UNIVERSITY OF ALBERTA

Consolidated Financial Statements

**For the Year Ended
March 31, 2016**

TABLE OF CONTENTS

FINANCIAL REPORTING

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

STATEMENT OF MANAGEMENT RESPONSIBILITY
YEAR ENDED MARCH 31, 2016

The consolidated financial statements of the University of Alberta have been prepared by management in accordance with Canadian Public Sector Accounting Standards, and in regards to the net financial assets (net debt) indicator, as directed by the Controller of the Province of Alberta. In that framework, the consolidated financial statements present fairly the financial position of the university as at March 31, 2016 and the results of its operations for the year then ended. The presentation of net financial assets (net debt) includes portfolio investments that are restricted for endowments which cannot be used to pay for liabilities or future expenditures.

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 Committee. With the exception of the President, all members of the Audit Committee are not employees of the university. The Audit 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 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

Original signed by Phyllis Clark
Vice-President (Finance & Administration)
Chief Financial Officer

Independent Auditor's Report

To the Board of Governors of the University of Alberta

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the University of Alberta, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, change in net financial assets, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the University of Alberta as at March 31, 2016, 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.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

May 30, 2016

Edmonton, Alberta

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016
(thousands of dollars)

	Note	2016	2015
			(note 3)
Financial assets			
Cash and cash equivalents	4	**$ 13,091**	$ 57,963
Portfolio investments - non-endowment	5	**808,612**	800,803
Portfolio investments - restricted for endowments	5	**1,149,716**	1,181,493
Accounts receivable		**131,563**	142,499
Inventory		**3,325**	3,617
		2,106,307	2,186,375
Liabilities			
Accounts payable and accrued liabilities		**174,971**	222,726
Employee future benefit liabilities	7	**259,100**	253,389
Debt	8	**246,812**	224,384
Deferred revenue	9	**509,728**	526,830
		1,190,611	1,227,329
Net financial assets		**915,696**	959,046
Non-financial assets			
Tangible capital assets	11	**2,745,552**	2,770,078
Prepaid expenses		**8,517**	9,876
		2,754,069	2,779,954
Net assets before spent deferred capital contributions		**3,669,765**	3,739,000
Spent deferred capital contributions	10	**1,992,440**	2,050,263
Net assets	12	**$ 1,677,325**	$ 1,688,737

Net assets is comprised of:		
Accumulated surplus	**$ 1,540,519**	$ 1,478,158
Accumulated remeasurement gains	**136,806**	210,579
	$ 1,677,325	$ 1,688,737

Contingent liabilities and contractual obligations (note 13 and 14)

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

	Note	Budget	**2016**	2015
				(note 3)
Revenue				
Government of Alberta grants	16	$ 940,491	**$ 958,157**	$ 897,033
Federal and other government grants		188,997	**173,483**	179,567
Student tuition and fees		333,053	**316,795**	316,223
Sales of services and products		179,292	**196,649**	186,557
Donations and other grants		107,278	**132,209**	149,195
Investment income		73,879	**62,678**	102,199
		1,822,990	**1,839,971**	1,830,774
Expense				
Learning		1,098,912	**1,124,541**	1,101,173
Research		470,096	**438,550**	428,983
Facility operations and maintenance		126,795	**147,282**	126,623
Ancillary services		104,013	**96,536**	98,708
		1,799,816	**1,806,909**	1,755,487
Annual operating surplus		23,174	**33,062**	75,287
Endowment contributions		-	**20,885**	79,683
Endowment capitalized investment income		-	**8,414**	26,950
		-	**29,299**	106,633
Annual surplus		23,174	**62,361**	181,920
Accumulated surplus, beginning of year		1,478,158	**1,478,158**	1,296,238
Accumulated surplus, end of year	12	$ 1,501,332	**$ 1,540,519**	$ 1,478,158

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

	Budget	**2016**	2015
			(note 3)
Annual surplus	$ 23,174	**$ 62,361**	$ 181,920
Acquisition of tangible capital assets	(220,698)	**(149,906)**	(200,702)
Amortization of tangible capital assets	179,841	**173,301**	169,186
Loss on disposal of tangible capital assets	707	**1,131**	986
	(40,150)	**24,526**	(30,530)
Change in prepaid expenses	1,000	**1,359**	1,896
Change in spent deferred capital contributions	(31,933)	**(57,823)**	(10,333)
Change in remeasurement gains and losses	-	**(73,773)**	69,771
(Decrease) increase in net financial assets	(47,909)	**(43,350)**	212,724
Net financial assets, beginning of year	959,046	**959,046**	746,322
Net financial assets, end of year	$ 911,137	**$ 915,696**	$ 959,046

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

	Note	2016	2015
			(note 3)
Accumulated remeasurement gains, beginning of year		**$ 210,579**	$ 140,808
Unrealized (losses) gains attributable to:			
Portfolio investments - non-endowment		**(10,696)**	36,000
Portfolio investments - restricted for endowments		**(27,901)**	117,972
Amounts reclassified to consolidated statement of operations:			
Portfolio investments - non-endowment		**(1,160)**	(44,850)
Portfolio investments - restricted for endowments		**(34,016)**	(39,351)
Net change for the year		**(73,773)**	69,771
Accumulated remeasurement gains, end of year	12	**$ 136,806**	$ 210,579

Accumulated remeasurement gains is comprised of:		
Portfolio investments - non-endowment	**$ 18,191**	$ 30,047
Portfolio investments - restricted for endowments	**118,615**	180,532
	$ 136,806	$ 210,579

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

	2016	2015
		(note 3)
Operating transactions		
Annual surplus	**$ 62,361**	$ 181,920
Add (deduct) non-cash items:		
Amortization of tangible capital assets	**173,301**	169,186
Expended capital recognized as revenue	**(117,027)**	(113,379)
Loss on disposal of tangible capital assets	**1,131**	986
Increase in employee future benefit liabilities	**5,711**	3,086
Change in non-cash items	**63,116**	59,879
Decrease (increase) in accounts receivable	**10,936**	(32,038)
Decrease in inventory	**292**	436
Decrease in accounts payable and accrued liabilities	**(47,755)**	(28,403)
Decrease in deferred revenue	**(17,102)**	(46,352)
Decrease in prepaid expenses	**1,359**	1,896
Increase in spent deferred capital contributions, less in kind donations	**41,094**	83,958
Cash provided by operating transactions	**114,301**	221,296
Capital transactions		
Acquisition of tangible capital assets, net of proceeds on disposals	**(131,796)**	(181,614)
Cash applied to capital transactions	**(131,796)**	(181,614)
Investing transactions		
Purchases of portfolio investments	**(378,371)**	(886,793)
Proceeds on sale of portfolio investments	**328,566**	857,525
Cash applied to investing transactions	**(49,805)**	(29,268)
Financing transactions		
Debt repayment	**(13,072)**	(12,639)
Debt - new financing	**35,500**	35,000
Cash provided by financing transactions	**22,428**	22,361
(Decrease) increase in cash and cash equivalents	**(44,872)**	32,775
Cash and cash equivalents, beginning of year	**57,963**	25,188
Cash and cash equivalents, end of year	**$ 13,091**	$ 57,963

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
Cash and cash equivalents, Accounts receivable, Accounts payable and accrued liabilities, Debt - amortized cost

Unrealized gains and losses from changes in the fair value of financial assets and liabilities are recognized in the consolidated statement of accumulated 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.

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.

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.

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

(c) Revenue recognition (continued)

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

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

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 this amount 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 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 endowment.
- Encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of investment income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the university and does not impair the long-term value of the fund.

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

(e) Inventory

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

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

(f) Tangible capital assets

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

The cost less residual value of the 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	3 - 10 years
Learning resources	10 years

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

(g) Employee future benefits

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

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

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

Long-term disability
The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the university's long-term disability 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.

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

(g) Employee future benefits (continued)

Administrative/professional leave
The university provides for certain executive to accrue a paid leave of absence at the end of their executive appointment. The expense for 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.

(h) Investment in government partnerships

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

- Northern Alberta Clinical Trials and Research Centre (50% interest) - a joint venture with Alberta Health Services to support the shared missions of Alberta Health Services and the university for collaborative clinical research.
- TEC Edmonton (50% interest) - a joint venture with Edmonton Economic Development Corporation to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society.
- Tri-University Meson Facility (TRIUMF) (8.33% interest) - a joint venture with eleven 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.

(i) Investment in government business enterprises

Effective March 11, 2015, the university established a wholly owned government business enterprise, University of Alberta Properties Trust Inc. Government business enterprises are included in the consolidated financial statements using the modified equity method. Since inception, this entity has no transactions.

(j) 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 expenses for student awards and bursaries and 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.

(thousands of dollars)

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

(k) Future accounting changes

In March 2015, the Public Sector Accounting Board issued PS 2200 Related party disclosures and PS 3420 Inter-entity transactions. In June 2015, the Public Sector Accounting Board issued PS 3210 Assets, PS 3320 Contingent assets, PS 3380 Contractual rights, and PS 3430 Restructuring transactions. These accounting standards are effective for fiscal years starting on or after April 1, 2017, with the exception of PS 3430, which is effective for fiscal years starting on or after April 1, 2018.

- PS 2200 - Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS 3420 - Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.
- PS 3210 - Assets provides guidance for applying the definition of assets set out in PS 1000, Financial statement concepts, and establishes general disclosure standards for assets.
- PS 3320 - Contingent assets defines and establishes disclosure standards for contingent assets.
- PS 3380 - Contractual rights defines and establishes disclosure standards on contractual rights.
- PS 3430 - Restructuring transactions defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

Management is currently assessing the impact of these new standards on the consolidated financial statements. The university discloses transactions and balances related to the Government of Alberta in note 16.

3. Change in accounting policy and comparative figures

a) Change in accounting policy
Effective April 1, 2015, endowment contributions and associated investment income capitalized are recognized in the consolidated statement of operations in the year in which they are received. In prior years, such transactions were recognized as direct increases to endowment net assets in the year they were received. Unrealized gains and losses are recognized in the consolidated statement of accumulated remeasurement gains and losses. This change in accounting policy is applied retroactively with restatement of comparatives.

		2015	
	Previously recorded	Change in accounting policy	**Restated**
Increase in consolidated statement of operations			
Endowment contributions	$ -	$ 79,863	$ 79,863
Endowment capitalized investment income	-	26,950	26,950

b) Comparative figures
The net financial assets (net debt) model with reclassification of comparatives has been adopted for the presentation of the March 31, 2016 consolidated financial statements. In addition, certain other 2015 comparative figures have been reclassified to conform to the 2016 presentation.

(thousands of dollars)

4. Cash and cash equivalents

	2016	2015
Cash	**$ 7,097**	$ 26,569
Money market funds	**5,994**	31,394
	$ 13,091	$ 57,963

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

	2016	2015
Portfolio investments - non-endowment	**$ 808,612**	$ 800,803
Portfolio investments - restricted for endowments	**1,149,716**	1,181,493
	$ 1,958,328	$ 1,982,296

The categorization of portfolio investments measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable is as follows:

	2016				2015			
	Level 1 (1)	**Level 2 (2)**	**Level 3 (3)**	**Total**	Level 1	Level 2	Level 3	Total
Cash and money market funds	**$ 24,562**	**$ 540,179**	**$ -**	**$ 564,741**	$ 12,888	$ 538,213	$ -	$ 551,101
Floating rate notes	**-**	**-**	**5,636**	**5,636**	-	-	6,982	6,982
Canadian government and corporate bonds	**-**	**204,620**	**-**	**204,620**	-	214,477	-	214,477
Canadian equity	**320,449**	**-**	**11,367**	**331,816**	330,825	-	9,047	339,872
Foreign equity	**691,047**	**-**	**8,749**	**699,796**	712,541	-	6,174	718,715
Pooled hedge funds	**-**	**70,819**	**-**	**70,819**	-	74,641	-	74,641
Real estate funds	**-**	**-**	**74,155**	**74,155**	2,274	-	67,816	70,090
	1,036,058	**815,618**	**99,907**	**1,951,583**	1,058,528	827,331	90,019	1,975,878
Other at amortized cost				**6,745**				6,418
	$ 1,036,058	**$ 815,618**	**$ 99,907**	**$1,958,328**	$ 1,058,528	$ 827,331	$ 90,019	$ 1,982,296

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 (unobservable inputs).

As at March 31, 2016, the average effective yields and the terms to maturity are as follows:
- Money market funds: 0.84% (2015 - 1.11%); term to maturity: less than one year.
- Canadian government and corporate bonds: 0.76% (2015 - 0.75%); 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:

	2016	2015
Balance, beginning of year	**$ 90,019**	$ 68,910
Unrealized gains	**4,362**	10,813
Purchases	**11,151**	11,031
Proceeds on sale	**(5,625)**	(735)
	$ 99,907	$ 90,019

(thousands of dollars)

6. Financial risk management

The university is exposed to the following risks:

Market price risk
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the university has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The university’s Investment Committee, a subcommittee of the Board of Governors, has the delegated authority for oversight of the university’s 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 Unitized Endowment Pool over a four year period as determined by the BNY Mellon Asset Servicing Global Risk Solutions consulting report. At March 31, 2016, if market prices had a 6.0% (2015 - 7.0%) increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains and losses for the year would be $68,983 (2015 - $82,705).

Foreign exchange risk
The university is exposed to foreign exchange risk on portfolio investments that are denominated in foreign currencies, specifically U.S. dollars. The university does not hedge its foreign currency exposure with currency forward contracts or any other type of derivative financial instruments.

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

The distribution of money market funds by risk rating area is as follows:
- Money market funds: R-1(high) 66.9% (2015 - 76.0%); R-1(mid) 33.1% (2015 - 24.0%).
- Bonds: AAA 95.4% (2015 - 95.4%); AA 3.0% (2015 - 2.9%); not rated 1.6% (2015 - 1.7%).

Liquidity risk
The university maintains a portfolio of short-term investments with rolling maturity dates to manage short-term cash requirements. The university maintains a short-term line of credit to ensure that funds are available to meet current and forecasted financial requirements. In 2016, the line of credit was not drawn upon.

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. Interest rate risk on the university’s debt is managed through fixed rate agreements with Alberta Capital Finance Authority (note 8).

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	-	-	0.8
Canadian government and corporate bonds	-	66.4	33.6	0.8

(thousands of dollars)

7. Employee future benefit liabilities

	2016			2015		
	Academic staff	**Support staff**	**Total**	Academic staff	Support staff	Total
Universities Academic Pension Plan	**$ 170,670**	**$ -**	**$ 170,670**	$ 167,833	$ -	$ 167,833
Long-term disability	**6,048**	**21,559**	**27,607**	7,708	19,529	27,237
Early retirement	**-**	**25,964**	**25,964**	-	25,265	25,265
SRP (defined contribution)	**18,271**	**-**	**18,271**	16,526	-	16,526
SRP (defined benefit)	**10,380**	**-**	**10,380**	9,259	-	9,259
Administrative/professional leave	**4,795**	**-**	**4,795**	4,792	-	4,792
General illness	**737**	**676**	**1,413**	1,577	900	2,477
	$ 210,901	**$ 48,199**	**$ 259,100**	$ 207,695	$ 45,694	$ 253,389

(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, 2014 and was then extrapolated to March 31, 2016, resulting in a UAPP deficit of $868,735 (2015 - $1,129,894) consisting of a pre-1992 deficit ($817,638) and a post-1991 deficit ($51,097). 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% (2015 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 3.54% (2015 - 2.87%) of salaries required to eliminate the unfunded deficit by December 31, 2043. The Government of Alberta's obligation for the future additional contributions is $280,477 at March 31, 2016. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 4.93% (2015 - 5.79%) of pensionable earnings until December 31, 2021, 1.71% (2015 - 1.71%) of pensionable earnings for 2022 and 2023, 0.70% (2015 - 0.70%) of pensionable earnings for 2024 and 2025, and 0.25% (2015 - 0.25%) of pensionable earnings 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. The most recent actuarial valuation for these benefits was as at March 31, 2016. 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).

Early retirement
The early retirement benefits for support staff include a bridge benefit (2016 - $19,153; 2015 - $18,726) and a retirement allowance (2016 - $6,811; 2015 - $6,539). The most recent actuarial valuation for these benefits was at March 31, 2016. 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 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 this benefit was carried out as at March 31, 2016. The SRP was closed to new members effective June 30, 2014, as part of the approval of the new defined contribution SRP for executives.

(thousands of dollars)

7. Employee future benefit liabilities (continued)

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

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. An actuarial valuation of these benefits was carried out as at March 31, 2016.

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

	2016				2015			
	UAPP	**LTD, GI (1)**	**Early retirement (1)**	**SRP, leave (1)**	UAPP	LTD,GI (1)	Early Retirement (1)	SRP, leave (1)
Expense								
Current service cost	**$ 41,758**	**$ 12,747**	**$ 1,092**	**$ 1,139**	$ 37,272	$ 11,830	$ 1,094	$ 1,326
Interest cost	**13,169**	**1,671**	**1,108**	**684**	12,940	1,842	1,169	587
Past service cost	**-**	**-**	**-**	**175**	-	-	-	-
Amortization of actuarial (gains) losses	**3,139**	**59**	**(250)**	**(266)**	1,830	554	(192)	(485)
	$ 58,066	**$ 14,477**	**$ 1,950**	**$ 1,732**	$ 52,042	$ 14,226	$ 2,071	$ 1,428
Liability								
Accrued benefit obligation								
Balance, beginning of year	**$ 1,076,035**	**$ 29,634**	**$ 22,628**	**$ 13,415**	$ 962,719	$ 31,019	$ 22,468	$ 10,422
Current service cost	**41,758**	**12,747**	**1,092**	**1,140**	37,272	11,830	1,094	1,326
Interest cost	**66,708**	**1,671**	**1,108**	**684**	64,556	1,842	1,169	587
Past service cost	**-**	**-**	**-**	**175**	-	-	-	-
Benefits paid	**(48,447)**	**(15,171)**	**(1,251)**	**(608)**	(43,752)	(13,496)	(1,291)	(244)
Actuarial (gains) losses	**(64,083)**	**1,436**	**(478)**	**(480)**	55,240	(1,561)	(812)	1,324
Balance, end of year	**1,071,971**	**30,317**	**23,099**	**14,326**	1,076,035	29,634	22,628	13,415
Plan assets	**(929,474)**	**-**	**-**	**-**	(874,302)	-	-	-
Plan deficit	**142,497**	**30,317**	**23,099**	**14,326**	201,733	29,634	22,628	13,415
Unamortized actuarial gains (losses)	**28,173**	**(1,297)**	**2,865**	**849**	(33,900)	80	2,637	636
	$ 170,670	**$ 29,020**	**$ 25,964**	**$ 15,175**	$ 167,833	$ 29,714	$ 25,265	$ 14,051

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

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

	2016			2015		
	UAPP	**SRP, leave**	**LTD, GI, early retirement**	UAPP	SRP, leave	LTD, GI, early retirement
	%	%	%	%	%	%
Accrued benefit obligation						
Discount rate	**6.0**	**4.5**	**4.5**	6.1	4.8	4.8
Long-term average compensation increase	**3.0**	**2.0**	**3.0**	3.5	0.0	3.0
Benefit cost						
Discount rate	**6.1**	**4.8**	**4.5**	6.6	5.1	4.8
Long-term average compensation increase	**3.5**	**2.0**	**3.0**	3.5	2.0	3.0
Alberta inflation (long-term)	**2.0**	**1.8**	**2.0**	2.25	2.2	2.5
Estimated average remaining services life	**10.8 yrs**	**Note (1)**	**3-11 yrs**	8.6 yrs	Note (1)	4 - 11 yrs

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

(thousands of dollars)

7. Employee future benefit liabilities (continued)

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

Public Service Pension Plan (PSPP)
The PSPP is a multi-employer contributory defined benefit pension plan for support staff members. As the university does not have sufficient information to follow the accounting standards for defined benefit plans, it is accounted for on a defined contribution basis. The pension expense recorded in these consolidated financial statements is $32,342 (2015 - $32,186).

An actuarial valuation of the PSPP was carried out as at December 31, 2014 and was then extrapolated to December 31, 2015. At December 31, 2015, the PSPP reported an actuarial deficit of $133,188 (2014 - $803,299). For the year ended December 31, 2015 PSPP reported employer contributions of $347,759 (2014 - $326,134). For the 2015 calendar year, the university's employer contributions were $32,342 (2014 calendar year - $31,968). PSPP's deficit is being discharged through additional contributions from both employees and employers until 2026 (2014 - 2026). Other than the requirement to make increased contributions, the university does not bear any risk related to the PSPP deficit.

(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 recorded in these statements is $1,745 (2015 - $2,863).

8. Debt

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

	Maturity Date	Interest rate %	2016	2015
Collateral				
Title to land, building	August 2024 - June 2045	3.273 - 6.000	**$ 116,184**	$ 89,356
Cash flows from facility	June 2017 - December 2047	4.814 - 6.250	**53,186**	56,215
General Security Agreement	December 2028 - June 2034	2.459 - 3.623	**53,350**	50,395
None	March 2016 - September 2036	2.599 - 8.750	**24,092**	28,418
			$ 246,812	$ 224,384

Interest expense on debt recorded in these consolidated financial statements is $10,137 (2015 - $10,283).

Principal and interest payments are as follows:

	Principal	Interest	Total
2017	$ 13,749	$ 10,832	$ 24,581
2018	12,851	10,167	23,018
2019	11,105	9,594	20,699
2020	11,199	9,077	20,276
2021	11,729	8,548	20,277
Thereafter	186,179	77,020	263,199
	$ 246,812	$ 125,238	$ 372,050

(thousands of dollars)

9. Deferred revenue

	2016			2015
	Unspent externally restricted grants and donations	**Student tuition and other revenue**	**Total**	Total
Balance, beginning of year	**$ 506,271**	**$ 20,559**	**$ 526,830**	$ 573,182
Net change for the year				
Grants, donations, endowment spending allocation and tuition	**542,453**	**323,247**	**865,700**	934,584
Transfers to spent deferred capital contributions	**(59,204)**	**-**	**(59,204)**	(103,046)
Recognized as revenue	**(502,285)**	**(321,313)**	**(823,598)**	(877,890)
Net change for the year	**(19,036)**	**1,934**	**(17,102)**	(46,352)
	$ 487,235	**$ 22,493**	**$ 509,728**	$ 526,830

10. 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.

	2016	2015
Balance, beginning of year	**$ 2,050,263**	$ 2,060,596
Net change for the year		
Transfers from deferred revenue	**59,204**	103,046
Expended capital recognized as revenue	**(117,027)**	(113,379)
Net change for the year	**(57,823)**	(10,333)
	$ 1,992,440	$ 2,050,263

(thousands of dollars)

11. Tangible capital assets

	2016					2015
	Buildings and utilities	**Equipment, furnishings and systems**	**Learning resources**	**Land**	**Total**	Total
Cost						
Beginning of year	**$ 3,347,593**	**$ 1,282,188**	**$ 380,068**	**$ 88,783**	**$ 5,098,632**	$ 4,907,092
Acquisitions	**71,734**	**53,547**	**24,625**	**-**	**149,906**	200,702
Disposals	**-**	**(8,270)**	**-**	**-**	**(8,270)**	(9,162)
	3,419,327	**1,327,465**	**404,693**	**88,783**	**5,240,268**	5,098,632
Accumulated amortization						
Beginning of year	**1,092,816**	**956,605**	**279,133**	**-**	**2,328,554**	2,167,544
Amortization expense	**85,944**	**69,236**	**18,121**	**-**	**173,301**	169,186
Disposals	**-**	**(7,139)**	**-**	**-**	**(7,139)**	(8,176)
	1,178,760	**1,018,702**	**297,254**	**-**	**2,494,716**	2,328,554
Net book value, March 31, 2016	**$ 2,240,567**	**$ 308,763**	**$ 107,439**	**$ 88,783**	**$ 2,745,552**	$ 2,770,078
Net book value, March 31, 2015	$ 2,254,777	$ 325,583	$ 100,935	$ 88,783	$ 2,770,078	

Included in buildings and utilities is $35,709 (2015 - $150,572) recorded as construction in progress, which is not amortized as the assets are not in service.

Acquisitions include in kind donations in the amount of $18,110 (2015 - $19,088).

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.

(thousands of dollars)

12. Net Assets

	2016				2015			
	Accumulated deficit from operations	**Investment in tangible capital assets**	**Endowments**	**Total**	Accumulated deficit from operations	Investment in tangible capital assets	Endowments	Total
Net assets, beginning of year	**$ (2,187)**	**$ 509,431**	**$ 1,181,493**	**$ 1,688,737**	$ (50,276)	$ 493,634	$ 993,688	$ 1,437,046
Annual operating surplus	**33,062**	**-**	**-**	**33,062**	75,287	-	-	75,287
Endowments								
New donations	**-**	**-**	**20,885**	**20,885**	-	-	79,683	79,683
Capitalized investment income	**-**	**-**	**8,414**	**8,414**	-	-	26,950	26,950
Transfer to endowments	**(841)**	**-**	**841**	**-**	(2,551)	-	2,551	-
Tangible Capital Assets								
Acquisitions	**(91,917)**	**91,917**	**-**	**-**	(98,655)	98,655	-	-
Debt repayment	**(10,201)**	**10,201**	**-**	**-**	(10,268)	10,268	-	-
Debt - new financing	**3,884**	**(3,884)**	**-**	**-**	37,319	(37,319)	-	-
Amortization	**56,274**	**(56,274)**	**-**	**-**	55,807	(55,807)	-	-
Change in accumulated remeasurement gains	**(11,856)**	**-**	**(61,917)**	**(73,773)**	(8,850)	-	78,621	69,771
Net assets, end of year	**$ (23,782)**	**$ 551,391**	**$ 1,149,716**	**$ 1,677,325**	$ (2,187)	$ 509,431	$ 1,181,493	$ 1,688,737

Net assets is comprised of:								
Accumulated surplus	**$ (41,973)**	**$ 551,391**	**$ 1,031,101**	**$ 1,540,519**	$ (32,234)	$ 509,431	$ 1,000,961	$ 1,478,158
Accumulated remeasurement gains	**18,191**	**-**	**118,615**	**136,806**	30,047	-	180,532	210,579
	$ (23,782)	**$ 551,391**	**$ 1,149,716**	**$ 1,677,325**	$ (2,187)	$ 509,431	$ 1,181,493	$ 1,688,737

13. Contingent liabilities

(a) The university is a defendant in a number of legal proceedings arising in the normal course of business. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the university believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the university. Management has concluded that none of the claims meet the criteria for recording a liability.

(b) The university has identified a potential liability related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the university may be required to take appropriate remediation procedures to remove the asbestos. As the university has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these assets will be recorded in the period in which there is certainty that the renovation or demolition project will proceed and there is sufficient information to estimate fair value of the obligation.

(thousands of dollars)

14. Contractual Obligations

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

	Service contracts	Capital projects	Long-term leases	Total
2017	$ 76,500	$ 61,766	$ 6,072	$ 144,338
2018	43,412	24,417	3,879	71,708
2019	32,755	3,144	2,328	38,227
2020	19,790	-	1,648	21,438
2021	4,423	-	1,245	5,668
Thereafter	83	-	3,464	3,547
	$ 176,963	$ 89,327	$ 18,636	$ 284,926

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 five contracts (2015 - six contracts) with expenditures totaling $67,552 (2015 - $88,101) expire over the next five years.
- Effective August 1, 2015, the university entered into an agreement with an external party for dining and catering services. The agreement has four years remaining with a total estimated cost of $45,067 (2015 - $3,500).
- Effective July 1, 2015, the university entered into an agreement for infrastructure management services. The agreement has four years remaining with a cost of $14,809 (2015 - $887). Effective July 1, 2015, the university entered into an agreement for application management services. The agreement has one year remaining with a cost of $3,761 (2015 - $687, three months remaining).
- Effective August 1, 2014, the university entered into an agreement with an external party for custodial services. The agreement has one year remaining with a cost of $9,911 (2015 - $17,344).

(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, 2015, CURIE had a surplus of $69,679 (2014 - $74,231), of which the university's pro rata share is approximately 7.19% (2015 - 7.18%). This surplus is not recorded in the consolidated financial statements.

15. Budget

The university's 2015-16 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 2015-16 Comprehensive Institutional Plan.

(thousands of dollars)

16. Government of Alberta grants

		2016		2015
Advanced Education - Campus Alberta grant	**$**	**607,963**	$	588,813
Advanced Education - Access to the Future Fund grant		**-**		58,714
Advanced Education - other grants		**105,907**		107,005
Health - Academic Alternative Relationship Plans		**75,753**		62,240
Health - other grants		**65,439**		59,816
Alberta Health Services		**9,191**		8,803
Other departments and agencies		**15,200**		13,120
		879,453		898,511
Expended capital recognized as revenue		**86,482**		91,476
Deferred revenue		**(7,778)**		(92,954)
	$	**958,157**	$	897,033

The net amount receivable is $3,543 (2015 - $17,387).

The university holds $8,511 (2015 - $11,395) on behalf of government agencies.

17. Expense by object

		2016 Budget		**2016**		2015
Salaries	$	915,941	**$**	**900,113**	$	878,666
Employee benefits		183,524		**183,340**		179,373
Materials, supplies and services		183,299		**209,851**		205,483
Maintenance and repairs		81,663		**111,398**		87,141
Cost of goods sold		109,021		**95,743**		101,376
Scholarships and bursaries		92,719		**89,303**		89,933
Utilities		53,808		**43,860**		44,329
Amortization of tangible capital assets		179,841		**173,301**		169,186
	$	1,799,816	**$**	**1,806,909**	$	1,755,487

(thousands of dollars)

18. Salaries and employee benefits

	2016					
	Base salary [5]	**Non-cash benefits [6]**	**Non-cash benefits (DB SRP) [7]**	**Non-cash benefits (EDC SRP) [8]**	**Non-cash benefits (leave) [9]**	**Total**
Governance [1]						
Board of Governors	$ -	$ -	$ -	$ -	$ -	$ -
Executive						
President [2]	**547**	**89**	**127**	**21**	**104**	**888**
Provost and Vice-President (Academic) [3]	**402**	**37**	**-**	**18**	**-**	**457**
Vice-President (Research)	**506**	**42**	**109**	**-**	**125**	**782**
Vice-President (Facilities and Operations)	**479**	**41**	**156**	**-**	**92**	**768**
Vice-President (Finance and Administration)	**469**	**32**	**131**	**-**	**40**	**672**
Vice-President (University Relations)	**384**	**41**	**89**	**-**	**208**	**722**
Vice-President (Advancement) [4]	**385**	**42**	**-**	**7**	**16**	**450**

	2015					
	Base salary [5]	Non-cash benefits [6]	Non-cash benefits (DB SRP) [7]	Non-cash benefits (EDC SRP)	Non-cash benefits (leave) [9]	Total
Governance [1]						
Board of Governors	$ -	$ -	$ -	$ -	$ -	$ -
Executive						
President	549	50	274	-	107	980
Provost and Vice-President (Academic) [3]	450	39	43	-	76	608
Vice-President (Research)	504	95	76	-	93	768
Vice-President (Facilities and Operations)	477	42	115	-	72	706
Vice-President (Finance and Administration)	467	33	124	-	72	696
Vice-President (University Relations)	383	40	88	-	-	511
Vice-President (Advancement) [4]	386	34	58	-	-	478

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

(2) In 2016, two individuals held this position.

(3) In 2016, two individuals held this position. The interim Provost and Vice-President (Academic) did not participate in any executive benefit programs. In 2015, two individuals held this position. The interim Provost and Vice-President (Academic) did not participate in any executive benefit programs.

(4) In 2016, two individuals held this position. The interim Vice President (Advancement) did not participate in any executive benefit programs. In 2015, two individuals held this position. The interim Vice President (Advancement) did not participate in any executive benefit programs.

(5) Base salary includes pensionable base pay for all executive, as well as a market supplement for some executives. Certain base salary amounts also include a car allowance, and a reduction for the optional personal leave program (days off without pay).

(6) 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 parking, supplemental life insurance, forgivable housing loans, mobile device allowances, and club dues. Additional non cash benefits for the former President include expenses related to the personal use portion of the residence which the former President rented from the university.

(7) 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.

(thousands of dollars)

18. Salaries and employee benefits (continued)

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

		2015		**2016**		
	Years of eligible University of Alberta service	Accrued obligation	**Service costs**	**Interest and other costs** [7c]	**Actuarial (gain) loss**	**Accrued obligation** [7d]
President [7a]	0.8	$ -	**$ 13**	**$ -**	**$ 5**	**$ 18**
Former President [7b]	10.0	3,006	**77**	**37**	**-**	**3,120**
Vice-President (Research)	8.8	672	**87**	**22**	**31**	**812**
Vice-President (Facilities and Operations) [7c]	13.7	1,052	**122**	**34**	**52**	**1,260**
Vice-President (Finance and Administration) [7c]	14.3	1,052	**98**	**33**	**53**	**1,236**
Vice-President (University Relations)	5.8	361	**76**	**13**	**(7)**	**443**

[7a] 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 as such as service is provided.

[7b] Includes service to June 30, 2015 and the accrued obligation shown is at June 30, 2015.

[7c] Includes additional costs with respect to plan amendments.

[7d] The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in (note 7).

[8] Under the terms of the Executive Defined Contribution Supplementary Retirement Plan (EDC 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 EDC 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 EDC SRP was introduced effective July 1, 2014, for all executives commencing employment on or after that date.

The EDC SRP current service cost and amount due is as follows:

		2015		**2016**	
	Years of eligible University of Alberta service	Amounts due to participants	**Service costs**	**Interest and investment earnings** [8a]	**Amounts due to participants**
President	0.8	$ -	**$ 21**	**$ -**	**$ 21**
Provost and Vice-President (Academic)	0.8	-	**18**	**-**	**18**
Vice-President (Advancement)	0.5	-	**7**	**-**	**7**

[8a] 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)

18. Salaries and employee benefits (continued)

(9) The leave plan current service cost and accrued obligation is as follows:

		2015	2016			
	Years of eligible University of Alberta service	Accrued obligation	**Service costs**	**Interest and other costs**	**Actuarial losses (gains)**	**Accrued obligation (9d)**
President	0.8	$ -	**$ 62**	**$ 2**	**$ 1**	**$ 65**
Former President (9a)	10.0	1,057	**27**	**13**	**-**	**1,097**
Vice-President (Research)	8.8	758	**98**	**27**	**20**	**903**
Vice-President (Facilities and Operations) (9b)	13.0	1,096	**58**	**35**	**30**	**1,219**
Vice-President (Finance and Administration) (9b)	13.0	1,142	**6**	**34**	**29**	**1,211**
Vice-President (University Relations) (9c)	5.8	-	**201**	**7**	**2**	**210**
Vice-President (Advancement)	0.5	-	**15**	**1**	**-**	**16**

(9a) Includes service to June 30, 2015 and the accrued obligation shown is at June 30, 2015.
(9b) Has accrued the maximum leave eligibility available.
(9c) The terms of the contract renewal provided for the leave benefit effective the incumbent's start date.
(9d) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in (note 7).

19. Approval of financial statements

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