UNIVERSITY OF CALGARY

Consolidated Financial Statements

For the Year Ended
March 31, 2016

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The University of Calgary ("the University") is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with Canadian Public Sector Accounting Standards as described in note 2 to the consolidated financial statements. The consolidated financial statements present fairly the financial position of the University as at March 31, 2016 and the results of its operations, changes in net financial assets, remeasurement gains and losses and cash flow for the year then ended.

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

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

The consolidated financial statements for the year ended March 31, 2016 have been reported on by the Auditor General of the Province of Alberta, the auditor appointed under *The Post-secondary Learning Act*. The Independent Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation of the information in the consolidated financial statements.

[Original signed by Elizabeth Cannon]

President & Vice-Chancellor

[Originally signed by Linda Dalgetty]

Vice-President, Finance and Services

Independent Auditor's Report

To the Board of Governors of the University of Calgary

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the University of Calgary as at March 31, 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 27, 2016

Edmonton, Alberta

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

		2016		2015 *(Note 3)*
Financial assets				
Cash and cash equivalents (Note 4)	**$**	**63,464**	$	199,870
Portfolio investments - non-endowment (Note 5)		**989,633**		940,571
Portfolio investments - restricted for endowments (Note 5)		**772,337**		790,568
Accounts receivable		**70,026**		65,355
Inventory held for sale		**5,748**		5,879
Investment in government business enterprises (Note 7)		**(3,625)**		586
	$	**1,897,583**	$	2,002,829
Liabilities				
Accounts payable and accrued liabilities	**$**	**147,564**	$	156,753
Employee future benefit liabilities (Note 9)		**133,775**		132,572
Debt (Note 10)		**254,989**		277,166
Deferred revenue (Note 11)		**537,553**		537,845
	$	**1,073,881**	$	1,104,336
Net financial assets	**$**	**823,702**	$	898,493
Non-financial assets				
Prepaid expenses		**20,852**		25,462
Tangible capital assets (Note 8)		**1,795,078**		1,713,659
	$	**1,815,930**	$	1,739,121
Net assets before deferred capital contributions	**$**	**2,639,632**	$	2,637,614
Spent deferred capital contributions (Note 12)	**$**	**1,258,267**	$	1,240,884
Net assets (Note 13)	**$**	**1,381,365**	$	1,396,730
Net assets is comprised of:				
Accumulated surplus	**$**	**1,273,288**	$	1,230,920
Accumulated remeasurement gains	**$**	**108,077**	$	165,810
	$	**1,381,365**	$	1,396,730

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

Approved by the Board of Governors:

[Original signed by Bonnie DuPont]
Chair, Board of Governors

[Original signed by Linda Dalgetty]
Vice-President, Finance and Services

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

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

UNIVERSITY OF CALGARY

	2016 Budget (Note 16)	2016	2015 (Note 3)
Revenue			
Government of Alberta grants (Note 20)	$ 586,548	$ 612,119	$ 614,219
Federal and other government grants	147,618	142,331	127,347
Sales of services and products	117,391	116,820	112,043
Student tuition and fees	224,480	219,235	211,382
Donations and other grants	147,057	145,988	132,733
Investment income (Note 17)	45,933	51,792	50,583
Investment loss in government business enterprises (Note 7)	(2,400)	(4,211)	(3,116)
	$ 1,266,627	$ 1,284,074	$ 1,245,191
Expense			
Academic costs and institutional support	$ 768,530	$ 750,980	$ 703,863
Research	313,808	343,794	321,767
Special purpose and trust	71,064	69,919	63,890
Facilities operations and maintenance	66,623	65,676	63,814
Ancillary services	46,602	42,455	37,945
	$ 1,266,627	$ 1,272,824	$ 1,191,279
Annual operating surplus	$ -	$ 11,250	$ 53,912
Endowment donations		25,283	62,037
Endowment capitalized investment income		5,835	23,207
Endowment donations and capitalized investment income		$ 31,118	$ 85,244
Annual surplus		$ 42,368	$ 139,156
Accumulated surplus, beginning of year		1,230,920	1,091,764
Accumulated surplus, end of year (Note 13)		$ 1,273,288	$ 1,230,920

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

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

UNIVERSITY OF CALGARY

	2016	2015
Annual surplus	**$ 42,368**	$ 139,156
Acquisition of tangible capital assets	**(204,063)**	(208,343)
Proceeds from sale of tangible capital assets	**3,651**	12
Amortization of tangible capital assets	**118,993**	121,521
Change in prepaid expenses	**4,610**	(1,161)
Change in spent deferred capital contributions	**17,383**	8,757
Change in accumulated remeasurement gains	**(57,733)**	53,026
Increase in net financial assets	**$ (74,791)**	$ 112,968
Net financial assets, beginning of year	**$ 898,493**	$ 785,525
Net financial assets, end of year	**$ 823,702**	$ 898,493

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

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

		2016		2015 (Note 3)
Accumulated remeasurement gains, beginning of year	**$**	**165,810**	$	112,784
Unrealized gains (losses) attributable to:				
Foreign exchange		**(304)**		(22)
Portfolio investments - non-endowments		**(7,723)**		9,452
Portfolio investments - restricted for endowments		**(29,161)**		49,939
Amounts reclassified to statement of operations through realization of gains (losses):				
Foreign exchange		**22**		(265)
Portfolio investments - non-endowments		**(379)**		379
Portfolio investments - restricted for endowments		**(20,188)**		(6,457)
Change in accumulated remeasurement gains	**$**	**(57,733)**	$	53,026
Accumulated remeasurement gains, end of year (Note 13)	**$**	**108,077**	$	165,810

Accumulated remeasurement gains is comprised of:				
Portfolio investments - non-endowments	**$**	**8,138**	$	16,240
Portfolio investments - restricted for endowments	**$**	**100,243**	$	149,592
Foreign exchange	**$**	**(304)**	$	(22)
	$	**108,077**	$	165,810

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2016
(thousands of dollars)

UNIVERSITY OF CALGARY

		2016		2015 (Note 3)
Operating transactions				
Annual surplus	$	42,368	$	139,156
Add (deduct) non-cash items:				
Amortization of tangible capital assets	$	118,993	$	121,521
Capital gifts in kind received		(19,022)		(547)
Change in investment in government business enterprises		4,211		3,116
Increase (decrease) in employee future benefit liabilities		1,203		(1,695)
Change in non-cash items	$	105,385	$	122,395
(Increase) decrease in accounts receivable		(4,671)		24,657
Decrease (increase) in prepaid expenses		4,610		(1,160)
Decrease (increase) in inventory held for sale		131		(213)
(Decrease) increase in accounts payable and accrued liabilities		(9,189)		7,596
(Decrease) increase in deferred revenue		(292)		18,749
Increase in spent deferred capital		17,383		8,750
Cash provided by operating transactions	$	155,725	$	319,930
Capital transactions				
Acquisition of tangible capital assets less gift in kind	$	(185,041)	$	(204,648)
Proceeds on sale of tangible capital assets		3,651		12
Cash applied to capital transactions	$	(181,390)	$	(204,636)
Investing transactions				
Purchases of portfolio investments	$	(218,388)	$	(287,468)
Proceeds on sale of portfolio investments		129,824		1,487
Cash applied to investing transactions	$	(88,564)	$	(285,981)
Financing transactions				
Debt - repayment	$	(22,281)	$	(21,735)
Debt - new financing		104		4
Cash applied by financing transactions	$	(22,177)	$	(21,731)
Decrease in cash and cash equivalents	$	(136,406)	$	(192,418)
Cash and cash equivalents, beginning of year		199,870		392,288
Cash and cash equivalents, end of year	$	63,464	$	199,870

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

1. Authority and purpose

The Governors of the University of Calgary is a corporation which manages and operates the University of Calgary ("the University") under the *Post-secondary Learning Act* (Alberta). All members of the Board of Governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education, with the exception of the Chancellor and President, who are *ex officio* members. Under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, the University is a comprehensive academic and research institution offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax. This tax exemption does not extend to its wholly-owned subsidiaries, University Technologies Group and West Campus Development Corporation.

2. Summary of significant accounting policies and reporting practices

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

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

The measurement of certain assets and liabilities, revenues and expenses are contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. Amortization of tangible capital assets, recognition of deferred revenue related to restricted grants and donations, and employee future benefit liabilities are the most significant items based on estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these consolidated financial statements and, together with the following notes, should be considered an integral part of the consolidated financial statements.

(b) Valuation of financial assets and liabilities

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

Financial statement component	Measurement
Cash and cash equivalents	Amortized cost
Portfolio investments	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Debt	Amortized cost

Unrealized gains and losses from changes in the fair value of financial instruments 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 tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

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

The University does not use foreign currency contracts or any other type of derivative financial instruments for trading or speculative purposes.

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

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

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement 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 purchase, sale or usage requirements are not recognized as financial assets or liabilities. The University does not have any embedded derivatives.

(c) Revenue recognition

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

Government grants, non-government grants and donations

Government transfers are referred to as government grants.

Restricted grants and donations are recognized as deferred revenue if the terms for use, or the terms along with the University's actions and communications as to the use, create a liability. These grants and donations are recognized as revenue as the terms are met. If the grants and donations are used to acquire or construct tangible capital assets, revenue will be recognized over the useful life of the tangible capital asset.

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

In-kind donations of services, materials, and tangible capital assets are recognized at fair value when a fair value can be reasonably determined. Transfers of tangible capital assets from related parties are recorded at the carrying value. Volunteers as well as University staff contribute an indeterminable number of hours per year to assist the University in carrying out its mandate; such contributed services are not recognized in these consolidated financial statements.

Grants and donations related to land

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

Endowments

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

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

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

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

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

(c) Revenue recognition (Continued)

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

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

Endowment donations and associated investment income allocated for the preservation of endowment capital purchasing power are recognized in the Consolidated Statement of Operations in the period in which they are received.

Investment income

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

Realized investment income allocated to endowment balances for the preservation of endowment capital purchasing power is recognized in the statement of operations as a component of endowment donations and capitalized investment income.

(d) Inventory held for sale

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

(e) Tangible capital assets

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

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

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

Tangible capital assets writedowns are recorded when conditions indicate they no longer contribute to the University’s ability to provide services, or when the value of future economic benefits associated with the capital assets are less than their net book value. The net write-downs are recognized as expense in the consolidated statement of operations. Intangible assets, works of art, historical treasures and collections are expensed when acquired and not recognized as tangible capital assets.

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

(f) 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.

(g) Employee future benefits

Pension

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

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

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

Supplementary retirement plans

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

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

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

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

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

All government partnership inter-entity accounts and transactions between these organizations are eliminated upon consolidation.

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

(i) Investment in government business enterprises

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

(j) Funds and reserves

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

(k) Expense by Function

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

Academic costs and institutional support

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

Research

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

Special purpose and trust

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

Facilities operations and maintenance

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

Ancillary services

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

(l) 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.

(thousands of dollars)

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

(l) Future accounting changes (Continued)

- 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.

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

3. Changes in Accounting Policies

(a) Adoption of the Net Debt Model

The net debt model (with reclassification of comparatives) has been adopted for the presentation of consolidated financial statements. Net financial asset or net debt is measured as the difference between the University's financial assets and liabilities.

The effect of this change results in changing the presentation of the statement of financial position and adding the statement of change in net financial assets.

(b) Endowment donations and capitalized investment income

Effective April 1, 2015, endowment donations, matching donations and associated investment income allocated for the preservation of endowment capital purchasing power 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 endowments, not through income in the consolidated statement of operations, in the year they were received. This change in accounting policy is applied retroactively with restatement of comparatives.

	Previously recorded	Reclass endowment to net asset	Recognition of endowment donation	Restated
Statement of Financial Position				
Endowment net assets	$ 790,568	$ (705,324)	$ (85,244)	$ -
Accumulated remeasurement gains	16,218	149,592	-	165,810
Accumulated surplus	589,944	555,732	85,244	1,230,920
Statement of Operations				
Annual surplus	$ 53,912	$ -	$ 85,244	$ 139,156

4. Cash and cash equivalents

	2016	2015
Cash	**$ 63,445**	$ 12,385
Money market funds, short-term notes and treasury bills	**19**	187,485
	$ 63,464	$ 199,870

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

(thousands of dollars)

5. Portfolio investments

		2016		2015
Portfolio investments - non-endowment	$	989,633	$	940,571
Portfolio investments - restricted for endowments		772,337		790,568
	$	1,761,970	$	1,731,139

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

2016

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Bonds				
Canadian government and corporate	$ -	$ 541,312	$ -	$ 541,312
Pooled investment funds - Canadian government and corporate bonds	-	197,706	-	197,706
Equities				
Canadian equity	106,123	-	-	106,123
Foreign equity	3,861	-	-	3,861
Pooled investment funds - Canadian equity	-	156,952	-	156,952
Pooled investment funds - foreign equity	-	306,619	-	306,619
Other				
Cash and money market funds	32,614	-	-	32,614
Guaranteed investment certificate (GICs)	151,308	-	-	151,308
Canadian mortgage	-	219,679	-	219,679
Floating rate notes	-	-	45,796	45,796
	$ 293,906	$ 1,422,268	$ 45,796	$ 1,761,970

2015

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

The above tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

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

(thousands of dollars)

5. Portfolio investments (Continued)

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

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

Floating rate notes:

During prior fiscal periods there was sufficient market liquidity and frequent availability dealers' bid-ask indicators to enable the use of market available information for valuation purposes. In May 2015, the auction program used to redeem floating rate notes ended resulting in a reduction in market liquidity and observable market prices. As a result of the reduction in observable market prices, the University used third party experts to estimate the fair market value of the floating rate notes. In determining the fair market value, the following methodology and assumptions were used:

- Taking into consideration the principal characteristics of the floating rate notes, including interest rate, maturity date, and credit rating, an estimate of the yield a potential investor would require to purchase each class of notes was developed considering market yield of assets with similar characteristics.
- The estimated yields were then used as inputs to calculate the net present value for each class of floating rate notes.

With the reduction of observable market prices, the floating rate notes have been reclassified as Level 3 assets where previously classified as Level 2 assets.

6. Financial risk management

Market price risk

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

The following details the University's portfolio sensitivity to an 6.4% increase or decrease in the market prices. The sensitivity rate is determined using the historical annualized standard deviation for the total endowment fund over a four year period. At March 31, 2016, if market prices had an 6.4% (2015 - 7.0%) increase or decrease with all other variables held constant, the increase or decrease in accumulated remeasurement gains and losses, endowment net assets, and deferred revenue for the year would have totalled $49,425 (2015 - $55,340).

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

Foreign currency risk

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

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

Currency		Fair Value	2.5% decrease	1.0% decrease	1.0% increase	2.5% increase
US dollar	US equity	$ 167,839	$ 163,643	$ 166,161	$ 169,517	$ 172,035
US dollar	International equity	$ 138,806	$ 135,336	$ 137,418	$ 140,194	$ 142,276

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

(thousands of dollars)

6. Financial risk management (Continued)

Credit risk

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

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

Credit Rating	2016	2015
AAA	**36.90 %**	41.61 %
AA	**30.73 %**	32.18 %
A	**10.78 %**	11.89 %
BBB	**21.59 %**	14.32 %
	100.00 %	100.00 %

Liquidity risk

The University maintains a line of credit designed to ensure availablity of funds to meet current and forecasted financial requirements as cost effectively as possible. At March 31, 2016 the University has committed borrowing facilities of $15,000 none of which has been drawn.

Interest rate risk

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

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

Asset class	< 1 year	1 - 5 years	> 5 years	Average effective market yield
Money market funds, short-term notes and treasury bills	100.00 %	-	-	1.35 %
Canadian government and corporate bonds	12.49 %	81.97 %	5.54 %	1.44 %
Canadian mortgage fund	19.44 %	46.50 %	34.06 %	2.89 %
Floating rate notes	-	100.00 %	-	1.44 %

(thousands of dollars)

7. Investment in government business enterprises

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

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

	University Technologies Group		West Campus Development Trust		Total	
	2016	2015	**2016**	2015	**2016**	2015
Assets						
Cash	**$ 5,219**	$ 4,649	**$ -**	$ -	**$ 5,219**	$ 4,649
Accounts receivable	**206**	3,016	**561**	56	**767**	3,072
Promissory notes receivable	**44**	84	**-**	-	**44**	84
Deposit	**-**	-	**150**	-	**150**	-
Prepaid expenses	**-**	27	**23**	19	**23**	46
Investments	**907**	847	**-**	-	**907**	847
Capital assets	**12**	29	**120**	171	**132**	200
Development costs	**-**	-	**8,046**	1,562	**8,046**	1,562
Intangible assets	**783**	1,125	**158**	-	**941**	1,125
	$ 7,171	$ 9,777	**$ 9,058**	$ 1,808	**$ 16,229**	$ 11,585
Liabilities						
Accounts payable and accrued liabilities	**$ 479**	$ 1,890	**$ 6,292**	$ 957	**$ 6,771**	$ 2,847
Income taxes payable	**4**	6	**-**	-	**4**	6
Deferred revenue	**61**	611	**-**	-	**61**	611
Long term debt	**-**	-	**13,018**	7,535	**13,018**	7,535
	$ 544	$ 2,507	**$ 19,310**	$ 8,492	**$ 19,854**	$ 10,999
Equity						
Share capital	**$ 5,233**	$ 5,352	**-**	-	**$ 5,233**	$ 5,352
Surplus (deficit)	**1,394**	1,918	**(10,252)**	(6,684)	**(8,858)**	(4,766)
	$ 6,627	$ 7,270	**$ (10,252)**	$ (6,684)	**$ (3,625)**	$ 586
	$ 7,171	$ 9,777	**$ 9,058**	$ 1,808	**$ 16,229**	$ 11,585

	2016	2015	**2016**	2015	**2016**	2015
Net Income (loss)						
Revenues	**$ 228**	$ 2,127	**$ -**	**$** -	**$ 228**	$ 2,127
Expenses	**871**	3,088	**3,568**	2,155	**4,439**	5,243
	$ (643)	$ (961)	**$ (3,568)**	$ (2,155)	**$ (4,211)**	$ (3,116)

(thousands of dollars)

8. Tangible capital assets

	2016					2015
	Building, utilities and site improvements	**Furnishings, equipment and systems**	**Learning resources**	**Land**	**Total**	Total
Cost						
Beginning of year	**$ 2,312,289**	**$ 774,397**	**$ 209,669**	**$ 14,082**	**$ 3,310,437**	$ 3,110,849
Additions	**116,015**	**78,843**	**9,205**	**-**	**204,063**	208,343
Disposals	**(14,294)**	**(5,016)**	**(1,220)**	**-**	**(20,530)**	(8,755)
	$ 2,414,010	**$ 848,224**	**$ 217,654**	**$ 14,082**	**$ 3,493,970**	$ 3,310,437
Accumulated amortization						
Beginning of year	**$ 778,936**	**$ 650,517**	**$ 167,325**	**-**	**$ 1,596,778**	$ 1,484,000
Additions	**62,063**	**47,302**	**9,628**	**-**	**118,993**	121,521
Disposals	**(10,782)**	**(4,888)**	**(1,209)**	**-**	**(16,879)**	(8,743)
	$ 830,217	**$ 692,931**	**$ 175,744**	**-**	**$ 1,698,892**	$ 1,596,778
Net book value at March 31, 2016	**$ 1,583,793**	**$ 155,293**	**$ 41,910**	**$ 14,082**	**$ 1,795,078**	$ 1,713,659
Net assets as at March 31, 2015	$ 1,533,353	$ 123,880	$ 42,344	$ 14,082	$ 1,713,659	

Additions to tangible capital assets includes capitalized interest of $1,854 (2015 - $4,201).

Included in buildings, utilities and site improvements is $131,931 (2015 - $196,989) and in furnishings, equipment and systems is $13,561 (2015 - $30,955) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions during the year included in-kind contributions (such as learning resources, equipment, software, buildings and land) in the amount of $19,022 (2015 - $3,695).

9. Employee future benefit liabilities

Employee future benefit liabilities are comprised of the following:

	2016	2015
Universities Academic Pension Plan	**$ 120,560**	$ 120,211
Long-term Disability	**2,306**	2,360
Administrative Leave	**628**	499
Supplemental Retirement Pension Plan	**10,281**	9,502
	$ 133,775	$ 132,572

(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 and professional 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 deficiency of $868,735 (2015 - $1,129,894) consisting of a pre-1992 deficiency ($817,638) and a post-1991 deficiency ($51,097). The University's portion of the UAPP deficiency has been allocated based on its percentage of the plan's total employer contributions for the year.

(thousands of dollars)

9. Employee future benefit liabilities (Continued)

The unfunded deficiency 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 deficiency by December 31, 2043. The Government of Alberta's obligation for the future additional contributions was $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 salaries until December 31, 2021, 1.71% (2015 - 1.71%) of salaries for 2022 and 2023, 0.70% (2015 - 0.70%) of pensionable earnings for 2024 and 2025 and 0.25% (2015 - 0.25%) of salaries for 2026 and 2027, all shared equally between employees and employers.

Supplementary retirement plans ("SRP")

The University provides non-contributory defined benefit supplementary retirement benefits to executives. An actuarial valuation of these benefits was carried out as at March 31, 2016.

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

	March 31, 2016			March 31, 2015		
	UAPP	**Long term disability [1]**	**Supplementary retirement [1]**	UAPP	Long term disability [1]	Supplementary retirement [1]
Expenses						
Current service cost	**$ 30,497**	**$ -**	**$ 606**	$ 26,559	$ -	$ 663
Interest cost	**9,560**	**48**	**287**	9,188	51	358
Amortization of net actuarial losses (gains)	**2,511**	**(489)**	**259**	1,089	(126)	(4)
Past service costs	**-**	**601**	**-**	-	758	-
Total expenses	**$ 42,568**	**$ 160**	**$ 1,152**	$ 36,836	$ 683	$ 1,017
Financial Position						
Accrued benefit obligation:						
Balance, beginning of year	**$ 785,878**	**$ 2,360**	**$ 11,057**	$ 686,002	$ 1,855	$ 9,737
Current service cost	**30,497**	**-**	**606**	26,559	-	663
Interest cost	**48,720**	**48**	**287**	46,000	51	358
Benefits paid	**(35,383)**	**(214)**	**(373)**	(31,177)	(178)	(348)
Past service costs	**-**	**601**	**-**	-	758	-
Actuarial loss (gain)	**(10,262)**	**(489)**	**(943)**	58,494	(126)	647
Balance, end of year	**$ 819,450**	**$ 2,306**	**$ 10,634**	$ 785,878	$ 2,360	$ 11,057
Plan assets	**710,521**	-	-	638,544	-	-
Plan deficit	**$ (108,929)**	**$ (2,306)**	**$ (10,634)**	$ (147,334)	$ (2,360)	$ (11,057)
Unamortized net actuarial gain (loss)	**$ (11,631)**	**$ -**	**$ 353**	$ 27,123	$ -	$ 1,555
Accrued benefit liability	**$ (120,560)**	**$ (2,306)**	**$ (10,281)**	$ (120,211)	$ (2,360)	$ (9,502)

[1] The University plans to use its working capital to finance these future obligations.

(thousands of dollars)

9. Employee future benefit liabilities (Continued)

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

	March 31, 2016			March 31, 2015		
	UAPP	**Long term disability**	**Supplementary retirement**	UAPP	Long term disability	Supplementary retirement
Accrued benefit obligation:						
Discount rate	**6.00 %**	**2.40 %**	**3.00 %**	6.10 %	2.10 %	2.50 %
Long term average compensation increase	**3.00 %**	**n/a**	**3.00 %**	3.50 %	n/a	3.00 %
Benefit cost:						
Discount rate	**6.00 %**	**2.40 %**	**2.50 %**	6.60 %	2.10 %	3.50 %
Long term average compensation increase	**3.00 %**	**n/a**	**3.00 %**	3.50 %	n/a	3.00 %
Alberta inflation (long term)	**2.00 %**	**n/a**	**1.50 %**	2.25 %	n/a	1.50 %
Estimated average remaining service life	**10.8 yrs**	**7.53 yrs**	**6.0 yrs**	8.6 yrs	7.87 yrs	6.0 yrs

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

PSPP

The Public Service Pension Plan ("PSPP") is a multi-employer contributory defined benefit pension plan for support staff members. As the University does not have sufficient information to follow the accounting standards for defined benefit plans, PSPP is accounted for on a defined contribution basis. The pension expense recorded in these consolidated financial statements is $22,810 (2015 - $22,084).

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 deficiency 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 $22,718 (2014 - $21,819). The PSPP's deficiency is being discharged through additional contributions from both employees and employers until 2026 (2014 – 2026). Other than the requirement to make additional contributions, the University does not bear any risk related to the PSPP deficiency.

(thousands of dollars)

10. Debt

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

	Collateral	Maturity date	Interest rate %	2016	2015
Debentures payable to Alberta Capital Finance Authority:					
Debenture for Schulich Expansion	(1)	December 2017	1.61%	**$ 30,480**	$ 45,358
Debenture for Cascade Hall	(1)	May 2025	6.25%	**9,613**	10,291
Debenture for Residence Renewal Program	(1)	September 2026	4.43%	**11,482**	12,325
Debenture for Downtown Campus	(2)	March 2031	4.27%	**12,343**	12,920
Debenture for Health Renovation Innovation Centre/Parkade	(1)	April 2031	4.94%	**4,479**	4,668
Debenture for Child Development Centre/Parkade	(1)	June 2032	5.25%	**1,543**	1,601
Debenture for International Residence House	(1)	September 2032	4.69%	**20,624**	21,438
Debenture for Residences	(1)	December 2038	3.90%	**83,176**	85,380
Debenture for International Residence House	(1)	June 2039	5.10%	**26,365**	26,937
Debenture for Phase VI Residence	(1)	March 2040	4.73%	**54,517**	55,718
Mortgages payable to Canada Mortgage and Housing Corporation:					
Mortgage for Dining Centre, Kananaskis and Rundle Halls	(3)	March 2016	5.13%	**-**	116
Bank loans payable:					
Demand loan for Western Canadian Universities Marine Sciences Society	(3)	April 2015	3.52%	**-**	3
Demand loan for Western Canadian Universities Marine Sciences Society	(3)	April 2015	4.93%	**-**	272
Demand loan for Western Canadian Universities Marine Sciences Society	(3)	March 2020	3.50%	**4**	4
Demand loan for Western Canadian Universities Marine Sciences Society	(3)	April 2020	3.39%	**259**	-
				$ 254,885	$ 277,031
Obligations under capital leases				**$ 104**	$ 135
				$ 254,989	$ 277,166

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

Interest expense on debt recorded in these consolidated statements is $9,012 (2015 - $7,223) of which $1,854 (2015 - $4,201) was capitalized. Principal and interest repayments are as follows:

	Principal	Interest	Total
2017	$ 22,868	$ 10,438	$ 33,306
2018	23,184	9,840	33,024
2019	8,185	9,292	17,477
2020	8,564	8,913	17,477
2021	8,960	8,516	17,476
Thereafter	183,228	76,702	259,930
	$ 254,989	$ 123,701	$ 378,690

(thousands of dollars)

11. Deferred revenue

	Unspent externally restricted grants and donations	Tuition and fees other	2016 Total
Balance, beginning of year	**$ 512,275**	**$ 25,570**	**$ 537,845**
Grants, tuition and donations received	**462,020**	**213,090**	**675,110**
Investment income	**23,223**	**-**	**23,223**
Transfer to spent deferred capital contributions	**(101,932)**	**-**	**(101,932)**
Recognized as revenue	**(383,264)**	**(213,429)**	**(596,693)**
	$ 512,322	**$ 25,231**	**$ 537,553**

	Unspent externally restricted grants and donations	Tuition and fees other	2015 *(Note3)* Total
Balance, beginning of year	$ 495,312	$ 23,784	$ 519,096
Grants, tuition and donations received	466,486	211,334	677,820
Investment income	22,674	-	22,674
Transfer to spent deferred capital contributions	(98,154)	-	(98,154)
Recognized as revenue	(374,043)	(209,548)	(583,591)
	$ 512,275	$ 25,570	$ 537,845

12. Spent deferred capital contributions

Spent deferred capital contributions is comprised of restricted grants and donations spent on tangible capital acquisitions (not yet recognized as revenue).

	2016	2015
Balance, beginning of year	**$ 1,240,885**	$ 1,232,128
Transfer from deferred revenue	**101,932**	98,154
Expended capital recognized as revenue	**(84,550)**	(89,398)
	$ 1,258,267	$ 1,240,884

(thousands of dollars)

13. Net Assets

	2016					2015
	Unrestricted	**Investment in tangible capital assets**	**Internally restricted**	**Endowments**	**Total**	Total
Net Assets, beginning of year	**$ 72,192**	**$ 237,184**	**$ 296,786**	**$ 790,568**	**$ 1,396,730**	$ 1,204,548
Annual operating surplus	**11,250**	**-**	**-**	**-**	**11,250**	53,912
Transfer to internally restricted net of expenditures	**(40,261)**	**-**	**40,261**	**-**	**-**	-
Endowment						
New contributions	**-**	**-**	**-**	**25,283**	**25,283**	62,037
Capitalized investment income	**-**	**-**	**-**	**5,835**	**5,835**	23,207
Tangible capital assets						
Acquisition of capital assets	**(48,226)**	**101,970**	**(53,744)**	**-**	**-**	-
Amortization of capital assets	**37,928**	**(37,928)**	**-**	**-**	**-**	-
Debt repayment	**(18,109)**	**18,109**	**-**	**-**	**-**	-
Debt - new financing	**37,514**	**(37,514)**	**-**	**-**	**-**	-
Change in accumulated remeasurement gains	**$ (8,384)**	**-**	**-**	**$ (49,349)**	**$ (57,733)**	$ 53,026
Net assets at March 31, 2016	**$ 43,904**	**$ 281,821**	**$ 283,303**	**$ 772,337**	**$ 1,381,365**	$ 1,396,730
Net assets is comprised of:						
Accumulated surplus	**$ 36,070**	**$ 281,821**	**$ 283,303**	**$ 672,094**	**$ 1,273,288**	$ 1,230,920
Accumulated remeasurement gains	**7,834**	**-**	**-**	**100,243**	**108,077**	165,810
Net assets at March 31, 2016	**$ 43,904**	**$ 281,821**	**$ 283,303**	**$ 772,337**	**$ 1,381,365**	$ 1,396,730

Internally restricted net assets

Internally restricted net assets represent amounts set aside by the University's Board of Governors for strategic initiatives in support of student learning, research, capital projects and community service. Those amounts are not available for other purposes without the approval of the Board and do not have interest allocated to them. Internally restricted net assets are summarized as follows:

	2016	2015
Capital projects	**$ 23,825**	$ 31,279
Academic and institutional initiatives	**169,552**	190,447
Research activities	**89,926**	75,060
	$ 283,303	$ 296,786

14. Contingent liabilities and guarantees

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

At March 31, 2016 the University had entered into agreements that provide guarantees on employee housing loans in the amount of $749 (2015 - $766). These amounts are not recorded in the consolidated financial statements.

(thousands of dollars)

15. Contractual obligations

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

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

	Service Contracts	Capital Projects	Long term leases	Total
2017	$ 43,526	$ 58,223	$ 4,182	$ 105,931
2018	7,980	-	3,999	11,979
2019	4,668	-	3,853	8,521
2020	1,503	-	3,691	5,194
2021	-	-	3,714	3,714
Thereafter	-	-	39,299	39,299
	$ 57,677	$ 58,223	$ 58,738	$ 174,638

Included in service contracts are outstanding supplies and services purchase orders and contracts to purchase electricity and natural gas. To manage its risk exposure to electricity and natural gas, the University has entered into an Electricity Purchase Agreement, expiring March 31, 2017 and an Energy Purchase Agreement expiring October 31, 2018 based on indexed (floating on the spot market) prices with an option to hedge any portion of the requirement at any time. At March 31, 2016 the University had hedged a portion of these contracts by fixing the price on a portion of its estimated electricity and natural gas consumption. Using best estimates of future consumption and forward market prices on March 31, 2016, the estimated contractual obligations including executed hedge contracts are $6,036 (2015 - $10,899) for electricity and $20,347 (2015 - $28,283) for natural gas.

The University is one of 58 members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2015 CURIE had a surplus of $3,033 (2014 - $7,789). The University participates in six of the underwriting periods, which have an accumulated surplus of $69,679 (2014 - $74,231) of which the University's pro rata share is approximately 5.91% (2014 - 5.86%). This surplus is not recorded in the consolidated financial statements.

16. Budget comparison

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

(thousands of dollars)

17. Investment income

		2016		2015 (Note 3)
Portfolio investments - restricted for endowments	$	**29,161**	$	40,012
Portfolio investments - non-endowment		**28,466**		33,778
	$	**57,627**	$	73,790
Income capitalized to endowments		**(5,835)**		(23,207)
Deferred		**-**		-
	$	**51,792**	$	50,583

18. Expense by object

		2016 Budget		2016		2015
Salaries	$	616,460	$	**606,275**	$	576,545
Employee benefits		119,150		**116,479**		102,314
Materials, supplies and services		274,196		**278,132**		242,058
Utilities		28,730		**25,013**		25,536
Maintenance and repairs		20,194		**23,934**		23,328
Scholarships and bursaries		81,461		**91,417**		87,910
Cost of goods sold		13,820		**12,581**		12,067
Amortization of tangible capital assets		112,616		**118,993**		121,521
	$	1,266,627	$	**1,272,824**	$	1,191,279

19. Funds held on behalf of others

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

		2016		2015
University of Calgary Medical Group	$	**9,230**	$	8,041
Alberta Gambling Research Institute		**2,335**		-
University Child Care Centre Society		**1,130**		1,014
State of Qatar		**343**		3,545
Campus Ticket Centre		**228**		245
Canadian Institute of Resource Law		**142**		95
Canadian Energy Resource Institute		**89**		86
Others		**7**		561
	$	**13,504**	$	13,587

(thousands of dollars)

20. Government of Alberta transactions and balances

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

		2016		2015 *(Note 3)*
Grants from GOA				
Innovation and Advanced Education:				
Operating	**$**	**448,009**	$	434,328
Access to the future fund		**-**		27,355
Capital		**39,211**		47,162
Research		**16,303**		19,086
Other		**8,310**		1,263
Total Innovation and Advanced Education	**$**	**511,833**	$	529,194
Other post secondary institutions	**$**	**2,958**	$	2,587
Other GOA departments and agencies:				
Alberta Health and Wellness	**$**	**26,714**	$	43,727
Alberta Health Services		**8,152**		20,693
Other		**60,718**		61,651
Total other GOA departments and agencies	**$**	**95,584**	$	126,071
Total grants received	**$**	**610,375**	$	657,852
Restricted expended capital recognized as revenue		**61,545**		66,114
Less: amounts received for endowment		**(9,700)**		(33,992)
Less: deferred revenues		**(50,101)**		(75,755)
Government of Alberta Grants	**$**	**612,119**	$	614,219

Accounts receivable				
Innovation and Advanced Education	**$**	**97**	$	1,156
Other GOA departments and agencies		**9,910**		6,875
Other post secondary institutions		**215**		736
	$	**10,222**	$	8,767

Accounts payable				
Innovation and Advanced Education	**$**	**-**	$	2
Other GOA departments and agencies		**2,389**		1,304
Other post secondary institutions		**17**		238
	$	**2,406**	$	1,544

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

(thousands of dollars)

21. Salary and Employee Benefits

2016	Base salary (1)	Other cash benefits (2)	Other non-cash benefits (3) (4)	Total
Governance (5)				
Chair of the Board of Governors	**$ -**	**$ -**	**$ -**	**$ -**
Members of the Board of Governors	**-**	**-**	**-**	**-**
Chancellor honorarium (6)	**-**	**5**	**-**	**5**
Executive				
President (7)(8)	**480**	**113**	**350**	**943**
Vice-Presidents:				
Provost and Vice President Academic	**413**	**12**	**146**	**571**
Vice President Development	**280**	**40**	**75**	**395**
Vice President Facilities	**315**	**12**	**100**	**427**
Vice President Finance and Services	**320**	**12**	**109**	**441**
Vice President Research	**391**	**12**	**136**	**539**
Vice President University Relations	**282**	**12**	**95**	**389**

2015	Base salary (1)	Other cash benefits (2)	Other non-cash benefits (3) (4)	Total
Governance (5)				
Chair of the Board of Governors	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-
Chancellor honorarium (6)	-	-	-	-
Executive				
President (7)(8)	473	123	299	895
Vice-Presidents:				
Provost and Vice President Academic	410	12	140	562
Vice President Development				
Incumbent (9)	188	67	51	306
Past Incumbent (9)(10)	86	159	93	338
Vice President Facilities	315	17	109	441
Vice President Finance and Services				
Incumbent (11)	222	8	76	306
Past Incumbent (11)	86	4	90	180
Vice President Research	389	12	128	529
Vice President University Relations	280	12	86	378

1. Base salary includes pensionable base pay.
2. Other cash benefits include administrative honorariums, bonuses, relocation benefits, executive allowances and lump sum payments.

(thousands of dollars)

21. Salary and Employee Benefits (Continued)

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

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

	Accrued Benefit Obligation March 31, 2015	Service costs	Interest costs	Actuarial loss (gain)	Benefits paid	Accrued Benefit Obligation March 31, 2016
President	$ 725	**$ 153**	**$ 22**	**$ (147)**	**$ -**	**$ 753**
Vice-Presidents:						
Provost and Vice President Academic	392	**107**	**12**	**(56)**	**-**	**455**
Vice President Development	32	**45**	**2**	**(20)**	**-**	**59**
Vice President Facilities	82	**70**	**4**	**(30)**	**-**	**126**
Vice President Finance and Services	56	**77**	**3**	**(24)**	**-**	**112**
Vice President Research	364	**97**	**11**	**(78)**	**-**	**394**
Vice President University Relations	230	**57**	**7**	**(37)**	**-**	**257**

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

The current service cost and accrued obligation for the Administrative Leave is outlined in the following table:

	Accrued Benefit Obligation March 31, 2015	Service costs	Interest costs	Actuarial loss (gain)	Benefits paid	Accrued Benefit Obligation March 31, 2016
Administrative Leave	$ 499	**$ 108**	**$ 13**	**$ 8**	**$ -**	**$ 628**

The significant actuarial assumptions used to measure the accrued benefit obligation for the Administrative Leave are based on a discount rate of 2.4% (2015 – 2.10%) and a yearly salary increase rate of 0% on July 1, 2016; 1.5% on July 1, 2017; and 3% per annum thereafter (2015 - 1.0% for the 1st year and 3% per annum thereafter). An administrative leave benefit loading rate of 20% is applied.

22. Comparative figures

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

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