



**UNIVERSITY OF
CALGARY**

Consolidated Financial Statements

For the Year Ended
March 31, 2015

Statement of Management Responsibility	1
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Operations.....	4
Consolidated Statement of Remeasurement Gains and Losses.....	5
Consolidated Statement of Cash Flow.....	6
Notes to the Consolidated Financial Statements.....	7

STATEMENT OF MANAGEMENT RESPONSIBILITY



The University of Calgary ("the University") is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with Canadian Public Sector Accounting Standards as described in note 2 to the consolidated financial statements. The consolidated financial statements present fairly the financial position of the University as at March 31, 2015 and the results of its operations, remeasurement gains and losses and cash flow for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal control designed to provide reasonable assurance that the University's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Audit Committee. The Audit Committee meets with Management and the External Auditor to discuss the results of audit examinations and financial reporting matters. The External Auditor has full access to the Audit Committee, with and without the presence of Management.

The consolidated financial statements for the year ended March 31, 2015 have been reported on by the Auditor General of the Province of Alberta, the auditor appointed under *The Post-secondary Learning Act*. The Independent Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation of the information in the consolidated financial statements.

[Original signed by Elizabeth Cannon]

President & Vice-Chancellor

[Original signed by Linda Dalgetty]

Vice-President, Finance and Services



Independent Auditor's Report

To the Board of Governors of the University of Calgary

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 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 Calgary as at March 31, 2015, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 29, 2015
Edmonton, Alberta

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015
(thousands of dollars)



	2015	2014
Assets		
Cash and cash equivalents (Note 4)	\$ 199,870	\$ 392,288
Portfolio investments (Note 5)	1,731,139	1,395,273
Accounts receivable	65,355	90,012
Inventory and prepaid expenses	31,341	29,968
Tangible capital assets (Note 7)	1,713,659	1,626,849
Investment in government business enterprises (Note 8)	586	3,702
	\$ 3,741,950	\$ 3,538,092
Liabilities		
Accounts payable and accrued liabilities	\$ 156,752	\$ 149,156
Employee future benefit liabilities (Note 9)	132,572	134,267
Debt (Note 10)	277,166	298,897
Deferred revenue (Note 11)	1,778,730	1,751,224
	\$ 2,345,220	\$ 2,333,544
Net Assets		
Endowments (Note 12)	\$ 790,568	\$ 661,842
Accumulated operating surplus (Note 13)	589,944	536,032
Accumulated remeasurement gains	16,218	6,674
	\$ 1,396,730	\$ 1,204,548
	\$ 3,741,950	\$ 3,538,092

Contingent liabilities and guarantees, and contractual obligations (Note 14 and 15)

Approved by the Board of Governors:

[Original signed by Bonnie DuPont]

Chair, Board of Governors

[Original signed by Linda Dalgetty]

Vice-President, Finance and Services

CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2015
(thousands of dollars)



	2015 Budget (Note 16)	2015	2014
Revenue			
Government of Alberta grants (Note 20)	\$ 580,827	\$ 614,219	\$ 575,604
Federal and other government grants	139,926	127,347	124,954
Sales of services and products	112,597	112,043	110,582
Student tuition and fees	218,225	211,382	215,015
Donations and other grants	126,206	132,733	136,919
Investment income (Note 17)	42,952	50,583	45,826
Investment (loss) gain in government business enterprises (Note 8)	(2,720)	(3,116)	2,497
	\$ 1,218,013	\$ 1,245,191	\$ 1,211,397
Expense			
Academic costs and institutional support	\$ 754,411	\$ 703,863	\$ 673,056
Research	279,097	321,767	283,561
Special purpose and trust	69,159	63,890	85,418
Facilities operations and maintenance	66,035	63,814	63,921
Ancillary services	49,311	37,945	39,741
	\$ 1,218,013	\$ 1,191,279	\$ 1,145,697
Excess of revenue over expense		\$ 53,912	\$ 65,700
Change in accumulated operating surplus		\$ 53,912	\$ 65,700
Accumulated operating surplus, beginning of year		536,032	470,332
Accumulated operating surplus, end of year		\$ 589,944	\$ 536,032

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

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2015
(thousands of dollars)



	2015	2014
Accumulated remeasurement gains, beginning of year	\$ 6,674	\$ 4,754
Unrealized gains (losses) attributable to:		
Foreign exchange	(22)	265
Portfolio investments	9,452	2,987
Amounts reclassified to statement of operations:		
Foreign exchange	(265)	(407)
Portfolio investments	379	(925)
Accumulated remeasurement gains, end of year	\$ 16,218	\$ 6,674

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2015
(thousands of dollars)



	2015	2014
Operating transactions		
Excess of revenue over expense	\$ 53,912	\$ 65,700
Add (deduct) non-cash items:		
Amortization of tangible capital assets	\$ 121,521	\$ 102,046
Gifts in kind received	(554)	-
Expended capital recognized as revenue	(89,391)	(73,851)
Change in investment in government business enterprises	3,116	(2,497)
(Decrease) increase in employee future benefit liabilities	(1,695)	2,860
Change in non-cash items	\$ 32,997	\$ 28,558
Decrease in accounts receivable	24,657	10,185
Increase in inventory and prepaid expenses	(1,373)	(1,961)
Increase in accounts payable and accrued liabilities	7,596	27,086
Increase in deferred revenue, less expended capital recognized as revenue	116,897	53,654
Cash provided by operating transactions	\$ 234,686	\$ 183,222
Capital transactions		
Acquisition of tangible capital assets	\$ (204,648)	\$ (154,621)
Proceeds on sale of tangible capital assets	12	8
Cash applied to capital transactions	\$ (204,636)	\$ (154,613)
Investing transactions		
Purchases of portfolio investments	\$ (287,468)	\$ (215,837)
Proceeds on sale of portfolio investments	1,487	2,565
Endowment investment - realized gains capitalized (Note 12)	23,207	25,889
Cash applied to investing transactions	\$ (262,774)	\$ (187,383)
Financing transactions		
Endowment donations (Note 12)	\$ 62,037	\$ 9,212
Debt - repayment	(21,735)	(5,049)
Debt - new financing	4	147,500
Cash provided by financing transactions	\$ 40,306	\$ 151,663
Decrease in cash and cash equivalents	\$ (192,418)	\$ (7,111)
Cash and cash equivalents, beginning of year	392,288	399,399
Cash and cash equivalents, end of year	\$ 199,870	\$ 392,288

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015
(thousands of dollars)**



1. Authority and purpose

The Governors of the University of Calgary is a corporation which manages and operates the University of Calgary ("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 Innovation 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. This tax exemption does not extend to its wholly-owned subsidiaries, University Technologies Group and West Campus Development Corporation.

2. Summary of significant accounting policies and reporting practices

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

These consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS").

The measurement of certain assets and liabilities, revenues and expenses are 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. Amortization of tangible capital assets, recognition of deferred revenue related to restricted grants and donations, and employee future benefit liabilities 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 consolidated financial statements.

(b) Net debt model presentation

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

(c) Valuation of financial assets and liabilities

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

Financial statement component	Measurement
Cash and cash equivalents	Amortized cost
Portfolio investments	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 unrestricted financial instruments are recognized in the consolidated statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations.

Unrealized gains and losses from changes in the fair value of restricted financial instruments are recognized as a liability under deferred revenue or endowments as appropriate based on the restrictions on the earnings on the related restricted financial instrument.

2. Summary of significant accounting policies and reporting practices (Continued)

(c) Valuation of financial assets and liabilities (Continued)

All financial assets 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 writedown of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of cash and cash equivalents and portfolio investments are accounted for using trade-date accounting.

University management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate 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 requirements are not recognized as financial assets or financial liabilities. The University does not participate in any derivative contracts with the exception of non-financial items which are purchased for the University's usage requirements.

(d) Revenue recognition

All revenue is reported on the 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 as the terms are met. If the grants and donations are used to acquire or construct tangible capital assets, revenue will be recognized over the useful life of the tangible capital asset.

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, materials, and tangible capital assets 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 mandate; 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 reasonably be 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.

2. **Summary of significant accounting policies and reporting practices (Continued)**

(d) Revenue recognition (Continued)

Investment income

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

(e) Inventory

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

(f) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the asset. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Work in progress, which includes facilities and improvement projects and development of information systems, is not amortized until after the project is complete and the asset is in service.

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

Building, utilities and site improvements	20-40 years
Furnishings, equipment and systems	3-10 years
Learning resources	10 years

Tangible capital assets writedowns 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. The net write-downs are recognized as expense in the consolidated statement of operations. Intangible assets, works of art, historical treasures and collections are expensed when acquired and not recognized as tangible capital assets.

(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 participant based on their respective percentage of pensionable earnings. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

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

Supplementary retirement plans

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

2. Summary of significant accounting policies and reporting practices (Continued)

(h) Investment in government not for profit organization and government partnership

The consolidated financial statements include the financial results of the Arctic Institute of North America ("AINA"), a nonprofit organization controlled by the University. AINA operates under the authority of the Act of the Federal Parliament (910 George VI, Chapter 45) to initiate, encourage and support northern research and to advance the study of arctic conditions.

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

- Tri-University Meson Facility (TRIUMF) (8.33% interest) - a joint venture with eleven other universities to operate a subatomic physics research facility.
- Western Canadian Universities Marine Sciences Society (20% interest) - a government partnership with five other universities to provide research infrastructure in the marine sciences for its member universities and the worldwide scientific community.

(i) Investment in government business enterprises

Government business enterprises, owned or controlled by the University but not dependent on the University for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the University. Thus, the University's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Wholly-owned entities accounted for by the modified equity basis include University Technologies Group ("UTI") and West Campus Development Corporation ("WCDC").

(j) Funds and reserves

Certain amounts, as approved by the Board of Governors, are set aside in accumulated surplus for future operating and capital purposes. Transfers to / from funds and reserves are an adjustment to the respective fund when approved.

(k) Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the consolidated statement of financial position date. Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains and losses.

In the period of settlement, foreign exchange gains and losses are reclassified to the consolidated statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains and losses.

(l) Expense by Function

The University used the following function categories on its consolidated statement of operations:

Academic costs and institutional support

Academic costs and institutional support includes expenses relating to activities directly and indirectly supporting innovative learning, programming, and teaching as well as administration and governance functions of the University.

Research

Research expenses relate primarily to activity funded by externally sponsored research funds intended for specific research purposes as well as internal funds designated for research related spending.

Special purpose and trust

Special purpose and trust is comprised of expenses relating to externally restricted funding for non-research related activities including scholarships and community service.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015
(thousands of dollars)**



2. Summary of significant accounting policies and reporting practices (Continued)

(l) Expense by Function (Continued)

Facilities operations and maintenance

Facilities operations and maintenance function includes centralized management and maintenance of grounds and facilities, and buildings. Examples include utilities, facilities administration, building maintenance, custodial services, landscaping and grounds keeping, and major repairs and renovations.

Ancillary services

Ancillary expenses relate to secondary services available to students, faculty, and staff. Services include on campus residence, food services, university bookstores, microstore, Hotel Alma, and conference services.

(m) Future accounting changes

In March 2015, the Public Sector Accounting Board issued PS 2200 - Related party disclosures and PS 3420 Inter-entity transactions. These accounting standards are effective for fiscal years starting on or after April 1, 2017.

- PS 2200 – Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS 3420 – Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government’s reporting entity from both a provider and recipient perspective.

The University is currently assessing the impact of these new standards on the consolidated financial statements. The University discloses transactions and balances related to the Government of Alberta in Note 20.

3. Changes in Accounting Policies

(a) Liability for contaminated sites

Effective April 1, 2014, the University adopted the Public Sector Accounting Board’s (“PSAB”) new recommendations for the recognition, measurement and disclosure of a liability associated with the remediation of contaminated sites under PS 3260 *Liability for Contaminated Sites*. The new standard defines activities included in a liability for remediation, establishes when to recognize and how to measure a liability for remediation, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied retrospectively.

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the University is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available.

The University has confirmed all of its sites are currently under productive use and there is no contamination exceeding an environmental standard. There is no financial statement impact on the consolidated financial statements from the retrospective application of the new accounting recommendations.

4. Cash and cash equivalents

	2015	2014
Cash	\$ 12,385	\$ 3,810
Money market funds, short-term notes and treasury bills	187,485	388,478
	\$ 199,870	\$ 392,288

Cash and cash equivalents include short-term investments with a maturity less than three months from the date of acquisition.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**
(thousands of dollars)



5. Portfolio investments

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

2015				
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Bonds				
Canadian government and corporate	\$ -	\$ 529,240	\$ -	\$ 529,240
Pooled investment funds - Canadian government and corporate bonds	-	184,123	-	184,123
Equities				
Canadian equity	112,919	-	-	112,919
Foreign equity	3,435	-	-	3,435
Pooled investment funds - Canadian equity	-	154,401	-	154,401
Pooled investment funds - foreign equity	-	300,203	-	300,203
Other				
Cash and money market funds	36,575	-	-	36,575
Guaranteed investment certificate (GICs)	150,679	-	-	150,679
Canadian mortgage	-	215,176	-	215,176
Floating rate notes	-	44,388	-	44,388
	\$ 303,608	\$ 1,427,531	\$ -	\$ 1,731,139

2014				
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Bonds				
Canadian government and corporate	\$ -	\$ 480,810	\$ -	\$ 480,810
Pooled investment funds - Canadian government and corporate bonds	-	158,724	-	158,724
Equities				
Canadian equity	83,640	-	-	83,640
Pooled investment funds - Canadian equity	-	165,791	-	165,791
Pooled investment funds - foreign equity	-	260,834	-	260,834
Other				
Canadian mortgage	-	202,537	-	202,537
Floating rate notes	-	42,937	-	42,937
	\$ 83,640	\$ 1,311,633	\$ -	\$ 1,395,273

The above tables provide an analysis of financial instruments 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:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015
(thousands of dollars)**



6. Financial risk management

Market price risk

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

The following details the University's portfolio sensitivity to an 7.0% increase or decrease in the market prices. The sensitivity rate is determined using the historical annualized standard deviation for the total endowment fund over a four year period. At March 31, 2015, if market prices had an 7.0% (2014 - 8.0%) increase or decrease with all other variables held constant, the increase or decrease in accumulated remeasurement gains and losses, endowment net assets, and deferred revenue for the year would have totalled \$52,739 (2014 - \$53,597).

The University's management for risk has not changed from the prior year.

Foreign currency risk

The University is exposed to foreign currency risk on investments that are denominated in foreign currencies, specifically U.S. dollars. The University does not use currency hedging or currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes.

The impact of a change in value of U.S. dollar is as follows:

Currency	Fair Value	2.5% decrease	1.0% decrease	1.0% increase	2.5% increase
US dollar US equity	\$ 158,102	\$ 154,149	\$ 156,521	\$ 159,683	\$ 162,055
US dollar International equity	\$ 142,081	\$ 138,529	\$ 140,660	\$ 143,502	\$ 145,633

The University has a contract with the Qatari government to operate a campus in Qatar. Expenses incurred are recovered from the government of Qatar and claims are adjusted to reflect currency fluctuations, thus reducing exchange risk exposure to the University.

Credit risk

The University is exposed to credit risk on investments arising from the potential failure of a counterparty, debtor or issuer to honour its contractual obligations. To manage this risk, the University only invests in investment grade issuers as guided by the Investment policy. The credit risk from accounts receivable is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricted enrolment activities for students with delinquent balances and maintaining standard collection procedures.

The credit rating for Canadian government and corporate bonds held is as follows:

Credit Rating	2015	2014
AAA	41.61 %	39.77 %
AA	32.18 %	34.05 %
A	11.89 %	26.18 %
BBB	14.32 %	-
	100.00 %	100.00 %

Liquidity risk

The University maintains a line of credit designed to ensure availability of funds to meet current and forecasted financial requirements as cost effectively as possible. At March 31, 2015 the University has committed borrowing facilities of \$15,000 none of which has been drawn.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**
(thousands of dollars)



6. Financial risk management (Continued)

Interest rate risk

Interest rate risk is the risk that future cash flows or fair values will fluctuate due to the volatility of market interest rates. The University is exposed to this risk on its interest bearing assets, cash deposits and bonds. Cash deposits are affected directly as they earn interest at market rates. Bonds are affected indirectly as they are subject to fluctuations in market values. Bonds are currently invested at the shorter end of the yield curve to reduce market value volatility. Interest risk on the Institution's debt is managed through fixed-rate agreements with Alberta Capital Finance Authority (note 10).

The terms to maturity of interest-bearing securities held by the University are as follows:

Asset class	< 1 year	1 - 5 years	> 5 years	Average effective market yield
Money market funds, short-term notes and treasury bills	100.00 %	-	-	1.45 %
Canadian government and corporate bonds	13.53 %	75.54 %	10.93 %	1.19 %
Canadian mortgage fund	11.87 %	57.88 %	30.25 %	2.66 %
Floating rate notes	-	100.00 %	-	2.00 %

7. Tangible capital assets

	2015					2014
	Building, utilities and site improvements	Furnishings, equipment and systems	Learning resources	Land	Total	Total
Cost						
Beginning of year	\$ 2,162,917	\$ 731,512	\$ 202,338	\$ 14,082	\$ 3,110,849	\$ 2,957,261
Additions	150,239	48,796	9,308	-	208,343	159,481
Disposals	(867)	(5,911)	(1,977)	-	(8,755)	(5,893)
	\$ 2,312,289	\$ 774,397	\$ 209,669	\$ 14,082	\$ 3,310,437	\$ 3,110,849
Accumulated amortization						
Beginning of year	\$ 713,203	\$ 610,370	\$ 160,427	\$ -	\$ 1,484,000	\$ 1,387,839
Additions	66,600	46,046	8,875	-	121,521	102,046
Disposals	(867)	(5,899)	(1,977)	-	(8,743)	(5,885)
	\$ 778,936	\$ 650,517	\$ 167,325	\$ -	\$ 1,596,778	\$ 1,484,000
Net book value at March 31, 2015	\$ 1,533,353	\$ 123,880	\$ 42,344	\$ 14,082	\$ 1,713,659	\$ 1,626,849
Net book value at March 31, 2014	\$ 1,449,714	\$ 121,142	\$ 41,911	\$ 14,082	\$ 1,626,849	

Additions to tangible capital assets includes capitalized interest of \$4,201 (2014 - \$1,258).

Included in buildings, utilities and site improvements is \$196,989 (2014 - \$154,985) and in furnishings, equipment and systems is \$30,955 (2014 - \$32,155) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions during the year included in-kind contributions (such as learning resources, equipment, software, buildings and land) in the amount of \$3,695 (2014 - \$4,860).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**
(thousands of dollars)



8. Investment in government business enterprises

University Technologies Group ("UTI") and West Campus Development Corporation ("WCDC") are wholly-owned subsidiaries of the University of Calgary. UTI Group operates to facilitate the transfer of intellectual property from the University to private business, thereby commercializing the scientific innovations of University researchers. The WCDC operates as trustee of the West Campus Development Trust ("WCDCDT"), which will sublease land to developers for the commercialization of residential and commercial development. The University is the beneficiary of WCDCDT and will receive distributions from the trust once leases are in place with developers.

The following table provides condensed supplementary financial information reported separately for each Investment in Government Business Enterprise owned by the University; namely the UTI and WCDCDT.

	University Technologies Group		West Campus Development Trust		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Cash	\$ 4,649	\$ 2,557	\$ -	\$ 31	\$ 4,649	\$ 2,588
Accounts receivable	3,016	8,994	56	126	3,072	9,120
Promissory notes receivable	84	60	-	-	84	60
Prepaid expenses	27	23	19	25	46	48
Investments	847	926	-	-	847	926
Capital assets	29	49	171	223	200	272
Development costs	-	-	1,562	-	1,562	-
Intangible assets	1,125	1,145	-	-	1,125	1,145
	\$ 9,777	\$ 13,754	\$ 1,808	\$ 405	\$ 11,585	\$ 14,159
Liabilities						
Accounts payable and accrued liabilities	\$ 1,890	\$ 5,345	\$ 957	\$ 73	\$ 2,847	\$ 5,418
Income taxes payable	6	6	-	-	6	6
Deferred revenue	611	172	-	-	611	172
Long term debt	-	-	7,535	4,861	7,535	4,861
	\$ 2,507	\$ 5,523	\$ 8,492	\$ 4,934	\$ 10,999	\$ 10,457
Equity						
Share capital	\$ 5,352	\$ 5,333	-	-	\$ 5,352	\$ 5,333
Deficit	1,918	2,898	(6,684)	(4,529)	(4,766)	(1,631)
	\$ 7,270	\$ 8,231	\$ (6,684)	\$ (4,529)	\$ 586	\$ 3,702
	\$ 9,777	\$ 13,754	\$ 1,808	\$ 405	\$ 11,585	\$ 14,159
	2015	2014	2015	2014	2015	2014
Net Income						
Revenues	\$ 2,127	\$ 7,387	\$ -	\$ -	\$ 2,127	\$ 7,387
Expenses	3,088	2,333	2,155	2,557	5,243	4,890
	\$ (961)	\$ 5,054	\$ (2,155)	\$ (2,557)	\$ (3,116)	\$ 2,497

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015
(thousands of dollars)**



9. Employee future benefit liabilities

Employee future benefit liabilities are comprised of the following:

	2015	2014
Universities Academic Pension Plan	\$ 120,211	\$ 123,199
Long-term Disability	2,360	1,855
Senior Management Administrative Leave Plan	499	379
Supplemental Retirement Pension Plan	9,502	8,834
	\$ 132,572	\$ 134,267

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

Universities Academic Pension Plan ("UAPP")

The UAPP is a multiemployer contributory joint defined benefit pension plan for academic and professional staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2012 and was then extrapolated to March 31, 2015, resulting in a UAPP deficiency of \$1,129,894 (2014 - \$1,056,921) consisting of a pre-1992 deficiency (\$883,098) and a post-1991 deficiency (\$246,796). The University's portion of the UAPP deficiency has been allocated based on its percentage of the plan's total employer contributions for the year.

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

Supplementary retirement plans ("SRP")

The University provides non-contributory defined benefit supplementary retirement benefits to executives. An actuarial valuation of these benefits was carried out as at March 31, 2015.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**
(thousands of dollars)



9. Employee future benefit liabilities (Continued)

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

	March 31, 2015			March 31, 2014		
	UAPP	Long term disability ⁽¹⁾	Supplementary retirement ⁽¹⁾	UAPP	Long term disability ⁽¹⁾	Supplementary retirement ⁽¹⁾
Expenses						
Current service cost	\$ 26,559	\$ -	\$ 663	\$ 27,295	\$ -	\$ 615
Interest cost	9,188	51	358	9,457	49	303
Amortization of net actuarial losses (gains)	1,089	(126)	(4)	2,658	(567)	14
Past service costs	-	758	-	-	603	-
Total expenses	\$ 36,836	\$ 683	\$ 1,017	\$ 39,410	\$ 85	\$ 932
Financial Position						
Accrued benefit obligation:						
Balance, beginning of year	\$ 686,002	\$ 1,855	\$ 9,737	\$ 609,195	\$ 1,956	\$ 9,323
Current service cost	26,559	-	663	27,295	-	615
Interest cost	46,000	51	358	38,644	49	303
Benefits paid	(31,177)	(178)	(348)	(26,398)	(186)	(319)
Past service costs	-	758	-	-	603	-
Actuarial loss (gain)	58,494	(126)	647	37,266	(567)	(185)
Balance, end of year	\$ 785,878	\$ 2,360	\$ 11,057	\$ 686,002	\$ 1,855	\$ 9,737
Plan assets	638,544	-	-	553,437	-	-
Plan deficit	\$ (147,334)	\$ (2,360)	\$ (11,057)	\$ (132,565)	\$ (1,855)	\$ (9,737)
Unamortized net actuarial loss	\$ 27,123	\$ -	\$ 1,555	\$ 9,366	\$ -	\$ 903
Accrued benefit liability	\$ (120,211)	\$ (2,360)	\$ (9,502)	\$ (123,199)	\$ (1,855)	\$ (8,834)

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

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

	March 31, 2015			March 31, 2014		
	UAPP	Long term disability	Supplementary retirement	UAPP	Long term disability	Supplementary retirement
Accrued benefit obligation:						
Discount rate	6.10 %	2.10 %	2.50 %	6.60 %	2.90 %	3.50 %
Long term average compensation increase	3.50 %	n/a	3.00 %	3.50 %	n/a	4.00 %
Benefit cost:						
Discount rate	6.60 %	2.10 %	3.50 %	6.60 %	2.90 %	3.10 %
Long term average compensation increase	3.50 %	n/a	3.00 %	3.50 %	n/a	4.00 %
Alberta inflation (long term)	2.25 %	n/a	1.50 %	2.25 %	n/a	2.50 %
Estimated average remaining service life	8.6 yrs	7.87 yrs	⁽¹⁾	8.6 yrs	7.62 yrs	⁽¹⁾

⁽¹⁾ SRP actuarial gains and losses and past service costs are amortized over the remaining contract terms of the participants.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015
(thousands of dollars)**



9. Employee future benefit liabilities (Continued)

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

PSPP

The Public Service Pension Plan ("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, PSPP is accounted for on a defined contribution basis. The pension expense recorded in these consolidated financial statements is \$22,084 (2014 - \$20,957).

An actuarial valuation of the PSPP was carried out as at December 31, 2013 and was then extrapolated to December 31, 2014. At December 31, 2014, the PSPP reported an actuarial deficiency of \$803,299 (2013 - \$1,254,678). For the year ended December 31, 2014 PSPP reported employer contributions of \$326,134 (2013 - \$315,830). For the 2014 calendar year, the University's employer contributions were \$21,819 (2013 - \$20,730). The PSPP's deficiency is being discharged through additional contributions from both employees and employers until 2026 (2013 - 2028). Other than the requirement to make additional contributions, the University does not bear any risk related to the PSPP deficiency.

10. Debt

Debt is measured at amortized cost and is comprised of the following:

	Collateral	Maturity date	Interest rate %	2015	2014
Debtures payable to Alberta Capital Finance Authority:					
Debture for Schulich Expansion	(1)	December 2017	1.61%	\$ 45,358	\$ 60,000
Debture for Cascade Hall	(1)	May 2025	6.25%	10,291	10,929
Debture for Residence Renewal Program	(1)	September 2026	4.43%	12,325	13,132
Debture for Downtown Campus	(2)	March 2031	4.27%	12,920	13,473
Debture for Health Renovation Innovation Centre/Parkade	(1)	April 2031	4.94%	4,668	4,848
Debture for Child Development Centre/Parkade	(1)	June 2032	5.25%	1,601	1,656
Debture for International Residence House	(1)	September 2032	4.69%	21,438	22,214
Debture for Residences	(1)	December 2038	3.90%	85,380	87,500
Debture for International Residence House	(1)	June 2039	5.10%	26,937	27,480
Debture for Phase VI Residence	(1)	March 2040	4.73%	55,718	56,865
Mortgages payable to Canada Mortgage and Housing Corporation:					
Mortgage for Dining Centre, Kananaskis and Rundle Halls	(3)	March 2016	5.13%	116	226
Bank loans payable:					
Demand loan for Western Canadian Universities Marine Sciences Society	(3)	November 2014	3.66%	-	2
Demand loan for Western Canadian Universities Marine Sciences Society	(3)	April 2015	3.52%	3	9
Demand loan for Western Canadian Universities Marine Sciences Society	(3)	April 2015	4.93%	272	292
Demand loan for Western Canadian Universities Marine Sciences Society	(3)	March 2020	6.85%	4	-
				\$ 277,031	\$ 298,626
Obligations under capital leases				\$ 135	\$ 271
				\$ 277,166	\$ 298,897

(1) general security agreement; (2) title to land, building; (3) none

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**
(thousands of dollars)



10. Debt (Continued)

Interest expense on debt recorded in these consolidated statements is \$7,223 (2014 - \$7,505) of which \$4,201 (2014 - \$1,258) was capitalized. Principal and interest repayments are as follows:

	Principal	Interest	Total
2016	\$ 22,543	\$ 11,013	\$ 33,556
2017	22,583	10,426	33,009
2018	23,172	9,837	33,009
2019	8,172	9,290	17,462
2020	8,550	8,911	17,461
Thereafter	192,146	85,215	277,361
	\$ 277,166	\$ 134,692	\$ 411,858

11. Deferred revenue

Deferred revenue is comprised of unearned externally restricted grants and donations, unearned tuition and other fees.

2015				
	Research and special purpose	Capital	Tuition and fees other	Total
Balance, beginning of year	\$ 487,655	\$ 1,239,785	\$ 23,784	\$ 1,751,224
Grants, tuition and donations received	395,975	70,511	211,334	677,820
Investment income	22,116	558	-	22,674
Unearned capital acquisition transfers	(35,132)	35,132	-	-
Recognized as revenue	(373,063)	(90,377)	(209,548)	(672,988)
	\$ 497,551	\$ 1,255,609	\$ 25,570	\$ 1,778,730
2014				
	Research and special purpose	Capital	Tuition and fees other	Total
Balance, beginning of year	\$ 494,013	\$ 1,246,685	\$ 30,723	\$ 1,771,421
Grants, tuition and donations received	372,927	16,758	218,847	608,532
Investment income	21,260	255	-	21,515
Unearned capital acquisition transfers	(51,409)	51,409	-	-
Recognized as revenue	(349,136)	(75,322)	(225,786)	(650,244)
	\$ 487,655	\$ 1,239,785	\$ 23,784	\$ 1,751,224

Capital is comprised of \$1,240,885 (2014 - \$1,232,128) restricted grants and donations spent on capital acquisitions and \$14,724 (2014 - \$7,657) of unspent restricted grants and donations. The expended capital is unearned as the terms will be met over the useful life of the asset.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015
(thousands of dollars)**



12. Endowments

Endowments consist of externally restricted donations received by the University and internal allocations by the University's Board of Governors, the principal of which is required to be maintained intact in perpetuity.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

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

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

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

The composition of endowments is as follows:

	2015	2014
Balance, beginning of year	\$ 661,842	\$ 568,310
Endowment donations	62,037	9,212
Investment - realized gains capitalized	23,207	25,889
Investment - unrealized gains capitalized	43,482	58,431
Balance, end of year	\$ 790,568	\$ 661,842
Cumulative donations	\$ 472,107	\$ 410,070
Cumulative capitalized income	318,461	251,772
Balance, end of year	\$ 790,568	\$ 661,842

Included in the ending endowment balance is the fair value unrealized gains of \$149,592 (2014 - \$106,110).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015
(thousands of dollars)**



13. Accumulated operating surplus

The composition of accumulated operating surplus is as follows:

	Unrestricted Net Assets	Investment in Capital Assets	Internally Restricted Net Assets	Accumulated Operating Surplus
Balance April 1, 2013	\$ 64,021	\$ 188,420	\$ 217,891	\$ 470,332
Excess of revenue over expense	65,700	-	-	65,700
Acquisition of capital assets	(40,341)	78,381	(38,040)	-
Amortization of capital assets	28,195	(28,195)	-	-
Debt repayment	(4,944)	4,944	-	-
Debt new financing	33,143	(33,143)	-	-
Transfers to internally restricted surplus	(72,942)	-	72,942	-
Balance March 31, 2014	\$ 72,832	\$ 210,407	\$ 252,793	\$ 536,032
Excess of revenue over expense	53,912	-	-	53,912
Acquisition of capital assets	(80,929)	110,183	(29,254)	-
Amortization of capital assets	32,132	(32,132)	-	-
Debt repayment	(9,030)	9,030	-	-
Debt new financing	60,304	(60,304)	-	-
Transfers to internally restricted surplus	(73,247)	-	73,247	-
Balance March 31, 2015	\$ 55,974	\$ 237,184	\$ 296,786	\$ 589,944

Internally restricted net assets

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

	2015	2014
Capital activities	\$ 31,279	\$ 23,660
Operating activities	190,447	187,641
Research activities	75,060	41,492
	\$ 296,786	\$ 252,793

14. Contingent liabilities and guarantees

The University has identified potential asset retirement obligations 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 capital project will proceed and there is sufficient information to estimate fair value of the obligation.

At March 31, 2015 the University had entered into agreements that provide guarantees on employee housing loans in the amount of \$766 (2014 - \$782). These amounts are not recorded in the consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015
(thousands of dollars)**



15. Contractual obligations

The University has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met.

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

	Service Contracts	Capital Projects	Long term leases	Total
2016	\$ 50,342	\$ 88,612	\$ 4,171	\$ 143,125
2017	12,658	-	3,898	16,556
2018	8,177	-	3,681	11,858
2019	4,750	-	3,611	8,361
2020	-	-	3,449	3,449
Thereafter	-	-	42,659	42,659
	\$ 75,927	\$ 88,612	\$ 61,469	\$ 226,008

Included in service contracts are outstanding supplies and services purchase orders and contracts to purchase electricity and natural gas. To manage its risk exposure to electricity and natural gas, the University has entered into an Electricity Purchase Agreement, expiring March 31, 2017 and an Energy Purchase Agreement expiring October 31, 2018 based on indexed (floating on the spot market) prices with an option to hedge any portion of the requirement at any time. At March 31, 2015 the University had hedged a portion of these contracts by fixing the price on a portion of its estimated electricity and natural gas consumption. Using best estimates of future consumption and forward market prices on March 31, 2015, the estimated contractual obligations including executed hedge contracts are \$10,899 (2014 - \$18,537) for electricity and \$28,283 (2014 - \$32,189) for natural gas.

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, 2014 CURIE had a surplus of \$7,789 (2013 - \$12,338). The University participates in six of the underwriting periods, which have an accumulated surplus of \$74,231 (2013 - \$71,331) of which the University's pro rata share is approximately 5.86% (2013 - 5.82%). This surplus is not recorded in the consolidated financial statements.

16. Budget comparison

Budgeted figures have been provided for comparison purposes and have been derived from the University's Comprehensive Institutional Plan as approved by the Board of Governors.

17. Investment income

	2015	2014
Income on investments held for endowments	\$ 16,805	\$ 17,552
Income on other investments	33,778	28,604
	\$ 50,583	\$ 46,156
Deferred	\$ -	\$ (330)
	\$ 50,583	\$ 45,826

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**
(thousands of dollars)



18. Expense by object

	2015 Budget	2015	2014
Salaries	\$ 588,615	\$ 576,545	\$ 558,730
Employee benefits	114,028	102,314	116,982
Materials, supplies and services	264,426	242,058	227,012
Utilities	29,851	25,536	29,208
Maintenance and repairs	20,566	23,328	18,440
Scholarships and bursaries	78,283	87,910	79,496
Cost of goods sold	16,182	12,067	13,783
Amortization of tangible capital assets	106,062	121,521	102,046
	\$ 1,218,013	\$ 1,191,279	\$ 1,145,697

19. Funds held on behalf of others

The University holds the following funds on behalf of others over which the University's Board of Governors has no power of appropriation. Accordingly, these funds are not included in the University's consolidated financial statements.

	2015	2014
University of Calgary Medical Group	\$ 8,041	\$ 7,220
State of Qatar	3,545	2,322
University Child Care Centre Society	1,014	798
Student's Union	440	260
Campus Ticket Centre	245	207
Canadian Institute of Resource Law	95	70
Canadian Energy Resource Institute	86	-
Others	121	549
	\$ 13,587	\$ 11,426

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015
(thousands of dollars)**



20. Government of Alberta transactions and balances

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

	2015	2014
Grants from GOA		
Innovation and Advanced Education:		
Operating	\$ 434,328	\$ 427,138
Access to the future fund	27,355	-
Capital	47,162	9,937
Research	30,033	10,627
Alberta Innovates Bio Solutions	1,840	839
Alberta Innovates Energy and Environment	1,133	1,228
Alberta Innovates Health Solutions	33,989	38,024
Alberta Innovates Technology Futures	10,803	8,627
Other	1,263	11,291
Total Innovation and Advanced Education	\$ 587,906	\$ 507,711
Other post secondary institutions	\$ 2,587	\$ 2,791
Other GOA departments and agencies:		
Alberta Health and Wellness	\$ 43,727	\$ 13,560
Alberta Health Services	20,693	4,365
Other	2,939	8,190
Total other GOA departments and agencies	\$ 67,359	\$ 26,115
Total grants received	\$ 657,852	\$ 536,617
Restricted expended capital recognized as revenue	66,114	55,600
Less: amounts received for endowment	(33,992)	-
Less: deferred revenues	(75,755)	(16,613)
Government of Alberta Grants	\$ 614,219	\$ 575,604
Accounts receivable		
Innovation and Advanced Education	\$ 1,156	\$ 4,384
Other GOA departments and agencies	6,875	27,033
Other post secondary institutions	736	283
	\$ 8,767	\$ 31,700
Accounts payable		
Innovation and Advanced Education	\$ 2	\$ -
Other GOA departments and agencies	1,304	1,927
Other post secondary institutions	238	207
	\$ 1,544	\$ 2,134

The University has debt with Alberta Capital Finance Authority as described in Note 10.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015
(thousands of dollars)**



21. Salary and Employee Benefits

	2015			Total	2014 Total
	Base salary ⁽¹⁾	Other cash benefits ⁽²⁾	Other non-cash benefits ^{(3) (4)}		
Governance ⁽⁵⁾					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President ⁽⁶⁾⁽⁷⁾	473	123	299	895	732
Vice-Presidents:					
Provost and Vice President Academic	410	12	140	562	539
Vice President Development					
Incumbent ⁽⁸⁾	188	67	51	306	-
Past Incumbent ⁽⁸⁾⁽⁹⁾	86	159	93	338	403
Vice President Facilities	315	17	109	441	65
Vice President Finance and Services					
Incumbent ⁽¹⁰⁾	222	8	76	306	-
Past Incumbent ⁽¹⁰⁾	86	4	90	180	381
Vice President Research	389	12	128	529	509
Vice President University Relations	280	12	86	378	401

1. Base salary includes pensionable base pay.
2. Other cash benefits include administrative honorariums, bonuses, relocation benefits, executive allowances and lump sum payments.
3. Other 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 family assistance program, critical illness, supplementary health care, short and long-term disability plans, dental plan, supplemental retirement plan (per footnote (4)), accidental disability and dismemberment.
4. Under the terms of the supplementary retirement plan ("SRP"), the executive may receive supplemental retirement payments. Retirement arrangement costs as detailed are not cash payments in the period but are period expenses for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post-employment period. The SRP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method prorated on services, a market interest rate, and management's best estimate of other assumptions. Net actuarial gains and losses of the benefit obligations are amortized over the expected remaining service life of each plan participant or over the expected remaining lifetime for pensions in pay. Current service cost is the actuarial present value of the benefits earned in the current year. The components of the cost of the SRP include current service cost, amortization of actuarial gains and losses, past service costs on plan initiation, and interest accruing on the actuarial liability.
5. The Chair and Members of the Board of Governors receive no remuneration for participation on the Board.
6. The individual in this role received a vehicle allowance included in other cash benefits.
7. The individual in this role earned administrative leave benefits during the year that have been included in other non-cash benefits.
8. During the fiscal year, the Vice President Development Past Incumbent position was occupied for 3 months and the Vice President Development Incumbent position was held for 9 months.
9. The individual in this role earned administrative leave benefits during the year that have been included in other cash benefits.
10. During the fiscal year, the Vice President Finance and Services Past Incumbent position was occupied for 3 months and the Vice President Finance and Services Incumbent position was held for 9 months.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015
(thousands of dollars)**



21. Salary and Employee Benefits (Continued)

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

	Accrued Benefit Obligation March 31, 2014	Service costs	Interest costs	Actuarial loss (gain)	Benefits paid	Accrued Benefit Obligation March 31, 2015
President	\$ 481	\$ 128	\$ 21	\$ 95	\$ -	\$ 725
Vice-Presidents:						
Provost and Vice President Academic	271	102	13	6	-	392
Vice President Development						
Incumbent	-	31	1	-	-	32
Past Incumbent	692	59	26	129	(14)	892
Vice President Facilities	13	79	3	(13)	-	82
Vice President Finance and Services						
Incumbent	-	54	2	-	-	56
Past Incumbent	321	67	14	(111)	-	291
Vice President Research	253	92	12	7	-	364
Vice President University Relations	155	52	7	16	-	230

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 9.

The current service cost and accrued obligation for each executive under the Senior Management Administrative Leave Plan is outlined in the following table:

	Accrued Benefit Obligation March 31, 2014	Service costs	Interest costs	Actuarial loss (gain)	Benefits paid	Accrued Benefit Obligation March 31, 2015
President ⁽¹⁾	\$ 379	\$ 101	\$ 14	\$ 5	\$ -	\$ 499

⁽¹⁾ Only the President is eligible for administrative leave benefits.

The significant actuarial assumptions used to measure the accrued benefit obligation for the Senior Management Administrative Leave Plan are based on a discount rate of 2.1% (2014 – 2.90%) and a yearly salary increase rate of 1.0% for the 1st year, 3% per annum thereafter (2014 - 4%). An administrative leave benefit loading rate of 20% (previously 15%) is applied to the President only.

22. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.



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