UNIVERSITY OF
CALGARY

Consolidated Financial Statements

For the Year Ended
March 31, 2018

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STATEMENT OF MANAGEMENT RESPONSIBILITY

The University of Calgary ("the University") is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with Canadian Public Sector Accounting Standards as described in note 2 to the consolidated financial statements. The consolidated financial statements present fairly the financial position of the University as at March 31, 2018 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, 2018 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.

[Originally signed by Elizabeth Cannon]
President & Vice-Chancellor

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

Auditor General
OF ALBERTA

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, 2018, 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, 2018, 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 W. Doug Wylie FCPA, FCMA, ICD.D]

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

June 4, 2018
Edmonton, Alberta

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018
(in thousands)

		2018		2017 Restated - Note 3
Financial assets excluding portfolio investments restricted for endowments				
Cash and cash equivalents	$	145,295	$	46,463
Portfolio investments - non-endowment (Note 4)		886,760		994,376
Accounts receivable		70,306		76,348
Inventories held for sale		4,363		6,340
Investment in government business enterprises (Note 6)		(9,974)		(7,294)
	$	1,096,750	$	1,116,233
Liabilities				
Accounts payable and accrued liabilities	$	166,723	$	147,621
Employee future benefit liabilities (Note 8)		115,453		127,507
Debt (Note 9)		164,069		236,834
Deferred revenue (Note 10)		468,234		440,938
	$	914,479	$	952,900
Net financial assets excluding portfolio investments restricted for endowments	$	182,271	$	163,333
Portfolio investments - restricted for endowments (Note 4)	$	952,665	$	888,099
Net financial assets	$	1,134,936	$	1,051,432
Non-financial assets				
Prepaid expenses	$	7,334	$	19,007
Tangible capital assets (Note 7)		1,880,149		1,810,250
	$	1,887,483	$	1,829,257
Net assets before spent deferred capital contributions	$	3,022,419	$	2,880,689
Spent deferred capital contributions (Note 11)	$	1,352,515	$	1,270,922
Net assets (Note 12)	$	1,669,904	$	1,609,767
Net assets is comprised of:				
Accumulated surplus	$	1,561,364	$	1,467,489
Accumulated remeasurement gains		108,540		142,278
	$	1,669,904	$	1,609,767

Contingent assets and contractual rights (Note 13 and 15)

Contingent liabilities and contractual obligations (Note 14 and 16)

Approved by the Board of Governors:

[Originally signed by Jill Wyatt]
Chair, Board of Governors

[Originally signed by Firoz Talakshi]
Chair, Audit Committee

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

CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2018
(in thousands)

UNIVERSITY OF CALGARY

	2018 Budget (Note 17)	2018	2017 *Restated - Note 3*
Revenue			
Government of Alberta grants (Note 22)	$ 628,681	$ 681,426	$ 665,236
Federal and other government grants (Note 22)	150,929	165,346	150,134
Sales of services and products	121,618	122,165	126,279
Student tuition and fees	227,426	229,906	226,481
Donations and other grants	156,452	146,207	136,828
Investment income (Note 18)	47,018	53,495	59,607
Investment income (loss) from government business enterprise (Note 6)	-	3,741	(3,669)
	$ 1,332,124	$ 1,402,286	$ 1,360,896
Expense			
Academic costs and institutional support	$ 798,039	$ 811,006	$ 794,203
Research	346,665	387,069	361,691
Special purpose and trust	70,631	77,204	69,829
Facilities operations and maintenance	71,898	78,146	69,400
Ancillary services	44,891	43,862	46,510
	$ 1,332,124	$ 1,397,287	$ 1,341,633
Annual operating surplus	$ -	$ 4,999	$ 19,263
Endowment donations		18,557	29,071
Endowment capitalized investment income (Note 18)		70,319	40,469
Endowment donations and capitalized investment income		$ 88,876	$ 69,540
Annual surplus		$ 93,875	$ 88,803
Accumulated surplus, beginning of year (Restated - Note 3)		1,467,489	1,378,686
Accumulated surplus, end of year (Note 12)		$ 1,561,364	$ 1,467,489

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

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2018
(in thousands)

UNIVERSITY OF CALGARY

		2018		2017
				Restated - Note 3
Annual surplus	**$**	**93,875**	$	88,803
Acquisition of tangible capital assets		**(196,684)**		(140,295)
Proceeds from sale of tangible capital assets		**141**		147
Amortization of tangible capital assets		**126,618**		124,432
Loss on disposal of tangible capital assets		**26**		544
Change in prepaid expenses		**11,673**		1,845
Change in spent deferred capital contributions		**81,593**		12,655
Change in accumulated remeasurement gains		**(33,738)**		34,201
Increase in net financial assets	**$**	**83,504**	$	122,332
Net financial assets, beginning of year	**$**	**1,051,432**	$	929,100
Net financial assets, end of year	**$**	**1,134,936**	$	1,051,432

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

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2018
(in thousands)

UNIVERSITY OF CALGARY

		2018		2017
Accumulated remeasurement gains, beginning of year	$	**142,278**	$	108,077
Unrealized gains (losses) attributable to:				
Foreign exchange		**(331)**		19
Quoted in active market financial instruments				
Portfolio investments - non-endowments		**(9,750)**		(3,271)
Portfolio investments - restricted for endowments		**-**		-
Designated fair value financial instruments				
Portfolio investments - non-endowments		**(135)**		(945)
Portfolio investments - restricted for endowments		**48,398**		77,894
Amounts reclassified to consolidated statement of operations:				
Foreign exchange		**(19)**		304
Quoted in active market financial instruments				
Portfolio investments - non-endowments		**807**		(8,114)
Portfolio investments - restricted for endowments		**-**		-
Designated fair value financial instruments				
Portfolio investments - non-endowments		**-**		(14)
Portfolio investments - restricted for endowments		**(72,708)**		(31,672)
Change in accumulated remeasurement gains	$	**(33,738)**	$	34,201
Accumulated remeasurement gains, end of year (Note 12)	$	**108,540**	$	142,278

Accumulated remeasurement gains (losses) is comprised of:				
Portfolio investments - non-endowments	$	**(13,284)**	$	(4,206)
Portfolio investments - restricted for endowments		**122,155**		146,465
Foreign exchange		**(331)**		19
	$	**108,540**	$	142,278

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2018
(in thousands)

UNIVERSITY OF CALGARY

		2018		2017 *Restated - Note 3*
Operating transactions				
Annual surplus	**$**	**93,875**	$	88,803
Add (deduct) non-cash items:				
Amortization of tangible capital assets		**126,618**		124,432
Gain on sale of portfolio investments		**(83,813)**		(59,036)
Loss on disposal of tangible capital assets		**26**		544
Capital gifts in kind received		**(1,686)**		(1,167)
Expended capital recognized as revenue		**(85,390)**		(86,146)
Change in investment in government business enterprises		**2,680**		3,669
Decrease in employee future benefit liabilities		**(12,054)**		(6,268)
Change in non-cash items	**$**	**(53,619)**	$	(23,972)
Decrease (Increase) in accounts receivable		**6,042**		(6,322)
Decrease in prepaid expenses		**11,673**		1,845
Decrease (increase) in inventories held for sale		**1,977**		(592)
Increase in accounts payable and accrued liabilities		**19,102**		57
Increase in deferred revenue		**27,296**		8,783
Cash provided by operating transactions	**$**	**106,346**	$	68,602
Capital transactions				
Acquisition of tangible capital assets less gift in kind	**$**	**(194,998)**	$	(139,128)
Proceeds on sale of tangible capital assets		**141**		147
Cash applied to capital transactions	**$**	**(194,857)**	$	(138,981)
Investing transactions				
Purchases of portfolio investments	**$**	**(65,365)**	$	(128,705)
Proceeds on sale of portfolio investments		**158,490**		101,437
Cash provided by (applied to) investing transactions	**$**	**93,125**	$	(27,268)
Financing transactions				
Debt - repayment	**$**	**(72,765)**	$	(22,780)
Debt - new financing		**-**		4,625
Increase in spent deferred capital, less expended capital recognized as revenue		**166,983**		98,801
Cash provided by financing transactions	**$**	**94,218**	$	80,646
Increase (decrease) in cash and cash equivalents	**$**	**98,832**	$	(17,001)
Cash and cash equivalents, beginning of year	**$**	**46,463**	$	63,464
Cash and cash equivalents, end of year	**$**	**145,295**	$	46,463

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)

Endowments (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) Cash and cash equivalents

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

(e) Inventories held for sale

Inventories 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.

(f) 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.

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

(g) 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.

(h) 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.

(i) Investment in government nonprofit organization, other government organization, and government partnerships

The consolidated financial statements include the financial results of the following wholly-owned entities:

- 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.
- University Technologies Group ("UTI"), a group of entities being combined under common control and managed by a common owner. UTI operates to facilitate the transfer of intellectual property from the University to private business, thereby commercializing the scientific innovations of University researchers.

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

- Tri-University Meson Facility (TRIUMF) (7.69% interest) - a joint venture with twelve 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)

(j) 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. The University's wholly-owned entity accounted for by the modified equity basis is West Campus Development Corporation ("WCDC").

(k) 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.

(l) 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.

(m) Future accounting changes

In June 2015, the Public Sector Accounting Board issued PS 3430 Restructuring transactions. This accounting standard is effective for fiscal years starting on or after April 1, 2018. PS 3430 Restructuring transactions defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

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

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

3. Correction of Prior Period Financial Statement Error and Adoption of New Accounting Standards

(a) Correction of prior period financial statement error

During the fiscal year, the University completed a review of its deferred revenue liability. The review identified $113.2 million included in deferred revenue and $7.1 million included in spent deferred capital contributions that did not meet PSAS requirements for liability recognition. These amounts should have been recorded as revenue in prior fiscal years when the amounts were received or when the obligations of the liability were met. The University retroactively corrected the error and the comparative numbers have been restated.

The impact of the correction to prior year numbers was a decrease of $113.2 million in deferred revenue, a decrease of $7.1 million in spent deferred capital contributions, and an increase of $120.3 million in accumulated surplus ($113.2 million in unrestricted net assets and $7.1 million in investment in tangible capital assets). The correction also included an increase of $14.9 million to prior year revenues and annual operating surplus. The impact of this correction of prior period financial statements is noted in a table below in combination with impacts from the adoption of PSAS 3420 Inter-entity transactions.

(b) Adoption of new accounting standards

Inter-entity transactions

Effective April 1, 2017, the University adopted the new PSAS 3420 Inter-entity transactions. PS 3420 contains standards for both accounting and reporting transactions between public sector entities that comprise a government's reporting entity from the provider's and the recipient's perspective. The new standard provides guidance on cost allocation, measurement of transactions, unallocated costs, and transfer of assets. When there is a policy of cost allocation and recovery for provision of goods and services, the provider reports all revenue and expenses on a gross basis and the recipient reports expenses on a gross basis. Previously, if a provider and recipient were in an agent relationship the provider was permitted to record revenue and expenses on a net basis. The impact of adopting PSAS 3420 resulted in prior year revenue and expense equally increasing by $27.8 million with no impact to annual operating surplus.

This adoption has been applied retroactively with restatement of comparative numbers. The impact of adopting PSAS 3420 on the prior year financial statements is noted in the table below.

Related party disclosures

Effective April 1, 2017, the University adopted the new PSAS 2200 Related Party Disclosure. PS 2200 contains standards for related party disclosures for related parties and related party transactions, including key management personnel and Board of Governors and close family members. This new section defines a related party. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and when the transactions have, or could have, a material financial effect on the financial statements. This new disclosure has been included in note 21.

Assets

Effective April 1, 2017, the University adopted the new PSAS 3210 Assets. PS 3210 contains standards for defining and disclosing assets. There was no impact to the consolidated financial statements.

Contingent assets

Effective April 1, 2017, the University adopted the new PSAS 3320 Contingent Assets. PS 3320 contains standards for defining and disclosing contingent assets. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. This new disclosure has been included in note 13.

Contractual rights

Effective April 1, 2017, the University adopted the new PSAS 3380 Contractual Rights. PS 3380 contains standards for contractual rights. Disclosure of information about contractual rights is required, including a description of their nature and extent and the timing. This new disclosure has been included in note 15.

(in thousands)

3. Correction of Prior Period Financial Statement Error and Adoption of New Accounting Standards (Continued)

Impacts of Correction and Adoption of New Accounting Standards	March 31, 2017 Previously recorded	Prior period error	Adoption of PSAS 3420 (Inter-entity transactions)	March 31, 2017 Restated
Increase (decrease) in:				
Consolidated Statement of Operations				
Revenue				
Government of Alberta grants	$ 632,851	$ 4,541	$ 27,844	$ 665,236
Federal and other government grants	144,904	5,230	-	150,134
Donations and other grants	131,681	5,147	-	136,828
Expense				
Academic costs and institutional support	766,359	-	27,844	794,203
Annual operating surplus	4,345	14,918	-	19,263
Annual surplus	73,885	14,918	-	88,803
Accumulated surplus, beginning of year	1,273,288	105,398	-	1,378,686
Accumulated surplus, end of year	1,347,173	120,316	-	1,467,489

Impacts of Correction and Adoption of New Accounting Standards	March 31, 2017 Previously recorded	Prior period error	Adoption of PSAS 3420 (Inter-entity transactions)	March 31, 2017 Restated
Increase (decrease) in:				
Consolidated Statement of Financial Position				
Deferred revenue	$ 554,138	$ (113,200)	$ -	$ 440,938
Spent deferred capital contributions	1,278,038	(7,116)	-	1,270,922
Accumulated surplus	1,347,173	120,316	-	1,467,489
Net financial assets excluding portfolio investments restricted for endowments	50,133	113,200	-	163,333
Net financial assets	938,232	113,200	-	1,051,432

(in thousands)

4. Portfolio investments

	2018	2017
Portfolio investments - non-endowment	**$ 886,760**	$ 994,376
Portfolio investments - restricted for endowments	**952,665**	888,099
	$ 1,839,425	$ 1,882,475

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

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Portfolio investments at fair value:				
Bonds				
Canadian government and corporate	**$ -**	**$ 553,911**	**$ -**	**$ 553,911**
Pooled investments funds	**-**	**89,448**	**-**	**89,448**
Equities				
Canadian equities	**3,362**	**-**	**-**	**3,362**
Foreign equities	**1,712**	**-**	**-**	**1,712**
Pooled investments funds	**-**	**856,503**	**-**	**856,503**
Other				
Cash and money market funds	**23,358**	**-**	**-**	**23,358**
Guaranteed investment certificate (GICs)	**-**	**28,153**	**-**	**28,153**
Canadian mortgages	**-**	**282,978**	**-**	**282,978**
	$ 28,432	**$ 1,810,993**	**$ -**	**$ 1,839,425**

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

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).

(in thousands)

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 5.2% 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, 2018, if market prices had a 5.2% (2017 - 5.9%) 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 $93,150 (2017 - $98,532).

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.

The impact of a change in value of foreign currency portfolio investments is as follows:

	Fair Value	2.5% decrease	1.0% decrease	1.0% increase	2.5% increase
U.S. and International Equity	$ 556,592	$ 542,677	$ 551,026	$ 562,158	$ 570,507

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.

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

Credit Rating	2018	2017
AAA	**52.53 %**	56.06 %
AA	**18.13 %**	20.80 %
A	**17.77 %**	10.49 %
BBB	**11.57 %**	12.65 %
	100.00 %	100.00 %

(in thousands)

5. Financial risk management (Continued)

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, 2018, the University has committed borrowing facilities of $18,750 (2017 - $16,750) 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 as described in Note 9. If interest rates increased by 1% and all other variables are held constant, the potential loss in fair value on bonds and mortgage funds to the University would be $29,575 (2017 - $34,563).

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 %	-	-	1.41 %
Canadian government and corporate bonds	8.86 %	78.70 %	12.44 %	2.20 %
Canadian mortgage fund	21.94 %	49.02 %	29.04 %	3.73 %

(in thousands)

6. Investment in government business enterprises

WCDC is a wholly-owned subsidiary of the University of Calgary. 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.

During the year, UTI became an other government organization through a funding agreement with the University. As a result of the change in UTI's status from a government business enterprise to an other government organization, UTI has been consolidated on a line by line basis for the year ended March 31, 2018.

The following table provides condensed supplementary financial information reported separately for each Investment in government business enterprise owned by the University.

	UTI		WCDT		Total	
	2018	2017	**2018**	2017	**2018**	2017
Assets						
Cash	**$ -**	$ 4,753	**$ -**	$ -	**$ -**	$ 4,753
Accounts receivable	**-**	252	**129**	344	**129**	596
Promissory notes receivable	**-**	33	**-**	-	**-**	33
Deposit	**-**	-	**14,887**	6,598	**14,887**	6,598
Prepaid expenses	**-**	-	**40**	25	**40**	25
Investments	**-**	738	**-**	-	**-**	738
Capital assets	**-**	3	**2,914**	1,385	**2,914**	1,388
Development costs	**-**	-	**28,640**	19,724	**28,640**	19,724
Intangible assets	**-**	951	**39**	99	**39**	1,050
	$ -	$ 6,730	**$ 46,649**	$ 28,175	**$ 46,649**	$ 34,905
Liabilities						
Accounts payable and accrued liabilities	**$ -**	$ 279	**$ 6,176**	$ 7,756	**$ 6,176**	$ 8,035
Income taxes payable	**-**	4	**-**	-	**-**	4
Deferred revenue	**-**	26	**3,945**	3,448	**3,945**	3,474
Long term debt	**-**	-	**40,673**	30,686	**40,673**	30,686
Cost to complete	**-**	-	**5,829**	-	**5,829**	-
	$ -	$ 309	**$ 56,623**	$ 41,890	**$ 56,623**	$ 42,199
Equity						
Share capital	**$ -**	$ 5,233	**$ -**	$ -	**$ -**	$ 5,233
Surplus (deficit)	**-**	1,188	**(9,974)**	(13,715)	**(9,974)**	(12,527)
	$ -	$ 6,421	**$ (9,974)**	$ (13,715)	**$ (9,974)**	$ (7,294)
	$ -	$ 6,730	**$ 46,649**	$ 28,175	**$ 46,649**	$ 34,905

	2018	2017	**2018**	2017	**2018**	2017
Net Income (loss)						
Revenues	**$ -**	$ 222	**$ 7,613**	$ 381	**$ 7,613**	$ 603
Expenses	**-**	428	**3,872**	3,844	**3,872**	4,272
	$ -	$ (206)	**$ 3,741**	$ (3,463)	**$ 3,741**	$ (3,669)

(in thousands)

7. Tangible capital assets

	2018					2017
	Buildings	**Furnishings, equipment and systems**	**Learning resources**	**Land**	**Total**	Total
Cost						
Beginning of year	**$ 2,513,323**	**$ 874,868**	**$ 224,840**	**$ 14,082**	**$ 3,627,113**	$ 3,493,970
Acquisitions	**149,258**	**38,988**	**8,438**	**-**	**196,684**	140,295
Disposals	**(20)**	**(27,423)**	**(244)**	**-**	**(27,687)**	(7,152)
Write off of fully amortized assets	**(1,179)**	**(409,181)**	**-**	**-**	**(410,360)**	-
	$ 2,661,382	**$ 477,252**	**$ 233,034**	**$ 14,082**	**$ 3,385,750**	$ 3,627,113
Accumulated amortization						
Beginning of year	**$ 899,579**	**$ 733,601**	**$ 183,683**	**$ -**	**$ 1,816,863**	$ 1,698,892
Amortization expense	**74,527**	**43,495**	**8,596**	**-**	**126,618**	124,432
Disposals	**(8)**	**(27,397)**	**(115)**	**-**	**(27,520)**	(6,461)
Write off of fully amortized assets	**(1,179)**	**(409,181)**	**-**	**-**	**(410,360)**	-
	$ 972,919	**$ 340,518**	**$ 192,164**	**$ -**	**$ 1,505,601**	$ 1,816,863
Net book value at March 31, 2018	**$ 1,688,463**	**$ 136,734**	**$ 40,870**	**$ 14,082**	**$ 1,880,149**	$ 1,810,250
Net book value as at March 31, 2017	$ 1,613,744	$ 141,267	$ 41,157	$ 14,082	$ 1,810,250	

Acquisitions of tangible capital assets include capitalized interest of $188 (2017 - $411).

Tangible capital assets include work-in-process at March 31, 2018 totaling $112,818 (2017 - $62,660) comprised of buildings $107,567 (2017 - $55,753) and furnishings, equipment and systems $5,251 (2017 - $6,907). 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 $1,686 (2017 - $1,167).

8. Employee future benefit liabilities

Employee future benefit liabilities are comprised of the following:

	2018	2017
Universities Academic Pension Plan	**$ 101,211**	$ 113,844
Long-term Disability	**2,029**	2,087
Administrative Leave (Note 23)	**880**	751
Supplementary Retirement Plan	**11,333**	10,825
	$ 115,453	$ 127,507

(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, 2016 and was then extrapolated to March 31, 2018, resulting in a UAPP deficiency of $446,722 (2017 - $763,861) consisting of a pre-1992 deficiency of $735,624 (2017 - $806,430) and a post-1991 surplus of $288,902 (2017 - $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.

(in thousands)

8. Employee future benefit liabilities (Continued)

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2017 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.90% (2017 - 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 $244,241 (2017 - $293,557) at March 31, 2018.

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, 2018.

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

	March 31, 2018			March 31, 2017		
	UAPP	**Long term disability [1]**	**SRP [1]**	UAPP	Long term disability [1]	SRP [1]
Expenses						
Current service cost	**$ 32,063**	**$ 645**	**$ 523**	$ 32,209	$ 566	$ 520
Interest cost	**5,596**	**47**	**349**	7,119	53	329
Amortization of net actuarial (gain) loss	**(2,723)**	**(541)**	**23**	(1,077)	(616)	71
Total expenses	**$ 34,936**	**$ 151**	**$ 895**	$ 38,251	$ 3	$ 920
Financial Position						
Accrued benefit obligation:						
Balance, beginning of year	**$ 834,870**	**$ 2,087**	**$ 10,918**	$ 819,450	$ 2,306	$ 10,634
Current service cost	**32,063**	**645**	**523**	32,209	566	520
Interest cost	**50,908**	**48**	**349**	50,042	53	329
Benefits paid	**(36,937)**	**(210)**	**(386)**	(35,260)	(222)	(376)
Actuarial loss (gain)	**14,606**	**(541)**	**(260)**	(31,571)	(616)	(189)
Balance, end of year	**$ 895,510**	**$ 2,029**	**$ 11,144**	$ 834,870	$ 2,087	$ 10,918
Plan assets	**858,399**	**-**	**-**	749,886	-	-
Plan deficit	**$ (37,111)**	**$ (2,029)**	**$ (11,144)**	$ (84,984)	$ (2,087)	$ (10,918)
Unamortized net actuarial (gain) loss	**$ (64,100)**	**$ -**	**$ (189)**	$ (28,860)	$ -	$ 93
Accrued benefit liability	**$ (101,211)**	**$ (2,029)**	**$ (11,333)**	$ (113,844)	$ (2,087)	$ (10,825)

(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, 2018			March 31, 2017		
	UAPP	**Long term disability**	**SRP**	UAPP	Long term disability	SRP
Accrued benefit obligation:						
Discount rate	**6.00 %**	**2.80 %**	**3.20 %**	6.00 %	2.40 %	3.10 %
Long term average compensation increase	**3.00 %**	**n/a**	**3.00 %**	3.00 %	n/a	3.00 %
Benefit cost:						
Discount rate	**6.00 %**	**2.80 %**	**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 %
Alberta inflation (long term)	**2.00 %**	**n/a**	**1.50 %**	2.00 %	n/a	1.50 %
Estimated average remaining service life	**10.6 yrs**	**7.31 yrs**	**4.0 yrs**	10.8 yrs	7.28 yrs	5.0 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 $24,707 (2017 - $24,216).

An actuarial valuation of the PSPP was carried out as at December 31, 2016 and was then extrapolated to December 31, 2017. At December 31, 2017, the PSPP reported an actuarial surplus of $1,275,843 (2016 actuarial surplus - $302,975). For the year ended December 31, 2017 PSPP reported employer contributions of $363,748 (2016 - $350,083). For the 2017 calendar year, the University's employer contributions were $25,060 (2016 - $24,317).

(in thousands)

9. Debt

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

	Collateral	Maturity date	Interest rate %	2018	2017
Debentures payable to Alberta Capital Finance Authority:					
Debenture for Cascade Hall	(1)	May 2025	6.25%	$ **8,126**	$ 8,892
Debenture for Schulich Expansion	(1)		1.61%	**-**	15,362
Debenture for Residence Renewal Program	(1)		4.43%	**-**	10,602
Debenture for Downtown Campus	(2)		4.27%	**-**	11,741
Debenture for Health Renovation Innovation Centre/Parkade	(1)		4.94%	**-**	4,281
Debenture for Utilities Reduction Program	(1)		2.15%	**-**	4,372
Debenture for Child Development Centre	(1)		5.25%	**-**	1,482
Debenture for International Residence House	(1)		4.69%	**-**	19,772
Debenture for Residences	(1)	December 2038	3.90%	**78,506**	80,886
Debenture for International Residence House	(1)	June 2039	5.10%	**25,132**	25,764
Debenture for Phase VI Residence	(1)	March 2040	4.73%	**51,938**	53,257
Bank loans payable:					
Demand loan for Western Canadian Universities Marine Sciences Society	(3)	April 2020	3.39%	**228**	243
				$ **163,930**	$ 236,654
Obligations under capital leases				$ **139**	$ 180
				$ **164,069**	$ 236,834

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

Interest expense on debt recorded in these consolidated statements is $9,362 (2017 - $10,475) of which $188 (2017 - $411) was capitalized. Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	$ 5,391	$ 7,269	$ 12,660
2020	5,626	7,019	12,645
2021	6,065	6,751	12,816
2022	6,141	6,476	12,617
2023	6,427	6,189	12,616
Thereafter	134,419	54,680	189,099
	$ 164,069	$ 88,384	$ 252,453

(in thousands)

10. Deferred revenue

	2018		
	Unspent externally restricted grants and donations	**Tuition and other fees**	**Total**
Balance, beginning of year	**$ 419,623**	**$ 21,315**	**$ 440,938**
Grants, tuition and donations received	**569,386**	**231,878**	**801,264**
Investment income	**29,718**	**-**	**29,718**
Transfer to spent deferred capital contributions	**(166,983)**	**-**	**(166,983)**
Recognized as revenue	**(407,615)**	**(229,088)**	**(636,703)**
	$ 444,129	**$ 24,105**	**$ 468,234**

	2017		
	Unspent externally restricted grants and donations	Tuition and other fees	Total
	Restated - Note 3		*Restated - Note 3*
Balance, beginning of year	$ 406,924	$ 25,231	$ 432,155
Grants, tuition and donations received	447,568	236,585	684,153
Investment income	24,781	-	24,781
Transfer to spent deferred capital contributions	(98,801)	-	(98,801)
Recognized as revenue	(360,849)	(240,501)	(601,350)
	$ 419,623	$ 21,315	$ 440,938

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).

	2018	2017 *Restated - Note 3*
Balance, beginning of year	**$ 1,270,922**	$ 1,258,267
Transfer from unspent externally restricted grants and donations	**166,983**	98,801
Recognized as revenue	**(85,390)**	(86,146)
	$ 1,352,515	$ 1,270,922

(in thousands)

12. Net Assets

	2018					2017
	Unrestricted	**Investment in tangible capital assets**	**Internally restricted**	**Endowments**	**Total**	Total
						Restated - Note 3
Net Assets, beginning of year	**$ 129,041**	**$ 305,624**	**$ 287,003**	**$ 888,099**	**$ 1,609,767**	$ 1,486,763
Annual operating surplus	**4,999**	**-**	**-**	**-**	**4,999**	19,263
Transfer to internally restricted net of expenditures	**(91,289)**	**-**	**91,289**	**-**	**-**	-
Endowment						
New contributions	**-**	**-**	**-**	**18,557**	**18,557**	29,071
Capitalized investment income	**-**	**-**	**-**	**70,319**	**70,319**	40,469
Tangible capital assets						
Acquisition of capital assets	**(19,421)**	**29,701**	**(10,280)**	**-**	**-**	-
Amortization of capital assets	**41,357**	**(41,357)**	**-**	**-**	**-**	-
Debt repayment	**(57,403)**	**72,765**	**(15,362)**	**-**	**-**	-
Debt - new financing	**3,168**	**(3,168)**	**-**	**-**	**-**	-
Change in accumulated remeasurement gains	**(9,428)**	**-**	**-**	**(24,310)**	**(33,738)**	34,201
Net assets at March 31, 2018	**$ 1,024**	**$ 363,565**	**$ 352,650**	**$ 952,665**	**$ 1,669,904**	$ 1,609,767
Net assets is comprised of:						
Accumulated surplus	**$ 14,639**	**$ 363,565**	**$ 352,650**	**$ 830,510**	**$ 1,561,364**	$ 1,467,489
Accumulated remeasurement (losses) gains	**(13,615)**	**-**	**-**	**122,155**	**108,540**	142,278
Net assets at March 31, 2018	**$ 1,024**	**$ 363,565**	**$ 352,650**	**$ 952,665**	**$ 1,669,904**	$ 1,609,767

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:

	2018	2017
Capital projects	**$ 111,481**	$ 61,937
Academic and institutional initiatives	**145,248**	145,116
Research activities	**95,921**	79,950
	$ 352,650	$ 287,003

13. Contingent assets

The University is a defendant in a number of legal proceedings arising in the normal course of business. The University has insurance to recover any possible legal settlement. The future receipt of these assets is dependent on the outcome of the contingent liability occurring. Contingent assets are not recorded in the consolidated financial statements.

(in thousands)

14. Contingent liabilities

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.

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, 2018 the University had entered into agreements that provide guarantees on employee housing loans in the amount of $555 (2017 - $725). These amounts are not recorded in the consolidated financial statements.

15. Contractual rights

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

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

	Operating leases	Capital leases	Other Contracts	Total
2019	$ 4,279	$ 1,525	$ 9,356	$ 15,160
2020	3,336	1,525	3,341	8,202
2021	2,562	1,525	2,037	6,124
2022	2,164	1,525	1,701	5,390
2023	861	1,544	1,228	3,633
Thereafter	468	7,608	982	9,058
March 31, 2018	$ 13,670	$ 15,252	$ 18,645	$ 47,567
March 31, 2017	$ 17,166	$ 16,779	$ 13,328	$ 47,273

16. 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
2019	$ 54,152	$ 66,462	$ 7,056	$ 127,670
2020	2,442	72,846	6,904	82,192
2021	1,693	48,070	7,078	56,841
2022	1,078	18,224	7,024	26,326
2023	-	-	5,391	5,391
Thereafter	-	-	44,505	44,505
March 31, 2018	$ 59,365	$ 205,602	$ 77,958	$ 342,925
March 31, 2017	$ 57,146	$ 46,162	$ 85,058	$ 188,366

(in thousands)

16. Contractual obligations (Continued)

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, 2018 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, 2018, the estimated contractual obligations including executed hedge contracts are $4,830 (2017 - $9,433) for electricity and $10,084 (2017 - $14,590) 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, 2017 CURIE had a deficit of $890 (2016 - surplus of $16,583). The University participates in six of the underwriting periods, which have an accumulated surplus of $81,232 (2016 - $84,908) of which the University's pro rata share is approximately 6.03% (2016 - 6.83%). This surplus is not recorded in the consolidated financial statements.

17. 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.

18. Investment income

	2018	2017
Portfolio investments - restricted for endowments	**$ 98,562**	$ 65,225
Portfolio investments - non-endowment	**25,252**	34,851
	$ 123,814	$ 100,076
Income capitalized to endowments	**(70,319)**	(40,469)
	$ 53,495	$ 59,607

19. Expense by object

	2018 Budget (Note 17)	**2018**	2017 *Restated - Note 3*
Salaries	$ 651,890	**$ 676,927**	$ 658,106
Employee benefits	125,637	**120,274**	117,579
Materials, supplies and services	286,706	**314,348**	284,664
Utilities	29,330	**27,507**	25,082
Maintenance and repairs	12,842	**19,947**	20,331
Scholarships and bursaries	88,444	**99,181**	96,837
Cost of goods sold	13,060	**12,485**	14,602
Amortization of tangible capital assets	124,215	**126,618**	124,432
	$ 1,332,124	**$ 1,397,287**	$ 1,341,633

(in thousands)

20. 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.

	2018	2017
University of Calgary Medical Group	**$ 10,812**	$ 11,633
University Child Care Centre Society	**1,554**	1,473
Alberta Gambling Research Institute	**711**	1,642
State of Qatar	**132**	206
Canadian Institute of Resource Law	**113**	132
Canadian Research Institute for Law and the Family	**48**	22
Others	**84**	87
	$ 13,454	$ 15,195

21. Related parties

The University is a related party to organizations within the Government of Alberta reporting entity. Key management personnel and Board of Governors and close family members are also considered related parties. The institution may enter into transactions with these entities and individuals in the normal course of operations and on normal terms.

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

During the year, the University provided and received the following services at nominal or reduced amounts:

- The University operates its Spyhill Campus on land leased from the Alberta Ministry of Infrastructure under a 42 year lease agreement. The University of Calgary has occupied the 131 acre Spyhill Campus since 1972 and is charged a nominal annual amount.
- The University's Biogeoscience Institute is a leading field research station that operates in the Kananaskis Provincial Park in Alberta. By maintaining the site and being responsible for all costs, the University occupies the research station at nominal charge from the Alberta Ministry of Environment and Parks.
- The University has integrated programs and research activities with Alberta Health Services ("AHS"). As part of the collaborative environment with AHS and the close proximity of the University to Foothills Hospital and the Alberta Children's Hospital, the University leases 72,200 square feet of space to AHS at amounts covering operating costs.

(in thousands)

22. Government transfers

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.

		2018		2017 *Restated - Note 3*
Grants from GOA				
Advanced Education:				
Operating	**$**	**469,696**	$	460,558
Capital		**121,485**		77,553
Research		**6,220**		18,184
Other		**16,061**		14,655
Total Advanced Education	**$**	**613,462**	$	570,950
Other post secondary institutions	**$**	**2,970**	$	2,592
Other GOA departments and agencies:				
Alberta Health	**$**	**71,556**	$	66,895
Other		**63,370**		62,238
Total other GOA departments and agencies	**$**	**134,926**	$	129,133
Total contributions received	**$**	**751,358**	$	702,675
Restricted expended capital recognized as revenue		**62,151**		60,813
Less: amounts received for endowment		**-**		(10,000)
Less: deferred revenues		**(132,083)**		(88,252)
Government of Alberta Grants	**$**	**681,426**	$	665,236

Federal and other government grants				
Contributions received	**$**	**173,993**	$	178,409
Restricted expended capital recognized as revenue	**$**	**11,321**	$	12,188
Less: deferred revenue		**(19,968)**		(40,463)
Federal and other government grants	**$**	**165,346**	$	150,134

(in thousands)

23. Salary and Employee Benefits

	2018			
	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**	**121**	**297**	**898**
Vice-Presidents:				
Provost and Vice President Academic	**429**	**12**	**135**	**576**
Vice President Development and Alumni Engagement	**300**	**39**	**78**	**417**
Vice President Facilities	**315**	**12**	**90**	**417**
Vice President Finance and Services	**320**	**12**	**102**	**434**
Vice President Research	**407**	**12**	**114**	**533**
Vice President University Relations	**282**	**12**	**96**	**390**

	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 (10)				
Incumbent (10)	391	12	111	514
Acting (10)	146	3	18	167
Vice President University Relations	282	12	86	380

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)

23. 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 [(1)]:

	Accrued Benefit Obligation March 31, 2017	Service costs	Interest costs	Actuarial loss (gain)	Benefits paid	Accrued Benefit Obligation March 31, 2018
President	$ 857	**$ 127**	**$ 30**	**$ (14)**	**$ -**	**$ 1,000**
Vice-Presidents:						
Provost and Vice President Academic	551	**97**	**20**	**(55)**	**-**	**613**
Vice President Development and Alumni Engagement	109	**40**	**4**	**(9)**	**-**	**144**
Vice President Facilities	183	**58**	**8**	**(12)**	**-**	**237**
Vice President Finance and Services	177	**65**	**7**	**(11)**	**-**	**238**
Vice President Research	476	**83**	**17**	**(48)**	**-**	**528**
Vice President University Relations	321	**53**	**12**	**(28)**	**-**	**358**

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, 2017	Service costs	Interest costs	Actuarial loss (gain)	Benefits paid	Accrued Benefit Obligation March 31, 2018
Administrative Leave	$ 751	**$ 111**	**$ 21**	**$ (3)**	**$ -**	**$ 880**

The significant actuarial assumptions used to measure the accrued benefit obligation for the Administrative Leave are based on a discount rate of 2.8% (2017 – 2.4%) and a yearly salary increase rate of 0% on July 2018 (previously, 0% on July 1, 2017 and 3.0% per annum thereafter). An administrative leave benefit loading rate of 20% is applied to the President.

24. Comparative figures

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

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