The following Motions and Documents were considered by the Board of Governors during the Open Session of its Monday, May 27, 2019 meeting:

Agenda Title: **Management's Annual Audited Financial Statements (Draft) and review Financial Statement Discussion and Analysis (Draft)**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Audit and Risk Committee, approve the Audited Consolidated Financial Statements for the year ended March 31, 2019, as set forth in Attachment 1.

Final Item: 4a

Item No. 4a

Governance Executive Summary
Action Item

Agenda Title	**Management's Annual Audited Financial Statements (Draft) and review Financial Statement Discussion and Analysis (Draft)**

Motion

THAT the Board of Governors, on the recommendation of the Board Audit and Risk Committee, approve the Audited Consolidated Financial Statements for the year ended March 31, 2019, as set forth in Attachment 1.

Item

Action Requested	☒ Approval ☐ Recommendation
Proposed by	Vice-President (Finance and Administration)
Presenter(s)	Gitta Kulczycki, Vice-President (Finance and Administration)

Details

Responsibility	Finance and Administration
The Purpose of the Proposal is (*please be specific*)	To approve the audited Consolidated Financial Statements as required by the *Post-Secondary Learning Act.*
Executive Summary	Draft Financial Statements and Financial Statement Discussion and Analysis are provided for review. The university ended the year with an annual surplus of $198.8 million. Of this amount $75.5 million are donations directed to endowments and endowment capitalized investment income and therefore are not available for spending. The annual operating surplus of $123.3 million; 6.3% of total revenue (budget: $14.4; 0.7% of total revenue) was primarily used for capital and investment acquisitions and debt repayment. Capital acquisition expenditures include library resources, scientific equipment and computer hardware/software. Net assets of $2,179.5 million increased from the prior year (2018: $2,005.8). The increase is mainly due to an increase in endowments and the annual operating surplus.
Supplementary Notes / context	

Engagement and Routing (Include meeting dates)

Consultation and Stakeholder Participation (parties who have seen the proposal and in what capacity)	<u>*Those who are actively **participating**:*</u> • Gitta Kulczycki, Vice-President (Finance and Administration) • Martin Coutts, Associate Vice-President, Finance and Supply Management Services
	<u>*Those who have been **consulted**:*</u> • N/A
	<u>*Those who have been **informed**:*</u> • Board Audit and Risk Committee, May 27, 2019 (recommendation)
Approval Route (Governance) (including meeting dates)	Board Audit and Risk Committee, May 27, 2019 (recommendation) Board of Governors, May 27, 2019 (final approver)

Strategic Alignment

Alignment with *For the Public Good*	*For the Public Good (Sustain):* Sustain our people, our work, and the environment by attracting and stewarding the resources we need to deliver excellence to the benefit of all. OBJECTIVE 22: Secure and steward financial resources to sustain, enhance, promote, and facilitate the university's core mission and strategic goals. iii. Strategy: Ensure responsible and accountable stewardship of the university's resources and demonstrate to government, donors, alumni, and community members the efficient and careful use of public and donor funds.	
Alignment with Institutional Risk Indicator	Please note below the specific institutional risk(s) this proposal is addressing.	
	☐ Enrolment Management ☐ Faculty and Staff ☒ Funding and Resource Management ☐ IT Services, Software and Hardware ☐ Leadership and Change ☐ Physical Infrastructure	☐ Relationship with Stakeholders ☐ Reputation ☐ Research Enterprise ☐ Safety ☐ Student Success
Legislative Compliance and jurisdiction	Post-Secondary Learning Act, sections 70,71 and 79 Audit Committee Terms of Reference, sections 3 and 4	

Attachments (36 pages in total)

1. Financial Statement Discussion and Analysis (Draft) (pages 1 - 6)
   Consolidated Financial Statements (Draft) (pages 7 - 34)
   - Statement of Management Responsibility
   - Independent Auditor's Report
   - Consolidated Statement of Financial Position
   - Consolidated Statement of Operations
   - Consolidated Statement of Change in Net Financial Assets
   - Consolidated Statement of Remeasurement Gains and Losses
   - Consolidated Statement of Cash Flows
   - Notes to the Consolidated Financial Statements

Prepared by: Martin Coutts, Associate Vice-President, Finance and Supply Management Services (martin.coutts@ualberta.ca)

University Chief Accountant and Associate Director, Financial Reporting & Accounting (brian.boytang@ualberta.ca)

UNIVERSITY OF ALBERTA

DRAFT

Consolidated Financial Statements

For the Year Ended
March 31, 2019

TABLE OF CONTENTS

FINANCIAL SERVICES

3rd Floor Administration Building • University of Alberta • Edmonton • Canada • T6G 2M7
Telephone: (780) 492-3000 • Fax: (780) 492-2846
Website: www.ualberta.ca/financial-services
E-mail: fs.requests@ualberta.ca

The consolidated financial statement discussion and analysis should be read in conjunction with the University of Alberta audited financial statements. The university's financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. For more in-depth discussion and analysis of the university's goals and objectives please refer to the following documents:
For the Public Good, Comprehensive Institutional Plan, Investment Reports.
https://www.ualberta.ca/reporting

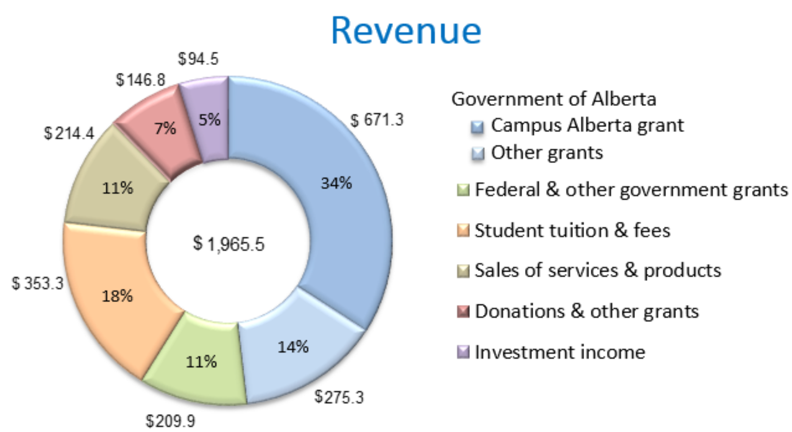
The consolidated financial statement discussion and analysis provides an overview of the university's:

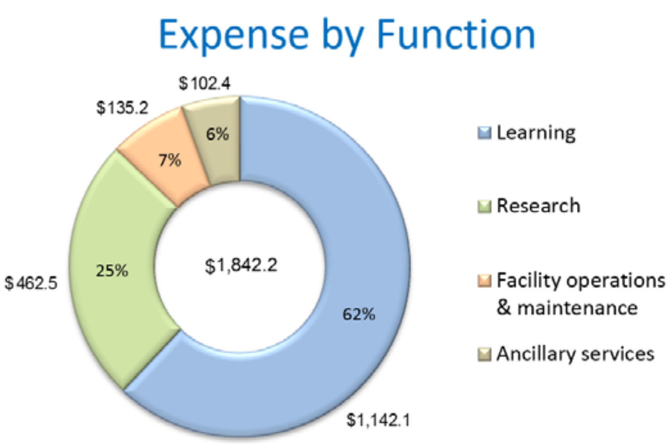
- Summary of Financial Results
- Revenue and Expense
- Capital Acquisitions
- Net Assets and Net Debt
- Areas of Significant Financial Risk

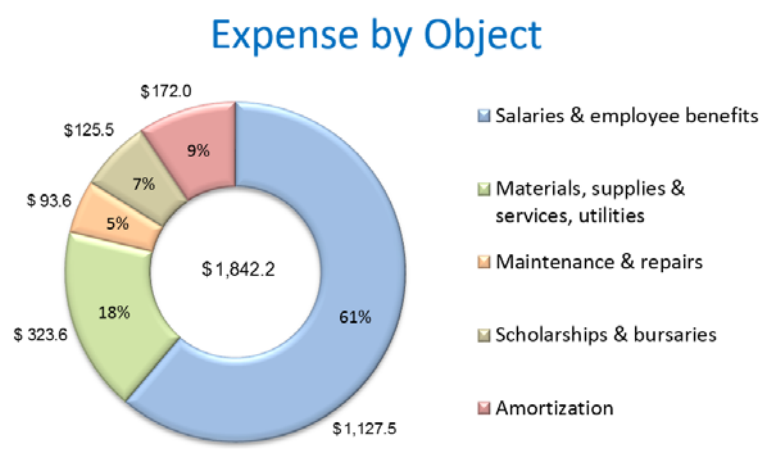
Summary of Financial Results

The university ended the year with an annual surplus of $198.8 million. Of this amount $75.5 million are donations directed to endowments and endowment capitalized investment income and therefore are not available for spending. The annual operating surplus of $123.3 million; 6.3% of total revenue (budget: $14.4; 0.7% of total revenue) was primarily used for capital and investment acquisitions and debt repayment. Capital acquisition expenditures include library resources, scientific equipment and computer hardware/software.

Net assets of $2,179.5 million increased from the prior year (2018: $2,005.8). The increase is mainly due to an increase in endowments and the annual operating surplus.

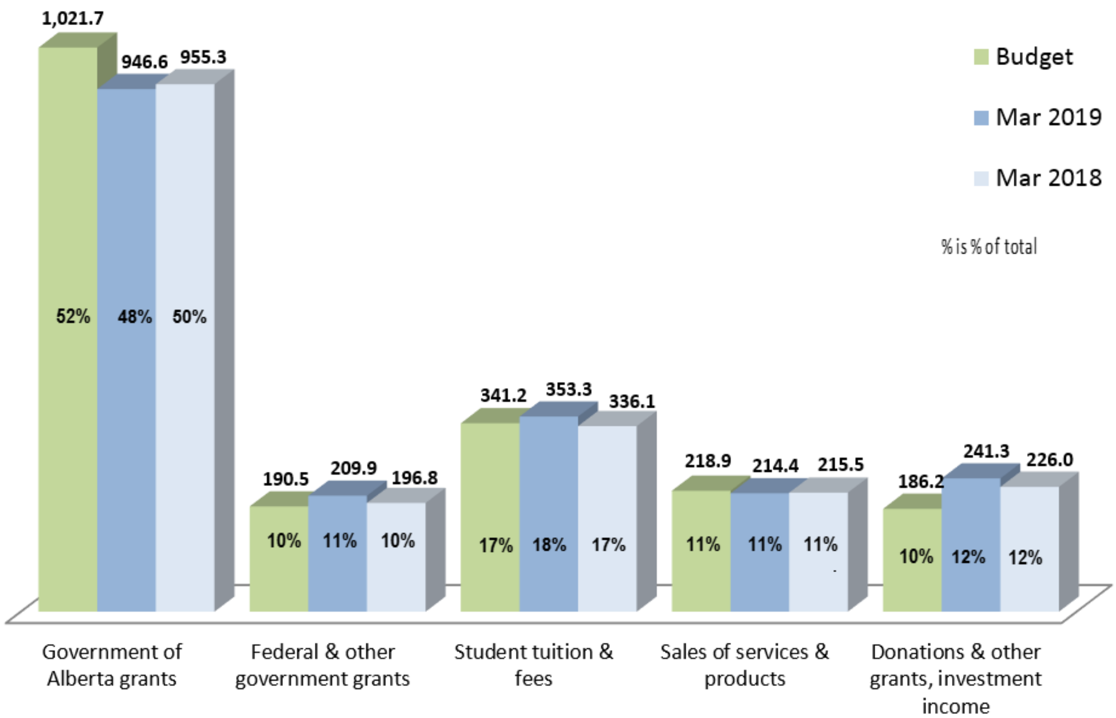






Revenue

Total revenue for the year was $1,965.5 million, an increase of $35.8 million over the prior year and $7.0 million (0.4%) more than budget.



Government of Alberta grants (GoA) represent the single largest source of funding for university activities at 48% of total revenue. The GoA increased the Campus Alberta grant (base operating grant) by 2%. Grants are less than budget mainly due to lower research grants and lower than budgeted grant funding for the Academic Medicine and Health Services Program (AMHSP) (offset in donations and other grants).

Federal and other government grants primarily support the university's research activities. Grants are more than budget due to higher than budgeted grant funding from the Federal Government of Canada.

Student tuition and fees includes instructional fees, market modifiers, program differential fees, international student fees, and mandatory non-instructional fees. The GoA has frozen domestic tuition fees for the past three fiscal years and in October 2018 announced that the tuition freeze will be extended through the 2019-20 academic year. Student tuition and fees are more than budget due to higher enrollment of international students.

Sales of services and products revenues are generated by ancillary services and faculties and administrative units to both individuals and external organizations. Ancillary services generated sales of $91.5 million, while other units generated sales of $122.8 million. Sales revenue is comparable to budget.

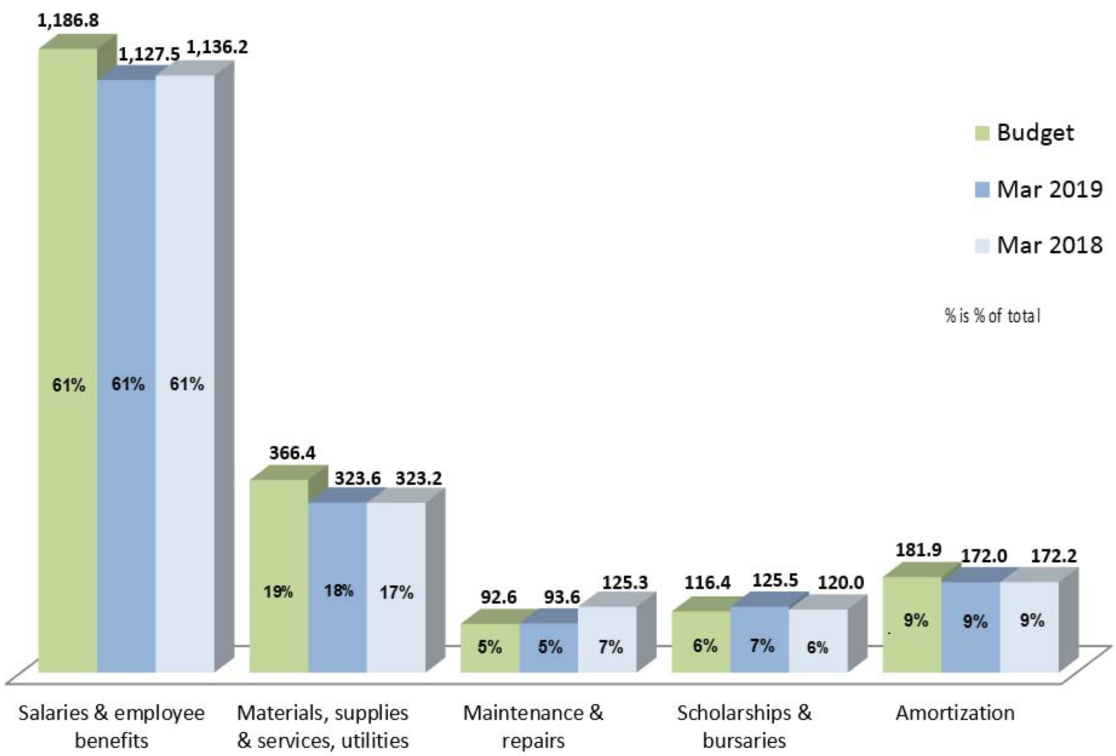
Donations and other grants support many university activities. Donations and other grants are more than budget mainly due to the AMHSP grant funding (offset in GoA) and more than budgeted research grant funding.

Investment income is $23.5 million more than budget mainly due to the realization of capital gains. Investments fall into two categories, the University Endowment Pool (UEP) and the Non-Endowed Investment Pool (NEIP). The UEP had a return of 5.9% (2018: 8.0% return) and represents the majority of the university's long-term investment strategy. The NEIP investments which are allocated to the short-, mid- and long-term investment strategies had a return of 3.5% (2018: 2.9% return).

Expense

Total expense for the year was $1,842.2 million, a decrease of $34.7 million over the prior year and $101.9 million (5.2%) less than budget. Salaries and employee benefits are the single largest expense representing 61% of total expense.

Expense by Object



Salaries and employee benefits are less than budget mainly in the research fund due to lower spending on salaries for research projects along with lower use of temporary staffing.

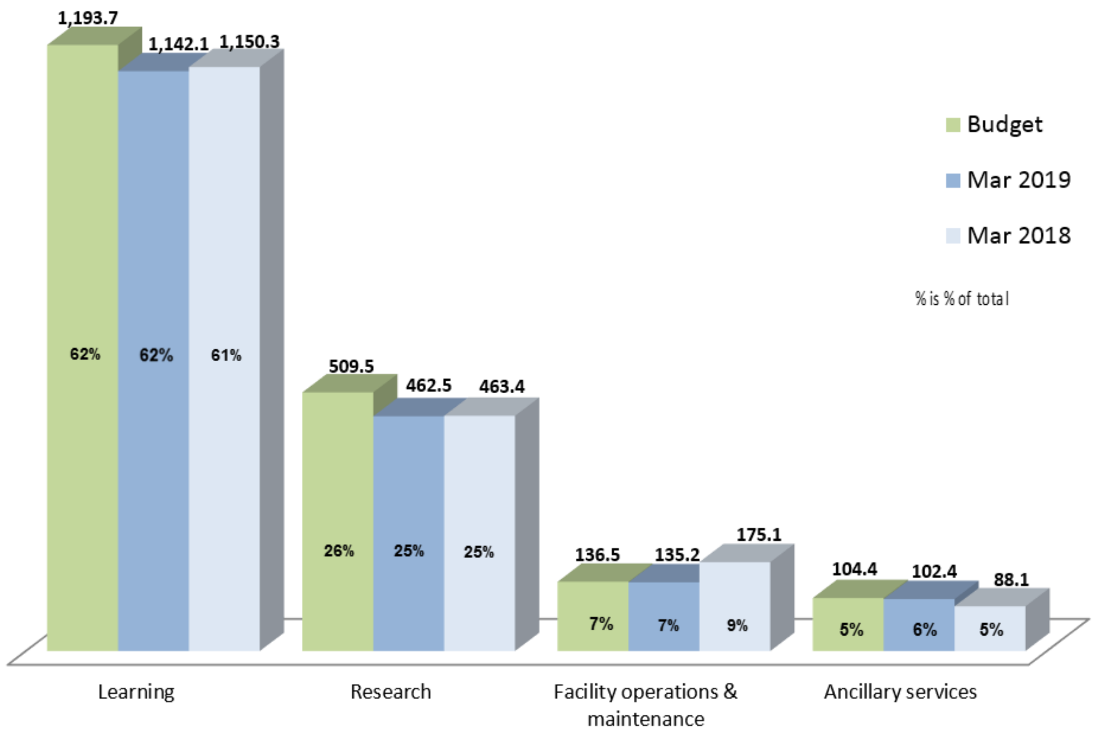
Materials, supplies and services, utilities are less than budget mainly due to lower expenditures in the research fund for general services for research projects. Utilities is lower than budget due to lower than budgeted utility rates.

Maintenance and repairs is comparable to budget.

Scholarships and bursaries are more than budget due to a higher number of graduate awards and higher than budgeted endowed scholarships.

Amortization is less than budgeted due to Strategic Investment Fund (SIF) projects coming into service later than planned.

Expense by Function



Learning effectively represents the operating activities of the university. A significant component of this category is salary and employee benefit costs. Learning also includes restricted grants and donations that support undergraduate student scholarships, student bursaries and the Academic Medicine and Health Services Program (AMHSP). This expense is less than budget mainly due to lower spending on salaries and materials and services.

Research activities expenses are funded by restricted grants and donations as well as internal funds designated for research related spending. This expense is less than budget due to lower spending on salaries and general services for research projects.

Facility operations and maintenance represents the cost of maintaining university facilities and grounds. This expense is comparable to budget.

Ancillary services include the university bookstore, parking services, utilities and student residences. Ancillary services expenses are comparable to budget.

Capital Acquisitions

The university expended $124.6 million (2018: $197.9) on construction and other tangible capital asset acquisitions.

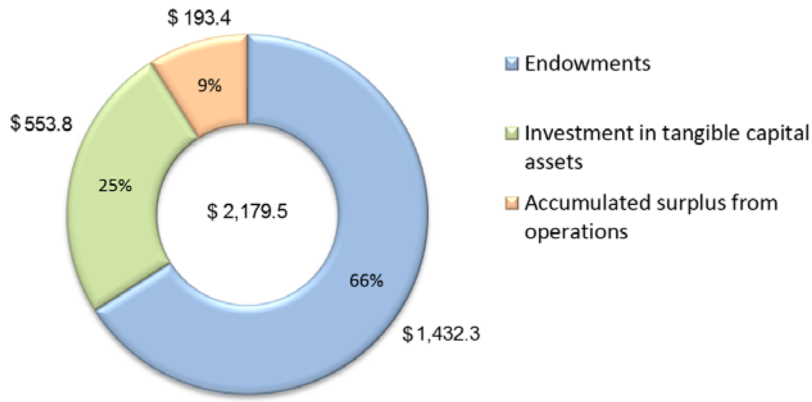
The most significant construction and capital asset acquisitions in 2019 are:
- Two new residence construction projects - Nîpisîy House and Thelma Chalifoux Hall.
- Dentistry and Pharmacy Renewal and Repurpose - a multi-year project to renovate the Dentistry Pharmacy building.
- University of Alberta Botanic Garden – the new Aga Khan Garden and infrastructure upgrades.
- Various Strategic Investment Fund projects which were funded by a combination of GoA grants and university resources.

(in millions of dollars)

Net Assets and Net Debt

Net assets

The net asset balance is an important indicator of financial health for the university. The net assets measure provides the economic position of the university from all years of operations. The university's net assets include endowments of $1,432.3 million. Endowments represent contributions from donors that are required to be maintained in perpetuity, as well as capitalized investment income that is also required to be maintained in perpetuity to protect the economic value of the endowment. Endowments are not available for spending. Of the remaining $747.2 million in net assets, $553.8 million represents funds invested in tangible capital assets.



	Unrestricted	Internally restricted	Investment in tangible capital assets	Endowments	Total
Net assets, beginning of year	$ 74.2	$ -	$ 552.1	$ 1,379.5	$ 2,005.8
Annual operating surplus	123.3	-	-	-	123.3
Endowments	(0.9)	-	-	76.4	75.5
Tangible capital assets	(1.7)	-	1.7	-	-
Transfer to internally restricted	(55.1)	55.1	-	-	-
Change in accumulated remeasurement gains	(1.5)	-	-	(23.6)	(25.1)
Increase	64.1	55.1	1.7	52.8	173.7
Net assets, end of year	**$ 138.3**	**$ 55.1**	**$ 553.8**	**$ 1,432.3**	**$ 2,179.5**

The increase in accumulated surplus from operations is mainly due to the annual operating surplus ($123.3). The university also transferred $0.9 million from accumulated surplus to endowments. The university created an internally restricted investment income reserve in the current year ($55.1). The purpose of the reserve is to create a buffer for risk management purposes; that is, to ensure that future financial obligations can be fulfilled in the event of significant investment losses. The reserve target is 17% of the underlying obligations (investment cost), currently $96 million, which allows for fluctuations in capital and equity markets to the degree experienced during the financial crisis in 2008-09. Once the reserve target is met, allocations will be made to a Strategic Initiatives Fund that will be used to support long-term institutional goals.

The increase in investment in tangible capital assets of $1.7 million consists of additions ($65.6) and debt repayments ($13.3), less new financing ($16.8) and amortization ($60.4). These additions include construction projects, equipment, furnishings, computer hardware/software and library resources.

The university's endowment spending policy provides for an annual spending allocation (2019: $49.0; 2018: $38.1) to support a variety of key initiatives in the areas of academic programs, chairs and professorships, scholarships, bursaries and research. The increase in endowments of $52.8 million is due to an increase in fair value ($15.7), new contributions ($36.2) and a transfer of miscellaneous sales revenue from unrestricted net assets ($0.9).

Net debt

The university's liquidity needs are met primarily through operating cash flows, working capital balances and capital expansion funding received through grants or long-term debt. Net financial assets (net debt) is a measure of an organization's ability to use its financial assets to cover liabilities and fund future operations.

The net debt (excluding portfolio investments restricted for endowments) indicates that the university has a $97.8 million deficiency (2018: $213.5). The deficiency can be attributed to employee future benefit liabilities (2019: $217.8; 2018: $237.8) which include the Universities Academic Pension Plan (UAPP) (2019: $116.4; 2018: $141.7) and other benefit plans such as supplementary retirement, long-term disability and early retirement (2019: $101.4; 2018: $96.1). Net debt has decreased mainly due to the annual surplus and a decrease in employee future benefit liabilities resulting primarily from strong investment returns within the pension plan.

Areas of Significant Financial Risk

Fiscal Uncertainty

The Campus Alberta grant is the primary source of funding for the university's day-to-day operating activities. Government support is under pressure given the province's fiscal outlook. Grants, tuition and other revenue generation initiatives are largely under government control, which puts significant pressure on university finances. The impact to university revenue of a 1% change to the Campus Alberta base operating grant is $6.7 million and a 1% change to domestic tuition is $2.0 million.

Unfunded Pension Liability

The university participates with other Alberta post-secondary institutions in the Universities Academic Pension Plan (UAPP) to provide pensions for the university's participating employees. The unfunded deficiency in the UAPP is currently being funded by a combination of employee and employer contributions and the Government of Alberta. The deficiency is required to be eliminated by 2043. At March 31, 2019, based on actuarial assumptions, the university has recorded a UAPP employee future benefit liability of approximately $116 million.

The impact to the university's share of the unfunded liability of a 1% increase in the inflation rate assumption would be an increase of approximately $76 million, a 1% increase in the salary escalation assumption would be an increase of approximately $15 million, while a decrease of 0.25% in the discount rate assumption would lead to an increase of approximately $38 million.

Deferred Maintenance

As the largest and oldest post-secondary institution in the province, the university's deferred maintenance obligations continue to increase. As of December 2018 the liability stood at $311 million and is estimated to increase to approximately $888 million over the next five years. The university continues to identify and address priority deferred maintenance issues through joint renewal and repurposing projects to maintain the functionality of our building inventory. We are grateful for the Government's continued support of the Infrastructure Maintenance Grant Program (2019: $34.9; 2018: $34.9) which assists in addressing the deferred maintenance priorities.

STATEMENT OF MANAGEMENT RESPONSIBILITY - DRAFT
YEAR ENDED MARCH 31, 2019

The consolidated financial statements of the University of Alberta have been prepared by management in accordance with Canadian public sector accounting standards. The consolidated financial statements present fairly the financial position of the university as at March 31, 2019 and the results of its operations, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that university 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 is responsible for reviewing and approving the consolidated financial statements, and overseeing management's performance of its financial reporting responsibilities.

The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Audit and Risk Committee. With the exception of the President, all members of the Audit and Risk Committee are not employees of the university. The Audit and Risk Committee meets with management and the external auditors and internal auditors to discuss the results of audit examinations and financial reporting matters. The external and internal auditors have full access to the Audit and Risk Committee, with and without the presence of management.

These consolidated financial statements have been reported on by the Auditor General of Alberta, the auditor appointed under the *Post-secondary Learning Act*. The Independent Auditor's Report outlines the scope of the audit and provides the audit opinion on the fairness of presentation of the information in the consolidated financial statements.

Original signed by David H. Turpin

President and Vice-Chancellor

Original signed by Gitta Kulczycki

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

Independent Auditor's Report

Auditor General OF ALBERTA

To the Board of Governors of the University of Alberta

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the University of Alberta which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, change in net financial assets, remeasurement gains and losses, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University of Alberta as at March 31, 2019, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the University of Alberta in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the University of Alberta's annual report but does not include the consolidated financial statements and my auditor's report thereon. The University of Alberta's annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the University of Alberta's annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the University of Alberta's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University of Alberta's financial reporting process.

Auditor's Responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 University of Alberta's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University of Alberta's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the University of Alberta to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the entity to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

W. Doug Wylie FCPA, FCMA, ICD.D
Auditor General

May XX, 2019
Edmonton, Alberta

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION - DRAFT
AS AT MARCH 31, 2019
(thousands of dollars)

	Note		2019		2018
Financial assets excluding portfolio investments restricted for endowments					
Cash and cash equivalents	4	$	**19,581**	$	74,078
Portfolio investments - non-endowment	5		**1,040,126**		872,516
Accounts receivable			**145,148**		153,177
Inventories held for sale			**2,133**		2,340
			1,206,988		1,102,111
Liabilities					
Accounts payable and accrued liabilities			**172,470**		179,497
Employee future benefit liabilities	8		**217,774**		237,774
Debt	9		**335,797**		350,306
Deferred revenue	10		**578,758**		548,016
			1,304,799		1,315,593
Net debt excluding portfolio investments restricted for endowments			**(97,811)**		(213,482)
Portfolio investments - restricted for endowments	5		**1,432,304**		1,379,534
Net financial assets			**1,334,493**		1,166,052
Non-financial assets					
Tangible capital assets	11		**2,684,090**		2,732,029
Prepaid expenses			**8,118**		7,981
			2,692,208		2,740,010
Net assets before spent deferred capital contributions			**4,026,701**		3,906,062
Spent deferred capital contributions	12		**1,847,187**		1,900,241
Net assets	13	$	**2,179,514**	$	2,005,821

Net assets is comprised of:				
Accumulated surplus	$	**1,928,600**	$	1,729,849
Accumulated remeasurement gains		**250,914**		275,972
	$	**2,179,514**	$	2,005,821

Contingent assets and contractual rights (note 14 and 16)

Contingent liabilities and contractual obligations (note 15 and 17)

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF OPERATIONS - DRAFT
YEAR ENDED MARCH 31, 2019
(thousands of dollars)

	Note	Budget (Note 19)	2019	2018
Revenue				
Government of Alberta grants	20	$ 1,021,681	**$ 946,643**	$ 955,344
Federal and other government grants	20	190,510	**209,900**	196,782
Student tuition and fees		341,218	**353,280**	336,129
Sales of services and products		218,863	**214,434**	215,471
Donations and other grants		115,244	**146,752**	153,900
Investment income		70,984	**94,489**	72,098
		1,958,500	**1,965,498**	1,929,724
Expense				
Learning		1,193,670	**1,142,132**	1,150,308
Research		509,567	**462,497**	463,422
Facility operations and maintenance		136,471	**135,198**	175,062
Ancillary services		104,436	**102,383**	88,132
		1,944,144	**1,842,210**	1,876,924
Annual operating surplus		$ 14,356	**123,288**	52,800
Endowment contributions			**36,227**	25,440
Endowment capitalized investment income			**39,236**	27,740
			75,463	53,180
Annual surplus			**198,751**	105,980
Accumulated surplus, beginning of year			**1,729,849**	1,623,869
Accumulated surplus, end of year	13		**$ 1,928,600**	$ 1,729,849

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS - DRAFT
YEAR ENDED MARCH 31, 2019
(thousands of dollars)

	Budget (Note 19)	**2019**	2018
Annual surplus	$	**$ 198,751**	$ 105,980
Acquisition of tangible capital assets, net of proceeds on disposals	(216,930)	**(124,342)**	(197,691)
Amortization of tangible capital assets	181,878	**172,006**	172,139
Loss on disposal of tangible capital assets	-	**275**	4,443
	(35,052)	**47,939**	(21,109)
Change in prepaid expenses	(200)	**(137)**	(782)
Change in spent deferred capital contributions	5,586	**(53,054)**	(21,515)
Change in accumulated remeasurement gains		**(25,058)**	26,673
(Decrease) increase in net financial assets		**168,441**	89,247
Net financial assets, beginning of year		**1,166,052**	1,076,805
Net financial assets, end of year	$	**$ 1,334,493**	$ 1,166,052

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES - DRAFT
YEAR ENDED MARCH 31, 2019
(thousands of dollars)

	Note	2019	2018
Accumulated remeasurement gains, beginning of year		**$ 275,972**	$ 249,299
Unrealized gains attributable to:			
Portfolio investments - non-endowment:			
Quoted in an active market		**8,778**	11,509
Designated at fair value		**4,143**	3,160
Portfolio investments - restricted for endowments:			
Quoted in an active market		**42,822**	61,838
Designated at fair value		**8,676**	7,681
Amounts reclassified to consolidated statement of operations:			
Portfolio investments - non-endowment:			
Quoted in an active market		**(10,803)**	(7,177)
Designated at fair value		**(3,601)**	(1,220)
Portfolio investments - restricted for endowments:			
Quoted in an active market		**(62,425)**	(43,691)
Designated at fair value		**(12,648)**	(5,427)
Net change for the year		**(25,058)**	26,673
Accumulated remeasurement gains, end of year	13	**$ 250,914**	$ 275,972

	2019	2018
Accumulated remeasurement gains is comprised of:		
Portfolio investments - non-endowment	**$ 41,880**	$ 43,363
Portfolio investments - restricted for endowments	**209,034**	232,609
	$ 250,914	$ 275,972

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF CASH FLOWS - DRAFT
YEAR ENDED MARCH 31, 2019
(thousands of dollars)

		2019		2018
Operating transactions				
Annual surplus	**$**	**198,751**	$	105,980
Add (deduct) non-cash items:				
Amortization of tangible capital assets		**172,006**		172,139
Expended capital recognized as revenue		**(111,570)**		(111,753)
Gain on sale of portfolio investments		**(89,477)**		(57,515)
Loss on disposal of tangible capital assets		**275**		4,443
Decrease in employee future benefit liabilities		**(20,000)**		(13,286)
Change in non-cash items		**(48,766)**		(5,972)
Decrease (increase) in accounts receivable		**8,083**		(9,961)
Decrease in inventories held for sale		**207**		302
(Decrease) increase in accounts payable and accrued liabilities		**(7,954)**		349
Increase (decrease) in deferred revenue		**30,742**		(12,404)
Increase in prepaid expenses		**(137)**		(782)
Cash provided by operating transactions		**180,926**		77,512
Capital transactions				
Acquisition of tangible capital assets, net of proceeds on disposals, less in kind donations		**(120,669)**		(194,994)
Cash applied to capital transactions		**(120,669)**		(194,994)
Investing transactions				
Purchases of portfolio investments		**(362,768)**		(351,972)
Proceeds on sale of portfolio investments		**207,680**		337,479
Cash applied to investing transactions		**(155,088)**		(14,493)
Financing transactions				
Debt repayment		**(14,509)**		(13,956)
Debt - new financing		**-**		113,700
Increase in spent deferred capital contributions, less in kind donations		**54,843**		87,541
Cash provided by financing transactions		**40,334**		187,285
(Decrease) increase in cash and cash equivalents		**(54,497)**		55,310
Cash and cash equivalents, beginning of year		**74,078**		18,768
Cash and cash equivalents, end of year	**$**	**19,581**	$	74,078

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

1. Authority and purpose

The Governors of The University of Alberta is a corporation that 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 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. 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 and amortization of tangible capital assets 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) Valuation of financial assets and liabilities

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

Portfolio investments - fair value and amortized cost
Derivatives - fair value
Cash and cash equivalents, Accounts receivable, Accounts payable and accrued liabilities, Debt - amortized cost
Inventories held for sale - lower of cost and expected net realizable value

Unrealized gains and losses from changes in the fair value of financial assets and liabilities are recognized in the consolidated statement of remeasurement gains and losses. When the restricted nature of a financial instrument and any related changes in fair value create a liability, unrealized gains and losses are recognized as deferred revenue.

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. 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 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 liabilities that are measured at amortized cost and expensed when 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.

Derivatives are recorded at fair value in the consolidated statement of financial position. Derivatives with a positive or negative fair value are recognized as financial assets or liabilities. Unrealized gains and losses from changes in the fair value of derivatives are recognized in the consolidated statement of remeasurement gains and losses. Upon settlement, the realized gains and losses are reclassified as revenue or expense in the consolidated statement of operations.

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 liabilities.

(c) Revenue recognition

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

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

(c) Revenue recognition (continued)

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. 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 assets.

Government grants without terms for the use of the grant are recognized as revenue when the university is eligible to receive the funds. Non-government grants and donations with no restrictions 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.

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 recognized at nominal value.

Endowment donations
Endowment donations are recognized as revenue in the consolidated statement of operations in the year in which they are received, and are required by donors to be maintained intact in perpetuity.

Investment income
Investment income includes dividends, interest income and realized gains and losses on the sale of portfolio investments. 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.

The endowment spending allocation portion of investment income earned by endowments is recognized as deferred revenue when the terms for use by the endowment create a liability. Investment income earned by endowments in excess of the endowment spending allocation is recognized as revenue in the consolidated statement of operations (realized income) and the consolidated statement of remeasurement gains and losses (unrealized gains and losses), and is capitalized and maintained intact in perpetuity.

(d) 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 (excluding unrealized income) by the endowments in excess of the amount required for spending allocation is capitalized to maintain and grow the real value of the endowments. 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:

- Investment income earned by the endowments to be withheld from distribution to avoid fluctuations in the amounts distributed, generally to regulate the distribution of income earned by the endowments.
- Encroachment on the capital of the endowments to avoid fluctuations in the amounts distributed and generally to regulate the distribution of investment income earned by the endowments 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 accumulated capitalized investment income. However, for individual endowments without sufficient accumulated capitalized investment income, endowment principal is used in that year and is expected to be recovered by future investment income.

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

(e) Inventories held for sale

Inventories held for sale are measured using the weighted average method.

(f) Tangible capital assets

Tangible capital asset acquisitions are recognized at cost, which includes amounts that are directly related, such as design, construction, development, improvement or betterment of the assets, and costs associated with asset retirement obligations. Cost includes overhead directly attributable to construction and development. Construction in progress 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 straight-line basis over the estimated useful lives as follows:

Buildings and utilities	10 - 40 years
Equipment, furnishings and systems	5 - 10 years
Learning resources	10 years

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

Intangible assets, works of art, historical treasures and collections are expensed when acquired and not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made.

(g) Asset Retirement Obligations

Asset retirement obligations are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement obligations are amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations.

(h) 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.

(i) 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. The UAPP activity and financial position are 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 of the related employee group.

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

(i) Employee future benefits (continued)

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 recognized 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 plan is charged to expense in full when the event occurs which obligates the university to provide the benefits. The cost of this benefit 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 benefit 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 expected average remaining service life of the related employee group.

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 this plan 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 of the related employee group.

The university provides non-contributory defined contribution supplementary retirement benefits to eligible executive and academic staff based on years of service and earnings. The expense for these plans 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 executive to accrue a paid leave of absence at the end of their executive appointment. The expense for this plan 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 of the related employee group.

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 plan is charged to expense in full when the event occurs which obligates the university to provide the benefit. The cost of this benefit is actuarially determined using the accumulated benefit method and management's best estimate of the period of employee disability.

(j) Investment in government partnerships

Proportionate consolidation is used to recognize 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) (7.14% interest) - a joint venture with thirteen 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.

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

(k) Expense by function

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

Learning
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 activities and learning administrative services. Other expenses associated with this function include student awards and bursaries, other programs involving teaching and learning, and community service specifically funded by restricted grants and donations.

Research
Expenses for research activities funded by externally sponsored research funds intended for specific research purposes as well as internal funds designated for research related spending. Other expenses associated with this function include costs such as research administration and research related amortization.

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.

Ancillary services
Expenses relating to services and products provided to the university community and to external individuals and organizations. Services include the university bookstore, parking services, utilities and student residences.

(l) 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.

(m) Future accounting changes

In August 2018, the Public Sector Accounting Board issued PS 3280 Asset retirement obligations. This accounting standard is effective for fiscal years starting on or after April 1, 2021. Asset retirement obligations provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

In November 2018, the Public Sector Accounting Board issued PS 3400 Revenue. This accounting standard is effective for fiscal years starting on or after April 1, 2022. Revenue provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions.

Management is currently assessing the impact of these new standards on the consolidated financial statements.

3. Adoption of new accounting standards

The university has prospectively adopted PS 3430 Restructuring transactions. This accounting standard is effective for fiscal years starting on or after April 1, 2018. Restructuring transactions defines and establishes disclosure standards for restructuring transactions. The adoption of this standard did not affect these consolidated financial statements.

(thousands of dollars)

4. Cash and cash equivalents

	2019	2018
Cash	**$ 1,104**	$ 11,697
Money market funds	**18,477**	62,381
	$ 19,581	$ 74,078

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

5. Portfolio investments

	2019	2018
Portfolio investments - non-endowment	**$ 1,040,126**	$ 872,516
Portfolio investments - restricted for endowments	**1,432,304**	1,379,534
	$ 2,472,430	$ 2,252,050

The composition of portfolio investments measured at fair value is as follows:

	2019				2018			
	Level 1 (1)	**Level 2 (2)**	**Level 3 (3)**	**Total**	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Cash and money market funds	**$ 132,503**	**$ 423,971**	**$ -**	**$ 556,474**	$ 23,857	$ 531,274	$ 385	$ 555,516
Canadian government and corporate bonds	**-**	**259,280**	**-**	**259,280**	-	266,520	-	266,520
Foreign government and corporate bonds	**-**	**206,940**	**657**	**207,597**	-	-	-	-
Canadian equity	**289,543**	**-**	**-**	**289,543**	304,714	-	-	304,714
Foreign equity	**962,214**	**-**	**-**	**962,214**	952,767	-	-	952,767
Private equity	**-**	**-**	**78,415**	**78,415**	-	-	57,661	57,661
Pooled hedge funds	**-**	**30,137**	**-**	**30,137**	-	30,552	-	30,552
Real estate funds	**-**	**-**	**87,731**	**87,731**	-	-	83,277	83,277
	1,384,260	**920,328**	**166,803**	**2,471,391**	1,281,338	828,346	141,323	2,251,007
Other at amortized cost				**1,039**				1,043
	$ 1,384,260	**$ 920,328**	**$ 166,803**	**$ 2,472,430**	$ 1,281,338	$ 828,346	$ 141,323	$ 2,252,050

The fair value measurements are those derived from:
(1) Quoted prices in active markets for identical assets.
(2) 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).
(3) Valuation techniques that include inputs for the assets that are not based on observable market data.

As at March 31, 2019, the average effective yields and the terms to maturity are as follows:
- Money market funds: 2.18% (2018 - 1.49%); term to maturity: less than one year.
- Canadian government, corporate and foreign bonds: 2.54% (2018 - 1.98%); terms to maturity: range from less than one year to more than 10 years.

The changes in fair value of level 3 portfolio investments are as follows:

	2019	2018
Balance, beginning of year	**$ 141,323**	$ 121,062
Unrealized gains	**9,439**	6,587
Purchases	**40,696**	22,760
Proceeds on sale	**(24,655)**	(9,086)
	$ 166,803	$ 141,323

(thousands of dollars)

6. Derivatives

Derivative financial instruments are used by the university to manage its commodity exposure with respect to portfolio investments. All outstanding contracts have a remaining term to maturity of less than one year. As at March 31, 2019, the university held commodity futures contracts for settlement between April and October 2019, with a notional amount of $35,522 (2018 - nil). The fair value of outstanding commodity futures contracts receivable is $54 (2018 - nil) and of commodity futures contracts payable is $927 (2018 - nil). The fair value measurement of derivative financial instruments is categorized into level 1 as described in note 5.

7. Financial risk management

The university is exposed to the following risks:

Market price risk
Market price 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 portfolio investments. The university's management of this 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 University Endowment Pool over a four year period as determined by the BNY Mellon Asset Servicing Global Risk Solutions consulting report. At March 31, 2019, if market prices had a 6.9% (2018 - 5.1%) increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains for the year would be $116,302 (2018 - $82,736).

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The university is exposed to foreign exchange risk on portfolio investments that are denominated in foreign currencies. The university does not hedge its foreign currency exposure with currency forward contracts or any other type of derivative financial instruments.

The impact of a change in value of the Canadian dollar against all foreign currencies is as follows:

Currency	Fair Value	2.5% decrease	1.0% decrease	1.0% increase	2.5% increase
Foreign Currency Assets	$ 1,266,257	$ (31,656)	$ (12,663)	$ 12,663	$ 31,656

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

The distribution of money market funds by risk rating area is as follows:

- Money market funds: R-1(high) 75.3% (2018 - 75.9%); R-1(mid) 24.7% (2018 - 24.1%).
- Bonds: AAA 63.1% (2018 - 86.6%); AA 10.0% (2018 - 11.4%); A 7.3% (2018 - 1.8%); BBB 11.7% (2018 - 0.0%); not rated 7.9% (2018 - 0.2%).

Liquidity risk
Liquidity risk is the risk that the university will encounter difficulty in meeting obligations associated with its financial liabilities. 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 to ensure that funds are available to meet current and forecasted financial requirements. In 2019, the line of credit was not drawn upon (2018 - not drawn upon).

(thousands of dollars)

7. Financial risk management (continued)

Interest rate risk
Interest rate risk is the risk to the university's earnings that will be affected by the fluctuation and degree of volatility in interest rates. This risk is managed by investment policies that limit the term to maturity of certain fixed income instruments that the university holds. If interest rates increase by 0.25%, and all variables are held constant, the potential loss in fair value to the university would be approximately $4,692 (2018 - $2,995). Interest rate risk on the university's debt is managed through fixed rate agreements with Alberta Capital Finance Authority (note 9).

The maturity and effective market yield of interest bearing investments are as follows:

	< 1 year	1 - 5 years	> 5 years	Average effective market yield
	%	%	%	%
Money market funds	100.0	-	-	2.2
Canadian government, corporate and foreign bonds	10.6	49.0	40.4	2.5

8. Employee future benefit liabilities

	2019			2018		
	Academic staff	**Support staff**	**Total**	Academic staff	Support staff	Total
Universities Academic Pension Plan	**$ 116,439**	**$ -**	**$ 116,439**	$ 141,695	$ -	$ 141,695
Long-term disability	**9,546**	**25,855**	**35,401**	7,122	24,441	31,563
Early retirement	**-**	**26,748**	**26,748**	-	26,325	26,325
SRP (defined contribution)	**27,301**	**-**	**27,301**	25,805	-	25,805
SRP (defined benefit)	**8,543**	**-**	**8,543**	7,785	-	7,785
Administrative/professional leave	**1,396**	**-**	**1,396**	2,715	-	2,715
General illness	**863**	**1,083**	**1,946**	1,018	868	1,886
	$ 164,088	**$ 53,686**	**$ 217,774**	$ 186,140	$ 51,634	$ 237,774

(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, 2016 and was then extrapolated to March 31, 2019, resulting in a UAPP deficit of $996,451 (2018 - $446,722) consisting of a pre-1992 deficit of $827,872 and a post-1991 deficit of $168,579. 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% (2018 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.90% (2018 - 2.90%) of salaries required to eliminate the unfunded deficit by December 31, 2043. The Government of Alberta's obligation for the future additional contributions is $258,570 at March 31, 2019. The unfunded deficit for service after December 31, 1991 is financed by special payments of 4.93% (2018 - 4.93%) of salaries until June 30, 2018, 4.44% (2018 - 4.44%) of salaries until December 31, 2021, 1.71% (2018 - 1.71%) of salaries for 2022 and 2023, 0.70% (2018 - 0.70%) of salaries for 2024 and 2025, and 0.25% (2018 - 0.25%) of salaries for 2026 and 2027, all shared equally between employees and employers.

Long-term disability (LTD) and general illness (GI)
The university provides long-term disability and general illness defined benefits to its academic and support staff. An actuarial valuation of these benefits was carried out as at March 31, 2019. The long-term disability plan provides 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).

(thousands of dollars)

8. Employee future benefit liabilities (continued)

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

Early retirement
The early retirement benefits for support staff include a bridge benefit (2019 - $19,376; 2018 - $19,209) and a retirement allowance (2019 - $7,372; 2018 - $7,116). An actuarial valuation of these benefits was carried out as at March 31, 2019. The bridge benefit allows 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 former 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.

Supplementary retirement plan (SRP)
The university provides a non-contributory defined benefit supplementary retirement benefit to executive. The SRP obligation is calculated based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries. An actuarial valuation of these benefits was carried out as at March 31, 2019. The SRP was closed to new members effective June 30, 2014, as part of the approval of the new defined contribution SRP for executives.

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. The leave obligation is calculated based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries, which management has adopted as their best estimate. An actuarial valuation of these benefits was carried out as at March 31, 2019.

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

	2019				2018			
	UAPP	**LTD, GI** (1)	**Early retirement** (1)	**SRP, leave** (1)	UAPP	LTD,GI (1)	Early retirement (1)	SRP, leave (1)
Expense								
Current service cost	**$ 44,499**	**$ 17,386**	**$ 964**	**$ 617**	$ 44,080	$ 18,904	$ 845	$ 754
Interest cost, net of earnings	**3,714**	**2,075**	**1,052**	**436**	7,740	1,897	856	570
Amortization of actuarial (gains) losses	**(8,669)**	**1,519**	**(163)**	**171**	(3,842)	671	(552)	140
	$ 39,544	**$ 20,980**	**$ 1,853**	**$ 1,224**	$ 47,978	$ 21,472	$ 1,149	$ 1,464
Liability								
Accrued benefit obligation								
Balance, beginning of year	**$ 1,201,832**	**$ 39,380**	**$ 24,210**	**$ 10,418**	$ 1,147,756	$ 33,766	$ 19,202	$ 14,048
Current service cost	**44,499**	**17,386**	**964**	**617**	44,080	18,904	845	754
Interest cost	**73,098**	**2,075**	**1,052**	**436**	69,987	1,897	856	570
Benefits paid	**(56,064)**	**(17,082)**	**(1,430)**	**(1,785)**	(50,780)	(19,173)	(1,228)	(4,575)
Actuarial losses (gains)	**64,047**	**(3,623)**	**(5,701)**	**(122)**	(9,211)	3,986	4,535	(379)
Balance, end of year	**1,327,412**	**38,136**	**19,095**	**9,564**	1,201,832	39,380	24,210	10,418
Plan assets	**(1,147,170)**	**-**	**-**	**-**	(1,152,028)	-	-	-
Plan deficit	**180,242**	**38,136**	**19,095**	**9,564**	49,804	39,380	24,210	10,418
Unamortized actuarial (losses) gains	**(63,803)**	**(789)**	**7,653**	**375**	91,891	(5,931)	2,115	82
Accrued benefit liability	**$ 116,439**	**$ 37,347**	**$ 26,748**	**$ 9,939**	$ 141,695	$ 33,449	$ 26,325	$ 10,500

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

(thousands of dollars)

8. Employee future benefit liabilities (continued)

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

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

	2019			2018		
	UAPP	**SRP, leave**	**LTD, GI, early retirement**	UAPP	SRP, leave	LTD, GI, early retirement
	%	%	%	%	%	%
Accrued benefit obligation						
Discount rate	**5.6**	**3.9**	**3.9**	6.0	4.3	4.3
Long-term average compensation increase	**3.0**	**3.0**	**3.0**	3.0	3.0	3.0
Benefit cost						
Discount rate	**6.0**	**4.3**	**4.3**	6.0	4.4	4.3
Long-term average compensation increase	**3.0**	**3.0**	**3.0**	3.0	2.0	3.0
Alberta inflation (long-term)	**2.0**	**1.5**	**2.0**	2.0	1.3	2.0
Estimated average remaining service life	**10.6 yrs**	**Note**[1]	**1 - 13 yrs**	10.6 yrs	Note[1]	1 - 13 yrs

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

(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 recognized in these consolidated financial statements is $29,947 (2018 - $32,915).

An actuarial valuation of the PSPP was carried out as at December 31, 2017 and was then extrapolated to December 31, 2018. At December 31, 2018, the PSPP reported an actuarial surplus of $519,218 (2017 - surplus of $1,275,843). For the year ended December 31, 2018 PSPP reported employer contributions of $337,390 (2017 - $363,748). For the 2018 calendar year, the university’s employer contributions were $30,142 (2017 calendar year - $33,572).

(c) Defined contribution plans

Supplementary retirement plans (SRP)
The university provides non-contributory defined contribution supplementary retirement benefits to eligible executive and academic staff members. The expense recognized in these consolidated financial statements is $3,315 (2018 - $4,940).

(thousands of dollars)

9. Debt

The following debt is with Alberta Capital Finance Authority and is measured at amortized cost:

	Maturity Date	Interest rate %	2019	2018
Collateral				
Title to land, building	August 2024 - March 2048	2.815 - 6.000	**$ 192,842**	$ 199,477
Cash flows from facility	May 2020 - December 2047	4.814 - 6.250	**44,629**	47,126
General Security Agreement	December 2028 - June 2042	2.420 - 3.623	**82,992**	86,850
None	December 2025 - September 2036	2.599 - 5.353	**15,334**	16,853
Balance, end of year			**$ 335,797**	$ 350,306

Interest expense on debt recognized in these consolidated financial statements is $12,211 (2018 - $10,538).

Land and buildings pledged as collateral have a net book value of $293,236 (2018 - $296,150).

Principal and interest payments are as follows:

	Principal	Interest	Total
2020	$ 14,703	$ 12,792	$ 27,495
2021	15,337	12,159	27,496
2022	14,491	11,496	25,987
2023	15,092	10,896	25,988
2024	15,719	10,269	25,988
Thereafter	260,455	92,659	353,114
	$ 335,797	$ 150,271	$ 486,068

10. Deferred revenue

	2019			2018
	Unspent externally restricted grants and donations	**Student tuition and other revenue**	**Total**	Total
Balance, beginning of year	**$ 517,937**	**$ 30,079**	**$ 548,016**	$ 560,420
Net change for the year				
Grants, donations, endowment spending allocation and tuition	**644,361**	**359,492**	**1,003,853**	952,429
Transfers to spent deferred capital contributions	**(58,516)**	**-**	**(58,516)**	(90,238)
Recognized as revenue	**(555,874)**	**(358,721)**	**(914,595)**	(874,595)
Net change for the year	**29,971**	**771**	**30,742**	(12,404)
Balance, end of year	**$ 547,908**	**$ 30,850**	**$ 578,758**	$ 548,016

(thousands of dollars)

11. Tangible capital assets

	2019					2018
	Buildings and utilities	**Equipment, furnishings and systems**	**Learning resources**	**Land**	**Total**	Total
Cost						
Beginning of year	**$ 3,610,860**	**$ 1,236,996**	**$ 452,477**	**$ 84,027**	**$ 5,384,360**	$ 5,330,697
Acquisitions	**42,861**	**57,299**	**24,406**	**-**	**124,566**	197,860
Disposals	**-**	**(15,767)**	**(150)**	**-**	**(15,917)**	(144,197)
	3,653,721	**1,278,528**	**476,733**	**84,027**	**5,493,009**	5,384,360
Accumulated amortization						
Beginning of year	**1,338,254**	**977,186**	**336,891**	**-**	**2,652,331**	2,619,777
Amortization expense	**87,251**	**63,449**	**21,306**	**-**	**172,006**	172,139
Disposals	**-**	**(15,282)**	**(136)**	**-**	**(15,418)**	(139,585)
	1,425,505	**1,025,353**	**358,061**	**-**	**2,808,919**	2,652,331
Net book value, March 31, 2019	**$ 2,228,216**	**$ 253,175**	**$ 118,672**	**$ 84,027**	**$ 2,684,090**	$ 2,732,029
Net book value, March 31, 2018	$ 2,272,606	$ 259,810	$ 115,586	$ 84,027	$ 2,732,029	

Included in buildings and utilities is $18,548 (2018 - $149,114) recognized as construction in progress, which is not amortized as the assets are not in service.

Acquisitions include in kind donations in the amount of $3,673 (2018 - $2,697).

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

12. Spent deferred capital contributions

Spent deferred capital contributions is comprised of externally restricted grants and donations spent on tangible capital assets, less amortization recognized as revenue.

	2019	2018
Balance, beginning of year	**$ 1,900,241**	$ 1,921,756
Net change for the year		
Transfers from unspent externally restricted grants and donations	**58,516**	90,238
Expended capital recognized as revenue	**(111,570)**	(111,753)
Net change for the year	**(53,054)**	(21,515)
Balance, end of year	**$ 1,847,187**	$ 1,900,241

(thousands of dollars)

13. Net assets

	Unrestricted	Investment in tangible capital assets	Internally restricted	Endowments	Total
Net assets, March 31, 2017	$ (16,066)	$ 584,980	$ -	$ 1,304,254	$ 1,873,168
Annual operating surplus	52,800	-	-	-	52,800
Endowments					
New donations	-	-	-	25,440	25,440
Capitalized investment income	-	-	-	27,740	27,740
Transfer to endowments	(1,699)	-	-	1,699	-
Tangible capital assets					
Acquisitions	(103,063)	103,063	-	-	-
Debt repayment	(12,864)	12,864	-	-	-
Debt - new financing	88,394	(88,394)	-	-	-
Amortization	60,386	(60,386)	-	-	-
Change in accumulated remeasurement gains	6,272	-	-	20,401	26,673
Net assets, March 31, 2018	**$ 74,160**	**$ 552,127**	**$ -**	**$ 1,379,534**	**$ 2,005,821**
Annual operating surplus	**123,288**	**-**	**-**	**-**	**123,288**
Transfer to internally restricted	**(55,051)**	**-**	**55,051**	**-**	**-**
Endowments					
New donations	**-**	**-**	**-**	**36,227**	**36,227**
Capitalized investment income	**-**	**-**	**-**	**39,236**	**39,236**
Transfer to endowments	**(882)**	**-**	**-**	**882**	**-**
Tangible capital assets					
Acquisitions	**(65,606)**	**65,606**	**-**	**-**	**-**
Debt repayment	**(13,371)**	**13,371**	**-**	**-**	**-**
Debt - new financing	**16,837**	**(16,837)**	**-**	**-**	**-**
Amortization	**60,436**	**(60,436)**	**-**	**-**	**-**
Change in accumulated remeasurement gains	**(1,483)**	**-**	**-**	**(23,575)**	**(25,058)**
Net assets, March 31, 2019	**$ 138,328**	**$ 553,831**	**$ 55,051**	**$ 1,432,304**	**$ 2,179,514**

Net assets is comprised of:

Accumulated surplus	$ 96,448	$ 553,831	$ 55,051	$ 1,223,270	$ 1,928,600
Accumulated remeasurement gains (1)	41,880	-	-	209,034	250,914
	$ 138,328	**$ 553,831**	**$ 55,051**	**$ 1,432,304**	**$ 2,179,514**

(1) Accumulated remeasurement gains are unrealized gains which are not recognized as revenue until realized.

Internally restricted net assets

Internally restricted net assets represent amounts set aside by the university's Board of Governors for an investment income reserve to ensure that future obligations can be fulfilled in the event of significant investment losses. This amount is not available for other purposes without the approval of the Board and does not have interest allocated to it.

	2019	2018
Investment income reserve	**$ 55,051**	$ -

(thousands of dollars)

14. Contingent assets

The university has initiated a number of insurance claims arising in the normal course of business in which the outcomes may result in assets in the future. While the outcomes of these claims cannot be reasonably estimated at this time, the university believes that any settlement will not have a material effect on the financial position or the results of operations of the university. These contingent assets are not recognized in the consolidated financial statements.

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 recognizing 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 facilities will be recognized 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.

16. Contractual rights

Contractual rights are rights of the university to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	Operating leases	Other contracts	Total
2020	$ 2,241	$ 1,618	**$ 3,859**
2021	1,698	1,379	**3,077**
2022	1,362	1,256	**2,618**
2023	886	1,229	**2,115**
2024	295	1,185	**1,480**
Thereafter	418	5,104	**5,522**
	$ 6,900	**$ 11,771**	**$ 18,671**
Total at March 31, 2018	$ 6,309	$ 12,257	$ 18,566

(thousands of dollars)

17. 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:

	Capital projects	Service contracts	Long-term leases	Total
2020	$ 140,728	$ 99,009	$ 4,408	**$ 244,145**
2021	126,569	16,303	3,390	**146,262**
2022	110,263	4,845	2,443	**117,551**
2023	78,750	1,235	1,756	**81,741**
2024	23,827	200	1,598	**25,625**
Thereafter	-	-	2,925	**2,925**
	$ 480,137	**121,592**	**$ 16,520**	**$ 618,249**
Total at March 31, 2018	$ 230,769	$ 134,325	$ 17,447	$ 382,541

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. The three contracts (2018 - five contracts) with expenditures totaling $16,212 (2018 - $33,683) expire over the next three years.
- Effective August 1, 2015, the university entered into an agreement with an external party for dining and catering services. The agreement has one year remaining with a total estimated cost of $13,867 (2018 - $24,267).
- The university entered into agreements with two external parties for information technology support. The first agreement, effective July 1, 2015 for infrastructure management services, has two years remaining with a cost of $5,625 (2018 - $10,125). The second agreement, effective July 1, 2017 for application management services, has one year remaining with a cost of $812 (2018 - $4,057).
- Effective August 1, 2017, the university entered into an agreement with an external party for custodial services. The agreement has one year remaining with a cost of $3,300 (2018 - $12,960).

(b) The university is one of 61 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, 2018, CURIE had an accumulated surplus of $79,338 (2017 - $81,232), of which the university's pro rata share is approximately 7.34% (2018 - 7.33%). This accumulated surplus is not recognized in the consolidated financial statements.

18. Related parties

The university is a related party to organizations within the Government of Alberta reporting entity. Related parties also include key management personnel, including the Board of Governors, and their close family members. Transactions with these entities and individuals are considered to be in the normal course of operations and are recorded at the exchange amount, which approximates fair value.

The university utilizes space provided by other related parties, mainly with Alberta Health Services. This space is provided at a nominal cost. Due to the unique physical and operating arrangements in place, the specialized nature of the space and the integrated nature of operations, the fair value of these lease arrangements cannot be reasonably determined.

The university has debt with Alberta Capital Finance Authority as described in (note 9).

(thousands of dollars)

19. Budget

The university's 2018-19 budget was approved by the Board of Governors and was presented to the Minister of Advanced Education as part of the university's submission of its 2018-19 Comprehensive Institutional Plan.

20. Government transfers

	2019	2018
Government of Alberta grants		
Advanced Education - Campus Alberta grant	**$ 671,283**	$ 640,512
Advanced Education - other grants	**116,303**	112,116
Economic Development and Trade	**66,217**	83,569
Alberta Health Services - Academic Medicine and Health Services Program	**52,668**	45,648
Alberta Health Services - other grants	**5,022**	5,234
Health	**24,928**	22,497
Other departments and agencies	**17,989**	13,716
	954,410	923,292
Expended capital recognized as revenue	**67,238**	67,270
Deferred revenue	**(75,005)**	(35,218)
	$ 946,643	$ 955,344
Federal and other government grants		
Natural Sciences and Engineering Research Council	**$ 52,643**	$ 53,132
Canadian Institutes of Health Research	**35,899**	34,521
Social Sciences and Humanities Research Council	**30,981**	28,044
Canada Foundation for Innovation	**13,843**	10,896
Canada First Research Excellence Fund	**13,090**	9,701
Canada Research Chairs	**12,430**	13,352
Other	**46,458**	37,681
	205,344	187,327
Expended capital recognized as revenue	**18,242**	20,122
Deferred revenue	**(13,686)**	(10,667)
	$ 209,900	$ 196,782

The university currently holds no funds (2018 - $6,180) on behalf of Government of Alberta agencies and $8,788 (2018 - $3,572) on behalf of federal and other government agencies. These amounts are not recognized in the university's consolidated financial statements.

21. Expense by object

	2019 Budget (Note 19)	2019	2018
Salaries	$ 992,918	**$ 942,685**	$ 944,064
Employee benefits	193,909	**184,786**	192,156
Materials, supplies and services	310,552	**276,808**	270,994
Scholarships and bursaries	116,417	**125,476**	120,039
Maintenance and repairs	92,566	**93,620**	125,318
Utilities	55,904	**46,829**	52,214
Amortization of tangible capital assets	181,878	**172,006**	172,139
	$ 1,944,144	**$ 1,842,210**	$ 1,876,924

(thousands of dollars)

22. Salaries and employee benefits

	2019						
	Base salary (5)	**Other cash benefits (6)**	**Non-cash benefits (7)**	**Non-cash benefits (DB SRP) (8)**	**Non-cash benefits (DC SRP) (9)**	**Non-cash benefits (leave) (10)**	**Total**
Governance (1)							
Board of Governors	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Executive							
President	**500**	**170**	**50**	**30**	**47**	**99**	**896**
Provost and Vice-President (Academic) (11)	**415**	**-**	**43**	**-**	**43**	**-**	**501**
Vice-President (Research) (2)	**367**	**10**	**46**	**-**	**25**	**58**	**506**
Vice-President (Facilities and Operations)	**370**	**9**	**42**	**-**	**27**	**39**	**487**
Vice-President (Finance and Administration)	**375**	**9**	**52**	**-**	**25**	**41**	**502**
Vice-President (University Relations)	**350**	**9**	**41**	**-**	**26**	**35**	**461**
Vice-President (Advancement) (3)	**305**	**29**	**41**	**-**	**20**	**22**	**417**

	2018						
	Base salary (5)	Other cash benefits (6)	Non-cash benefits (7)	Non-cash benefits (DB SRP) (8)	Non-cash benefits (DC SRP) (9)	Non-cash benefits (leave) (10)	Total
Governance (1)							
Board of Governors	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Executive							
President	500	95	50	27	47	97	816
Provost and Vice-President (Academic) (11)	415	-	42	-	28	-	485
Vice-President (Research) (2)	334	-	32	36	12	39	453
Vice-President (Facilities and Operations)	370	9	41	-	14	35	469
Vice-President (Finance and Administration)	375	10	51	-	21	37	494
Vice-President (University Relations) (4)	313	22	40	-	14	23	412
Vice-President (Advancement)	375	9	41	-	26	35	486

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

(2) In 2019 and 2018, two individuals held this position. The interim Vice-President (Research) did not participate in any executive benefit programs except the DC SRP.

(3) In 2019, two individuals held this position. The interim Vice-President (Advancement) did not participate in any executive benefit programs except the DC SRP.

(4) The interim Vice-President (University Relations) did not participate in any executive benefit programs until becoming Vice-President (University Relations) in July 2017.

(5) Base salary includes pensionable base pay for all executive.

(6) Other cash benefits include academic executive allowances, salary supplements, performance pay, market supplements, car allowances, mobile allowances and relocation allowances.

(7) 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 supplemental life insurance and forgivable housing loans.

(thousands of dollars)

22. Salaries and employee benefits (continued)

(8) Under the terms of the Defined Benefit Supplementary Retirement Plan (DB SRP), the executive may receive supplemental 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 DB 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 DB SRP was closed to new members effective June 30, 2014.

The DB SRP current service cost and accrued benefit obligation is as follows:

		2018	**2019**			
	Years of eligible University of Alberta service	Accrued benefit obligation	**Service costs**	**Interest and other costs**	**Actuarial (gain) loss**	**Accrued benefit obligation** (8b)
President (8a)	3.8	$ 69	**$ 26**	**$ 4**	**$ -**	**$ 99**

(8a) The DB SRP was closed to new members effective June 30, 2014. However, a portion of the supplementary retirement benefit for the current President is calculated on a defined benefit basis, and the liability will be disclosed on this basis as service is provided.

(8b) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in (note 8).

(9) Under the terms of the executive Defined Contribution Supplementary Retirement Plan (DC SRP), the executive may receive supplemental 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 cost to provide supplementary retirement benefits. The DC SRP provides future benefits to participants based on the value of the contributions at the end of their service. The cost of these benefits is calculated based on pensionable salary multiplied by a factor based on age and service. The DC SRP was introduced effective July 1, 2014, for all executives commencing employment on or after that date.

The DC SRP current service cost and obligation is as follows:

		2018	**2019**		
	Years of eligible University of Alberta service	DC SRP obligation	**Service costs**	**Interest and investment earnings** (9c)	**DC SRP obligation**
President	3.8	$ 133	**$ 46**	**$ 1**	**$ 180**
Provost and Vice-President (Academic)	3.8	83	**42**	**1**	**126**
Interim Vice-President (Research) (9a)	0.8	12	**1**	**-**	**13**
Vice-President (Research)	0.9	-	**23**	**1**	**24**
Vice-President (Facilities and Operations)	2.6	27	**26**	**1**	**54**
Vice-President (Finance and Administration)	2.4	37	**25**	**-**	**62**
Vice-President (University Relations)	1.8	14	**25**	**1**	**40**
Former Vice-President (Advancement) (9b)	3.2	57	**15**	**(1)**	**71**
Interim Vice-President (Advancement)	0.4	-	**6**	**-**	**6**

(9a) Includes service to April 30, 2018 and the DC SRP obligation shown is at April 30, 2018.

(9b) Includes service to October 31, 2018 and the DC SRP obligation shown is at October 31, 2018.

(9c) Contributions are made on an annual basis at the end of the plan (calendar) year. Interest is paid in lieu of contributions being made every month. Investment earnings are distributed to each plan participant based on the overall return of the plan's investments.

(thousands of dollars)

22. Salaries and employee benefits (continued)

(10) The administrative/professional leave (leave) plan current service cost and accrued benefit obligation is as follows:

		2018	**2019**			
	Years of eligible University of Alberta service	Accrued benefit obligation	**Service costs**	**Interest and other costs**	**Actuarial (gain) loss**	**Accrued benefit obligation** (10b)
President	3.8	$ 264	**$ 96**	**$ 3**	**$ (24)**	**$ 339**
Vice-President (Research)	0.9	-	**56**	**2**	**1**	**59**
Vice-President (Facilities and Operations)	2.6	60	**38**	**1**	**3**	**102**
Vice-President (Finance and Administration)	2.4	56	**40**	**1**	**3**	**100**
Vice-President (University Relations)	1.8	26	**34**	**1**	**2**	**63**
Former Vice-President (Advancement) (10a)	3.2	94	**22**	**-**	**(116)**	**-**

(10a) Includes service to October 31, 2018. The former Vice-President (Advancement) resigned prior to the end of the contract term; therefore, no leave amount is payable.

(10b) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in (note 8).

(11) The Provost and Vice-President (Academic) participates in the administrative leave program available to faculty members in eligible administrative positions. Under that administrative leave program, an individual must apply for and receive approval for a leave; therefore, there is no leave accrual.

23. Approval of financial statements

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

24. Comparative figures

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