UNIVERSITY OF CALGARY

Consolidated Financial Statements

For the Year Ended
March 31, 2017

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UNIVERSITY OF CALGARY

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, 2017 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 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. 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, 2017 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 Elizabeth Cannon]
President & Vice-Chancellor

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

Independent Auditor's Report

To the Board of Governors of the University of Calgary

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the University of Calgary, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, change in net financial assets, remeasurement gains and losses, and cash flow 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, 2017, 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 26, 2017

Edmonton, Alberta

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017
(in thousands)

		2017		2016
Financial assets excluding portfolio investments restricted for endowments				
Cash and cash equivalents (Note 3)	$	46,463	$	63,464
Portfolio investments - non-endowment (Note 4)		994,376		989,633
Accounts receivable		76,348		70,026
Inventory held for sale		6,340		5,748
Investment in government business enterprises (Note 6)		(7,294)		(3,625)
	$	1,116,233	$	1,125,246
Liabilities				
Accounts payable and accrued liabilities	$	147,621	$	147,564
Employee future benefit liabilities (Note 8)		127,507		133,775
Debt (Note 9)		236,834		254,989
Deferred revenue (Note 10)		554,138		537,553
	$	1,066,100	$	1,073,881
Net financial assets excluding portfolio investments restricted for endowments	$	50,133	$	51,365
Portfolio investments - restricted for endowments (Note 4)	$	888,099	$	772,337
Net financial assets	$	938,232	$	823,702
Non-financial assets				
Prepaid expenses	$	19,007	$	20,852
Tangible capital assets (Note 7)		1,810,250		1,795,078
	$	1,829,257	$	1,815,930
Net assets before spent deferred capital contributions	$	2,767,489	$	2,639,632
Spent deferred capital contributions (Note 11)	$	1,278,038	$	1,258,267
Net assets (Note 12)	$	1,489,451	$	1,381,365
Net assets is comprised of:				
Accumulated surplus	$	1,347,173	$	1,273,288
Accumulated remeasurement gains		142,278		108,077
	$	1,489,451	$	1,381,365

Contingent liabilities and guarantees, and contractual obligations (Note 13 and 14)

Approved by the Board of Governors:

[Original signed by Gordon Ritchie]
Chair, Board of Governors

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

CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017
(in thousands)

UNIVERSITY OF CALGARY

	2017 Budget (Note 15)	2017	2016
Revenue			
Government of Alberta grants (Note 19)	$ 631,417	$ 632,851	$ 612,119
Federal and other government grants	128,409	144,904	142,331
Sales of services and products	116,382	126,279	116,820
Student tuition and fees	219,520	226,481	219,235
Donations and other grants	140,632	131,681	145,988
Investment income (Note 16)	44,925	59,607	51,792
Investment loss in government business enterprises (Note 6)	(7,065)	(3,669)	(4,211)
	$ 1,274,220	$ 1,318,134	$ 1,284,074
Expense			
Academic costs and institutional support	$ 771,069	$ 766,359	$ 750,980
Research	323,366	361,691	343,794
Special purpose and trust	65,037	69,829	69,919
Facilities operations and maintenance	66,852	69,400	65,676
Ancillary services	47,896	46,510	42,455
	$ 1,274,220	$ 1,313,789	$ 1,272,824
Annual operating surplus	$ -	$ 4,345	$ 11,250
Endowment donations		29,071	25,283
Endowment capitalized investment income		40,469	5,835
Endowment donations and capitalized investment income		$ 69,540	$ 31,118
Annual surplus		$ 73,885	$ 42,368
Accumulated surplus, beginning of year		1,273,288	1,230,920
Accumulated surplus, end of year (Note 12)		$ 1,347,173	$ 1,273,288

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

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2017
(in thousands)

	2017	2016
Annual surplus	**$ 73,885**	$ 42,368
Acquisition of tangible capital assets	**(140,295)**	(204,063)
Proceeds from sale of tangible capital assets	**147**	101
Amortization of tangible capital assets	**124,432**	118,993
Loss on disposal of tangible capital assets	**544**	3,550
Change in prepaid expenses	**1,845**	4,610
Change in spent deferred capital contributions	**19,771**	17,383
Change in accumulated remeasurement gains	**34,201**	(57,733)
Increase (decrease) in net financial assets	**$ 114,530**	$ (74,791)
Net financial assets, beginning of year	**$ 823,702**	$ 898,493
Net financial assets, end of year	**$ 938,232**	$ 823,702

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

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2017
(in thousands)

UNIVERSITY OF CALGARY

		2017		2016
Accumulated remeasurement gains, beginning of year	$	108,077	$	165,810
Unrealized gains (losses) attributable to:				
Foreign exchange		19		(304)
Portfolio investments - non-endowments		(4,216)		(7,723)
Portfolio investments - restricted for endowments		77,894		(29,161)
Amounts reclassified to consolidated statement of operations:				
Foreign exchange		304		22
Portfolio investments - non-endowments		(8,128)		(379)
Portfolio investments - restricted for endowments		(31,672)		(20,188)
Change in accumulated remeasurement gains	$	34,201	$	(57,733)
Accumulated remeasurement gains, end of year (Note 12)	$	142,278	$	108,077

Accumulated remeasurement gains (losses) is comprised of:				
Portfolio investments - non-endowments	$	(4,206)	$	8,138
Portfolio investments - restricted for endowments		146,465		100,243
Foreign exchange		19		(304)
	$	142,278	$	108,077

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2017
(in thousands)

UNIVERSITY OF CALGARY

		2017		2016
Operating transactions				
Annual surplus	$	73,885	$	42,368
Add (deduct) non-cash items:				
Amortization of tangible capital assets		124,432		118,993
Gain on sale of portfolio investments		(59,036)		(22,050)
Loss on disposal of tangible capital assets		544		3,550
Capital gifts in kind received		(1,167)		(19,022)
Change in investment in government business enterprises		3,669		4,211
(Decrease) increase in employee future benefit liabilities		(6,268)		1,203
Change in non-cash items	$	62,174	$	86,885
Increase in accounts receivable		(6,322)		(4,671)
Decrease in prepaid expenses		1,845		4,610
(Increase) decrease in inventory held for sale		(592)		131
Increase (decrease) in accounts payable and accrued liabilities		57		(9,189)
Increase (decrease) in deferred revenue		16,585		(292)
Increase in spent deferred capital contributions		19,771		17,383
Cash provided by operating transactions	$	167,403	$	137,225
Capital transactions				
Acquisition of tangible capital assets less gift in kind	$	(139,128)	$	(185,041)
Proceeds on sale of tangible capital assets		147		101
Cash applied to capital transactions	$	(138,981)	$	(184,940)
Investing transactions				
Purchases of portfolio investments	$	(128,705)	$	(218,388)
Proceeds on sale of portfolio investments		101,437		151,874
Cash applied to investing transactions	$	(27,268)	$	(66,514)
Financing transactions				
Debt - repayment	$	(22,780)	$	(22,281)
Debt - new financing		4,625		104
Cash applied to financing transactions	$	(18,155)	$	(22,177)
Decrease in cash and cash equivalents	$	(17,001)	$	(136,406)
Cash and cash equivalents, beginning of year	$	63,464	$	199,870
Cash and cash equivalents, end of year	$	46,463	$	63,464

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 that 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	Cost or amortized cost
Portfolio investments	Fair value
Inventories held for sale	Lower of cost or net realizable value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Debt	Amortized cost

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

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

For financial assets and liabilities 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 of accounting. 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 such value can reasonably be determined. Transfers of tangible capital assets from related parties are recorded at the carrying value.

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.

Investment income

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

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.

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

(c) Revenue recognition (Continued)

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.
- 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.

(d) Inventory held for sale

Inventory held for sale is valued at the lower of cost and expected net realizable value and is 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 include amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the asset, and costs associated with asset retirement obligations. 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. Assets or disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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:

Buildings	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.

(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.

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

(f) Foreign currency translation (Continued)

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 plan (SRP)

The pension expense for defined benefit SRP 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.

(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").

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

(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 uses 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, 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.
- 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 19.

(in thousands)

3. Cash and cash equivalents

		2017		2016
Cash	**$**	**46,463**	$	63,445
Money market funds		**-**		19
	$	**46,463**	$	63,464

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

4. Portfolio investments

		2017		2016
Portfolio investments - non-endowment	**$**	**994,376**	$	989,633
Portfolio investments - restricted for endowments		**888,099**		772,337
	$	**1,882,475**	$	1,761,970

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

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Portfolio investments at fair value:				
Bonds				
Canadian government and corporate	**$ -**	**$ 539,045**	**$ -**	**$ 539,045**
Pooled investments funds	**-**	**159,755**	**-**	**159,755**
Equities				
Canadian equities	**138,022**	**-**	**-**	**138,022**
Foreign equities	**2,302**	**-**	**-**	**2,302**
Pooled investments funds	**-**	**549,295**	**-**	**549,295**
Other				
Cash and money market funds	**39,514**	**-**	**-**	**39,514**
Guaranteed investment certificate (GICs)	**-**	**181,311**	**-**	**181,311**
Canadian mortgages	**-**	**273,231**	**-**	**273,231**
	$ 179,838	**$ 1,702,637**	**$ -**	**$ 1,882,475**

	2016			
	Level 1	Level 2	Level 3	Total
Portfolio investments at fair value:				
Bonds				
Canadian government and corporate	$ -	$ 541,312	$ -	$ 541,312
Pooled investments funds	-	197,706	-	197,706
Equities				
Canadian equities	106,123	-	-	106,123
Foreign equities	3,861	-	-	3,861
Pooled investments funds	-	463,571	-	463,571
Other				
Cash and money market funds	32,614	-	-	32,614
Guaranteed investment certificate (GICs)	-	151,308	-	151,308
Canadian mortgages	-	219,679	-	219,679
Floating rate notes	-	-	45,796	45,796
	$ 142,598	$ 1,573,576	$ 45,796	$ 1,761,970

4. Portfolio investments (Continued)

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

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

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

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

Floating rate notes:

At March 31, 2016, the University held $45,796 in floating rate notes comprised of Synthetic Assets and Ineligible Tracking (IA) notes. The floating rate notes matured during the fiscal year and the University sold the floating rate notes for total proceeds of $46,179.

5. 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 a 5.9% increase or decrease in the market prices. The sensitivity rate is determined using the historical annualized standard deviation for the portfolio investments over a four year period. At March 31, 2017, if market prices had a 5.9% (2016 - 6.4%) increase or decrease with all other variables held constant, the increase or decrease in accumulated remeasurement gains and losses, net assets, and deferred revenue for the year would have totalled $98,532 (2016 - $101,000).

The University’s management of market price risk has not changed from the prior year.

Foreign currency risk

Foreign currency is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchanges rates. 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 University has a contract with the Qatari government to operate a campus in Qatar. Expenses incurred are recovered from the government of Qatar and claims are adjusted to reflect currency fluctuations, thus reducing exchange risk exposure to the University.

Credit risk

The University is exposed to credit risk on investments arising from the potential failure of a counterparty, debtor or issuer to honour its contractual obligations. To manage this risk, the University only invests in investment grade issuers as guided by the University's 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.

(in thousands)

5. Financial risk management (Continued)

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

Credit Rating	2017	2016
AAA	**56.06 %**	36.90 %
AA	**20.80 %**	30.73 %
A	**10.49 %**	10.78 %
BBB	**12.65 %**	21.59 %
	100.00 %	100.00 %

Liquidity risk

Liquidity risk is the risk that the University will encounter difficultly in meeting obligations associated with its financial liabilities. The University maintains a line of credit designed to ensure availability of funds to meet current and forecasted financial requirements as cost effectively as possible. At March 31, 2017, the University has committed borrowing facilities of $16,750 (2016 - $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 and bonds. 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 9).

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 and GICs	100.00 %	-	-	1.16 %
Canadian government and corporate bonds	10.69 %	83.83 %	5.48 %	1.31 %
Canadian mortgage fund	24.72 %	42.96 %	32.32 %	2.94 %

(in thousands)

6. Investment in government business enterprises

UTI and WCDC are wholly-owned subsidiaries of the University of Calgary. UTI 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 and net proceeds are available.

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

	UTI		WCDT		Total	
	2017	2016	**2017**	2016	**2017**	2016
Assets						
Cash	**$ 4,753**	$ 5,219	**$ -**	$ -	**$ 4,753**	$ 5,219
Accounts receivable	**252**	206	**344**	561	**596**	767
Promissory notes receivable	**33**	44	**-**	-	**33**	44
Deposit	**-**	-	**6,598**	150	**6,598**	150
Prepaid expenses	**-**	-	**25**	23	**25**	23
Investments	**738**	907	**-**	-	**738**	907
Capital assets	**3**	12	**1,385**	120	**1,388**	132
Development costs	**-**	-	**19,724**	8,046	**19,724**	8,046
Intangible assets	**951**	783	**99**	158	**1,050**	941
	$ 6,730	$ 7,171	**$ 28,175**	$ 9,058	**$ 34,905**	$ 16,229
Liabilities						
Accounts payable and accrued liabilities	**$ 279**	$ 479	**$ 7,756**	$ 6,292	**$ 8,035**	$ 6,771
Income taxes payable	**4**	4	**-**	-	**4**	4
Deferred revenue	**26**	61	**3,448**	-	**3,474**	61
Long term debt	**-**	-	**30,686**	13,018	**30,686**	13,018
	$ 309	$ 544	**$ 41,890**	$ 19,310	**$ 42,199**	$ 19,854
Equity						
Share capital	**$ 5,233**	$ 5,233	**-**	-	**$ 5,233**	$ 5,233
Surplus (deficit)	**1,188**	1,394	**(13,715)**	(10,252)	**(12,527)**	(8,858)
	$ 6,421	$ 6,627	**$ (13,715)**	$ (10,252)	**$ (7,294)**	$ (3,625)
	$ 6,730	$ 7,171	**$ 28,175**	$ 9,058	**$ 34,905**	$ 16,229

	2017	2016	**2017**	2016	**2017**	2016
Net Income (loss)						
Revenues	**$ 222**	$ 228	**$ 381**	**$** -	**$ 603**	$ 228
Expenses	**428**	871	**3,844**	3,568	**4,272**	4,439
	$ (206)	$ (643)	**$ (3,463)**	$ (3,568)	**$ (3,669)**	$ (4,211)

(in thousands)

7. Tangible capital assets

	2017					2016
	Buildings	**Furnishings, equipment and systems**	**Learning resources**	**Land**	**Total**	Total
Cost						
Beginning of year	**$ 2,414,010**	**$ 848,224**	**$ 217,654**	**$ 14,082**	**$ 3,493,970**	$ 3,310,437
Acquisitions	**101,107**	**30,993**	**8,195**	**-**	**140,295**	204,063
Disposals	**(1,794)**	**(4,349)**	**(1,009)**	**-**	**(7,152)**	(20,530)
	$ 2,513,323	**$ 874,868**	**$ 224,840**	**$ 14,082**	**$ 3,627,113**	$ 3,493,970
Accumulated amortization						
Beginning of year	**$ 830,217**	**$ 692,931**	**$ 175,744**	**$ -**	**$ 1,698,892**	$ 1,596,778
Amortization expense	**70,515**	**44,969**	**8,948**	**-**	**124,432**	118,993
Disposals	**(1,153)**	**(4,299)**	**(1,009)**	**-**	**(6,461)**	(16,879)
	$ 899,579	**$ 733,601**	**$ 183,683**	**$ -**	**$ 1,816,863**	$ 1,698,892
Net book value at March 31, 2017	**$ 1,613,744**	**$ 141,267**	**$ 41,157**	**$ 14,082**	**$ 1,810,250**	$ 1,795,078
Net book value as at March 31, 2016	$ 1,583,793	$ 155,293	$ 41,910	$ 14,082	$ 1,795,078	

Acquisitions of tangible capital assets include capitalized interest of $411 (2016 - $1,854).

Tangible capital assets include work-in-process at March 31, 2017 totaling $62,660 (2016 - $145,492) comprised of buildings $55,753 (2016 - $131,931) and furnishings, equipment and systems $6,907 (2016 - $13,561). Work-in-process is not amortized as the assets are not available for use.

Acquisitions during the year included in-kind contributions (such as learning resources, equipment and software) in the amount of $1,167 (2016 - $19,022).

8. Employee future benefit liabilities

Employee future benefit liabilities are comprised of the following:

	2017	2016
Universities Academic Pension Plan	**$ 113,844**	$ 120,560
Long-term Disability	**2,087**	2,306
Administrative Leave (Note 20)	**751**	628
Supplementary Retirement Plan	**10,825**	10,281
	$ 127,507	$ 133,775

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

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 completed as at December 31, 2014 and was then extrapolated to March 31, 2017, resulting in a UAPP deficiency of $763,861 (2016 - $868,735) consisting of a pre-1992 deficiency of $806,430 and a post-1991 surplus of $42,569. The University's portion of the UAPP pre-1992 deficiency and post-1991 surplus has been allocated based on its percentage of the plan's total employer contributions for the year.

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2016 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 3.54% (2016 - 3.54%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The Government of Alberta's obligation for the future additional contributions was $293,557 at March 31, 2017.

(in thousands)

8. Employee future benefit liabilities (Continued)

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, 2017.

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

	March 31, 2017			March 31, 2016		
	UAPP	**Long term disability [1]**	**SRP [1]**	UAPP	Long term disability [1]	SRP [1]
Expenses						
Current service cost	$ 32,209	$ 566	$ 520	$ 30,497	$ 601	$ 606
Interest cost	7,119	53	329	9,560	48	287
Amortization of net actuarial losses (gains)	(1,077)	(616)	71	2,511	(489)	259
Total expenses	$ 38,251	$ 3	$ 920	$ 42,568	$ 160	$ 1,152
Financial Position						
Accrued benefit obligation:						
Balance, beginning of year	$ 819,450	$ 2,306	$ 10,634	$ 785,878	$ 2,360	$ 11,057
Current service cost	32,209	566	520	30,497	601	606
Interest cost	50,042	53	329	48,720	48	287
Benefits paid	(35,260)	(222)	(376)	(35,383)	(214)	(373)
Actuarial gain	(31,571)	(616)	(189)	(10,262)	(489)	(943)
Balance, end of year	$ 834,870	$ 2,087	$ 10,918	$ 819,450	$ 2,306	$ 10,634
Plan assets	749,886	-	-	710,521	-	-
Plan deficit	$ (84,984)	$ (2,087)	$ (10,918)	$ (108,929)	$ (2,306)	$ (10,634)
Unamortized net actuarial (gain) loss	$ (28,860)	$ -	$ 93	$ (11,631)	$ -	$ 353
Accrued benefit liability	$ (113,844)	$ (2,087)	$ (10,825)	$ (120,560)	$ (2,306)	$ (10,281)

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

(in thousands)

8. Employee future benefit liabilities (Continued)

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

	March 31, 2017			March 31, 2016		
	UAPP	**Long term disability**	**SRP**	UAPP	Long term disability	SRP
Accrued benefit obligation:						
Discount rate	**6.00 %**	**2.40 %**	**3.10 %**	6.00 %	2.40 %	3.00 %
Long term average compensation increase	**3.00 %**	**n/a**	**3.00 %**	3.00 %	n/a	3.00 %
Benefit cost:						
Discount rate	**6.00 %**	**2.40 %**	**3.00 %**	6.00 %	2.40 %	2.50 %
Long term average compensation increase	**3.00 %**	**n/a**	**3.00 %**	3.00 %	n/a	3.00 %
Alberta inflation (long term)	**2.00 %**	**n/a**	**1.50 %**	2.00 %	n/a	1.50 %
Estimated average remaining service life	**10.8 yrs**	**7.28 yrs**	**5.0 yrs**	10.8 yrs	7.53 yrs	6.0 yrs

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

PSPP

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 $24,216 (2016 - $22,810).

An actuarial valuation of the PSPP was carried out as at December 31, 2014 and was then extrapolated to December 31, 2016. At December 31, 2016, the PSPP reported an actuarial surplus of $302,975 (2015 actuarial deficit - $133,188). For the year ended December 31, 2016 PSPP reported employer contributions of $350,083 (2014 - $347,759). For the 2016 calendar year, the University's employer contributions were $24,317 (2015 - $22,718).

(in thousands)

9. Debt

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

	Collateral	Maturity date	Interest rate %	2017	2016
Debentures payable to Alberta Capital Finance Authority:					
Debenture for Schulich Expansion	(1)	December 2017	1.61%	**$ 15,362**	$ 30,480
Debenture for Cascade Hall	(1)	May 2025	6.25%	**8,892**	9,613
Debenture for Residence Renewal Program	(1)	September 2026	4.43%	**10,602**	11,482
Debenture for Downtown Campus	(2)	March 2031	4.27%	**11,741**	12,343
Debenture for Health Renovation Innovation Centre/Parkade	(1)	April 2031	4.94%	**4,281**	4,479
Debenture for Utilities Reduction Program	(1)	September 2031	2.15%	**4,372**	-
Debenture for Child Development Centre	(1)	June 2032	5.25%	**1,482**	1,543
Debenture for International Residence House	(1)	September 2032	4.69%	**19,772**	20,624
Debenture for Residences	(1)	December 2038	3.90%	**80,886**	83,176
Debenture for International Residence House	(1)	June 2039	5.10%	**25,764**	26,365
Debenture for Phase VI Residence	(1)	March 2040	4.73%	**53,257**	54,517
Bank loans payable:					
Demand loan for Western Canadian Universities Marine Sciences Society	(3)	March 2020	3.50%	**-**	4
Demand loan for Western Canadian Universities Marine Sciences Society	(3)	April 2020	3.39%	**243**	259
				$ 236,654	$ 254,885
Obligations under capital leases				**$ 180**	$ 104
				$ 236,834	$ 254,989

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

Interest expense on debt recorded in these consolidated statements is $10,475 (2016 - $9,012) of which $411 (2016 - $1,854) was capitalized. Principal and interest repayments are as follows:

	Principal	Interest	Total
2018	$ 23,487	$ 9,943	$ 33,430
2019	8,492	9,388	17,880
2020	8,865	9,002	17,867
2021	9,444	8,592	18,036
2022	9,670	8,169	17,839
Thereafter	176,876	68,938	245,814
	$ 236,834	$ 114,032	$ 350,866

(in thousands)

10. Deferred revenue

	2017		
	Unspent externally restricted grants and donations	**Tuition and other fees**	**Total**
Balance, beginning of year	**$ 512,322**	**$ 25,231**	**$ 537,553**
Grants, tuition and donations received	**481,698**	**236,585**	**718,283**
Investment income	**25,970**	**-**	**25,970**
Transfer to spent deferred capital contributions	**(105,917)**	**-**	**(105,917)**
Recognized as revenue	**(381,250)**	**(240,501)**	**(621,751)**
	$ 532,823	**$ 21,315**	**$ 554,138**

	2016		
	Unspent externally restricted grants and donations	Tuition and other fees	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

11. Spent deferred capital contributions

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

	2017	2016
Balance, beginning of year	**$ 1,258,267**	$ 1,240,885
Transfer from unspent externally restricted grants and donations	**105,917**	101,932
Recognized as revenue	**(86,146)**	(84,550)
	$ 1,278,038	$ 1,258,267

(in thousands)

12. Net Assets

	2017					2016
	Unrestricted	**Investment in tangible capital assets**	**Internally restricted**	**Endowments**	**Total**	Total
Net Assets, beginning of year	**$ 43,904**	**$ 281,821**	**$ 283,303**	**$ 772,337**	**$ 1,381,365**	$ 1,396,730
Annual operating surplus	**4,345**	**-**	**-**	**-**	**4,345**	11,250
Transfer to internally restricted net of expenditures	**(40,030)**	**-**	**40,030**	**-**	**-**	-
Endowment						
New contributions	**-**	**-**	**-**	**29,071**	**29,071**	25,283
Capitalized investment income	**-**	**-**	**-**	**40,469**	**40,469**	5,835
Tangible capital assets						
Acquisition of capital assets	**(13,166)**	**34,378**	**(21,212)**	**-**	**-**	-
Amortization of capital assets	**38,977**	**(38,977)**	**-**	**-**	**-**	-
Debt repayment	**(7,534)**	**22,652**	**(15,118)**	**-**	**-**	-
Debt - new financing	**1,366**	**(1,366)**	**-**	**-**	**-**	-
Change in accumulated remeasurement gains	**(12,021)**	**-**	**-**	**46,222**	**34,201**	(57,733)
Net assets at March 31, 2017	**$ 15,841**	**$ 298,508**	**$ 287,003**	**$ 888,099**	**$ 1,489,451**	$ 1,381,365
Net assets is comprised of:						
Accumulated surplus	**$ 20,028**	**$ 298,508**	**$ 287,003**	**$ 741,634**	**$ 1,347,173**	$ 1,273,288
Accumulated remeasurement (losses) gains	**(4,187)**	**-**	**-**	**146,465**	**142,278**	108,077
Net assets at March 31, 2017	**$ 15,841**	**$ 298,508**	**$ 287,003**	**$ 888,099**	**$ 1,489,451**	$ 1,381,365

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:

	2017	2016
Capital projects	**$ 61,937**	$ 23,825
Academic and institutional initiatives	**145,116**	169,552
Research activities	**79,950**	89,926
	$ 287,003	$ 283,303

13. Contingent liabilities and guarantees

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.

(in thousands)

13. Contingent liabilities and guarantees (Continued)

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 remediation project will proceed and there is sufficient information to estimate fair value of the obligation.

At March 31, 2017 the University had entered into agreements that provide guarantees on employee housing loans in the amount of $725 (2016 - $749). These amounts are not recorded in the consolidated financial statements.

14. 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
2018	$ 44,918	$ 46,162	$ 7,004	$ 98,084
2019	9,160	-	7,058	16,218
2020	1,780	-	6,906	8,686
2021	1,288	-	7,080	8,368
2022	-	-	7,026	7,026
Thereafter	-	-	49,984	49,984
	$ 57,146	$ 46,162	$ 85,058	$ 188,366

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 prices, the University has entered into an Electricity Purchase Agreement, expiring March 31, 2019 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, 2017 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, 2017, the estimated contractual obligations including executed hedge contracts are $9,433 (2016 - $6,036) for electricity and $14,590 (2016 - $20,347) 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, 2016 CURIE had a surplus of $16,583 (2015 - $3,033). The University participates in six of the underwriting periods, which have an accumulated surplus of $84,908 (2015 - $69,679) of which the University's pro rata share is approximately 6.83% (2015 - 5.91%). This surplus is not recorded in the consolidated financial statements.

15. 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.

(in thousands)

16. Investment income

		2017		2016
Portfolio investments - restricted for endowments	**$**	**65,225**	$	29,161
Portfolio investments - non-endowment		**34,851**		28,466
	$	**100,076**	$	57,627
Income capitalized to endowments		**(40,469)**		(5,835)
	$	**59,607**	$	51,792

17. Expense by object

		2017 Budget (Note 15)		**2017**		2016
Salaries	$	627,360	**$**	**630,262**	$	606,275
Employee benefits		121,801		**117,579**		116,479
Materials, supplies and services		265,316		**284,664**		278,132
Utilities		27,325		**25,082**		25,013
Maintenance and repairs		19,438		**20,331**		23,934
Scholarships and bursaries		83,267		**96,837**		91,417
Cost of goods sold		13,618		**14,602**		12,581
Amortization of tangible capital assets		116,095		**124,432**		118,993
	$	1,274,220	**$**	**1,313,789**	$	1,272,824

18. 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.

		2017		2016
University of Calgary Medical Group	**$**	**11,633**	$	9,230
Alberta Gambling Research Institute		**1,642**		2,335
University Child Care Centre Society		**1,473**		1,130
State of Qatar		**206**		343
Canadian Institute of Resource Law		**132**		142
University Press		**47**		46
Others		**63**		278
	$	**15,196**	$	13,504

(in thousands)

19. 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.

	2017	2016
Grants from GOA		
Advanced Education:		
Operating	$ 460,558	$ 448,009
Capital	77,553	39,211
Research	18,184	16,303
Other	14,655	8,310
Total Advanced Education	$ 570,950	$ 511,833
Other post secondary institutions	$ 2,592	$ 2,958
Other GOA departments and agencies:		
Alberta Health	$ 39,051	$ 34,866
Other	62,238	60,718
Total other GOA departments and agencies	$ 101,289	$ 95,584
Total contributions received	$ 674,831	$ 610,375
Restricted expended capital recognized as revenue	60,813	61,545
Less: amounts received for endowment	(10,000)	(9,700)
Less: deferred revenues	(92,793)	(50,101)
Government of Alberta Grants	$ 632,851	$ 612,119

	2017	2016
Accounts receivable		
Advanced Education	$ 555	$ 97
Other GOA departments and agencies	25,662	9,910
Other post secondary institutions	24	215
	$ 26,241	$ 10,222

	2017	2016
Accounts payable		
Other GOA departments and agencies	$ 2,624	$ 2,389
Other post secondary institutions	333	17
	$ 2,957	$ 2,406

The University has debt with Alberta Capital Finance Authority as described in Note 9.

(in thousands)

20. Salary and Employee Benefits

2017

	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**	**116**	**301**	**897**
Vice-Presidents:				
Provost and Vice President Academic	**425**	**12**	**132**	**569**
Vice President Development and Alumni Engagement [9]	**196**	**34**	**55**	**285**
Vice President Facilities	**315**	**12**	**85**	**412**
Vice President Finance and Services	**320**	**12**	**97**	**429**
Vice President Research				
Incumbent [10]	**391**	**12**	**111**	**514**
Acting [10]	**146**	**3**	**18**	**167**
Vice President University Relations	**282**	**12**	**86**	**380**

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 and Alumni Engagement	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

1. Base salary includes pensionable base pay.
2. Other cash benefits include administrative honorariums, bonuses, relocation benefits, executive allowances and lump sum payments.
3. Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee family assistance program, critical illness, supplementary health care, short and long-term disability plans, dental plan, professional memberships, supplemental retirement plan (per footnote (4)), accidental disability and dismemberment.

(in thousands)

20. Salary and Employee Benefits (Continued)

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. 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 future administrative leave benefits during the year that have been included in other non-cash benefits.
9. The individual occupied this role for 8 months during the fiscal year. There was no individual in this role for 4 months during the fiscal year.
10. During the fiscal year, the Vice President Research Incumbent position was occupied for 6 months and on administrative leave for 6 months. During the Incumbent's administrative leave, the Vice President Research Acting position was occupied for 6 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, 2016	Service costs	Interest costs	Actuarial loss (gain)	Benefits paid	Accrued Benefit Obligation March 31, 2017
President	$ 753	**$ 131**	**$ 27**	**$ (54)**	**$ -**	**$ 857**
Vice-Presidents:						
Provost and Vice President Academic	455	**97**	**17**	**(18)**	**-**	**551**
Vice President Development and Alumni Engagement	59	**35**	**3**	**12**	**-**	**109**
Vice President Facilities	126	**58**	**5**	**(6)**	**-**	**183**
Vice President Finance and Services	112	**65**	**5**	**(5)**	**-**	**177**
Vice President Research						
Incumbent	394	**83**	**14**	**(15)**	**-**	**476**
Acting	-	**-**	**-**	**-**	**-**	**-**
Vice President University Relations	257	**51**	**9**	**4**	**-**	**321**

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 8.

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

	Accrued Benefit Obligation March 31, 2016	Service costs	Interest costs	Actuarial loss (gain)	Benefits paid	Accrued Benefit Obligation March 31, 2017
Administrative Leave	$ 628	**$ 109**	**$ 17**	**$ (3)**	**$ -**	**$ 751**

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

21. Comparative figures

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

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