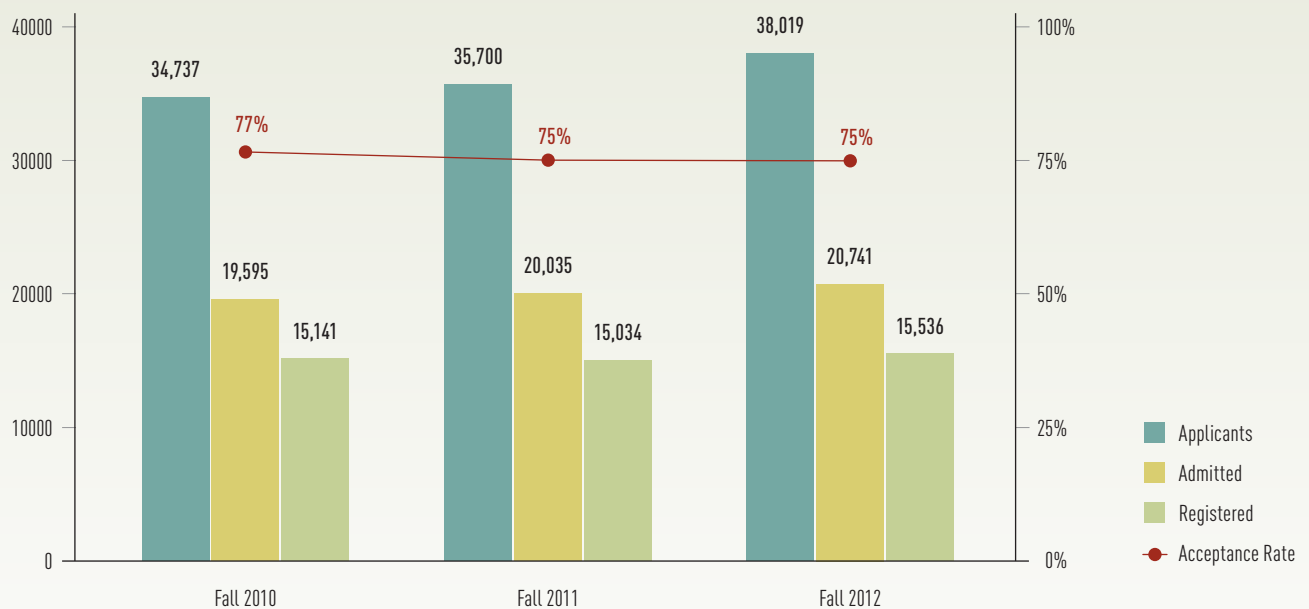


Notes: All data is based on information in effect on December 1 of the reported year. Rural and aboriginal figures are proportions of total Alberta undergraduate enrolment. Rural enrolment is based on the census division of the student's hometown being outside Edmonton or Calgary. Visa student enrolment reflects those students who are not Canadian Citizens or permanent residents. **Source:** Acorn Data Warehouse.

- During the 2012–13 year, the University has been able to appoint four of the seven new Campus Alberta Innovation Program (CAIP) Chairs that will reside with the U of A.
- In September 2012, it was announced that four U of A faculty members were inducted to the Royal Society of Canada for their outstanding scholarly and scientific achievements. Witold Pedrycz (electrical and computer engineering), John England (earth & atmospheric sciences), Don Page (physics), Gregory Forth (anthropology).
- John Acorn, faculty service officer and instructor in the Department of Renewable Resources, was awarded the 2012 McNeil Medal by the Royal Society of Canada. The award is granted once a year to an individual who has displayed an outstanding effort to communicate the importance of science education to the Canadian public.
- In August 2012, U of A Law professor Catherine Bell was honoured with the Ramon John Hnatyshyn Award for Law. The award, which is granted by the Canadian Bar Association, was presented to Bell for her innovative research and teaching of Aboriginal law.

We draw the interest of talented undergraduates

FIGURE 3 APPLICATIONS AND ADMISSIONS



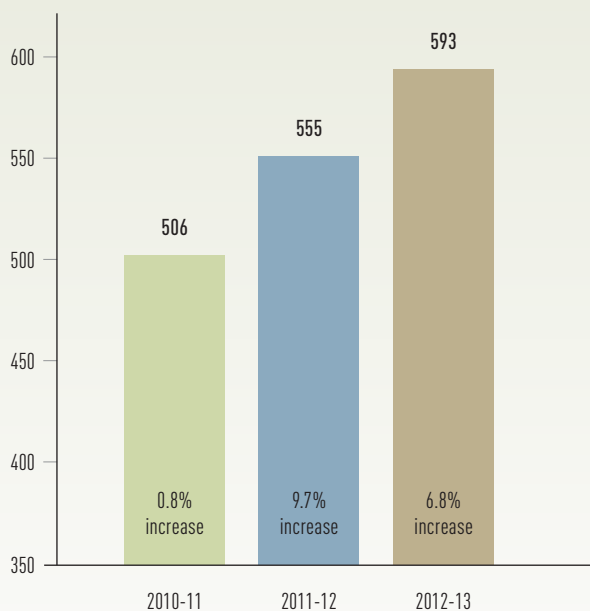
Notes: The numbers reported reflect unique individuals. The acceptance rate is the proportion of those admitted who registered. **Source:** PeopleSoft Production database (Admissions statistics October 1st Archive).

HIGHLIGHTS

- Nine students from the faculties of engineering and science took top prize in the entrepreneurship category of the prestigious International Genetically Engineered Machine (iGEM) competition at the Massachusetts Institute of Technology. The students won the award for developing plans for a startup biotech company that turns unrecyclable paper into high-value specialty chemicals including shikimic acid, which is an ingredient in the flu-busting drug Tamiflu.
- Over the course of 2012-13, the U of A has had no less than four faculty members inducted into the Order of Canada. Professor Greg Hollingshead (English), David Magee (Rehabilitation Medicine), Tony Fields (Oncology), and Roger Bland (Psychiatry). This high ranking award recognizes individuals who have contributed to the enrichment of Canadian society.
- Cyclist Tara Whitten, wrestler Ali Bernard, air pistol champion Dorothy Ludwig and triathlete Paula Findlay, all current or former U of A students, competed in the 2012 Summer Olympics. Whitten, who is a PhD student (Science) returned home from London with a bronze medal.

We see continued growth in attracting exceptional talent to contribute to teaching, learning and the research community

FIGURE 4 POSTDOCTORAL FELLOWS



Note: Numbers reflect headcounts of post doctoral fellows as of October 1 of the reported year. **Source:** U of A staff data, databook table 4.1. 2012. Staff census extracts from PeopleSoft for indicated years as calculated by U of A Strategic Analysis Office.



CORNERSTONE 2

The University of Alberta will provide excellence in learning, discovery and citizenship

Great universities stimulate learning and discovery that is cutting-edge, generating new knowledge, innovations, and discoveries that transform everyday life. The world-class university of tomorrow — which the University of Alberta aspires to be— will contribute to scientific, social, and cultural structures of global society in ways that will allow them to change and grow, creating and sustaining prosperity and well-being for future generations.

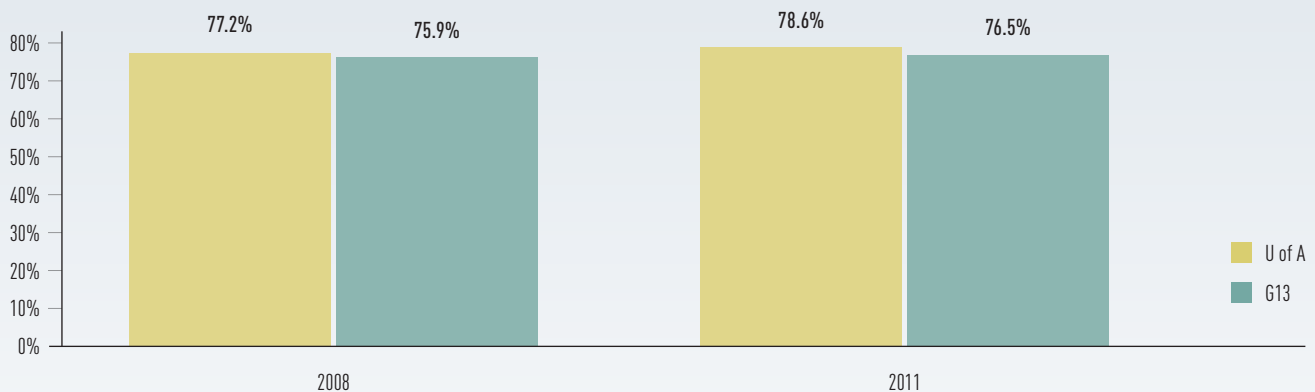
HIGHLIGHTS

- A research team lead by Dean Spaner, from the U of A's Department of Agricultural, Food, and Nutritional Science, has developed two new varieties of top-quality wheat that have been approved for use by the federally regulated Prairie Grain Development Committee. The team's work will provide Alberta's farmers with access to wheat crops that will be more resistant to diseases such as stripe rust, and that will mature faster, which will be useful in Alberta's short growing season.
- *Eighteen Bridges* magazine, won two National Magazine Awards, four Western Magazine Awards, and one Alberta Magazine Publishers Association Award during the 2012-13 year. The magazine first launched as a part of the U of A's Canadian Literature Centre in 2010.
- In 2012 a record-breaking 305 new students were admitted to the U of A's four-year collaborative nursing program which allows students to earn a U of A nursing degree while studying at partner institutions around the province, including Red Deer, Grande Prairie and Fort McMurray.

PERFORMANCE MEASURES

The U of A creates a nurturing environment that allows for positive student experience and engagement

FIGURE 5 PERCENT OF SENIOR STUDENTS RATING THEIR EDUCATIONAL EXPERIENCE AS GOOD OR EXCELLENT



Note: Senior Student designation represents students in their fourth year, or in the year that they are normally expected to graduate. G13 includes 13 Canadian research-intensive universities. Data are the most recent available. **Source:** U of A Frequency Distribution Report, NSSE (National Survey of Student Engagement), 2008 and 2011.

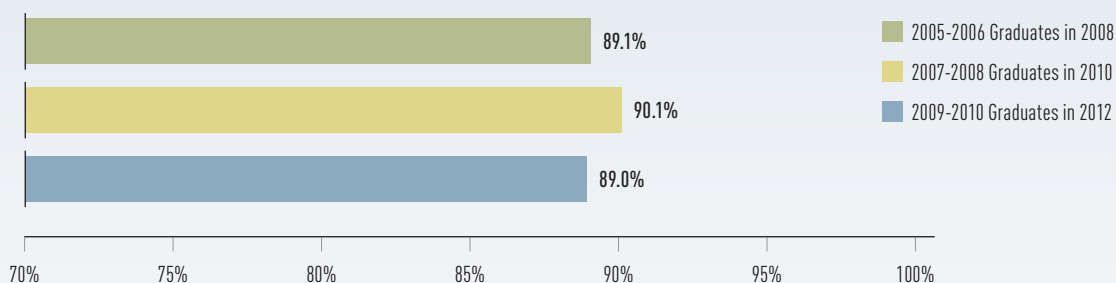
- 110 medical students have participated in the U of A's Integrated Community Clerkship program since its inception in 2007. The program places students in rural Alberta communities for approximately 41 weeks in their third year of study.
- 2013 marks the centenary of both the Faculty of Law and Faculty of Medicine and Dentistry. Law graduates have served the profession provincially, nationally and internationally; they have become academic lawyers in a host of law schools throughout the common law world; and they have staffed the judicial branch both here in Canada (for example, The Right Honourable

Beverly McLachlin, Chief Justice of the Supreme Court of Canada) and abroad. Medicine is celebrating how the school grew from a class of 27 students in 1913 into the education, research and clinical powerhouse it is today with over 2,300 learners and faculty members.

- In October 2012, The U of A's School of Public Health was granted accreditation by the U.S. Council on Education for Public Health. This makes it the first accredited school of public health in Canada, and only the second outside the United States. It joins 50 other public health schools worldwide.

The U of A creates a nurturing environment that allows for positive student experience and engagement

FIGURE 6 PROPORTION OF GRADUATES SATISFIED WITH THEIR EDUCATIONAL EXPERIENCE

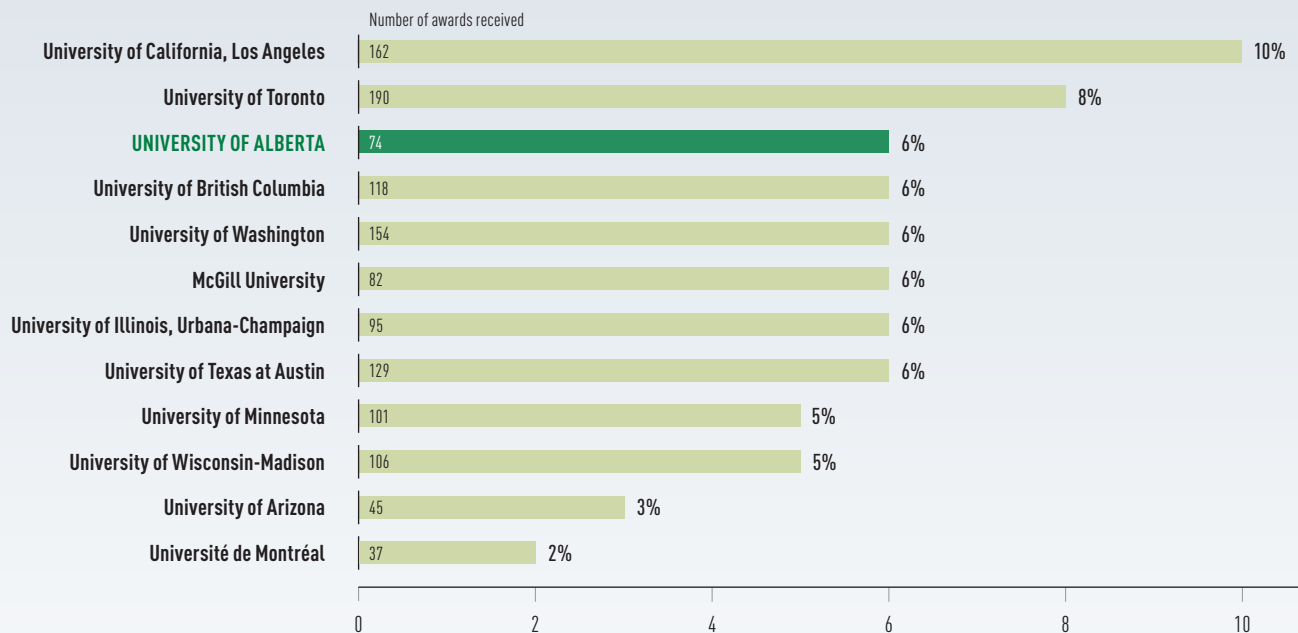


Note: Data are the most recent available. **Source:** Alberta Enterprise and Advanced Education: Alberta Graduate Outcomes Survey

HIGHLIGHTS

- The 29th Student Advisors’ Conference, which is hosted by the U of A’s Ombudservice, was held on March 12, 2013. This year’s conference, *It Takes a Campus: Supporting Student Mental Health* was a unique, all-day approach and focused on student mental health. The conference brought together student services personnel from across Alberta to talk about and learn ways that everyone can play a role in helping deal with mental health and wellness; the capacity of 210 attendees was exceeded and a waiting list was required.
- In February 2013, the Faculty of Medicine and Dentistry received final funding approval from the U of A for the introduction of the Bachelor of Science in Radiation Therapy. This new degree will help to increase the number of radiation therapists, which have been in short supply in Alberta.
- In 2012-13, the U of A piloted four new “streams” as a part of the Health Sciences Education and Research Commons (HSERC) Interdisciplinary Education and IP Pathway program. This program has introduced over 800 first-year health sciences students to inter-professional learning, which allows them to practice the collaborative competencies that they’ll need to use while working in the health care industry.

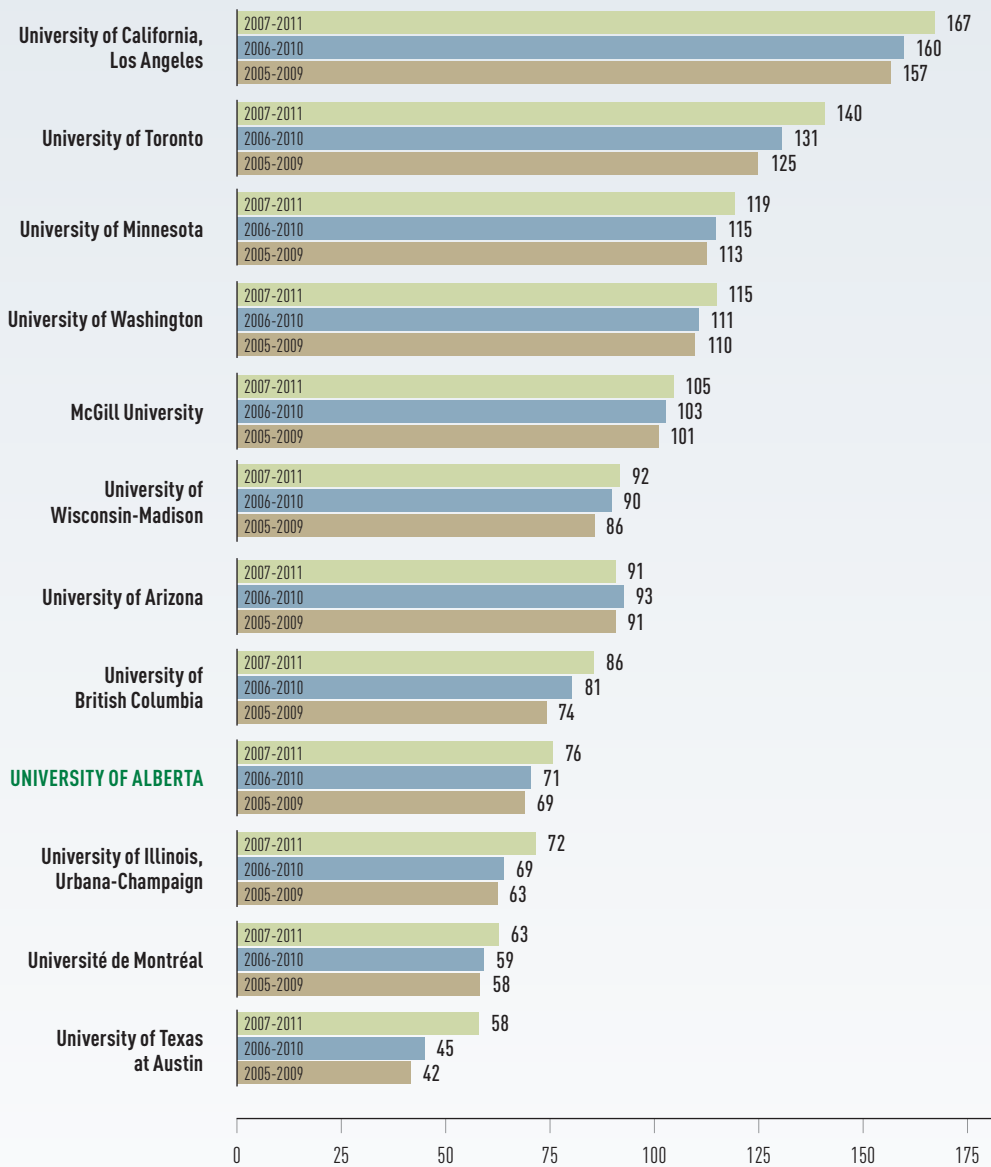
FIGURE 7 PERCENTAGE OF FULL-TIME FACULTY RECEIVING SELECTED AWARDS AND HONOURS, UNIVERSITY OF ALBERTA AND SELECTED PEERS, 2001 TO 2011



Note: Data are the most recent available. Awards include: 3M Teaching Awards (2001-2011), American Academy of Arts and Sciences (2001-2011), CIS Coach of the Year Award (2001-2011), Federal Tri-Council Highest Awards (2001-2011), Fulbright Scholars (2001-2011), Guggenheim Fellowship Awards (2001-2011), ISI Highly Cited Researchers (inception-2011), Killam Research Fellows (2001-2011), Molson Prize (2001-2011), National Academy of Engineering (2001-2011), National Academy of Sciences (2001-2011), Nobel Prize (inception-2011), Royal Society of Canada (2001-2011), Royal Society of Canada Awards (2001-2011), Royal Society of London (2001-2011), Sloan Research Fellowships (2001-2011), Steacie Fellows (2001-2011). **Sources:** Award data from individual awarding organizations. Faculty counts based on Statistics Canada: Salaries and Salary Scales of Full-time Teaching Staff at Canadian Universities, 2001-2002 through 2010-2011: Final Reports.

U of A researchers demonstrably contribute to their fields

FIGURE 8 CITATIONS IN ALL FIELDS PER AVERAGE FULL-TIME FACULTY, UNIVERSITY OF ALBERTA AND SELECTED PEERS



Notes: Staff figures represent averages for the reported years. Data are the most recent available. 2011–12 UCASS figures are not available.

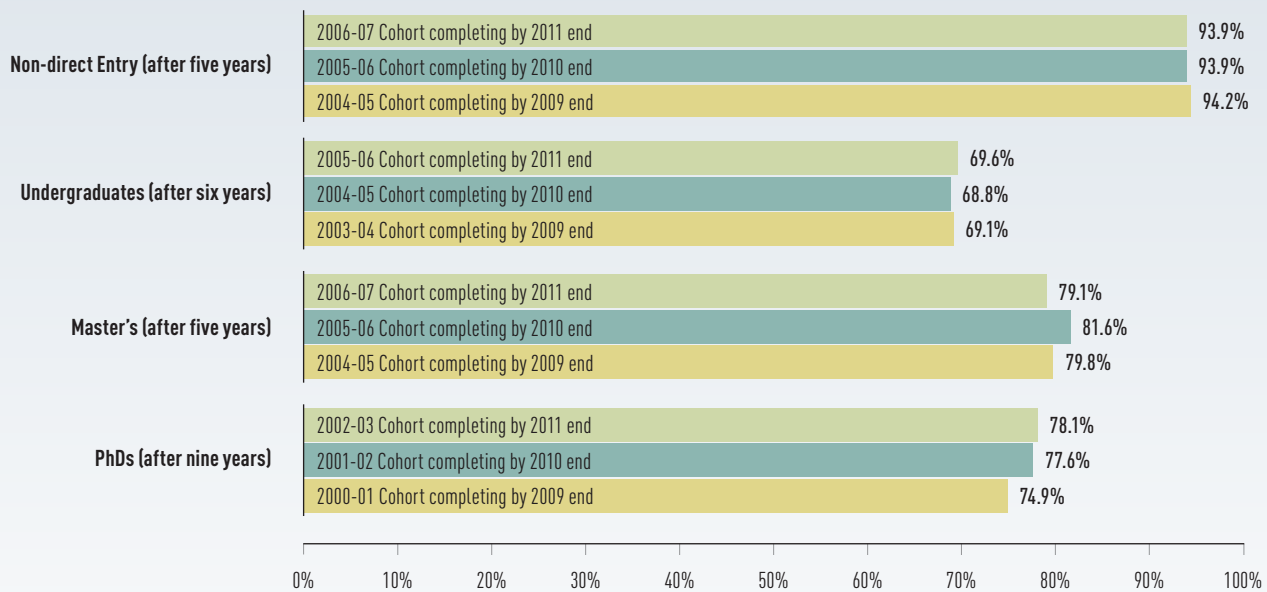
Sources: InCites TM, Thomson Reuters, (2012). Global Comparisons, 5-year trends. Canadian university faculty counts based on Statistics Canada: Salaries and Salary Scale of full-time staff at Canadian Universities Reports. US university faculty counts based on their respective Common Data Sets for each respective year.

HIGHLIGHTS

- On October 30, 2012, the U of A signed a memorandum of understanding with Udacity, one of the world’s leading online education providers. This new partnership will allow the University to work towards the collaborative development of systems for the delivery, measurement, and assessment of the online courses and experiences.
- TEC Edmonton has designed and delivered two new educational components for the U of A Venture Catalyst business plan competition. The competition is a campus-wide business concept competition that both prepares students for and selects which students will advance to the province level Venture Prize competition.
- Community Service – Learning (CSL) courses continue to allow students to engage with the community organizations as a part of their course work. In 2012-13, more than 950 students participated in the 62 CSL courses that are available at the U of A’s Edmonton campuses, and 29 CSL courses that are available on the Augustana campus.
- In 2012-13 the U of A’s Faculty of Extension offered more than 14,000 classes to nearly 8,000 students as part of its diverse range of lifelong learning and professional development programs.

The U of A continues to demonstrate high student retention and completion rates

FIGURE 9 COMPLETION RATES, UNIVERSITY OF ALBERTA



Notes: Completion Rate methodology defined and implemented by the U of A Strategic Analysis Office. Completers in the Undergraduate Completion Rate represent students who graduated from the U of A in any program. "Direct Entry Faculties" numbers are U of A Strategic Analysis Office undergraduate figures as submitted to CSRDE (Consortium for Student Retention Data Exchange) for respective years. "Other Faculties" numbers are from a CSRDE-like process, as calculated by Strategic Analysis Office, for respective years. Completers in the Master's and PhD Completion Rates represent students who graduated with either a Master's or PhD. Percentages indicate the proportion of students who have completed the credential in the reported period of time. **Source:** U of A Strategic Analysis Office undergraduate figures as submitted to CSRDE and calculated for non-CSRDE faculties; Master's and PhD figures are based on the U15 methodology, but have been modified to include course-based Master's students in the analysis.



The University of Alberta will forge strong connections with its community locally, nationally and internationally

Can one of the world's great universities be at once exclusive, yet inclusive? Exceptional, yet accessible? The University of Alberta's goal is to be recognized not only for being great, but also for being good: for effectively contributing to the communities that rely on it for solutions, for assuring that its students understand the value of volunteering, and for cultivating the diversity of thought, mind, and character that are essential to modern society.

HIGHLIGHTS

- On February 9, 2013 the U of A signed a historic agreement with China’s Tsinghua University, one of China’s top institutions. The first of its kind, this agreement will enable the development and commercialization of the new energy and environment technologies, and will also allow the two institutions to exchange student and faculty researchers.
- 2013 marked the first institutionally supported Pride Week at the U of A. The ten day event, which included educational performances, a pride parade, etc. was a collaborative effort of the Institute for Sexual Minority Studies and Services, the Safe Spaces Initiative, OUTreach, and the Students’ Union’s Gender Based

Violence Prevention Program. In addition to its collaborators, Pride Week also garnered support from approximately 57 other units and individuals from the campus and greater Edmonton area.

- During 2012-13 the U of A, in collaboration with the University of Toronto and UBC, launched IC-IMPACTS, a joint Canada-India initiative created to develop technologies for the improvement of rural water safety and sustainability, effective prevention and treatment of water-borne and infectious diseases, and reliable civil infrastructure such as well-constructed hospitals and bridges. This \$30 million partnership, funded by the federal government and other sources in Canada and India, will take a multi-disciplinary approach.

PERFORMANCE MEASURES

Support from donors continues to be strong, contributing to sustainable growth

FIGURE 10 UNIVERSITY OF ALBERTA FUNDRAISING ACHIEVEMENT, LATEST 5 YEARS

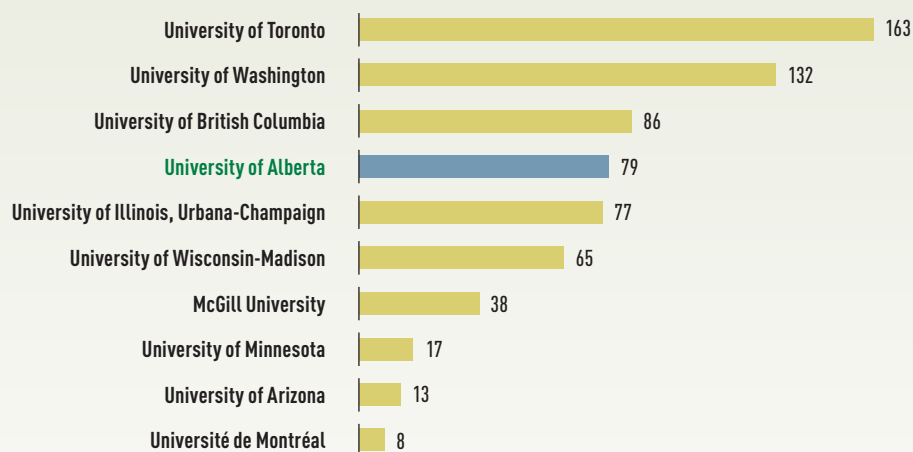


Note: Fundraising achievement totals consist of new pledges, grants, and gifts (including matching gifts); pledge payments and write offs are not included. In fiscal year 2012, newly adopted donation counting guidelines resulted in the one-time recording of \$39 million in bequests that were confirmed in writing in prior years. **Source:** Board of Governors’ Reports. University of Alberta

- In 2012-13, the U of A's Faculty of Science entered into new agreements with Brazil's University of Minas Gerais and Unimontes, China's University of Hong Kong, Japan's Gifu University, and Italy's University of Camerino. Each MOU will allow the U of A to broaden research initiatives, and in the case of the University of Hong Kong, will allow for a 2 + 2 student exchange program.
- The U of A has almost 250,000 alumni worldwide. Of the 185,022 graduates for whom the university has a current address, 133,826 live in Alberta.
- During 2012, the U of A's Research Ethics Office and Administrative Information System portfolio shared their organizational and technical expertise with members of Alberta's Research Ethics Boards, working towards implementing a provincial health research information framework. This framework will further enhance health research investments in Alberta.
- The U of A's Academic Information and Communication Technologies unit has taken a leadership role in Campus Alberta this year by sharing its expertise in educational technologies like Eduroam and Moodle. Institutions such as the University of Calgary, Athabasca University, and NAIT have all benefited.

Success in bringing discoveries to market

FIGURE 11 CONTINUING SPINOFFS 1991-2010

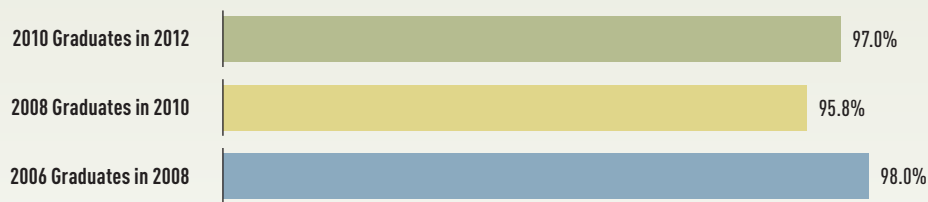


Notes: Startups still in operation reflect companies started at any time during the report period that are still in operation as of the most recent AUTM Licensing Survey. Data are the most recent available. **Source:** AUTM Licensing Surveys

HIGHLIGHTS

- In 2012 the U of A completed the CIDA Public Engagement Fund project “Reaching New Communities.” Over 30 partnerships and 300 new community contacts were developed with community organizations to host lectures, workshops and arts-based programs.
- The U of A’s Faculty of Arts began working with the Kenyan Government and its Ministry of Foreign Affairs on a project that is designed to train young political professionals to prepare for the diplomatic challenges and opportunities that will await them as they help to shape the future role of Kenya and its neighbouring nations in East Africa.
- 2012-13 marked a major first for the U of A’s Augustana Faculty, as the school’s Dean Allen Berger was appointed president of the U.S.-based Council of Public Liberal Arts Colleges. Augustana is the first international member of this organization, whose institutions promote student engagement, civic involvement, and life-long learning.
- In July 2012, the U of A became the first Canadian university to join the Aboriginal Human Resource Council Leadership Circle. This national not-for-profit organization is dedicated to advancing the full participation of Aboriginal people in Canadian society.

FIGURE 12 OVERALL GRADUATE EMPLOYMENT RATE TWO YEARS AFTER GRADUATION



Note: Data are the most recent available. **Source:** Alberta Enterprise and Advanced Education: Alberta Graduate Outcomes Survey.



The University of Alberta will exemplify transformative organization and support

A great university is characterized by, and recognized for, effective governance, strong leadership, and a commitment to helping each member of the university community achieve his or her potential — as scholars, as employees, in their professions, and in their lives. Only by constantly re-assessing ourselves and re-committing to new standards of excellence can the University of Alberta continue to grow and thrive.

HIGHLIGHTS

- In January 2013, the U of A received \$3 million from the provincial government to address rising mental health issues among students and to develop student focused mental health initiatives.
- On November 5, 2012, the U of A, in collaboration with the U of A Students' Union, and Graduate Students' Association, broke ground on the Physical Activity and Wellness (PAW) Centre. PAW will include a new campus fitness centre, a world-class climbing centre, a new home for the Steadward Centre, and new student service space.
- Over the course of the 2012-13 year, U of A alumni have provided major philanthropic support for the institution. For example, two graduates from the School of Business donated \$5 million for the creation of a new innovation fund that will be offered to students, faculty, and staff members in the faculties of Science and Engineering.

Responsible stewardship of resources

FIGURE 13 PROPORTION OF OPERATING EXPENDITURES GOING TOWARDS ADMINISTRATIVE PURPOSES, TWO-YEAR CYCLES

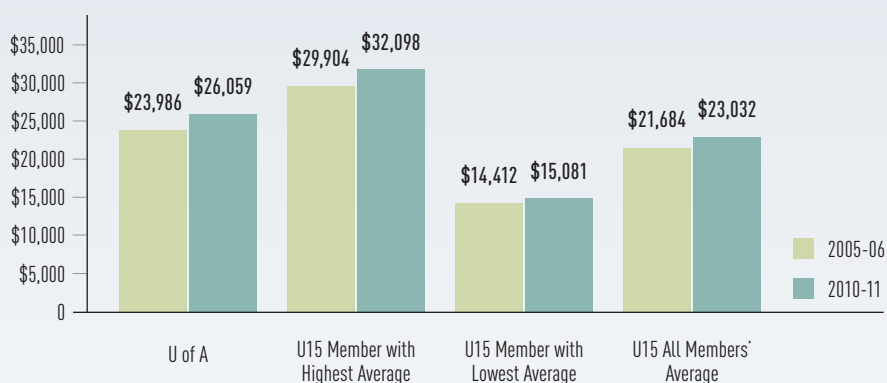


Note: Methodology as defined by Enterprise and Advanced Education. Data are the most recent available.
Source: Financial Information and Reporting System

- In 2013, the U of A became the beneficiary of more than \$14 million in funding from the federal government's Canada Foundation for Innovation. This funding will go towards the Centre for Neural Interfaces and Rehabilitation Neuroscience, the Stable Isotope Facility for Ecosystem Research (SIFER), the U of A Centre for Functional, Structural, and Metabolic In Vivo Imaging of Disease, and EMC2 (also known as the Energy Materials Characterization and Control program).
- TEC Edmonton ensures that U of A research solutions have the greatest impact on society and the economy through commercialization. Because of continued growth and support, TEC Edmonton has assisted over 70 companies and clients over the past three quarters, secured entrepreneurial support of 165 inventors and entrepreneurs, and as of December 2012, generated \$7.6 million in revenue for the 2012-13 year. In addition, six spinoff companies, 96 patent applications, 24 license agreements and \$831,958 in total licensing revenue was generated by TEC Edmonton in 2012-13.

The U of A provides foundational support structures for graduate students

FIGURE 14 AVERAGE FINANCIAL SUPPORT PER DOCTORAL STUDENT, UNIVERSITY OF ALBERTA AND U15 UNIVERSITIES

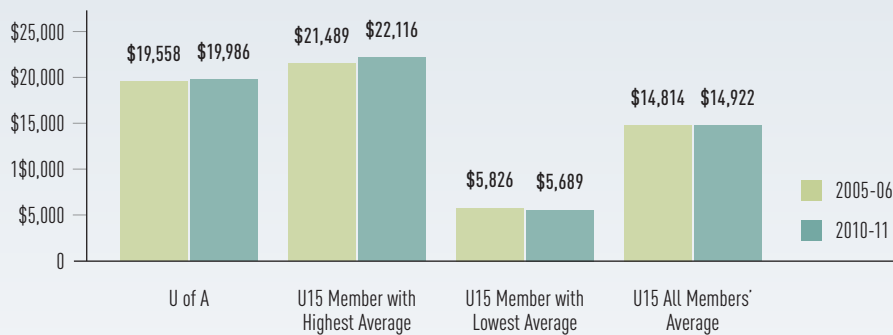


Note: Data are the most recent available. **Source:** U15 Data Exchange

- During the 2012-13 year, the Registrar’s Office moved to introduce a new system of project management which led to the restructuring of the Registrar’s staff and service delivery, and is intended to provide a 3 to 5 year plan to help guide priorities and resource allocation.
- In 2012-13, the Faculty of Arts continued to create a more effective and efficient staffing structure. To do this, the faculty has created units that consolidate the activities of approximately 100 staff members under centralized leadership. These units each function under the direction of a single Administrative Professional Officer, allowing some departments to share a single administrative unit.
- During 2012-13, work continued on the installation of the newly renamed Medical Isotope and Cyclotron Facility on the U of A’s South Campus. This facility will house a cyclotron capable of safely producing technetium-99m, a vital isotope used in medical imaging. The building project is expected to conclude in June 2013.
- In the past five years, approximately 8,000 individuals in over 100 communities across Alberta, from Pincher Creek to Fort McMurray, have accessed programs and services through the U of A’s innovative Alberta Business Family Institute.

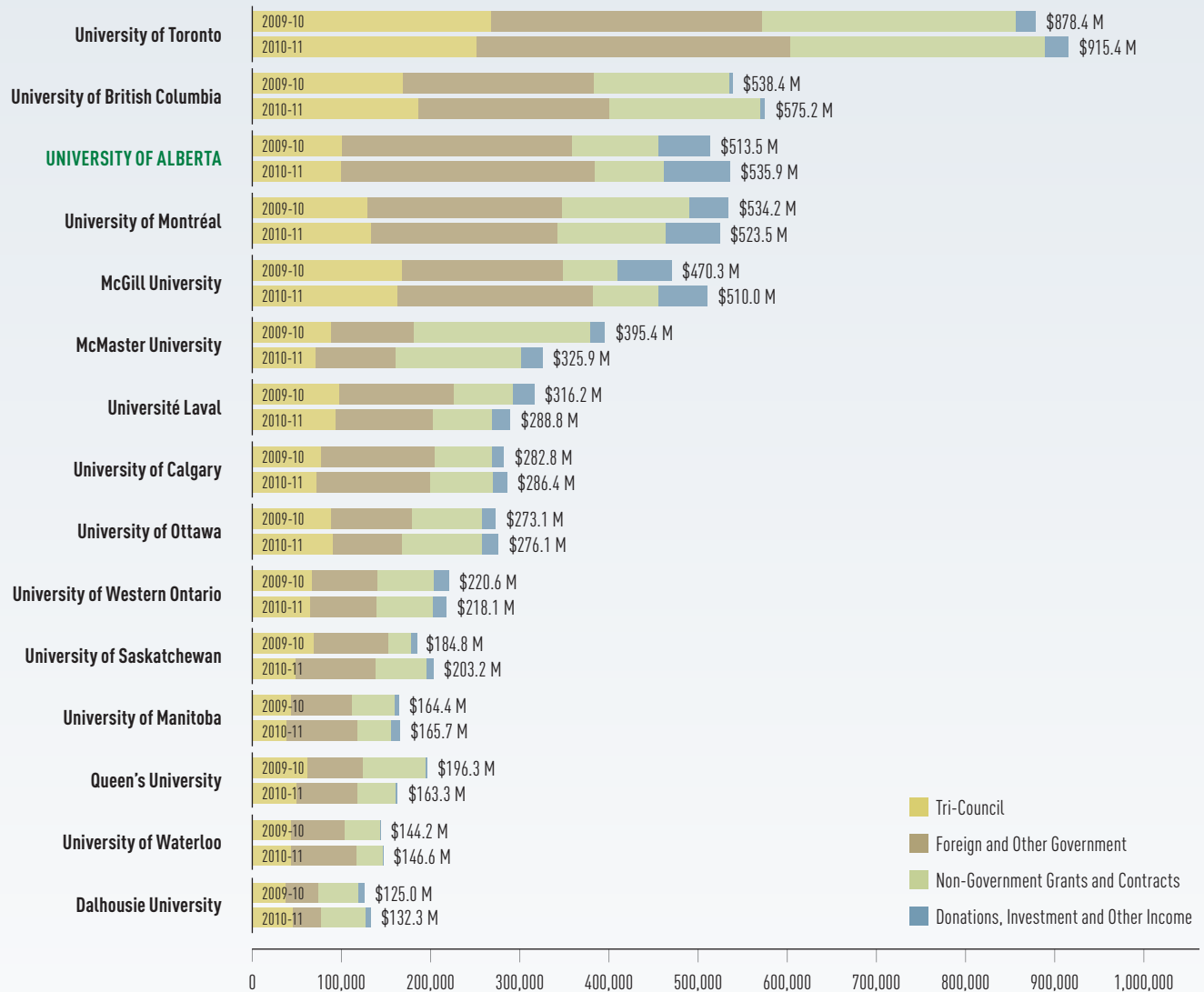
PERFORMANCE MEASURES

FIGURE 15 AVERAGE FINANCIAL SUPPORT PER RESEARCH MASTERS STUDENT, UNIVERSITY OF ALBERTA AND U15 UNIVERSITIES



Note: Data are the most recent available. **Source:** U15 Data Exchange

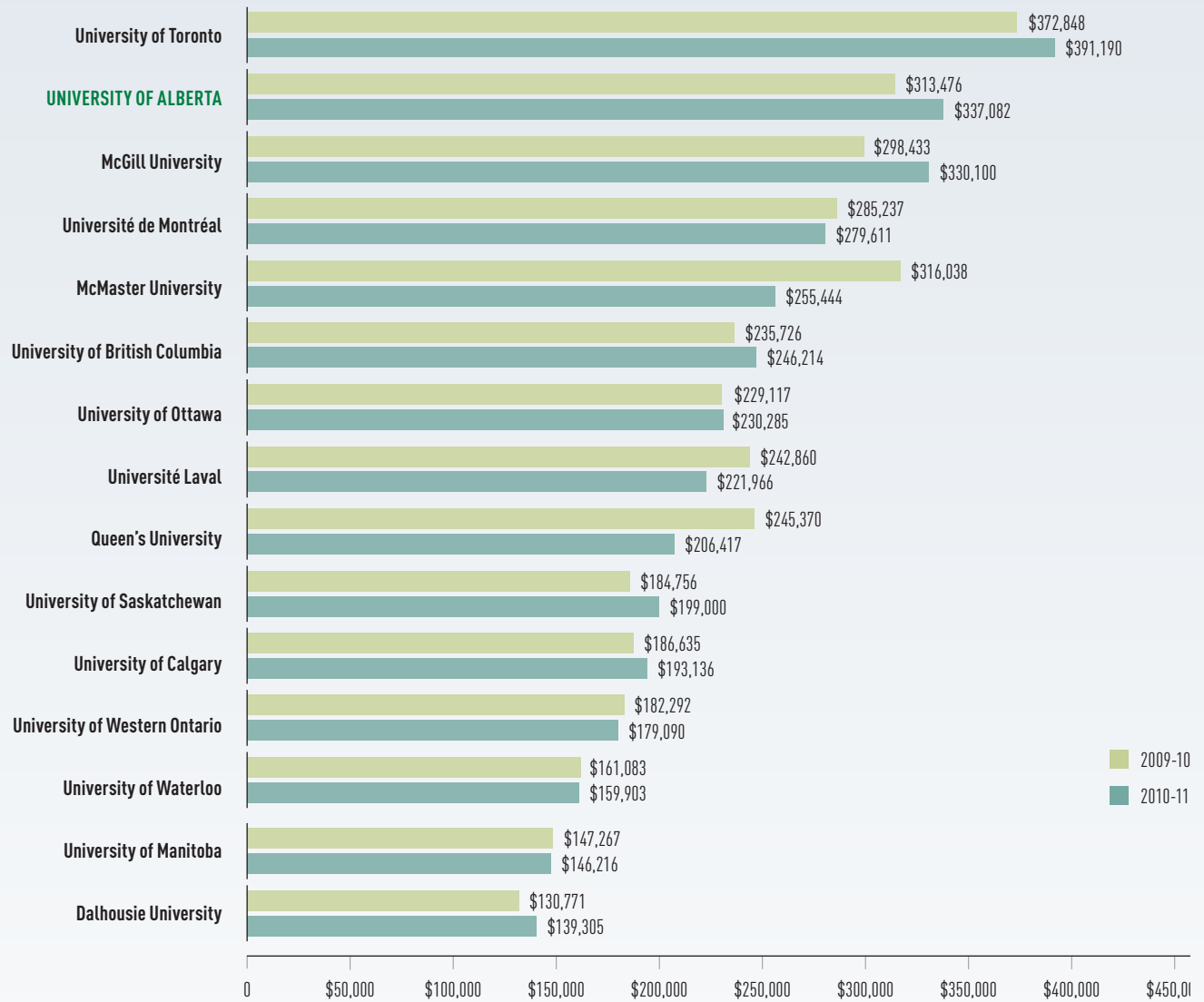
FIGURE 16 U15 SPONSORED RESEARCH INCOME BY TYPE



Notes: Income from Tri-Council includes: Social Sciences and Humanities Research Council; Natural Sciences and Research Council; and Canadian Institute of Health Research (CIHR). Other Government income reflects income from all government departments and agencies - grants and contracts, less Tri-Council and includes foreign government income. Donations, non-government grants and contracts, and investment and other incomes, are reported in each respective category on the CAUBO report. Data are the most recent available. **Sources:** Canadian Association of University Business Officers (CAUBO): Financial Information of Universities and Colleges 2009-10 and 2010-2011, Report 3.1. Université de Montréal includes École Polytechnique de Montréal and HEC Montréal.

Talented U of A researchers have an impact in their field

FIGURE 17 SPONSORED RESEARCH INCOME PER FULL-TIME TEACHING FACULTY FOR U15 UNIVERSITIES



Notes: Income from Tri-Council includes: Social Sciences and Humanities Research Council; Natural Sciences and Research Council; and Canadian Institute of Health Research (CIHR). Other Government income reflects income from all government departments and agencies - grants and contracts, less Tri-Council and includes foreign government income. Donations, non-government grants and contracts, and investment and other incomes, are reported in each respective category on the CAUBO report. Data are the most recent available. **Sources:** Canadian Association of University Business Officers (CAUBO): Financial Information of Universities and Colleges 2009-10 and 2010-2011, Report 3.1. Université de Montréal includes École Polytechnique de Montréal and HEC Montréal.

RENEWING AND ENHANCING FACILITIES AND INFRASTRUCTURE

Over the past ten years, the University of Alberta has undergone tremendous growth. Total student enrolment has increased 20 per cent, fulfilling access goals of both the province and the University. Graduate student enrolment has nearly doubled. During the same period, we have seen a concomitant increase in our research productivity and international profile and reputation.

The following projects were recorded as substantially completed in fiscal year 2012–13:

Edmonton Clinic Pedways: Connecting the Kaye Edmonton Clinic, Edmonton Clinic Health Academy, and the Walter C. Mackenzie Centre via an overhead pedway system was the last, but critical, component to the original program of the Edmonton Clinic facilities. This pedway network provides a connection to the city of Edmonton LRT platform, which will allow students, staff, and general public to easily travel between the three facilities, with the added benefit of reducing ground-level 114th Street crossings.

- **Medical Isotope and Cyclotron Facility:** The Medical Isotope and Cyclotron Facility is a partnership among the University of Alberta, Alberta Health Services, Enterprise and Advanced Education, Alberta Infrastructure, Alberta Health, Natural Resources Canada, and Advanced Cyclotron Systems that produces a stand-alone, medium-energy cyclotron facility with an integrated radiopharmacy. This facility will be used as a research and academic facility that houses both University of Alberta and Alberta Health Services teams working on medical isotope research and the production of medical isotopes. The medical isotopes produced in the facility will be used locally to diagnose and treat patients with cancer, cardiac, neurological, and other diseases.
- **Glen Sather Clinic and Dentistry Clinic:** With the recent completion of the Kaye Edmonton Clinic, the University of Alberta’s Glen Sather Clinic and Dentistry Clinic were relocated and opened. This new space enabled these two programs to expand clinical services and collaborations and ease patient access to their facilities.
- **LKS and Katz:** Work completed this year covered a variety of department fit outs along with several special build initiatives, the areas of development included; Dentistry / Ophthalmology, Hydroclave / Helium Recovery, Biobank, BSL2, and Pharmacy Phase 1 / WCHRI. Each of the fit outs moved the University closer to the overall completion of the program development within the two buildings. Advancing through 2013/2014 the areas of remaining development included the CGMP area, Pharmacy Phase 2 and smaller pockets of support area development.

The following major funded capital projects were underway in 2012-13 fiscal:

- **Agricultural, Life & Environmental Sciences (ALES) Research Stations:** Facilities at several locations are being upgraded to meet expanding research and infrastructure requirements including sites at South Campus, St. Albert, Kinsella, and Mattheis Ranch. Work includes new buildings, renewal of various existing farm assets, basic underground services, and expansion of our rolling stock equipment inventory.
- **Innovation Centre for Engineering:** Even with the renewal and repurposing of the existing Chemical and Materials Engineering building, there is a continued and pressing need to develop additional program space for the Faculty of Engineering. The University continues to advance on the construction of the base shell and core of this facility, with construction completion scheduled for September 2013. This facility will provide a contiguous home for the administrative office of the faculty, as well as necessary research and collaborative space for the faculty's graduate students.
- **Physical Activity and Wellness (PAW) Centre:** Construction of this facility began in late 2012 in response to growing demand for additional recreation and fitness space as well as research and programming in the Faculty of Physical Education and Recreation. This project is funded in partnership with the Students' Union, Graduate Students' Association, Alberta Lotteries, private donors, and institutional dollars.
- **Pharmacy Fit Out:** Phase II of the Pharmacy fit out within the Medical Sciences building has commenced. This space is connected to both the Katz Group Centre for Pharmacy and Health Research and Edmonton Clinic Health Academy and provides needed space for the dean's office, student services, and teaching and research space. Scheduled completion is September 2014.
- **Student Housing:** Construction of approximately 250 Beds within East Campus Village has commenced and will be ready for occupancy in September 2013. These new residences will provide housing for undergraduate, international, and graduate students, and will support the University's goal of providing on-campus housing of up to 25 per cent of its full-time student population.
- **South Academic Building Repurposing:** A portion of the South Academic Building has been repurposed and renewed to accommodate the growing need for wet lab space for the Faculty of Agricultural, Life and Environmental Sciences. This space has attracted world leading researchers in the areas of soils reclamation and water research.

FINANCIAL HIGHLIGHTS FOR 2013

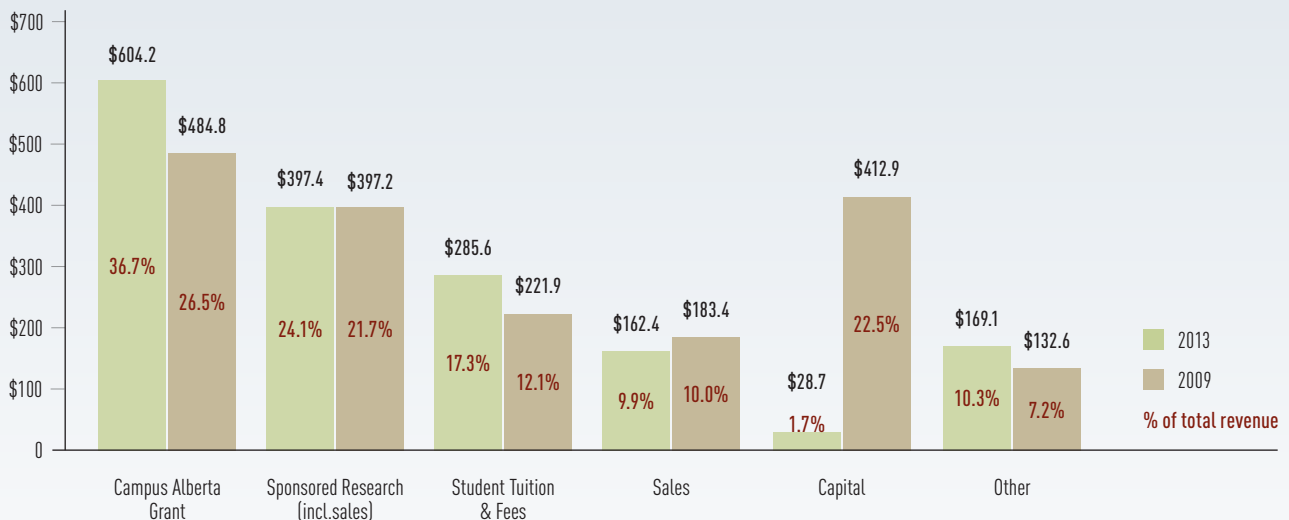
The overview is intended to provide the reader with the financial highlights for the 2012-2013 year and should be read in conjunction with the complete financial analysis and the March 31, 2013 audited Financial Statements available at <http://www.financial.ualberta.ca/AnnualFinancialStatements.aspx>.

The University of Alberta ended the 2013 fiscal year with a \$25.4 million operating surplus (2012: \$11.8 surplus) and an accumulated deficit from operations of \$76.1 million (2012: \$87.1 deficit). The \$25.4 million operating surplus is mainly due to savings at the unit level which have occurred as units reduce spending to assist in meeting their 2013-14 operating budget reductions.

OTHER FINANCIAL HIGHLIGHTS FOR 2013:

- The university received a 2% increase in the operating grant funding.
- Unitized Endowment Pool (UEP) investments returned 12.2% (2012: 3.0%) and the Non-Endowed Investment Pool (NEIP) returned 3.5% (2012: 2.1%).
- Total funding in support of the university's research activity for 2013 is \$423 million compared to \$460 million in 2012 (amounts include capital utilized for research designated buildings and clinical trial and related research funding with Alberta Health Services). Government of Alberta grants decreased by \$39 million due to several large research projects ending last year. In addition, some Government of Alberta sponsored research activities were significantly reduced in scope.

FIGURE 18 REVENUE COMPARATIVE (BEFORE DEFERRALS) YEAR ENDED MARCH 31 (IN MILLIONS OF DOLLARS)

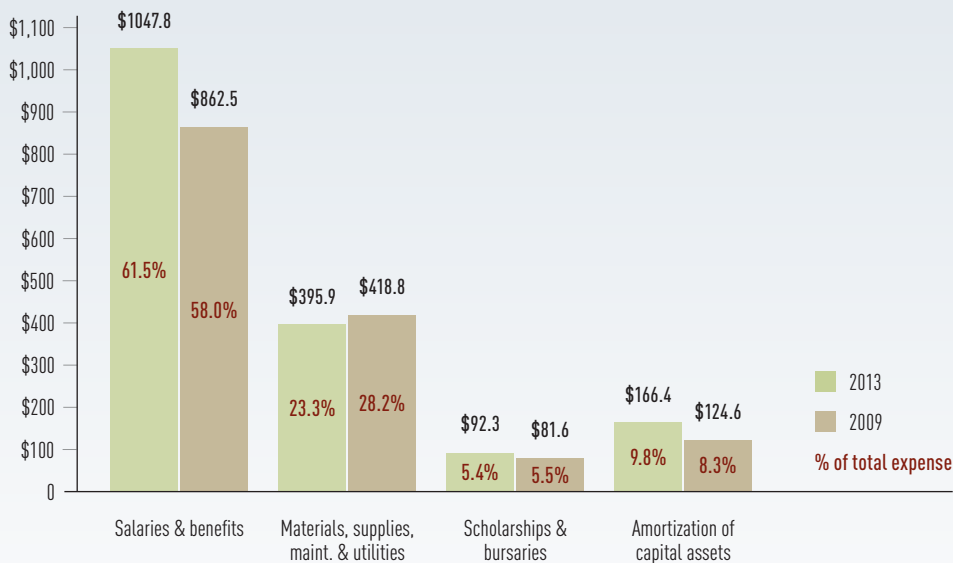


- The university's successful fund-raising initiatives support many activities across the university. For the 2013 year, new endowment donations totaled \$30 million and expendable donations totaled \$40.5 million.
- Capital funding from the Government of Alberta has been decreasing over the past few years with the completion of large-scale projects. This past year, in support of the university's capital plan, the

Government of Alberta provided \$23 million in funding for infrastructure maintenance and approved the repurposing of positive variances from these large-scale projects to other capital priorities.

- For further information, please see the Financial Statements, March 31, 2013 at <http://www.financial.ualberta.ca/AnnualFinancialStatements.aspx>

FIGURE 19 EXPENSE COMPARATIVE YEAR ENDED MARCH 31 (IN MILLIONS OF DOLLARS)



RISK IMPLICATIONS

Like all internationally competitive research-intensive universities, the University of Alberta must deal with a variety of risks that have the potential to hinder its growth and the realization of its vision, mission, and strategic objectives.

1. The dramatic cuts in provincial funding, uncertainty regarding government policy on tuition and low interest rates, combined with underlying cost pressures, will require the university to undergo significant structural changes across the academy and administrative operations. This new financial reality gives rise to numerous institutional risks including the impact on quality; ability to grow research and establish international partnerships; maintenance of program accreditation; ability to attract and retain the highest-quality faculty, staff, and students; maintenance of infrastructure; and overall institutional reputation.
2. Enrolment growth must be managed from the perspective of meeting the labour demands of the province and supporting the research mandate of the university. This will require the U of A striking the right balance of undergraduate to graduate students to position the university as an internationally competitive research-intensive institution.
3. Without the appropriate number of leaders, teachers, researchers, and support staff contributing to their full potential, the university will not be able to provide the quality of the learning experience or participate in the world-leading research expected of an internationally competitive research university.
4. For the university to remain relevant to its students and meet the needs and expectations of its faculty to engage in the highest-calibre research, it requires continuous investment in leading-edge IT infrastructure, highly skilled personnel, and support.
5. The continuation of appropriate levels of Infrastructure Maintenance Program funding to avoid a return to increasing levels of deferred maintenance is vital. In addition, limited or no funding of capital for new, expansion, or renewal projects will affect the capacity of the university to meet the strategic goals of the institution and will have a negative impact on the economic goals of the province.
6. An institution that aspires to be among the top research-intensive universities in the world can only achieve that goal through the establishment of strategic collaborations and partnerships with an extensive range of stakeholders. The university requires access to and flexibility in funding that would enable it to leverage tens of millions of research dollars from provincial, national, and international sources.
7. In moving toward the vision of being one of the world's great public universities, the U of A's national and international profile will increase. The university must address the current economic and financial challenges it faces in such a way that it does not negatively affect its increasing national and international reputation as an exceptional place to learn and work.
8. While the university must assume risks in support of its mandate as an internationally recognized research-intensive institution, it must also promote appropriate risk management plans and strategies that develop responsive attitudes and behaviour at all levels of the organization in order to maintain a healthy and safe environment for all.
9. Each student who attends the U of A arrives with unique expectations, abilities, talents, experiences, and level of maturity. The university must strive to ensure that each student has the best possible opportunity to reach their potential, however that may be measured or defined. If our students do not develop their academic or personal potential, the university will fail to achieve its mission.

Through its integrated enterprise risk management framework, the university will monitor, manage, and mitigate these and other emerging risks in an effort to avoid substantial impact on the university's ability to fulfill its strategic objectives.

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

University of Alberta's management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the Annual Report including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained by management to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, are executed in accordance with all relevant legislation, regulations and policies, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Annual Report has been developed under the oversight of the Board University Relations Committee, as well as the Board Audit Committee with respect to the financial information, and approved by the Board of Governors. The report is prepared in accordance with the *Government Accountability Act* and the *Post-Secondary Learning Act*.

The Auditor General of the Province of Alberta, the institution's external auditor appointed under the Auditor General Act, performs an annual independent audit of the consolidated financial statements in accordance with generally accepted accounting principles.

Original signed by Indira V. Samarasekera, OC

President and Vice-Chancellor

Original signed by Phyllis Clark

Vice-President (Finance & Administration)
and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

FOR YEAR ENDED MARCH 31, 2013

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the Board of Governors

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the University of Alberta, which comprise the consolidated statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the consolidated statements of operations and cash flows for the years ended March 31, 2013 and March 31, 2012, and the consolidated statement of rereasurement gains and losses for the year ended March 31, 2013 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained in my audits 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 the University of Alberta as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012, and its rereasurement gains and losses for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 03, 2013

Edmonton, Alberta

UNIVERSITY OF ALBERTA FINANCIAL STATEMENTS

FOR YEAR ENDED MARCH 31, 2013

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(thousands of dollars)

	March 31, 2013	March 31, 2012 (note 2)	April 1, 2011 (note 2)
ASSETS			
Cash and cash equivalents (note 5)	\$ 17,156	\$ 20,925	\$ 6,118
Investments (note 6)	1,696,984	1,632,498	1,749,504
Accounts receivable	122,722	163,857	187,019
Inventories and prepaid expenses	13,005	13,273	21,125
Capital assets (note 9)	2,730,905	2,719,566	2,568,681
	\$ 4,580,772	\$ 4,550,119	\$ 4,532,447
LIABILITIES			
Accounts payable and accrued liabilities	\$ 194,549	\$ 219,599	\$ 235,263
Employee future benefit liabilities (note 10)	239,695	230,443	226,630
Debt (note 11)	175,822	183,313	197,835
Deferred revenue (note 12)	2,689,914	2,763,827	2,758,460
	3,299,980	3,397,182	3,418,188
NET ASSETS			
Endowments (note 13)	879,861	800,343	783,340
Investment in capital assets (note 14)	462,233	439,714	414,157
Accumulated deficit from operations (note 14)	(76,132)	(87,120)	(83,238)
Accumulated remeasurement gains	14,830	-	-
	1,280,792	1,152,937	1,114,259
	\$ 4,580,772	\$ 4,550,119	\$ 4,532,447

Contingent liabilities and contractual obligations (note 15 and 16)

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED MARCH 31
(thousands of dollars)

	2013 Budget	2013	2012 (note 2)
REVENUE			
Government of Alberta grants (note 20)	\$ 874,555	\$ 907,806	\$ 879,623
Federal and other government grants	183,039	193,937	189,834
Student tuition and fees	277,728	285,629	269,355
Sales of services and products	219,488	183,034	200,875
Donations and other grants	97,119	116,441	108,278
Investment income	49,603	40,952	42,970
	1,701,532	1,727,799	1,690,935
EXPENSE (note 17)			
Instruction and non-sponsored research	978,704	981,192	955,558
Sponsored research	414,009	398,923	398,829
Facility operations and maintenance	130,357	117,527	119,697
Special purposes	92,084	111,230	104,800
Ancillary enterprises	103,659	93,515	100,252
	1,718,813	1,702,387	1,679,136
Operating surplus (deficit)	(17,281)	25,412	11,799
Transfer from endowments (note 13)	-	8,095	9,876
Change in accumulated surplus	(17,281)	33,507	21,675
Accumulated surplus, beginning of year	347,145	352,594	330,919
Accumulated surplus, end of year (note 14)	\$ 329,864	\$ 386,101	\$ 352,594

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31
(thousands of dollars)

	2013	2012 (note 2)
OPERATING TRANSACTIONS		
Operating surplus	\$ 25,412	\$ 11,799
Add (deduct) non-cash items:		
Amortization of capital assets	166,387	158,881
Expended capital recognized as revenue	(112,697)	(104,264)
Losses (gains) on disposal of capital assets	964	(1,254)
Inventory writedown	300	8,781
Unrealized gains on investment	-	(2,295)
Increase in employee future benefit liabilities	9,252	3,813
Total non-cash items	64,206	63,662
Decrease in accounts receivable	41,135	23,162
Increase in inventories and prepaid expenses	(32)	(929)
Decrease in accounts payable and accrued liabilities	(25,050)	(15,664)
Increase in deferred revenue, less expended capital recognized as revenue	31,820	62,394
Cash provided by operating transactions	137,491	144,424
CAPITAL TRANSACTIONS		
Acquisition of capital assets	(171,889)	(262,641)
Proceeds on sale of capital assets	163	1,366
Cash applied to capital transactions	(171,726)	(261,275)
INVESTING TRANSACTIONS		
Sales of investments, net of purchases	9,052	115,387
Endowment investment (loss) income	(1,191)	4,171
Cash provided by investing transactions	7,861	119,558
FINANCING TRANSACTIONS		
Endowment donations	30,096	26,622
Debt - repayment	(10,991)	(15,922)
Debt - new financing	3,500	1,400
Cash provided by financing transactions	22,605	12,100
Increase (decrease) in cash and cash equivalents	(3,769)	14,807
Cash and cash equivalents, beginning of year	20,925	6,118
Cash and cash equivalents, end of year (note 5)	\$ 17,156	\$ 20,925

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31
(thousands of dollars)

	2013
Accumulated remeasurement gains, beginning of year	\$ -
Unrealized gains attributable to:	
Investments	14,830
Accumulated remeasurement gains, end of year	\$ 14,830

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

UNIVERSITY OF ALBERTA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31
(thousands of dollars)

1. Authority and purpose

“The Governors of The University of Alberta” is a corporation which manages and operates the University of Alberta (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 Enterprise and Advanced Education, with the exception of the Chancellor and President, who are ex officio members. Under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, the university is a comprehensive academic and research institution offering undergraduate and graduate degree programs 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. Conversion to Public Sector Accounting Standards

Commencing April 1, 2012, the university adopted Canadian Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board. In accordance with PSA Handbook Section 2125 (First-time Adoption), the date of transition to PSAS is April 1, 2011 and the university has prepared and presented an opening consolidated statement of financial position at the date of transition. The consolidated statement of cash flows reflects the reclassification of certain amounts as a result of the conversion to PSAS. These consolidated financial statements are the first consolidated financial statements for which the university has applied PSAS. The impact of the conversion to PSAS is presented in Schedule 1.

In accordance with the requirements of PSA Handbook Section 2125, the accounting policies set out in note 4 have been consistently applied to all years presented. Adjustments resulting from the adoptions of PSAS have been applied retroactively excluding cases where optional exemptions available under Section 2125 have been applied. The university has elected to adopt the exemptions available under Section 2125 as follows:

- To retroactively recognize retirement and post-employment unamortized cumulative gains and losses to accumulated surplus.
- To accept the exemption for:
 - Business combinations that were acquired prior to the date of transition.
 - Investments in government business enterprises for investments incurred prior to the date of transition.
 - Government business partnerships entered into prior to the date of transition.
 - Capital assets impairment (prospectively).

3. Adoption of new accounting standards

(a) Financial instruments

As of April 1, 2012, the university adopted PSA Handbook Section 3450 (Financial Instruments). This new standard provides guidance for recognition, measurement and disclosure of financial instruments. The transitional provisions in the standard state that when a government organization applies this standard in the same year it adopts PSAS for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the university immediately preceding its adoption of PSAS.

(b) Investments, foreign currency, and financial statement presentation

As of April 1, 2012, the university adopted PSA Handbook Sections 3041 (Portfolio Investments), 2601 (Foreign Currency Translation), and 1201 (Financial Statement Presentation). These standards establish how to account for and report on investments, transactions denominated in foreign currency, and the disclosure of information in financial statements.

The transitional provisions in Section 2601 state that when a government organization applies this standard in the same year it adopts PSAS for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the university immediately preceding its adoption of PSAS. Sections PS 3041 and PS 1201 have been applied retroactively.

(c) Government transfers

As of April 1, 2012, the university applied PSA Handbook Section 3410 (Government Transfers). This revised standard establishes how to account for and report on government transfers from both a transferring government and a recipient government perspective. The university has elected to apply the requirements of the standard on a retroactive basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31
(thousands of dollars)

4. Summary of significant accounting policies and reporting practices

(a) General – Canadian Public Sector Accounting Standards (PSAS) and use of estimates

These consolidated financial statements have been prepared in accordance with PSAS. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets and valuation of floating rate notes 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 consolidated financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Net debt model presentation

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

(c) Valuation of financial assets and financial liabilities

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

Financial Statement Component	Measurement
Cash and cash equivalents	Amortized cost
Investments	Fair value
Derivatives	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Debt	Amortized cost

Unrealized gains and losses from changes in the fair value of financial assets and financial liabilities are recognized in accumulated remeasurement gains and losses, except for the restricted amount which is recognized as deferred revenue or endowment net assets. Upon settlement, the gains and losses are reclassified from accumulated remeasurement gains and losses and recognized as revenue or expense.

All financial assets except derivatives are assessed annually for impairment. Impaired financial losses are recognized as a decrease in revenue, except for the restricted amount which is recognized as a decrease in deferred revenue or a decrease in endowment net assets. A write-down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial assets and financial liabilities measured at amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial assets and financial liabilities that are measured at amortized cost and expensed when measured at fair value.

Derivatives are recorded at fair value in the statement of financial position. Derivatives with a positive (negative) fair value are recognized as assets (liabilities). All unrealized changes in the fair value of derivatives are recognized in accumulated remeasurement gains and losses in the year in which they occur, except for the derivatives associated with the restricted amount which is recognized as deferred revenue. Once realized, these gains and losses are recognized as revenue or expense.

University management evaluates contractual obligations for the existence of embedded derivatives and elects to either measure the entire contract at fair value or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the university's normal course of business are not recognized as financial assets or financial liabilities. The university has elected to apply the evaluation of embedded derivatives prospectively, from April 1, 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31
(thousands of dollars)

4. Summary of significant accounting policies and reporting practices (cont'd)

(d) Revenue recognition

All revenue is reported on an accrual basis. Cash received for which goods or services have not been provided is recognized as deferred revenue.

Government grants, non-government grants and donations

Government transfers are referred to as government grants.

Restricted grants and donations are recognized as deferred revenue if the terms for use, or the terms along with the university's actions and communications as to the use, create a liability. These grants and donations are recognized as revenue when the terms are met.

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

In kind donations of services and materials are recognized at fair value when a fair value can be reasonably determined. Volunteers as well as university staff contribute an indeterminable number of hours per year to assist the university in carrying out its mission; such contributed services are not recognized in these consolidated financial statements.

Grants and donations related to land

Grants and donations for the purchase of land are recognized as deferred revenue when received and recognized as revenue when the land is purchased. An in kind grant or donation of land is recognized as revenue at the fair value of the land when a fair value can be reasonably determined. When the fair value cannot be reasonably determined, the in kind grant or donation is recorded at nominal value.

Endowments

Donations that must be maintained in perpetuity are recognized as a direct increase in endowment net assets when received or receivable. Investment income and unrealized gains and losses that also must be maintained in perpetuity are recognized as endowment net assets when received or receivable.

Investment income

Investment income includes dividends, interest income and realized gains and losses on the sale of investments. Unrealized gains and losses on investments from unrestricted grants and donations are recognized in accumulated remeasurement gains and losses until settlement. Once realized, these gains and losses are recognized as revenue. Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as revenue when the terms of the grant or donation are met.

(e) Inventories

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

(f) Capital assets

Capital assets are comprised of only tangible capital assets. Capital asset acquisitions are recorded at cost, which includes amounts that are directly related, such as design, construction, development, improvement or betterment of the asset. Cost includes overhead directly attributable to construction and development.

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

Buildings and utilities	10 - 40 years
Equipment, furnishings and systems	3 - 10 years
Learning resources	10 years

Capital asset write-downs are recorded when conditions indicate they no longer contribute to the university's ability to provide services, or when the value of future economic benefits associated with the capital assets are less than their net book value. Net write-downs are recognized as expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31
(thousands of dollars)

4. Summary of significant accounting policies and reporting practices (cont'd)

(g) Employee future benefits

Pension

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

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

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

Long-term disability

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the university's long-term disability plans is charged to expense in full when the event occurs which obligates the university to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a discount rate based on the university's cost of borrowing and management's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains and losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

Early retirement

The cost of providing accumulating post-employment benefits under the university's early retirement 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 discount rate based on the university's cost of borrowing and management's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. Actuarial gains and losses on the accrued benefit obligation are amortized over the average remaining service life of active employees expected to receive benefits under the plans.

Supplementary retirement plans

The university provides non-contributory defined benefit supplementary retirement benefits to executive based on years of service and earnings. The expense for these plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The university provides non-contributory defined contribution supplementary retirement benefits to eligible academic staff based on years of service and earnings. The expense for this plan is the employer's current year contribution to the plan as calculated in accordance with the plan rules.

Administrative/professional leave

The university provides for certain executive to accrue a paid leave of absence at the end of their executive appointment. The expense for these plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life.

General illness

The cost of providing non-vesting and non-accumulating compensated absences to a maximum of 26 weeks (academic staff) or 120 days (support staff) under the university's general illness plans is charged to expense in full when the event occurs which obligates the university to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method and management's best estimate of the period of employee disability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31
(thousands of dollars)

4. Summary of significant accounting policies and reporting practices (cont'd)

(h) Investment in government partnerships

Proportionate consolidation is used to record the university's share of the following government partnerships:

- Northern Alberta Clinical Trials and Research Centre (50% interest) - a joint venture with Alberta Health Services to support the shared missions of Alberta Health Services and the university for collaborative clinical research.
- TEC Edmonton (50% interest) - a joint venture with Edmonton Economic Development Corporation to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society.
- Tri-University Meson Facility (TRIUMF) (9.09% interest) - a joint venture with ten other universities to operate a sub-atomic physics research facility.
- Western Canadian Universities Marine Sciences Society (20% interest) - provides research infrastructure in the marine sciences for member universities and the world-wide scientific community.

These government partnerships are not material to the university's consolidated financial statements; therefore, separate condensed financial information is not presented.

5. Cash and cash equivalents

	2013	2012	April 1 2011
Cash	\$ 17,156	\$ 5,925	\$ 1,118
Money market funds	-	15,000	5,000
	\$ 17,156	\$ 20,925	\$ 6,118

Money market funds also include short-term notes and treasury bills with a maturity less than three months from the date of acquisition.

6. Investments

	2013	2012	April 1 2011
Fair value			
Money market funds	\$ 625,905	\$ 661,200	\$ 793,052
Floating rate notes	101,720	95,710	92,367
Canadian government and corporate bonds	157,981	176,171	252,323
Canadian equity	242,166	189,863	190,507
Foreign equity	447,865	396,020	395,472
Pooled hedge funds	62,213	62,718	24,711
Annuities	-	82	86
Real estate funds	56,029	50,734	986
	1,693,879	1,632,498	1,749,504
Other at amortized cost	3,105	-	-
	\$ 1,696,984	\$ 1,632,498	\$ 1,749,504

As at March 31, 2013, the average effective yields and the terms to maturity are as follows:

- Money market funds: 1.23% (2012 – 1.12%); term to maturity: less than one year.
- Canadian government and corporate bonds: 1.85% (2012 – 1.42%); terms to maturity: range from less than one year to more than 10 years.

Unrealized gains and losses on endowment investments

Endowment investment unrealized gains of \$57,517 are recognized as an increase to endowment net assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31
(thousands of dollars)

6. Investments (cont'd)

The following table provides a categorization of investments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

	2013			Total
	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	
Investments at fair value				
Money market funds	\$ -	\$ 625,905	\$ -	\$ 625,905
Floating rate notes	-	-	101,720	101,720
Canadian government and corporate bonds	-	157,981	-	157,981
Canadian equity	237,911	-	4,255	242,166
Foreign equity	447,865	-	-	447,865
Pooled hedge funds	-	62,213	-	62,213
Real estate funds	8,570	-	47,459	56,029
	\$ 694,346	\$ 846,099	\$ 153,434	\$ 1,693,879

	2012			Total
	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	
Investments at fair value				
Money market funds	\$ -	\$ 661,200	\$ -	\$ 661,200
Floating rate notes	-	-	95,710	95,710
Canadian government and corporate bonds	-	176,171	-	176,171
Canadian equity	186,292	-	3,571	189,863
Foreign equity	396,020	-	-	396,020
Pooled hedge funds	-	62,718	-	62,718
Annuities	-	82	-	82
Real estate funds	24,728	-	26,006	50,734
	\$ 607,040	\$ 900,171	\$ 125,287	\$ 1,632,498

The fair value measurements are those derived from:

- ⁽¹⁾ Quoted prices in active markets for identical assets or liabilities.
- ⁽²⁾ Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- ⁽³⁾ Valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31
(thousands of dollars)

6. Investments (cont'd)

Level 3 valuations

The following table reconciles the changes in fair value of level 3 investments:

	2013	2012
Balance, beginning of year	\$ 125,287	\$ 96,018
Unrealized gains	16,901	4,901
Purchases	19,208	25,750
Proceeds on sale	(7,067)	(1,259)
Other	(895)	(123)
Balance, end of year	\$ 153,434	\$ 125,287

Floating rate notes:

The university holds \$101,720 (2012 - \$95,710) in floating rate notes which are comprised of synthetic assets and ineligible tracking notes with a book value of \$134,617 (2012 - \$139,954).

The university has estimated the fair value of these floating rate notes as at March 31, 2013 using a discounted cash flow valuation model. This model incorporates management's best estimates of multiple factors, updated to reflect market-related and other additional information. The valuation also involves assumptions regarding the difference between the yield the university expects to earn from the floating rate notes and the appropriate market discount attributable to such investments. The estimated investment yields were determined based on available information. The estimated market discount rates for the floating rate notes were determined by reference to market rates for other investments and appropriate forward credit indices. They were then adjusted to include an estimated premium to reflect the expected lack of liquidity in the floating rate notes together with the leveraged nature of the underlying assets and were further adjusted for subordination where appropriate. The shortfall between the expected yield and the estimated discount rate for notes in the synthetic assets ranges from 4.02% to 10.22%. An increase of 1% in the estimated discount rate would decrease the fair value by approximately \$4,485.

Since the eventual timing and amount of future cash flows attributable to these assets may vary significantly from management's current best estimates, it is possible that the ultimate fair value of these assets may vary significantly from current estimates and that the magnitude of any such difference could be material to the financial results.

Canadian equity:

The university has invested in a partnership agreement with iNovia Investment fund II-B. The valuation of this partnership agreement is based on cost and then adjusted by current activity as provided by the general partner.

Real estate funds:

Real estate funds consist of units held in three limited partnerships that are not traded in a public market. The units can only be sold privately to another qualifying investor within the fund with the approval of the general partner. Fair value is determined by an appraisal of the real property held in the funds by independent qualified real estate appraisers on a minimum annual basis. The hiring of these independent appraisers is coordinated by the general partner of each fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31
(thousands of dollars)

7. Derivatives

Derivative financial instruments are used by the university to manage currency exposure primarily with respect to the university's investments. The university uses foreign currency forward contracts to manage its foreign exchange currency exposure on certain investments, and has entered into foreign currency forward contracts to minimize exchange rate fluctuations. All outstanding contracts have a remaining term to maturity of less than one year. As at March 31, 2013 the university held foreign currency forward contracts for settlement on April 16, 2013, with a notional amount of \$229,478 (2012 - \$228,748). The fair value of outstanding foreign currency forward contracts receivable is \$12,076 (2012 - \$11,273) and of foreign currency forward contracts payable is \$11,880 (2012 - \$7,267). The fair value measurement of derivative financial instruments is categorized into level 1 as described in note 6.

The composition of the most significant derivatives notional amount and fair value are as follows:

	2013			2012		
	Forward rate	Notional amount	Fair value	Forward rate	Notional amount	Fair value
Currency						
US dollar	1.0163	\$ 113,539	\$ (3,893)	1.0000	\$ 124,040	\$ 944
Euro	1.3055	62,655	1,167	1.3319	58,611	(1,146)
British pound	1.5432	33,050	504	1.5975	31,474	(505)
Japanese yen	0.0108	30,108	1,707	0.0122	46,943	5,034

8. Financial risk management

The university is exposed to the following risks:

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the university has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The university's Investment Committee, a subcommittee of the Board of Governors, has the delegated authority for oversight of the university's investments. The university's management for risk has not changed from prior year.

The university assesses its portfolio sensitivity to a percentage increase or decrease in the market prices. The sensitivity rate is determined using the historical annualized standard deviation for the total UEP over a four year period as determined by the BNY Mellon Asset Servicing consulting report. At March 31, 2013, if market prices had a 8.7% (2012 - 11.3%; 2011 - 10.4%) increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains and losses and endowment net assets for the year would be \$76,320 (March 31, 2012 - \$90,439; April 1, 2011 - \$81,467).

Foreign exchange risk

Foreign exchange risk on investments is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign currencies. The university uses forward contracts to manage this risk. The university does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes.

The impact of changes in the value of various foreign currencies are as follows:

	Fair value	5% decrease	1% decrease	1% increase	5% increase
US investments					
US dollar	\$ 252,513	\$ 245,564	\$ 251,123	\$ 253,903	\$ 259,462
International investments					
Euro	69,475	69,134	69,407	69,543	69,816
Japanese yen	55,504	54,234	55,250	55,758	56,774
British pound	43,297	42,785	43,195	43,399	43,809
Swiss franc	22,484	22,365	22,460	22,508	22,603

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31
(thousands of dollars)

8. Financial risk management (cont'd)

Liquidity risk

The university maintains a portfolio of short-term investments with rolling maturity dates to manage short-term cash requirements. The university maintains a short-term line of credit, which is not drawn upon at year end, to ensure that funds are available to meet current and forecasted financial requirements.

Credit risk

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

The credit risk on money market funds and bonds (including floating rate notes) are as follows:

	2013	2012	April 1 2011
	%	%	%
Money market funds			
R-1 (high)	69.2	60.9	83.6
R-1 (mid)	30.6	38.9	16.2
Not rated	0.2	0.2	0.2
	100.0	100.0	100.0
Bonds			
AAA	25.8	31.5	35.5
AA	29.3	26.2	24.1
A	22.2	20.2	24.5
BBB	15.5	14.1	11.2
Not rated	7.2	8.0	4.7
	100.0	100.0	100.0

Interest rate risk

Interest rate risk is the risk to the university's earnings that arise from the fluctuation and degree of volatility in those rates. This risk is managed by investment policies that limit the term to maturity of certain fixed income instruments that the university holds. Interest rate risk on the university's debt is managed through fixed rate agreements with Alberta Capital Finance Authority (note 11).

The maturity of interest bearing investments are as follows:

	< 1 year	1 - 5 years	> 5 years	Average effective market yield
	%	%	%	%
Money market funds	100.0	-	-	1.2
Canadian government and corporate bonds	1.8	40.9	57.3	2.5
Floating rate notes	1.4	3.4	95.2	0.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31
(thousands of dollars)

9. Capital assets

	2013				
	Buildings and utilities	Equipment, furnishings and systems	Learning resources	Land	Total
Cost					
Beginning of year	\$ 3,020,539	\$ 1,143,342	\$ 319,513	\$ 85,463	\$ 4,568,857
Acquisitions	95,309	63,203	20,341	-	178,853
Disposals	-	(8,567)	-	-	(8,567)
	3,115,848	1,197,978	339,854	85,463	4,739,143
Accumulated amortization					
Beginning of year	857,045	770,817	221,429	-	1,849,291
Amortization expense	74,436	72,090	19,861	-	166,387
Disposals	-	(7,440)	-	-	(7,440)
	931,481	835,467	241,290	-	2,008,238
Net book value at March 31, 2013	\$ 2,184,367	\$ 362,511	\$ 98,564	\$ 85,463	\$ 2,730,905

	2012				
	Buildings and utilities	Equipment, furnishings and systems	Learning resources	Land	Total
Cost					
Beginning of year	\$ 2,831,319	\$ 1,059,595	\$ 298,860	\$ 85,463	\$ 4,275,237
Acquisitions	189,220	100,005	20,653	-	309,878
Disposals	-	(16,258)	-	-	(16,258)
	3,020,539	1,143,342	319,513	85,463	4,568,857
Accumulated amortization					
Beginning of year	792,577	712,401	201,578	-	1,706,556
Amortization expense	64,468	74,562	19,851	-	158,881
Disposals	-	(16,146)	-	-	(16,146)
	857,045	770,817	221,429	-	1,849,291
Net book value at March 31, 2012	\$ 2,163,494	\$ 372,525	\$ 98,084	\$ 85,463	\$ 2,719,566

Included in buildings and utilities is \$129,732 (2012 - \$60,845) recorded as construction in progress, which is not amortized as the assets are not in service.

Acquisitions include in kind donations in the amount of \$ 6,964 (2012 - \$47,237).

The university holds library permanent collections and other permanent collections which include works of art, museum specimens, archival materials and maps, these collections are not included in capital assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31
(thousands of dollars)

10. Employee future benefit liabilities

	2013		
	Academic staff	Support staff	Total
UAPP	\$ 165,855	\$ -	\$ 165,855
Long-term disability	8,459	18,971	27,430
Early retirement	102	23,662	23,764
SRP (defined contribution)	10,759	-	10,759
SRP (defined benefit)	7,094	-	7,094
Administrative/professional leave	3,518	-	3,518
General illness	726	549	1,275
	\$ 196,513	\$ 43,182	\$ 239,695

	2012		
	Academic staff	Support staff	Total
UAPP	\$ 165,927	\$ -	\$ 165,927
Long-term disability	8,182	16,075	24,257
Early retirement	217	22,496	22,713
SRP (defined contribution)	7,966	-	7,966
SRP (defined benefit)	5,644	-	5,644
Administrative/professional leave	2,999	-	2,999
General illness	937	-	937
	\$ 191,872	\$ 38,571	\$ 230,443

	April 1, 2011		
	Academic staff	Support staff	Total
UAPP	\$ 167,224	\$ -	\$ 167,224
Long-term disability	7,847	16,366	24,213
Early retirement	389	21,245	21,634
SRP (defined contribution)	5,119	-	5,119
SRP (defined benefit)	4,623	-	4,623
Administrative/professional leave	2,477	-	2,477
General illness	1,340	-	1,340
	\$ 189,019	\$ 37,611	\$ 226,630

(a) Defined benefit plans accounted for on a defined benefit basis

Universities Academic Pension Plan (UAPP)

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2010 and was then extrapolated to March 31, 2013, resulting in a UAPP deficit of \$1,149,175 (2012 - \$1,153,334) consisting of a pre-1992 deficit (\$766,644) and a post-1991 deficit (\$382,531). The university's portion of the UAPP deficit has been allocated based on its percentage of the plan's total employer contributions for the year.

The unfunded deficit for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2012 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.34% (2012 - 2.34%) of salaries required to eliminate the unfunded deficit by December 31, 2043. The Government of Alberta's obligation for the future additional contributions is \$327,710 at March 31, 2013. The unfunded deficit for service after December 31, 1991 is financed by special payments of 5.54% (2012 - 5.09%) of pensionable earnings shared equally between employees and employers until December 31, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. Employee future benefit liabilities (cont'd)

(a) Defined benefit plans accounted for on a defined benefit basis (cont'd)

Long-term disability (LTD) and general illness

The university provides long-term disability and general illness defined benefits to its academic and support staff. The most recent actuarial valuation for these benefits was as at March 31, 2013. The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date. The general illness plan provides similar benefits but for a maximum of 26 weeks (academic staff) or 120 days (support staff).

Early retirement

The early retirement benefits for support staff include bridge benefits and a retirement allowance. Bridge benefits allow eligible employees who retire early to continue participating in several staff benefit programs between the date of early retirement and the end of the month in which the employee turns 65. Benefits include group life insurance, employee family assistance program, supplementary health care and dental care. The support staff retirement allowance provides eligible employees (those with 20 years of pensionable service at retirement date) one week's base pay per full year of employment to a maximum 25 days pay. The early retirement benefit for academic staff was for bridge benefits and was terminated in 2004. Participants already receiving these benefits when the benefit was terminated will continue to receive bridge benefits under the original terms. An actuarial valuation of these benefits was carried out as at March 31, 2013.

Supplementary retirement plans (SRP)

The university provides non-contributory defined benefit supplementary retirement benefits to executive. An actuarial valuation of these benefits was carried out as at March 31, 2013.

Administrative/professional leave (leave)

The university provides for certain executive to accrue a paid leave at the end of their executive appointment. Upon completing their term of service, the individual's salary and benefits in effect at the end of the service are paid for the duration of the leave. An actuarial valuation of these benefits was carried out as at March 31, 2013.

The expense and financial position of these defined benefit plans are as follows:

	2013				2012			
	UAPP	LTD, GI ⁽¹⁾	Early retirement ⁽¹⁾	SRP, leave ⁽¹⁾	UAPP ⁽¹⁾	LTD, GI ⁽¹⁾	Early retirement ⁽¹⁾	SRP, leave ⁽¹⁾
Expense								
Current service cost	\$ 33,208	14,505	\$ 1,469	\$ 1,334	\$ 33,406	\$ 10,666	\$ 1,398	\$ 1,192
Interest cost	13,610	1,823	1,125	542	11,538	1,531	1,137	427
Amortization of actuarial (gains) losses	3,473	441	(135)	171	-	-	-	-
Total expense	\$ 50,291	\$ 16,769	\$ 2,459	\$ 2,047	\$ 44,944	\$ 12,197	\$ 2,535	\$ 1,619
Financial position								
Accrued benefit obligation								
Balance, beginning of year	\$ 763,083	\$ 27,166	\$ 20,877	\$ 9,174	708,155	25,553	21,634	7,100
Current service cost	33,208	14,505	1,469	1,334	33,406	10,666	1,398	1,192
Interest cost	50,644	1,823	1,125	542	47,164	1,531	1,137	427
Benefits paid	(34,317)	(13,258)	(1,408)	(77)	(31,917)	(12,556)	(1,456)	(77)
Actuarial (gains) losses	51,820	806	862	(874)	6,275	1,972	(1,836)	532
Balance, end of year	864,438	31,042	22,925	10,099	763,083	27,166	20,877	9,174
Plan assets	(660,361)	-	-	-	(561,736)	-	-	-
Plan deficit	204,077	31,042	22,925	10,099	201,347	27,166	20,877	9,174
Unamortized actuarial gains (losses)	(38,222)	(2,337)	839	513	(35,420)	(1,972)	1,836	(532)
Accrued benefit liability	\$ 165,855	\$ 28,705	\$ 23,764	\$ 10,612	\$ 165,927	\$ 25,194	\$ 22,713	\$ 8,642

⁽¹⁾ The university plans to use its working capital to finance these future obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. Employee future benefit liabilities (cont'd)

(a) Defined benefit plans accounted for on a defined benefit basis (cont'd)

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

	2013		2012	
	UAPP, SRP, leave %	LTD, GI, early retirement ⁽⁴⁾ %	UAPP, SRP, leave %	LTD, GI, early retirement ⁽⁴⁾ %
Accrued benefit obligation:				
Discount rate	5.2 - 6.2	5.2	5.1 to 6.5	4.2
Long-term average compensation increase ⁽¹⁾	2.0 - 3.5	3.0	3.0 to 3.5	3.0
Benefit cost:				
Discount rate	5.2 - 6.5	5.2	5.2 - 6.5	4.8
Long-term average compensation increase ⁽¹⁾	3.0 - 3.5	3.0	3.0 - 3.5	3.0
Alberta inflation (long-term) ⁽²⁾	2.25	2.5	2.25	2.5
Estimated average remaining service life ⁽³⁾	10.2 yrs	4 - 13 yrs	10.2 yrs	5 - 13 yrs

⁽¹⁾ Compensation increases are not applicable for long-term disability.

⁽²⁾ SRP lump-sum payments upon retirement are based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries.

⁽³⁾ SRP actuarial gains and losses are amortized over the remaining contract terms of the participants.

⁽⁴⁾ These same discount rates are used to measure the general illness obligation.

(b) Defined benefit plan accounted for on a defined contribution basis

Public Service Pension Plan (PSPP)

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members. As the university does not have sufficient information to follow the accounting standards for defined benefit plans, it is accounted for on a defined contribution basis. The pension expense recorded in these consolidated financial statements is \$ 28,759 (2012 - \$25,070).

An actuarial valuation of the PSPP was carried out as at December 31, 2010 and was then extrapolated to December 31, 2012. At December 31, 2012, the PSPP reported an actuarial deficit of \$1,645,141 (2011 - \$1,790,383). For the year ended December 31, 2012 PSPP reported employer contributions of \$257,350 (2011 - \$227,616). For the 2012 calendar year, the university's employer contributions were \$27,473 (2011 calendar year - \$24,352). PSPP's deficit is being discharged through additional contributions from both employees and employers until 2026 (2011 - 2025). Other than the requirement to make increased contributions, the university does not bear any risk related to the PSPP deficit.

(c) Defined contribution plan

Supplementary retirement plan (SRP)

The university provides non-contributory defined contribution supplementary retirement benefits to eligible academic staff members. The expense recorded in these statements is \$ 2,793 (2012 - \$2,847).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. Debt

	Collateral	Maturity Date	Interest rate %	Amount outstanding		
				2013	2012	April 1 2011
Debentures payable to Alberta Capital Finance Authority						
Health Research Innovation Facility	1	June 2011	5.030	\$ -	\$ -	\$ 1,000
Enterprise Square	2	October 2011	4.162	-	-	1,301
Natural Resources Engineering Facility	2	June 2014	4.974	2,928	4,764	6,512
Energy Management Program, Year 1	3	September 2014	4.551	630	1,028	1,408
Energy Management Program, Year 2	3	March 2016	4.525	1,367	1,783	2,181
Natural Resources Engineering Facility	2	June 2017	5.056	4,096	4,888	5,641
Health Research Innovation Facility	3	June 2017	5.053	8,345	9,958	11,493
Extension Centre	3	October 2017	8.750	1,246	1,439	1,616
Energy Management Program, Year 3	3	December 2017	4.493	1,944	2,283	2,608
Energy Management Program, Year 4	3	March 2019	3.718	2,252	2,582	2,899
Steam Turbine Generator	2	May 2020	6.250	9,273	10,147	10,970
Newton Place	1	August 2024	6.000	10,477	11,063	11,616
Newton Place Renovation	1	August 2024	6.000	1,812	1,913	2,008
Energy Management Program, Year 5	3	December 2025	3.885	3,142	3,324	3,500
Energy Management Program, Year 6	3	September 2027	2.599	3,404	-	-
Lister Residence II	1	November 2027	5.875	16,415	17,088	17,723
Windsor Car Park	2	September 2028	6.000	5,455	5,655	5,844
Saville Centre	2	December 2028	5.875	3,585	3,718	3,844
East Campus Village	1	March 2029	4.960	7,310	7,603	7,883
Centennial Centre for Interdisciplinary Science Phase I	3	September 2029	5.353	7,936	8,229	8,508
Centennial Centre for Interdisciplinary Science Phase I	3	June 2030	4.518	-	-	1,867
Health Research Innovation Facility	3	June 2032	5.191	4,986	5,132	5,269
Killam Centre	3	September 2036	4.810	1,849	1,891	1,931
Enterprise Square	1	September 2036	4.627	37,977	38,857	39,697
East Campus Village - Graduate Housing	2	September 2040	4.886	24,015	24,423	24,812
Jubilee Carpark	2	December 2047	4.814	15,378	15,545	15,704
				\$ 175,822	\$ 183,313	\$ 197,835

1 - title to land, building; 2 - cash flows from facility ; 3 - none

Interest expense on debt recorded in these statements is \$ 10,303 (2012 - \$11,239).

Principal and interest repayments are as follows:

	Principal	Interest	Total
2014	\$ 11,661	\$ 8,726	\$ 20,387
2015	11,021	8,113	19,134
2016	10,321	7,559	17,880
2017	10,367	7,012	17,379
2018	9,354	6,532	15,886
Thereafter	123,098	59,687	182,785
		\$ 175,822	\$ 97,629
			\$ 273,451

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. Deferred revenue

Deferred revenue is comprised of restricted grants and donations spent on capital acquisitions (not yet recognized as revenue), unspent externally restricted grants and donations, unearned tuition and other revenue.

2013					
	Restricted			Student tuition and other revenue	Total
	Research and special purpose	Capital	Total		
Balance, beginning of year	\$ 477,215	\$ 2,266,444	\$ 2,743,659	\$ 20,168	\$ 2,763,827
Net change for the year					
Grants, donations, tuition	533,227	17,750	550,977	289,353	840,330
Investment income	(14,214)	(1,033)	(15,247)	-	(15,247)
Unearned capital acquisition transfers	(44,991)	44,991	-	-	-
Debt - repayment	(42)	42	-	-	-
Recognized as revenue	(501,129)	(112,697)	(613,826)	(285,170)	(898,996)
Total net change for the year	(27,149)	(50,947)	(78,096)	4,183	(73,913)
Balance, end of year	\$ 450,066	\$ 2,215,497	\$ 2,665,563	\$ 24,351	\$ 2,689,914

2012					
	Restricted			Student tuition and other revenue	Total
	Research and special purpose	Capital	Total		
Balance, beginning of year	\$ 502,671	\$ 2,234,649	\$ 2,737,320	\$ 21,140	\$ 2,758,460
Net change for the year					
Grants, tuition, donations	494,664	39,362	534,026	267,655	801,681
Investment income	(82)	(1,266)	(1,348)	-	(1,348)
Unearned capital acquisition transfers	(97,923)	97,923	-	-	-
Debt - repayment	(40)	40	-	-	-
Recognized as revenue	(422,075)	(104,264)	(526,339)	(268,627)	(794,966)
Total net change for the year	(25,456)	31,795	6,339	(972)	5,367
Balance, end of year	\$ 477,215	\$ 2,266,444	\$ 2,743,659	\$ 20,168	\$ 2,763,827

Capital is comprised of \$2,093,782 (March 31, 2012 - \$2,096,037; April 1, 2011 - \$1,958,733) restricted grants and donations spent on capital acquisitions and \$121,715 (March 31, 2012 - \$170,407; April 1, 2011 - \$275,916) of unspent restricted grants and donations. The expended capital is deferred and will be recognized as revenue when the terms are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. 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 by 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 endowments 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 endowments without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

	2013	2012
Balance, beginning of year	\$ 800,343	\$ 783,340
Endowment donations	30,096	26,622
Investment unrealized gains	57,517	257
Transfer from endowments	(8,095)	(9,876)
Balance, end of year	\$ 879,861	\$ 800,343
Cumulative donations	627,989	595,089
Cumulative capitalized income	251,872	205,254
	\$ 879,861	\$ 800,343

During 2013, \$10,899 of cumulative capitalized income was required to fund a portion of the approved 2013 endowment spending allocation (\$3,653) and a portion of the 2012 approved spending allocation (\$7,246).

In 2012, \$10,550 of cumulative capitalized income was required to fund a portion of the approved 2012 endowment spending allocation due to investment income shortfall. Per the terms of specific endowments, \$ 257 was capitalized.

The Board of Governors approved the permanent endowment of certain unrestricted amounts and transferred \$2,804 (2012 - \$674) from accumulated surplus to endowment net assets.

Endowment donations include capitalization of certain restricted amounts of \$423 (2012 - \$1,966).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14. Accumulated surplus

	Accumulated deficit from operations	Investment in capital assets	Accumulated surplus
Balance as at April 1, 2011	\$ (83,238)	\$ 414,157	\$ 330,919
Operating surplus	11,799	-	11,799
Transfer from endowments	9,876	-	9,876
Acquisition of capital assets	(72,428)	72,428	-
Debt - repayment	(10,764)	10,764	-
Debt - new financing	2,800	(2,800)	-
Net book value of asset disposals	492	(492)	-
Amortization of capital assets	54,343	(54,343)	-
Balance as at March 31, 2012	\$ (87,120)	\$ 439,714	\$ 352,594
Operating surplus	25,412	-	25,412
Transfer from endowments	8,095	-	8,095
Acquisition of capital assets	(69,600)	69,600	-
Debt - repayment	(9,290)	9,290	-
Debt - new financing	2,164	(2,164)	-
Net book value of asset disposals	793	(793)	-
Amortization of capital assets	53,414	(53,414)	-
Balance as at March 31, 2013	\$ (76,132)	\$ 462,233	\$ 386,101

15. Contingent liabilities

- (a) The university is a defendant in a number of legal proceedings arising in the normal course of business. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the university believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the university. Management has concluded that none of the claims meet the criteria for recording a liability.
- (b) The university has identified a potential liability related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the university may be required to take appropriate remediation procedures to remove the asbestos. As the university has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these assets will be recorded in the period in which there is certainty that the renovation or demolition project will proceed and there is sufficient information to estimate fair value of the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. Contractual obligations

- (a) The university has contractual obligations that will result in liabilities in the future when the terms of the contracts are met. The estimated aggregate amount payable for the unexpired terms of these contractual obligations are as follows:

	Service contracts	Capital projects	Long-term leases	Total
2014	\$ 69,994	\$ 171,622	\$ 5,781	\$ 247,397
2015	42,598	46,081	4,641	93,320
2016	32,879	960	4,077	37,916
2017	17,524	-	3,498	21,022
2018	7,532	-	1,830	9,362
Thereafter	48	-	5,905	5,953
	\$ 170,575	\$ 218,663	\$ 25,732	\$ 414,970

The significant service contracts are as follows:

- In order to manage its exposure to the volatility in the electrical industry, the university has entered into contracts to fix a portion of its electrical cost at an average of \$72.99 (2012 - \$73.33) per megawatt hour. The six contracts (2012 - six contracts) with expenditures totaling \$97,889 (2012 - \$120,924) expire over the next five years.
 - Effective November 1, 2010, the university entered into an agreement with an external party for dining and catering services. The agreement has three years remaining with a total estimated cost of \$ 25,800 (2012 - \$35,800).
 - Effective July 1, 2010, the university entered into agreements with two external parties for information technology support. The agreement for infrastructure management services has two years remaining with a cost of \$5,392 (2012 - \$7,735). The agreement for application management services has three months remaining with a cost of \$476 (2012 - \$2,431). The university is currently negotiating a two year extension for application management services.
 - Effective August 1, 2011, the university entered into an agreement with an external party for custodial services. The agreement has one year remaining with a cost of \$ 8,000 (2012 - \$14,000).
- (b) The university is one of 58 members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2012 CURIE had a surplus of \$60,500 (2011 - \$48,586). This surplus is an accumulation of five different underwriting periods. The university participates in four of the underwriting periods, which have an accumulated surplus of \$60,500 (2012 - \$44,984) of which the university's pro rata share is approximately 7.02% (2012 - 6.90%). This surplus is not recorded in the consolidated financial statements.
- (c) The university has invested in a partnership agreement with iNovia Investment Fund II-B, Limited Partnership, which invests in the technology, energy, life sciences and applied sciences sectors. The partnership will continue until April 17, 2017, extendable for up to three additional years. The university subscribed to five million partnership units at a price of \$1.00 per unit of which the university has purchased 4.125 million units. The remaining commitment of \$875 (2012 - \$1,750) is due at such times and in such amounts as the General Partner may determine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17. Expense by function

The university uses the following categories of functions on its statement of operations:

Instruction and non-sponsored research

Expenses relating to support for the academic functions of the university both directly and indirectly. This function includes expenses incurred by faculties for their scholarly and non-sponsored research activities and by institutional wide administrative services.

Sponsored research

Expenses for all sponsored research activities specifically funded by restricted grants and donations.

Facility operations and maintenance

Expenses relating to maintenance and renewal of facilities that house the teaching, research and administrative activities within the university. These include utilities, facilities administration, building maintenance, custodial services, landscaping and grounds keeping, as well as major repairs and renovations.

Special purposes

Expenses for the Faculty of Medicine Academic Alternate Relationship Plans, scholarships and bursaries and other programs involving teaching and community service specifically funded by restricted grants and donations.

Ancillary enterprises

Expenses relating to the university's business enterprises that provide services and products to the university community and to external individuals and organizations.

18. Expense by object

	2013 Budget	2013	2012
Salaries	\$ 838,527	\$ 873,406	\$ 838,600
Employee benefits	170,448	174,377	159,129
Materials, supplies and services	320,886	278,738	315,041
Scholarships and bursaries	92,772	92,323	90,183
Maintenance and repairs	70,881	74,239	78,118
Utilities	51,214	42,917	39,184
Amortization of capital assets	174,085	166,387	158,881
	\$ 1,718,813	\$ 1,702,387	\$ 1,679,136

19. Budget

The university's 2012-13 budget was approved by the Board of Governors and was presented to the Minister of Enterprise and Advanced Education as part of the university's submission of its 2012-13 Comprehensive Institutional Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20. Government of Alberta grants

	2013	2012
Enterprise and Advanced Education - Campus Alberta grant	\$ 604,157	\$ 565,647
Enterprise and Advanced Education - other grants	112,685	172,385
Alberta Health and Wellness	69,100	69,392
Alberta Health Services	9,875	10,848
Other departments and agencies	13,709	23,192
Total grants received	809,526	841,464
Restricted expended capital recognized as revenue	94,033	93,898
Deferred revenue	4,247	(55,739)
	\$ 907,806	\$ 879,623

The net amount payable is \$409 (2012 - \$3,257).

The university has debt with Alberta Capital Finance Authority as disclosed in note 11.

21. 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.

	2013				Total
	Base salary ⁽⁴⁾	Non-cash benefits ⁽⁵⁾	Non-cash benefits (SRP) ⁽⁶⁾	Non-cash benefits (leave) ⁽⁷⁾	
Governance⁽¹⁾					
Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Executive					
President	529	64	437	142	1,172
Provost and Vice-President Academic ⁽²⁾	430	36	58	-	524
Vice-President Research	483	96	117	133	829
Vice-President Facilities and Operations	465	43	167	129	804
Vice-President Finance and Administration	460	32	215	117	824
Vice-President University Relations	361	47	95	-	503
Vice-President Advancement ⁽³⁾	360	42	53	-	455
2012					
	Base salary ⁽⁴⁾	Non-cash benefits ⁽⁵⁾	Non-cash benefits (SRP) ⁽⁶⁾	Non-cash benefits (leave) ⁽⁷⁾	Total
Governance⁽¹⁾					
Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Executive					
President	512	64	321	132	1,029
Provost and Vice-President Academic ⁽²⁾	499	37	165	-	701
Vice-President Research	461	98	109	122	790
Vice-President Facilities and Operations	443	49	122	140	754
Vice-President Finance and Administration	450	31	116	148	745
Vice-President University Relations	355	45	73	-	473
Vice-President Advancement ⁽³⁾	309	40	36	-	385

(1) The Chair and Members of the Board of Governors receive no remuneration for participation on the Board.

(2) The incumbent Provost and Vice-President Academic applied for, and has had approved, a one-year administrative leave commencing July 1, 2012 (extended to two years in February 2013). The acting Provost does not participate in executive benefit programs. The 2013 salary and benefits includes the incumbent Provost's information for three months and the acting Provost's information for nine months.

(3) The position title was changed July 1, 2012 (formerly Chief Advancement Officer).

(4) Base salary includes pensionable base pay and an administrative honorarium for the Provost and Vice-President Academic (both the incumbent and the acting). Certain base salary amounts also include a reduction for the optional personal leave program (days off without pay).

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21. Salary and employee benefits (cont'd)

- (5) Non-cash benefits include the university's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee and family assistance program, critical illness, supplementary health care, short and long-term disability plans and dental plan. Benefits for some of the executive also include car allowance, parking, supplemental life insurance, forgivable housing loans, club dues, and child care. Additional non-cash benefits for the President include expenses related to the personal use portion of the residence which the President rents from the university.
- (6) Under the terms of the SRP, the executive may receive supplementary retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expenses for the rights to future compensation. Costs shown reflect the total estimated cost to provide supplementary retirement benefits. The SRP provides future benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on service, a market interest rate, and other assumptions included in the Canadian Institute of Actuaries' lump-sum commuted value standard. Net actuarial gains and losses of the benefit obligations are amortized over the remaining terms of the participants' contracts. Current service cost is the actuarial present value of the benefits earned in the current year.

The current service cost and accrued obligation for each executive under the SRP is as follows:

	Years of eligible University of Alberta service	2012		2013		
		Accrued obligation	Service costs	Interest and other costs ^(6b)	Actuarial loss	Accrued obligation ^(6c)
President	7.8	\$ 1,848	\$ 274	\$ 163	\$ (127)	\$ 2,158
Provost and Vice-President Academic ^(6a)	9.8	1,163	133	101	11	1,408
Vice-President Research	5.8	472	75	42	(163)	426
Vice-President Facilities and Operations	9.0	771	100	67	(253)	685
Vice-President Finance and Administration	9.3	737	148	67	(245)	707
Vice-President University Relations	2.7	139	80	15	4	238
Vice-President Advancement	2.6	72	44	8	44	168

- (6a) The incumbent Provost and Vice-President Academic continues to accrue pensionable service during the administrative leave period noted in (2) above.
- (6b) Includes additional costs with respect to plan amendments for the Vice-President Facilities and Operations and the Vice-President Finance and Administration.
- (6c) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in note 10.
- (7) The university provides certain executive with a paid leave at the end of their executive appointment, and these leaves are recorded in the consolidated financial statements (refer to table below). For other executive, the leave program is contained in the relevant collective bargaining agreement and must be applied for; therefore an amount is not recorded in the consolidated financial statements.

Leave costs as detailed below are not cash payments in the period but are period expenses for the rights to future compensation. Costs shown reflect the total estimated cost to provide leave benefits. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on service, a market interest rate, and other assumptions included in the Canadian Institute of Actuaries' lump-sum commuted value standard. Net actuarial gains and losses of the benefit obligations are amortized over the remaining terms of the participants' contracts. Current service cost is the actuarial present value of the benefits earned in the current year.

The current service cost and accrued obligation related to the leave for each participating executive is as follows:

	Years of eligible University of Alberta service	2012		2013		
		Accrued obligation	Service costs	Interest and other costs	Actuarial gains	Accrued obligation ^(7a)
President	7.8	\$ 693	\$ 103	\$ 39	\$ (41)	\$ 794
Vice-President Research	5.8	475	105	28	(79)	529
Vice-President Facilities and Operations	10.2	872	71	46	(88)	901
Vice-President Finance and Administration	10.9	948	79	50	(122)	955

- (7a) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in note 10.

22. Approval of financial statements

The consolidated financial statements were approved by the Board of Governors.

UNIVERSITY OF ALBERTA
SCHEDULE 1 - TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS
(thousands of dollars)

a) Reconciliation of April 1, 2011 consolidated statement of financial position

	April 1, 2011										April 1, 2011
	GAAP	Capital assets	Employee future benefits	Cash and cash equivalents	Derivatives	Investment in capital assets	Deferred revenue	Total Adjustments			
	GAAP	Collections	Past service costs	ST Investment Maturity							PSAS
ASSETS											
Cash and cash equivalents	(1) \$ 122,800	\$ -	\$ -	\$ (116,682)	\$ -	\$ -	\$ -	\$ (116,682)	\$ -	\$ -	\$ 6,118
Investments	(1) 1,632,822	-	-	116,682	-	-	-	116,682	-	-	1,749,504
Accounts receivable	(2) 177,119	-	-	-	9,900	-	-	9,900	-	-	187,019
Inventories and prepaid expenses	-	-	-	-	-	-	-	-	-	-	21,125
Capital assets	(3) 2,670,255	(101,574)	-	-	-	-	-	(101,574)	-	-	2,568,681
	\$ 4,624,121	\$ (101,574)	\$ -	\$ -	\$ 9,900	\$ -	\$ -	\$ (91,674)	\$ -	\$ (91,674)	\$ 4,532,447
LIABILITIES											
Accounts payable and accrued liabilities	(2) \$ 225,363	\$ -	\$ -	\$ -	\$ 9,900	\$ -	\$ -	\$ 9,900	\$ -	\$ -	\$ 235,263
Employee future benefit liabilities	(4) 146,929	-	79,701	-	-	-	-	79,701	-	-	226,630
Debt	197,835	-	-	-	-	-	-	-	-	-	197,835
Deferred revenue	(5) 21,140	-	-	-	-	-	2,737,320	2,737,320	-	-	2,758,460
Deferred contributions, research and capital	(5) 778,587	-	-	-	-	-	(778,587)	(778,587)	-	-	-
Unamortized deferred capital contributions	(5) 1,964,182	-	-	-	-	(5,449)	(1,968,733)	(1,964,182)	-	-	-
	3,334,036	-	79,701	-	9,900	(5,449)	-	84,152	-	-	3,418,188
NET ASSETS											
Endowments	783,340	-	-	-	-	-	-	-	-	-	783,340
Investment in capital assets	(6) 510,283	(101,574)	-	-	-	5,449	-	(96,125)	-	-	414,157
Accumulated surplus	(7) (3,538)	-	(79,701)	-	-	-	-	(79,701)	-	-	(83,238)
	1,290,085	(101,574)	(79,701)	-	-	5,449	-	(175,826)	-	-	1,114,259
	\$ 4,624,121	\$ (101,574)	\$ -	\$ -	\$ 9,900	\$ -	\$ -	\$ (91,674)	\$ -	\$ (91,674)	\$ 4,532,447

(1) Reclassify short-term investments from cash and cash equivalents to investments. Only securities with a maturity of 90 days or less at date of acquisition are recorded as cash (PS 1201).

(2) To record the gross payable and receivable amounts for derivatives held by the university.

(3) Remove permanent collections from capital assets (PS 3150).

(4) To record unamortized gains (losses) for employee future benefit liabilities. (UAPP - (\$84,875); LTD - \$3,502.; Early retirement - \$2,446) and change in discount rate (LTD - \$317; Early retirement - \$754; SRP - (\$460); Administrative/professional leave - (\$945); General illness - (\$1340))(PS 3250 and PS 2125).

(5) Reclassify Deferred contributions, research and capital and Unamortized deferred capital contributions into one deferred revenue line (UDCC - \$1,964,182; Deferred contributions \$778,587); reclassify restricted capital donation to accumulated surplus (\$5,449).

(6) Remove collections from investment in capital assets.

(7) Close investment in capital assets to accumulated surplus. Adjustments in employee future benefit liabilities direct to accumulated surplus.

SCHEDULE 1 - TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (Con't)
(thousands of dollars)

b) Reconciliation of March 31, 2012 consolidated statement of financial position

	March 31, 2012										March 31, 2012	
											Total	
	GAAP	Capital assets	Employee future benefits	Cash and cash equivalents	Derivatives	Investment in capital assets	Deferred revenue	Adjustments	PSAS			
	Collections		Past service costs	ST Investment Maturity								
ASSETS												
Cash and cash equivalents	(1) \$ 119,652	\$ -	\$ -	\$ (98,727)	\$ -	\$ -	\$ -	\$ (98,727)	\$ 20,925			
Investments	(1) 1,533,771	-	-	98,727	-	-	-	98,727	1,632,498			
Accounts receivable	(2) 156,590	-	-	-	7,267	-	-	7,267	163,857			
Inventories and prepaid expenses	13,273	-	-	-	-	-	-	-	13,273			
Capital assets	(3) 2,822,274	(102,708)	-	-	-	-	-	(102,708)	2,719,566			
	\$ 4,645,560	\$ (102,708)	\$ -	\$ -	\$ 7,267	\$ -	\$ -	\$ (95,441)	\$ 4,550,119			
LIABILITIES												
Accounts payable and accrued liabilities	(2) \$ 212,332	\$ -	\$ -	\$ -	\$ 7,267	\$ -	\$ -	\$ 7,267	\$ 219,599			
Employee future benefit liabilities	(4) 158,935	-	71,508	-	-	-	-	71,508	230,443			
Debt	183,313	-	-	-	-	-	-	-	183,313			
Deferred revenue	(5) 20,168	-	-	-	-	2,743,935	-	2,743,935	2,763,827			
Deferred contributions, research and capital	(5) 647,622	-	-	-	-	(647,622)	-	(647,622)	-			
Unamortized deferred capital contributions	(5) 2,101,486	-	-	-	-	(5,173)	-	(2,101,486)	-			
	3,323,856	-	71,508	-	7,267	(5,449)	-	73,326	3,397,182			
NET ASSETS												
Endowments	800,343	-	-	-	-	-	-	-	800,343			
Investment in capital assets	(6) 536,973	(102,708)	-	-	5,449	-	-	(97,259)	439,714			
Accumulated surplus	(7) (15,612)	-	(71,508)	-	-	-	-	(71,508)	(87,120)			
	1,321,704	(102,708)	(71,508)	-	5,449	-	-	(168,767)	1,152,937			
	\$ 4,645,560	\$ (102,708)	\$ -	\$ -	\$ 7,267	\$ -	\$ -	\$ (95,441)	\$ 4,550,119			

(1) Reclassify short-term investments from cash and cash equivalents to investments. Only securities with a maturity of 90 days or less at date of acquisition are recorded as cash (PS 1201).

(2) To record the gross payable and receivable amounts for derivatives held by the university.

(3) Remove permanent collections from capital assets (PS 3150).

(4) To record unamortized gains (losses) for employee future benefit liabilities. PS 3250 PS 2125 (UAPP - (\$76,555); LTD - \$2,886; Early retirement - \$2,285) and change in discount rate (LTD - \$328; Early retirement - \$910; SRP - (\$401); Administrative/professional leave - (\$54); General illness - (\$937)) (PS 3250 and PS 2125).

(5) Reclassify Deferred contributions, research and capital and Unamortized deferred capital contributions into one deferred revenue line (UDCC - \$2,101,486; Deferred contributions \$647,622), reclassify restricted capital donation to accumulated surplus (\$5,449).

(6) Remove collections from investment in capital assets.

(7) Close investment in capital assets to accumulated surplus. Adjustments in employee future benefit liabilities direct to accumulated surplus.

SCHEDULE 1 - TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (Con't)
(thousands of dollars)

c) Reconciliation of the March 31, 2012 consolidated statement of operations

	March 31, 2012		March 31, 2012		March 31, 2012		March 31, 2012		March 31, 2012		March 31, 2012	
	GAAP	Employee future benefits	Foreign exchange	Investment in capital assets	Investment in capital assets	Amortization of deferred capital contribution	Adjustments	Total Adjustments	PSAS			
		Past service costs	Presentation	Collections adjustment	Presentation	Presentation						
REVENUE												
Government of Alberta grants	(1) \$ 785,725	\$ -	\$ -	\$ -	\$ -	\$ 93,898	\$ 93,898	\$ -	\$ 879,623			
Federal and other government grants	(1) 185,652	-	-	-	-	4,182	4,182	-	189,834			
Student tuition and fees	289,355	-	-	-	-	-	-	-	269,355			
Sales of services and products	200,875	-	-	-	-	-	-	-	200,875			
Donations and other grants	(1) 101,152	-	-	666	276	6,184	7,126	-	108,278			
Investment income	(2) 42,067	-	903	-	-	-	903	-	42,970			
Amortization of deferred capital contributions	(1) 104,540	-	-	-	(276)	(104,264)	(104,540)	-	-			
	\$ 1,689,366	\$ -	\$ 903	\$ 666	\$ -	\$ -	\$ 1,569	\$ -	\$ 1,690,935			
EXPENSE												
Instruction and non-sponsored research	(3) \$ 962,381	\$ (8,193)	\$ 903	\$ 467	\$ -	\$ -	\$ (6,823)	\$ -	\$ 955,558			
Sponsored research	398,829	-	-	-	-	-	-	-	398,829			
Facilities operation and maintenance	119,697	-	-	-	-	-	-	-	119,697			
Special purposes	(4) 104,133	-	-	667	-	-	667	-	104,800			
Ancillary services	100,252	-	-	-	-	-	-	-	100,252			
	1,685,292	(8,193)	903	1,134	-	-	(6,156)	-	1,679,136			
Operating surplus	4,074	8,193	-	(468)	-	-	7,725	-	11,799			
Transfer from endowments	9,876	-	-	-	-	-	-	-	9,876			
Change in operating surplus	13,950	8,193	-	(468)	-	-	7,725	-	21,675			
Change in investment in capital assets	(26,024)	-	-	468	25,556	-	26,024	-	-			
Change in accumulated surplus	(12,074)	8,193	-	-	25,556	-	33,749	-	21,675			
Accumulated surplus, beginning of year	(3,538)	(8,130)	-	-	342,587	-	334,457	-	330,919			
Accumulated surplus, end of year	\$ (15,612)	\$ 63	\$ -	\$ -	\$ 368,143	\$ -	\$ 368,206	\$ -	\$ 352,594			

- (1) Permanent collections expensed (previously capitalized); allocation of amortization of deferred capital contributions to Government of Alberta grants, Federal and other government grants and donations; reclassify amortization of deferred capital contributions on restricted capital donation.
- (2) Reclassify foreign exchange losses to expense.
- (3) Employee future benefits gains (losses), foreign exchange losses, permanent collections expensed.
- (4) Permanent collections expensed.
- (5) Change in investment in capital assets now part of accumulated surplus.
- (6) Employee future benefits, investment in capital assets.

SCHEDULE 1 - TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (Con't)
(thousands of dollars)

d) Reconciliation of the March 31, 2012 expense by object

	March 31, 2012		March 31, 2012			
	GAAP	Employee future benefits	Foreign exchange	Investment in capital assets	Total Adjustments	PSAS
		Past service costs	Presentation	Collections adjustment		
EXPENSE						
Salaries	\$ 838,600	\$ -	\$ -	\$ -	\$ -	838,600
Employee benefits	167,322	(8,193)	-	-	(8,193)	159,129
Materials, supplies and services	313,004	-	903	1,134	2,037	315,041
Scholarships and bursaries	90,183	-	-	-	-	90,183
Maintenance and repairs	78,118	-	-	-	-	78,118
Utilities	39,184	-	-	-	-	39,184
Amortization of capital assets	158,881	-	-	-	-	158,881
	\$ 1,685,292	\$ (8,193)	\$ 903	\$ 1,134	\$ (6,156)	\$ 1,679,136



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