UNIVERSITY OF ALBERTA

FINANCIAL STATEMENTS

for the Year Ended March 31, 2010

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FINANCIAL SERVICES

3rd Floor Administration Building • University of Alberta • Edmonton • Canada • T6G 2M7

Telephone: (780) 492-3000 • Fax: (780) 492-2846

Website: www.financial.ualberta.ca

E-mail: fs.requests@ualberta.ca

Executive Summary

The University of Alberta has reported a $13.5 million excess of revenue over expense for the year ended March 31, 2010 compared to a $67.6 million deficiency reported last year. The $60.6 million unrestricted net assets deficit remains unchanged from last year. The Government of Alberta 6% base operating grant increase and positive investment returns have contributed to the break-even position in unrestricted net assets.

The 2010 excess of revenue over expense is mainly due to higher than expected investment income, lower than budgeted utility costs and a spending lag on enrolment planning envelope funding. The investment returns have rebounded significantly this year compared to losses experienced in the previous two years. The Unitized Endowment Pool (UEP) returned 23.7% (2009: 19.5% loss; 2008: 6.0% loss) and the Non-Endowed Investment Pool (NEIP) returned 3.4% (2009: 1.3% loss; 2008: 2.8% loss).

Other financial highlights for 2010:

- In 2010, the University recorded $26.9 million for its share of the Universities Academic Pension Plan (UAPP) unfunded pension liability (post-1991 deficiency), bringing the total University liability to $81 million. Based on actuarial assumptions, it is anticipated that this liability will be eliminated by approximately December 2021.

- In 2010, the University accrued $16.1 million in salaries expense (represents approximately 180 staff) for the Voluntary Retirement Incentive Program. This one-time retiring allowance program facilitates retirement of staff effective July 31, 2010.

- Total funding in support of the University's research activity for 2010 is $513.5 million compared to $527.9 million in 2009. Sponsored research revenue increased across a variety of funding sources and programs. The decrease in overall research funding is mainly due to a decrease in capital fund research infrastructure grants. The University is among the top five institutions in Canada in attracting research support from the whole range of Canadian and international sponsors.

- The University's successful fund-raising initiatives support many activities across the University. For the 2010 year, new endowment contributions totaled $30.9 million (includes the Government of Alberta's Access to the Future Fund matching grant of $5 million) and expendable donations totaled $26.8 million.

- In support of the University's capital plan, the Government of Alberta provided $318.4 million in funding for several key capital priorities. Some of the larger projects that received funding in 2010 are the Centennial Centre for Interdisciplinary Science ($131.0 million) and The Edmonton Clinic North ($126.4 million). The provincial government also provided $31.1 million of Federal KIP funding for various capital projects and $23.4 million for various upgrade and renovation projects. The University, with assistance from the Government of Alberta, has made significant progress in reducing the overall deferred maintenance value.

Areas of significant financial risk:

- Government of Alberta operating grant;
  The most significant risk facing the University is the reduction in the government base operating grant and other government operating grants. The 2010 year was the final year of a four year provincial government commitment for a 6% annual operating grant increase. In July 2009, the provincial government advised that the University should plan for 0% grant increases in 2011 and 2012. In 2010 and prior years, separate funding envelopes were provided for enrolment funding and other operational funding. For 2011 the University will receive only one form of operating funding, called the Campus Alberta Grant. Through the establishment of this new funding structure, the enrolment planning envelope funding has been rolled into the base operating grant, which effectively reduces the operating funding in 2011 to the University by approximately 4.5% or $27 million. The risk associated with this decrease in funding is the University's ability to support enrolment growth and to maintain the quality of University programs.

- deferred maintenance, which exceeds an estimated $800 million and places programs and initiatives at some risk (refer to later section in the financial analysis);
- an academic staff salary settlement which does not align with provincial government operating grant commitments;
- uncertainty about utility costs due to the volatile energy market, inflationary pressures and investment income which can fluctuate significantly due to market performance.

To assist in addressing the budgetary issues that the University is facing, a committee has been formed to look at overall revenue enhancements, cost containment and administrative efficiencies. This committee will engage the University community in identifying and implementing balanced strategies in response to the evolving budgetary issues.

The University is wholly committed to addressing these risks and will work closely with the provincial government on a long-term strategy that minimizes the University's exposure while maintaining its unprecedented forward momentum.

The Financial Analysis is intended to provide the reader with the financial highlights for the 2010 year and should be read in conjunction with the March 31, 2010 audited Financial Statements.

- *click on Annual Financial Statements*

Other documents the reader can refer to for a more in-depth discussion and analysis of the University's goals and objectives are as follows:

- *click on Key Strategic Planning Documents*
  - *Dare to Discover: A Vision for a Great University*
  - *2007 – 2011 University Plan (update 2010)*
  - *2009 Institutional Access Plan*
    (the 2010 Institutional Access Plan will be available December 2010)
  - *2007 – 2011 Capital Plan (update 2010)*
  - *2008-09 Annual Report*
    (the 2009-10 Annual Report will be available October 2010)
  - *2010-11 Budget*

Other information the reader may find useful:

- *click on Investment Reports (most recent fiscal year)*

website link: http://www.financial.ualberta.ca

Introduction

To reflect the nature and restrictions placed on its revenue sources, the University classifies its revenues into separate categories. The major classification distinction is whether the revenues represent unrestricted or restricted contributions. Unrestricted contributions are flexible in that they are available to the University's Board of Governors to allocate for spending, as it deems appropriate. Such contributions are recognized as revenue immediately. The University, on the other hand, can only expend restricted contributions for the specific purposes defined by the external sponsor or donor. Such contributions are deferred and recognized as revenue when conditions of the contributions are met. Contributions to acquire capital assets with limited life are amortized to revenue over the useful life of the asset.

The University segregates its financial activity into the following separate funds to further enhance accountability, budgetary control and stewardship of resources:

Unrestricted funds:

- General operating - this fund includes the provincial government operating grant, tuition fee revenue, investment income available for general spending and any new revenues generated by faculties and administrative units.
- Enrolment planning envelope (EPE) - funded by the provincial government for the purposes of implementing specific new programs or expanding existing programs. Viable programs may become part of the operating grant in subsequent years.
- Ancillary enterprises - these University business enterprises provide goods and services to the University community and to individuals, companies and organizations external to the University. These units are expected to operate on either a break-even basis, covering their full operating and capital costs, or on a profit basis.

Restricted funds:

- Research - funded by grants and contracts from external sponsors, donations and endowment investment income available for spending.
- Special purpose - funded by grants and contracts from external sponsors, donations and endowment investment income available for spending. Expenditures include scholarships and bursaries, and other special projects involving teaching and community service.
- Capital - funded by provincial, federal and other government grants and donations. Funds are primarily designated for the acquisition of buildings, equipment and furnishings and for major renovations.

For financial statement reporting purposes, the Statement of Financial Position, Statement of Operations, and Statement of Changes in Net Assets combine the assets, liabilities, equity, revenues and expenses of all funds.

Excess of Revenue over Expense

The University ended the 2010 year with a $13.5 million excess of revenue over expense (2009: $67.6 deficiency) and an unrestricted net assets deficit of $60.6 million (2009: $60.5 deficit).

The increase of $81.1 million is mainly due to investment income earned this year compared to last year's investment loss. The UEP (operating investment) had a return of 23.7% (2009 – 19.5% loss) and NEIP had a return of 3.4% (2009 – 1.3% loss). The increase in revenue was somewhat offset by an increase in the pension expense for the University's share of the Universities Academic Pension Plan (UAPP) unfunded pension liability ($16.5) and the new Voluntary Retirement Incentive Program ($16.1). An additional positive impact is due to spending lags on the enrolment planning envelope funding.

The Government of Alberta base operating grant and the enrolment planning envelope grants increased by 6% compared to last year.

Revenues

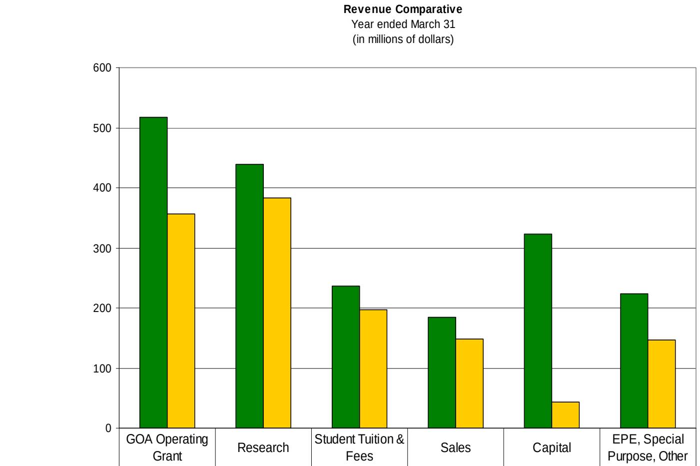
The following table highlights revenues before and after deferrals:

	2010		2009	
	(000's)	**(000's)**	(000's)	(000's)
	Revenue per Financial Statements	**Revenue before Deferrals**	Revenue per Financial Statements	Revenue before Deferrals
Government of Alberta grants	**$ 733,854**	**$ 1,086,515**	$ 681,089	$ 1,114,566
Federal and other government grants	**185,158**	**195,508**	174,647	195,706
Student tuition and fees	**235,799**	**235,799**	221,987	221,987
Sales of services and products	**201,375**	**201,375**	200,762	200,762
Donations and other grants	**112,460**	**127,920**	108,215	127,696
Investment income (loss)	**48,991**	**77,280**	(42,302)	(27,884)
Amortization of deferred capital contributions	**89,054**	**-**	75,514	-
Revenue	**$ 1,606,691**	**$ 1,924,397**	$ 1,419,912	$ 1,832,833

Total Revenues (before deferrals)

While the University's major funding comes from the Government of Alberta (GOA) operating grant, tuition fees and sales, there have also been significant increases in restricted funds for sponsored research, infrastructure and specific academic programs.

In 2010, total revenues (before deferrals) amounted to $1,924.4 million (2006: $1,273.1) representing a 51.2% increase over the five year period.



	GOA Operating Grant	Research	Student Tuition & Fees	Sales	Capital	EPE, Special Purpose, Other
2010	518.1	439.1	235.8	184.8	323.5	223.1
2006	356.1	382.8	196.8	147.7	43.4	146.3
% of total revenue						
2010	26.9%	22.8%	12.3%	9.6%	16.8%	11.6%
2006	28.0%	30.1%	15.5%	11.6%	3.4%	11.4%

Government of Alberta (GOA) grants

In 2010, total GOA revenue (before deferrals) amounted to $1,086.5 million, representing a decrease of $28.1 million (2.5%) compared to last year.

	2010	2009	Increase (decrease)
	(000's)	(000's)	(000's)
Unrestricted:			
Operating grant	**$ 518,146**	$ 484,774	$ 33,372
Enrolment planning envelope grants	**61,842**	53,865	7,977
Other grants	**1,457**	10,723	(9,266)
	581,445	549,362	32,083
Restricted:			
Capital grants	**318,410**	**396,430**	(78,020)
Research grants	**122,644**	**100,816**	21,828
Special purpose grants	**64,016**	**67,958**	(3,942)
	505,070	565,204	(60,134)
Revenue (before deferrals)	**$ 1,086,515**	$ 1,114,566	$ (28,051)

The total operating grant increased by 6.9% compared to the last year. The base operating grant increased by 6% and there were increases to various other operating grants. Enrolment planning envelope grants increased due to a 6% increase on current grants as well as funding increases for specific program grants. The decrease in other grants is spread across various programs.

Significant capital funding for this year includes the Centennial Centre for Interdisciplinary Science (CCIS) ($131.0), The Edmonton Clinic North ($126.4), Federal Knowledge Infrastructure Program (KIP) funding for various capital projects ($31.1) and funding for various upgrade and renovation projects ($23.4). Significant capital funding for last year included: CCIS ($99.6), The Edmonton Clinic North ($121.4), Utilities upgrade ($30.0) and various building upgrades ($87.2).

The research increase includes funding for the Li Ka Shing Institute of Virology ($7.5), External Community-University Partnership for the study of children, youth and families ($5.4) and the Helmholtz Alberta Initiative for the development of oilsands technologies ($5.0).

The University also received $5.0 million in Access to the Future Fund (matching grant) which is included in endowments (and therefore not reflected in the above table).

Research Revenue

The University of Alberta continues to increase its level of sponsored research funding in all areas of scholarly activity. The University remains in the top five institutions in Canada overall in both amount of funding and impact of research activities.

Research revenue amounted to $513.5 million (2009: $527.9).

	2010	2009	Increase (decrease)
	(000's)	(000's)	(000's)
Sponsored research revenue (before deferrals):			
Government of Alberta grants	**$ 122,800**	$ 101,927	$ 20,873
Federal and other government grants	**184,797**	189,337	(4,540)
Donations and other grants	**82,069**	85,600	(3,531)
Investment income	**32,865**	2,830	30,035
Sales of services and products	**16,567**	17,488	(921)
	439,098	397,182	41,916
Other research related funding:			
Endowment income spending allocation[1]	-	20,300	(20,300)
Capital fund infrastructure grants[2]	57,620	86,103	(28,483)
Entities not consolidated[3]	16,755	24,330	(7,575)
	74,375	130,733	(56,358)
Total research funding	**$ 513,473**	$ 527,915	$ (14,442)

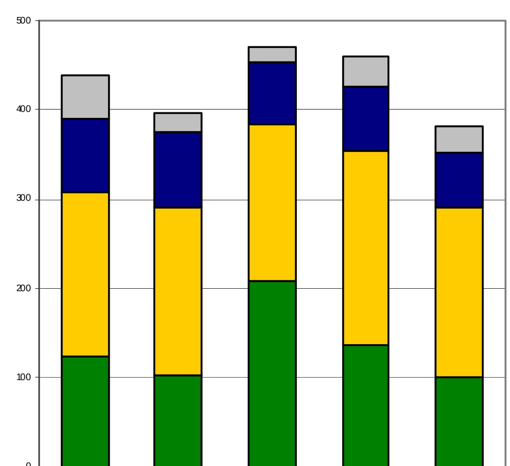
[1] Due to investment loss years the spending allocation for research related endowments was funded from endowment cumulative capitalized income.
[2] Capital research infrastructure funding is recorded as a contribution in the capital fund. The amounts in the table above represent the portion of the capital funding that was utilized for research designated buildings or research designated space within buildings.
[3] Entities not consolidated include clinical trial and related research funding with Alberta Health Services and Alberta Cancer Board. These contributions are not reflected in the University's audited financial statements.

The Government of Alberta increased its funding across a variety of programs including grants for the Li Ka Shing Institute of Virology ($7.5), External Community-University Partnership ($5.4) and the Helmholtz Alberta Initiative ($5.0).

Federal and other government is comparable to last year. One of the University's Network for Centres of Excellence (NCE) - Sustainable Forest Management Network) has completed its term and therefore has been wound down (in 2009 received $4.1).

Donations and other grants are comparable to last year. There was an overall net decrease from the Business sector ($12.6) and an overall net increase in various other sources ($8.5). Other sources include associations, foundations, institutes and individuals.

Sponsored Research Revenue by Source
Year ended March 31
(in millions of dollars)



	2010	2009	2008	2007	2006
Other	49.4	20.4	18.1	34.1	31.2
Donations and grants	82.1	85.6	69.6	72.8	60.6
Federal and other government	184.8	189.3	175.8	218.1	189.4
Government of Alberta	122.8	101.9	208.1	136.4	101.6
Total revenue	439.1	397.2	471.6	461.4	382.8
% change	10.5%	-15.8%	2.2%	20.5%	-3.6%

Student Tuition and Fees

Student tuition and fees amounted to $235.8 million (2009: $222.0). This increase is mainly due to an increase in credit course tuition fees and differential fees. Credit course tuition has increased due to a 4.1% increase in tuition fees coupled with an enrolment increase. Differential fees have increased due to fee and enrolment increases.

In 2006, the provincial government announced a comprehensive framework to make post-secondary studies more affordable for students. A key component of the framework was a new tuition fee policy, starting in fall 2007. The tuition fee policy limits tuition increases to changes in the annual Alberta Consumer Price Index (CPI). Along with the announcement of the new tuition policy, the provincial government increased its grants to post-secondary institutions for the three years starting 2007-08 to offset the difference between maximum annual tuition increase under the old policy and the new policy.

The tuition fees (instructional fees only) for an Arts or Science student with a full time course load in 2010 were $5,101 as compared to $4,901 in 2009.

In 2010 the University reclassified non-credit tuition fees from sales of services and products to the student tuition and fees revenue category. Non-credit tuition fees include Faculty of Extension course fees and Faculty of Business fees for professional and executive development programs. Non-credit tuition in 2010 amounted to $15.7 million (2009: $16.7).

Sales of Services and Products

Ancillary services units and academic and administrative units generate revenues through the sale of services and products to individuals, companies and organizations external to the University. Also included in sales are miscellaneous types of revenues received by the University. Sales of services and products amounted to $201.4 million (2009: $200.8).

The ancillary services units generated sales of $93.5 million for 2010 (2009: $90.5). The units with the largest sales are: Bookstore ($25.8), Housing and Food Services ($25.7), Utilities ($17.1) and Parking Services ($14.3).

Academic and administrative units generated sales of $107.9 million (2009: $110.2), with the most significant activity as follows: Faculty of Medicine and Dentistry ($63.0) which is mainly revenue from Alberta Health Services and the practice plans in support of positions that provide an interaction between the academic environment and the clinical services environment; Physical Education and Recreation revenue generated by athletic teams, sport camps and rentals of facilities ($9.6) and Agriculture, Life and Environmental Sciences ($4.9) which is mainly from the sale of animal, plant and related products. The $107.9 million in academic and administrative unit sales represents an overall $2.3 million decrease. The decrease is spread across various administrative units and is partially due to one-time sales revenue received last year.

Investment Income

The UEP had a return of 23.7% (2009: 19.5% loss). Capital markets rallied strongly during the year after having posted large losses last year. The Morgan Stanley Capital International World Index returned 23.6% (2009: 29.1% loss). Canadian equities, with their heavy weighting to the cyclical commodity based sectors, performed even better with the S&P TSX Index and returned 42.2% (2009: 32.4% loss) and the DEX Bond Universe Index returned 5.1% (2009: 4.9%). Collectively the conservative strategies employed by the UEP's managers failed to capture all the upward movement in the market, under-performing by 2.2% as the UEP's benchmark posted a return of 25.9% (2009: 23.7% loss). At March 31, 2010 the benchmark was comprised of the following: 30% DEX Bond Universe Index, 15% S&P/TSX Composite Index and 55% Morgan Stanley Capital International World Index 50% hedged to the Canadian Dollar. The primary long-term objective of the UEP is to maintain its real value while providing for a sustainable level of program support

The NEIP, comprised of 3 distinct strategies (short-term, mid-term and long-term), recorded an overall return of 3.4% for the year (2009: 1.3% loss). The short-term money market investments had a return of 1.1% (2009: 0.0% return); this compares favorably with the benchmark DEX 91 Day Treasury Bill return of 0.3% (2009: 2.4%) and is primarily attributable to the portfolio's longer duration.

The mid-term bond portfolio returned 7.8% (2009: 3.4%); this exceeded the benchmark DEX Short Term Bond Index return of 3.3% (2009: 6.9%), and is primarily attributable to valuation adjustments on the restructured asset backed commercial paper (ABCP). The University holds $147.3 million (2009: $165.2) of ABCP and has recorded a write-down of $58.1 million representing 39.5% of the total value (2009: $72.1 representing42.5% of the total value). The decrease in the write-down reflects a general improvement in credit conditions that resulted in a narrowing of credit spreads and from certain notes that had previously been written down and were repaid at par. The majority of the ABCP notes mature within the next seven years and the University's intends to hold these notes to maturity.

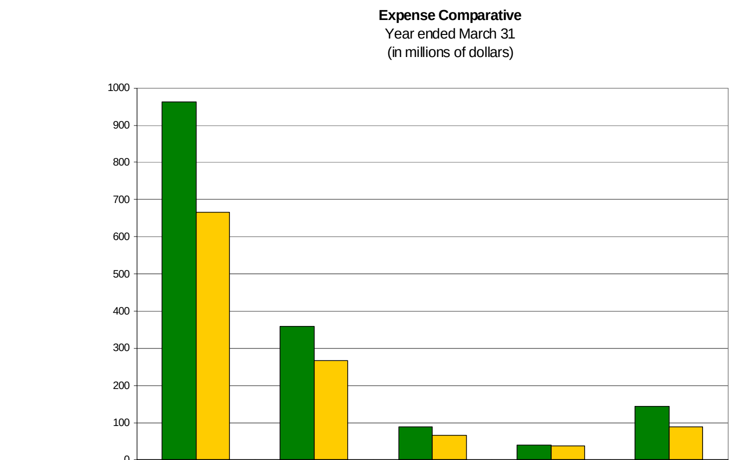
The long-term portion of the NEIP, which is invested in the UEP, added to performance with a return of 23.7% (2009: 19.5% loss).

The University held a significant equity position in a publicly traded spin-off company (BioMS Medical Corp.), pursuant to a licensing transaction that was completed on December 14, 2000. During the year the BioMS share price fell to $0.35 (2009: $2.43) after it was announced that the company's clinical trial did not meet its primary endpoints. An unrealized capital loss of $13.8 million related to this holding is reflected in investment income. Given the nature of this unrealized loss it has not been included in the calculation of the 3.4% return for the NEIP.

Expenses

Expenses increased by $105.7 million (7.1%) from $1,487.5 million in 2009 to $1,593.2 million in 2010. The main components of this increase are:

Salaries expense increased by $69.5 million (9.6%). The collective bargaining process resulted in negotiated salary increases for both academic and support staff (4.75%) and, in addition, staff received merit increases. There were also increases in new hires (approximately 350) relating to the increased level of activity (2010: approx. 11,150 staff, 2009: approx. 10,800 staff). Included in the above staff counts are approximately 1,312 academic staff granted tenure. There were salary expense increases of $46.5 million in the operating fund, $10.5 million in the research fund, $10.4 million in the special purpose fund and an increase of $2.1 million in the remaining funds. The operating fund increase includes a $16.1 million accrual for the Voluntary Retirement Incentive Fund (VRIP) program that was offered to staff this year. Approximately 180 staff received approval under these program guidelines and will retire effective July 31, 2010.



	Salaries & benefits	Materials, supplies & maintenance	Scholarships & bursaries	Utilities	Amortization of capital assets
2010	962.8	358.7	89.5	38.9	143.3
2006	664.7	266.3	67.6	37.9	88.0
% of total expense					
2010	60.4%	22.5%	5.6%	2.4%	9.1%
2006	59.1%	23.7%	6.0%	3.4%	7.8%

Benefits expense increased by $30.9 million (22.5%) primarily due to an increase in the Universities Academic Pension Plan (UAPP) unfunded pension liability expense of $16.5 million (2010: $26.9; 2009: $10.4). The remainder of the increase is due to increased salary costs, pension plans rate increases and staff numbers. There were increases of $10.5 million in the general operating fund and $3.9 million in the remaining funds.

Materials, supplies and services expense decreased by $21.1 million (5.5%). The operating fund decreased by $9.6 million which is spread across many units. The ancillary enterprises fund decreased by $6.4 million which is spread across various ancillary units. The restricted funds decreased by $5.1 million, an increase in research fund expenses was more than offset by a decrease in the capital fund.

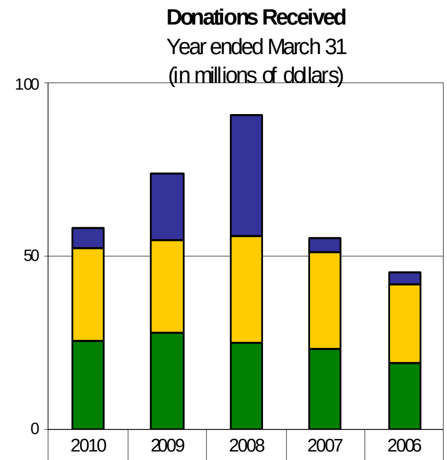
Scholarships and bursaries expense increased by $7.9 million (9.7%). This increase was spread throughout a number of initiatives and programs. A variety of scholarship programs received a $2.5 million increase in support from the operating fund and there was an increase of $5.5 million in scholarships funded by research and special purpose funds.

Utilities expense decreased by $0.2 million (0.6%). Lower natural gas rates this year resulted in a decrease of $2.3 million, however this decrease was offset by an increase in power rates. The University has managed some of its exposure to volatility in the electrical industry by entering into contracts to fix a portion of its electrical costs.

Donations

Donations (before deferrals) received in the year totaled $58.4 million as compared to $73.9 million in 2009 and are comprised of:

- $25.9 million (2009: $28.1) endowed donations
- $26.8 million (2009: $26.6) expendable donations
- $5.7 million (2009: $19.2) in-kind donations
  2009 includes a donation of software ($14.7)



	2010	2009	2008	2007	2006
In-kind	5.7	19.2	34.6	4.0	3.7
Expendable	26.8	26.6	30.9	28.1	22.6
Endowed	25.9	28.1	25.3	23.2	19.5

In 2010, the University received $5.0 million from the Access to the Future Fund (provincial government matching grant) (2009: $5.0), which is recorded as an endowment contribution. This Government of Alberta grant is not included in the above endowned donation amount.

Donor pledges outstanding at March 31, 2010 are $152.1 million (2009: $116.6) and are not reflected in the University's financial statements. These pledges are expected to be honoured over the next several years.`

Financial Position

The University's net assets position increased by $131.9 million due to a $115.1 million increase in endowments and an increased investment in capital assets and collections of $16.8 million.

Endowments

Endowments consist of restricted donations to the University and internal allocations by the University's Board of Governors; the principal of which is required to be maintained intact in perpetuity. The investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. The endowment investment policy which is long term in nature, is designed to meet the funding objectives of the University by maximizing returns with an acceptable level of risk, while maintaining the real capital value of the endowment and providing for an appropriate level of spending. The University has long recognized the value of permanent funding support and through successful fund raising efforts over the years, ranks fourth overall amongst Canadian universities in terms of total endowment funds.

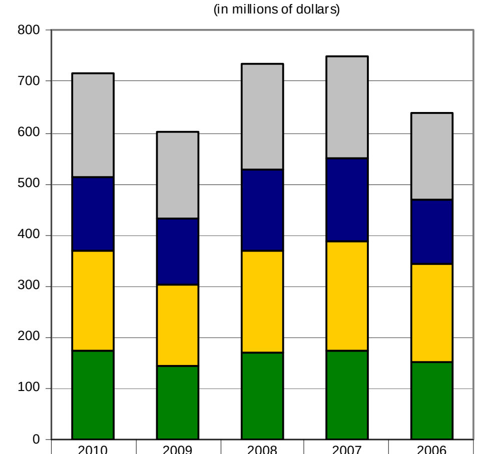
Endowment investments earned a return of 23.7% for the year ended March 31, 2010 (2009: 19.5% loss) and averaged 3.4% on a five year annualized basis.

The University has 2,298 individual endowments with a total value of $717.5 million (2009: $602.4), a net increase of $115.1 million which is comprised of:

- $30.9 endowed donations (includes $5.0 provincial matching grant)
- $4.2 capitalization from expendable funds
- $134.2 investment income
- ($54.2) allocated for program spending

Endowment funding supports a variety of key initiatives in the areas of scholarships, professorships, chairs, visiting speakers, research and many other activities. The spending allocation for these programs in 2010 is $35.9 million (2009: $31.4). In 2010 an additional $18.3 million was allocated for program spending; this amount had not been allocated in the previous two years due to investment losses. The spending rate is 3.50% (2009: 4.45%) and is based on a moving average of the endowment's fair value.

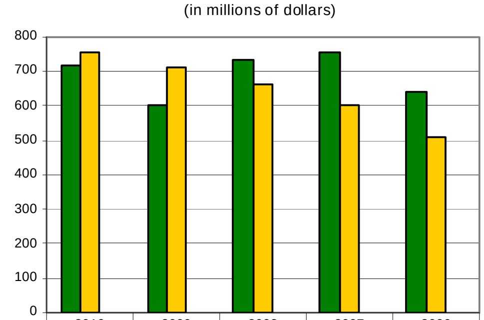
Endowments by Category
Year ended March 31
(in millions of dollars)



	2010	2009	2008	2007	2006
Academic programs	204.7	169.1	205.4	200.7	172.4
Research	143.1	129.1	159.1	161.3	124.1
Scholarships	197.3	160.4	197.7	214.3	193.0
Chairs & professorships	172.4	143.8	172.0	175.2	150.6
Total	717.5	602.4	734.2	751.5	640.1

At March 31, 2010 the market value of the UEP assets are lower than the cumulative endowed contributions indexed for inflation by $38 million. Due to investment losses in the previous two years, the Board of Governors approved a temporary one year reduction in the 2010 spending rate from 4.25% to 3.50%. The new spending policy transitions the spending rate back to 4.25% over the next two years, after which the spending allocation will be indexed annually by inflation, subject to certain provisions that are designed to restore and maintain the real value of the endowment.

Endowment Growth versus Inflation
Year ended March 31
(in millions of dollars)



	2010	2009	2008	2007	2006
Market value	717.5	602.4	734.2	751.5	640.1
Contributions inflated	755.5	710.1	662.2	600.9	508.5
Surplus (deficiency)	(38.0)	(107.7)	72.0	150.6	131.6

Acquisition of Capital Assets and Collections

	2010	2009	Change
	(000's)	(000's)	(000's)
Buildings and utilities	**$ 382,422**	$ 257,273	$ 125,149
Equipment and furnishings	**75,775**	91,730	(15,955)
Learning resources	**20,075**	18,170	1,905
Permanent collections	**4,158**	2,218	1,940
Land	**-**	9,449	(9,449)
Total acquisitions	**$ 482,430**	$ 378,840	$ 103,590

The additions to buildings and utilities are distributed amongst many different University structures and facilities on the North campus, South campus, Enterprise Square, Augustana campus and Campus St. Jean. The most significant additions to individual buildings in 2010 were as follows (in millions of dollars):

- construction of:
    - Centennial Centre for Interdisciplinary Science ($174.6)
    - The Edmonton Clinic North ($110.6)
    - Health Research Innovation Facility ($26.3)
    - Utilities expansion ($23.6)
    - East Campus Village ($10.6)
    - Augustana Library ($2.3) and Augustana Forum ($8.3)
- major renovations on various buildings: Chemistry West Building ($5.6), Chemical and Mechanical Engineering Building ($4.6), Biological Sciences Building ($4.0), HUB Mall skylight ($1.8), Tory Building ($1.6).

The decrease in equipment and furnishings is due to the large in-kind contributions of software received in 2009.

There were no additions to land in 2010. In 2009 the University acquired land in Camrose ($0.6) and received a Government of Alberta grant in-kind for land in Kinsella ($8.8).

Deferred Maintenance

The average age of the University's buildings is 46 years. Most of the significant research teaching facilities were built in the 1950's or 1960's and are now at a point of requiring major system upgrades.

The University, with assistance from the Government of Alberta, has been able to make significant progress in reducing the overall deferred maintenance value. The University's deferred maintenance deficit is estimated at $807 million and this puts some risk on the University's programs and initiatives. The University has been attempting to provide a reasonable level of care across the campus, directing portions of its capital grants to buildings of strategic importance or to address abnormally high maintenance costs. This strategic approach coordinates deferred maintenance, functional renewal and other programs like the development of "smart" classrooms to maximize the effect of limited funding. Deferred maintenance requirements are not reflected in the University's financial statements since they are not liabilities or commitments for accounting purposes.

Unrestricted Net Assets
The unrestricted net assets deficit is summarized in the table below:

	2010	2009	Increase (decrease)
	(000's)	(000's)	(000's)
Unexpended (over expended) funds:			
General operating	**$ (50,791)**	$ (52,351)	$ 1,560
Enrolment planning envelope	**52,587**	37,466	15,121
Ancillary enterprises	**29,222**	23,477	5,745
Capital (internally funded)	**20,140**	9,107	11,033
Special purpose (operating)	**14,015**	21,907	(7,892)
Research (internally funded)	**35,112**	30,692	4,420
	100,285	70,298	29,987
Employee future benefit liabilities	**(160,839)**	(130,833)	(30,006)
Unrestricted net assets (deficit)	**$ (60,554)**	$ (60,535)	$ (19)

The most significant changes are:

- Enrolment planning envelope - expenditure timing lag on the 2010 grants.
- Ancillary enterprises - increased sales and other revenue in Parking Services, Utilities and Enterprise Square.
- Capital (internally funded) - expenditure timing lag.
- Special purpose (operating) - transfer of activities to general operating fund.
- Research (internally funded) - expenditure timing lag.
- Employee future benefit liabilities due to the UAPP unfunded pension liability expense.

THE UNIVERSITY OF ALBERTA
STATEMENT OF ADMINISTRATIVE RESPONSIBILITY FOR FINANCIAL REPORTING
YEAR ENDED MARCH 31, 2010

The administration of the University is responsible for the preparation and for the integrity and objectivity of the accompanying financial statements and the notes thereto. The administration believes that the financial statements present fairly the University's financial position as at March 31, 2010 and the results of its operations for the year then ended.

The financial statements have been prepared in accordance with generally accepted accounting principles. Where alternative accounting methods exist, those deemed most appropriate in the circumstances have been chosen. Financial statements are not precise, since they include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements. The integrity of internal controls is reviewed on an ongoing basis by the Internal Audit Department.

The Board of Governors carries out its responsibility for review of the financial statements principally through its Audit Committee. The majority of the members of the Committee are not officers or employees of the University. This committee meets regularly with administration and with external and internal auditors to discuss the results of audit examinations and financial reporting matters. The external and internal auditors have full access to the Board Audit Committee with and without the presence of the administration. The Board of Governors of the University of Alberta has approved the financial statements.

The financial statements for the year ended March 31, 2010 have been audited and reported on by the Auditor General for the Province of Alberta whose report outlines the scope of his audit and presents his opinion on the financial statements.

Original Signed by Indira Samarasekera

Indira V. Samarasekera, OC
President

Original Signed by Phyllis Clark

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

Auditor's Report

To the Board of Governors

I have audited the statements of financial position of the University of Alberta as at March 31, 2010 and 2009 and the statements of operations and change in unrestricted net assets, changes in net assets, and cash flow for the years then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principals.

[Original signed by Merwan N. Saher]
CA
Auditor General

Edmonton, Alberta
May 31, 2010

THE UNIVERSITY OF ALBERTA
STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31
(thousands of dollars)

	2010	2009
ASSETS		
Current		
Cash and cash equivalents (note 3)	**$ 99,229**	$ 119,621
Short-term investments (note 4)	**718,415**	719,958
Accounts receivable	**168,677**	117,841
Inventories and prepaid expenses	**21,608**	17,309
	1,007,929	974,729
Long-term investments (note 4)	**877,156**	790,326
Capital assets and collections (note 5)	**2,309,290**	1,970,766
	$ 4,194,375	$ 3,735,821
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 217,385**	$ 231,638
Current portion of employee future benefit liabilities (note 6)	**8,392**	8,199
Current portion of long-term liabilities (note 7)	**10,656**	10,483
Deferred contributions, research and other (note 8)	**315,411**	269,444
Deferred revenue	**16,897**	15,351
	568,741	535,115
Employee future benefit liabilities (note 6)	**131,537**	99,597
Long-term liabilities (note 7)	**179,765**	193,852
Deferred contributions, research and other (note 8)	**90,000**	90,000
Deferred contributions, capital (note 8)	**437,617**	495,632
Unamortized deferred capital contributions (note 9)	**1,662,878**	1,329,723
	3,070,538	2,743,919
Net Assets		
Endowments (note 10)	**717,495**	602,414
Investment in capital assets and collections (note 11)	**466,896**	450,023
Unrestricted (deficit)	**(60,554)**	(60,535)
	1,123,837	991,902
	$ 4,194,375	$ 3,735,821

Contingent liabilities and commitments (note 12)

Signed on behalf of the Board of Governors:

Original signed by Brian Heidecker
Chair, Board of Governors

Original signed by Indira Samarasekera
President

---------- The accompanying notes are part of these financial statements. ----------

THE UNIVERSITY OF ALBERTA
STATEMENT OF OPERATIONS AND CHANGE IN UNRESTRICTED NET ASSETS
YEAR ENDED MARCH 31
(thousands of dollars)

	2010	2009
REVENUE		
Government of Alberta grants (note 15)	**$ 733,854**	$ 681,089
Federal and other government grants	**185,158**	174,647
Student tuition and fees	**235,799**	221,987
Sales of services and products	**201,375**	200,762
Donations and other grants	**112,460**	108,215
Investment income (loss) (note 14)	**48,991**	(42,302)
Amortization of deferred capital contributions (note 9)	**89,054**	75,514
	1,606,691	1,419,912
EXPENSE		
Salaries	**794,643**	725,191
Employee benefits	**168,189**	137,285
Materials, supplies and services	**290,201**	314,958
Scholarships and bursaries	**89,547**	81,609
Maintenance and repairs	**68,433**	64,728
Utilities	**38,908**	39,129
Amortization of capital assets	**143,277**	124,598
	1,593,198	1,487,498
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	**13,493**	(67,586)
NET TRANSFERS (TO) FROM ENDOWMENTS (note 10)	**(34)**	29,974
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS (note 11)	**(13,478)**	(31,076)
Change in unrestricted net assets for the year	**(19)**	(68,688)
UNRESTRICTED NET ASSETS (DEFICIT), BEGINNING OF YEAR	**(60,535)**	8,153
UNRESTRICTED NET ASSETS (DEFICIT), END OF YEAR	**$ (60,554)**	$ (60,535)

---------- The accompanying notes are part of these financial statements. ----------

THE UNIVERSITY OF ALBERTA
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31
(thousands of dollars)

	Endowments	Investment in Capital Assets and Collections	Unrestricted Net Assets (deficit)
NET ASSETS, March 31, 2008	$ 734,191	$ 407,668	$ 8,153
Deficiency of revenue over expense	-	-	(67,586)
Investment loss (note 14)	(140,959)	-	-
Endowment contributions (note 10)	39,156	-	-
Net transfers (note 10)	(29,974)	-	29,974
Net change in investment in capital assets (note 11)	-	31,076	(31,076)
Contributions of assets not subject to amortization (note 11)	-	11,279	-
NET ASSETS, March 31, 2009	$ 602,414	$ 450,023	$ (60,535)
Excess of revenue over expense	-	-	13,493
Investment income (note 14)	80,029	-	-
Endowment contributions (note 10)	35,018	-	-
Net transfers (note 10)	34	-	(34)
Net change in investment in capital assets (note 11)	-	13,478	(13,478)
Contributions of assets not subject to amortization (note 11)	-	3,395	-
NET ASSETS, March 31, 2010	$ 717,495	$ 466,896	$ (60,554)

----------*The accompanying notes are part of these financial statements*----------

THE UNIVERSITY OF ALBERTA
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31
(thousands of dollars)

	2010	2009
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expense	**$ 13,493**	$ (67,586)
Add (deduct) non-cash items:		
Amortization of capital assets	**143,277**	124,598
Amortization of deferred capital contributions	**(89,054)**	(75,514)
Change in employee future benefit liabilities	**32,133**	10,809
Change in unrealized (gain) loss on investments	**(7,059)**	54,256
Total non-cash items	**79,297**	114,149
Net change in non-cash working capital (*)	**(20,332)**	(196,413)
	72,458	(149,850)
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Purchases of capital assets and collections, net of proceeds on disposals	**(478,407)**	(364,948)
Purchases of long-term investments, net of sales	**1,146**	44,481
Endowment investment loss	**(886)**	(15,910)
	(478,147)	(336,377)
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Endowment contributions	**35,018**	39,156
Capital contributions	**364,193**	489,148
Long-term liabilities - new financing, net of repayments	**(13,914)**	201
	385,297	528,505
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(20,392)**	42,278
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**119,621**	77,343
CASH AND CASH EQUIVALENTS, END OF YEAR (note 3)	**$ 99,229**	$ 119,621

(*) Net change in non-cash working capital:		
Decrease (increase) in short-term investments	**$ 1,543**	$ (309,557)
(Increase) decrease in accounts receivable	**(50,836)**	71,856
Increase in inventories and prepaid expenses	**(4,299)**	(349)
(Decrease) increase in accounts payable and accrued liabilities	**(14,253)**	56,467
Increase (decrease) in deferred contributions, research and other	**45,967**	(11,357)
Increase (decrease) in deferred revenue	**1,546**	(3,473)
	$ (20,332)	$ (196,413)

----------The accompanying notes are part of these statements---------

1. Authority and purpose

"The Governors of The University of Alberta" is a corporation which manages and operates the University of Alberta ("the University") under the *Post-Secondary Learning Act* (Alberta). All members of the board of governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education and Technology, with the exception of the Chancellor and President, who are *ex officio* members. Under the *Post-Secondary Learning Act*, Campus Alberta Sector Regulation, the University is a comprehensive academic and research institution offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

2. Summary of significant accounting policies and reporting practices

(a) General - GAAP and use of estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. University administration uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets and asset-backed commercial paper investments are the most significant items based on estimates. In administration'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 financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Interest in joint ventures

The financial statements use the proportionate consolidation method to record the University's proportionate share of each financial statement component of the following joint ventures:

- Canada School of Energy and Environment (46.2% interest) - a joint venture with two other universities to promote coordination and collaboration in research and education related to the implementation of Alberta's energy and environment strategies.
- Northern Alberta Clinical Trials and Research Centre (50% interest) - a joint venture with Alberta Health Services to support the shared missions of Alberta Health Services and the University for collaborative clinical research.
- TEC Edmonton (50% interest) - a joint venture with Edmonton Economic Development Corporation to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society.
- Tri-University Meson Facility (TRIUMF) (14.3% interest) - a joint venture with six other universities to operate a sub-atomic physics research facility.

These joint ventures are not material to the University's financial statements, and therefore, separate condensed financial information is not presented.

(c) Financial instruments

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

Financial Statement Components	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Other long-term assets	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term liabilities	Other liabilities	Amortized cost

The calculation of fair value is based upon market conditions at a specific point in time, with the exception of real estate held directly by the University which is not for operational use. The value of investments recorded in the financial statements is determined as follows:

- Short-term investments are comprised primarily of certificates of deposit, guaranteed investment certificates, government treasury bills and commercial paper with a maturity between 91 days and one year and units in a pooled money market fund. These investments are valued based on cost plus accrued income, which approximates fair value. When a loss in value of such investments occurs that is other than temporary, the investment is written down to recognize the loss.
- Publicly traded securities are valued based on the latest bid prices.
- Investments in pooled funds are valued at their net asset value per unit.
- Real estate directly held by the University which is not for operational use is recorded at cost.
- Infrequently traded securities are based on quoted market yields or prices of comparable securities, as appropriate.

The University's financial instruments are recognized on their trade date and fair values have been recorded for all assets in transit. Transaction costs related to all financial instruments are expensed as incurred.

All derivative financial instruments of the University are classified as held for trading. The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. Forward contracts are marked to market at the end of each reporting period with any changes in the market value recorded in the statement of operations when the changes occur. As permitted for Not-for-Profit Organizations, the University has elected to not apply the standards on derivatives embedded in non-financial contracts, and the University has elected to continue to follow CICA 3861: *Disclosure and Presentation*.

Financial statements are exposed to credit risk, interest rate risk, foreign exchange risk, market risk, commodity price risk and liquidity risk. Each of these risks is managed through the University's collection procedures, investment guidelines, banking arrangements and other internal policies, guidelines and procedures.

(d) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at cost.

(e) Capital assets and collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair value when a fair value can be reasonably determined. Permanent collections are not amortized and include the portion of library assets with permanent value, museum specimens, archival materials, maps and works of art held for education, research and public exhibition purposes.

Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Buildings and utilities	10 - 40 years
Equipment and furnishings	3 - 10 years
Learning resources	10 years

(f) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized in the period incurred if a reasonable estimate of fair value based on the present value of estimated future cash flows can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the asset and amortized over its estimated useful life.

(g) Revenue recognition

The financial statements record the following items as revenue - at the following times:

- Unrestricted contributions - when received, or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Unrestricted investment income - when earned; this includes interest, dividends, realized and unrealized gains and losses.
- Pledges - when collected.
- Revenues received for services and products - when the services or products are substantially provided and collection is reasonably assured.
- Tuition fees - when the instruction is delivered.
- Restricted contributions - based on the deferral method.

Deferral method

Contributions, including investment income on the contributions, which are restricted for purposes other than endowment or capital asset acquisitions, are deferred and recognized as revenue when the conditions of the contribution are met.

Contributions to acquire capital assets with limited life are first recorded as deferred contributions, capital when received, and when expended, they are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-Secondary Learning Act* allocated to endowment principal, are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are deferred and recognized as revenue when the conditions of the endowment are met.

Contributions restricted to the acquisition of land and permanent collections are first recorded as deferred contributions when received, and when expended, they are recognized as direct increases in investment in capital assets and collections.

(h) Foreign currency translation

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate. Revenues and expenses are translated at average weekly exchange rates. Gains or losses from these translations are included in investment income.

(i) Employee future benefits

Pension

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

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service 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 pre-determined amounts that are expected to provide the plan's future benefits.

Supplementary retirement plans
The University provides non-contributory defined benefit supplementary retirement benefits (SRP) to executives based on years of service and earnings. The expense for these plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The University provides non-contributory defined contribution supplementary retirement benefits (SRP) to eligible academic staff members based on years of service and earnings. The expense for this plan is the employer's current year contribution to the plan.

Long-term disability
The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plans is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a market interest rate and administration's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains or losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

Early retirement
The cost of providing accumulating post employment benefits under the University's early retirement plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially determined using the projected benefit method pro rated on services, a market interest rate and administration's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. The excess of net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service period of active employees expected to receive benefits under the plans.

(j) Capital disclosures

The University defines its capital as the amounts included in deferred contributions (note 8), endowment net assets (note 10) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded primarily by Alberta Advanced Education and Technology. The University has investment policies (note 4), spending policies and cash management procedures to ensure the University can meet its capital obligations.

Under the *Post-Secondary Learning Act*, the University must receive ministerial or Lieutenant Governor in Council approval for a deficit budget, mortgage and debenture borrowing and the sale of any land, other than donated land, that is held by and being used for the purposes of the University.
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(k) Contributed services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in the financial statements.

(thousands of dollars)

3. Cash and cash equivalents

Cash and cash equivalents have a maximum maturity of 90 days at date of purchase and are as follows:

	2010	2009
Cash	**$ 4,596**	$ 1,615
Money market funds, short-term notes and treasury bills	**94,633**	118,006
	$ 99,229	$ 119,621

4. Investments

The composition and fair value of investments are as follows:

	2010	2009
Cash, money market funds, short-term notes and treasury bills	**$ 726,579**	$ 724,346
Asset-backed commercial paper	**89,118**	93,098
Canadian government and corporate bonds	**252,006**	259,477
Canadian equity	**126,583**	108,309
Foreign equity	**376,875**	301,915
Pooled hedge funds	**23,335**	22,061
Annuities	**89**	92
Real estate	**986**	986
	$ 1,595,571	$ 1,510,284
Short-term investments	**$ 718,415**	$ 719,958
Long-term investments	**877,156**	790,326
	$ 1,595,571	$ 1,510,284

As at March 31, 2010, the average effective yields and the terms to maturity are as follows:

- Money market funds, short-term notes and treasury bills: 0.54% (2009 - 1.73%); term to maturity: less than one year.
- Canadian government and corporate bond funds: 2.75% (2009 - 1.40%) terms to maturity: range from less than one year to more than 10 years.

The University's investments are managed using two pools, the Non-Endowed Investment Pool (NEIP) with investment holdings of $850,118 (2009 - $883,196) and the Unitized Endowment Pool (UEP) with investment holdings of $745,453 (2009 - $627,088). The primary objective for the NEIP is to earn a rate of return that exceeds the DEX 91 day T-Bill return with an emphasis on liquidity and the preservation of capital. The primary objective for the UEP is to earn a long-term rate of return that, in real terms, exceeds total endowment spending at an acceptable level of risk. The UEP also includes non-endowed assets that will not be required for spending in the next five years.

Derivative financial instruments are used to manage certain market and currency exposures primarily with respect to the University's investments. The University uses foreign currency forward contracts to manage its foreign exchange currency exposure on certain investments, and has entered into foreign currency forward contracts to minimize exchange rate fluctuations. All outstanding contracts have a remaining term to maturity of less than one year. The University has contracts outstanding held in US dollars, Euro, Japanese yen and the British pound among others. The fair value of net outstanding foreign currency forward contracts receivable is $7,510 (2009 - $505).

The University has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The University's Investment Committee, a subcommittee of the Board of Governors, has the delegated authority for oversight of the University's investments. The Investment Committee meets regularly to monitor investments, to review investment manager performance, to ensure compliance with the University's investment policies and to evaluate the continued appropriateness of the University's investment policies.

(thousands of dollars)

Asset-backed commercial paper

The University holds $138,602 (2009 - $156,553) in "New Restructured Notes" that were received on January 21, 2009 in exchange for asset-backed commercial paper (ABCP) formerly held by the University. The ABCP had been restructured under the restructuring agreement of the Pan-Canadian Investments Committee (known as the Montreal Accord). Certain notes, classified as Other ABCP, were not part of the Montreal Accord and were restructured directly with the sponsors or remain subject to ongoing legal proceedings.

The composition and fair value of the ABCP investments are as follows:

	2009		**2010**			
Note type	Estimated fair value	Cost	**Note cancellations**	**Redemptions**	**Cost**	**Estimated fair value**
Traditional assets(1)	$ 16,197	$ 17,640	**$ -**	**$ (13,337)**	**$ 4,303**	**$ 3,743**
Synthetic assets(2)	67,168	117,763	**-**	**(188)**	**117,575**	**75,570**
IA tracking notes(3)	4,263	21,150	**(2,578)**	**(1,848)**	**16,724**	**3,752**
	87,628	156,553	**(2,578)**	**(15,373)**	**138,602**	**83,065**
Other ABCP(4)	5,470	8,660	**-**	**-**	**8,660**	**6,053**
Total	$ 93,098	$ 165,213	**$ (2,578)**	**$ (15,373)**	**$ 147,262**	**$ 89,118**

(1) Primarily rated as AA+ or higher by DBRS, with a yield based upon the income generated by the underlying assets. Anticipated yield is Bankers Acceptance (BA) plus 0.40%. Scheduled repayment dates are between 4 and 6 years with legal maturity dates between 12 and 26 years.
(2) Primarily rated as A and BBB (low) by DBRS, with a yield of BA minus 0.50%. Scheduled repayment date is January 2017 with a legal maturity date of July 2056.
(3) No stated amount, interest paid will be based on income generated by underlying assets. Scheduled repayment and legal maturity dates are between 3 and 30 years.
(4) Stated yield ranges from BA to Canadian Deposit Offering Rate plus 0.33%. Scheduled repayment and legal maturity dates are between 4 and 7 years.

Valuation
ABCP restructured under the Montreal Accord:
In the absence of a well-functioning market for third-party ABCP subject to the Montreal Accord, the University has estimated the fair value of these investments as at March 31, 2010 using a discounted cash flow valuation model. This model incorporates administration's best estimates of multiple factors, updated to reflect market-related and other additional information.

The valuation also involves assumptions regarding the difference between the yield the University expects to earn from the restructured floating rate notes and the appropriate market-discount attributable to such investments. The estimated investment yields were determined based on available information. The estimated market-discount rates for the floating rate notes were determined by reference to market rates for other investments and appropriate forward-credit indices. They were then adjusted to include an estimated premium to reflect the expected lack of liquidity in the restructured floating rate notes together with the leveraged nature of the underlying assets and were adjusted for subordination where appropriate. The shortfall between the expected yield and the estimated discount rate for notes in the synthetic assets ranges from 562 basis to 862 basis points. An increase of 100 basis points in the estimated discount rate would decrease the fair value by approximately $9,000.

Other ABCP:
In the absence of an active market for these investments, the University has estimated their fair value as at March 31, 2010, using a discounted cash flow valuation model similar to the approach used for the ABCP restructured under the Montreal Accord.

Measurement uncertainty
Since the eventual timing and amount of future cash flows attributable to these assets may vary significantly from administration's current best estimates, it is possible that the ultimate fair value of these assets may vary significantly from current estimates and that the magnitude of any such difference could be material to the financial results.

(thousands of dollars)

5. Capital assets and collections

	2010			2009		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Buildings and utilities	**$ 2,476,454**	**$ 748,376**	**$ 1,728,078**	$ 2,094,047	$ 702,133	$ 1,391,914
Equipment and furnishings	**984,646**	**653,704**	**330,942**	918,945	585,497	333,448
Learning resources	**278,328**	**182,020**	**96,308**	258,252	162,691	95,561
Land	**53,296**	**-**	**53,296**	53,296	-	53,296
Library permanent collections	**35,490**	**-**	**35,490**	34,650	-	34,650
Other permanent collections	**65,176**	**-**	**65,176**	61,897	-	61,897
	$ 3,893,390	**$ 1,584,100**	**$ 2,309,290**	$ 3,421,087	$ 1,450,321	$ 1,970,766

Included in buildings and utilities is $657,974 (2009 - $308,316) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions include in-kind contributions (such as learning resources, equipment, software, buildings and land) in the amount of $12,081 (2009 - $38,417).

(thousands of dollars)

6. Employee future benefit liabilities

Employee future benefit liabilities are comprised of the following:

	2010			2009		
	Academic staff	**Support staff**	**Total**	Academic staff	Support staff	Total (1)
UAPP	**$ 81,004**	**$ -**	**$ 81,004**	$ 54,090	$ -	$ 54,090
Long-term disability	**7,253**	**21,825**	**29,078**	7,260	20,920	28,180
Early retirement	**540**	**23,517**	**24,057**	835	22,028	22,863
SRP (defined benefit)	**3,350**	**-**	**3,350**	2,663	-	2,663
SRP (defined contribution)	**2,440**	**-**	**2,440**	-	-	-
Total	**94,587**	**45,342**	**139,929**	64,848	42,948	107,796
Less current portion	**2,598**	**5,794**	**8,392**	2,628	5,571	8,199
Long-term portion	**$ 91,989**	**$ 39,548**	**$ 131,537**	$ 62,220	$ 37,377	$ 99,597

(1) Vacation pay has been reclassified from employee future benefits to accounts payable and accrued liabilities to conform to the presentation adopted in the 2010 financial statements.

(a) Defined benefit

Multi-employer pension plans

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members. At December 31, 2009, the UAPP reported an actuarial deficiency of $971,000 (2008 - $1,055,471) consisting of a pre-1992 deficiency ($665,980) and a post-1991 deficiency ($305,020). An actuarial valuation of the UAPP was carried out as at December 31, 2008 and was then extrapolated to December 31, 2009. A further extrapolation to March 31, 2010 has resulted in a decrease of the UAPP deficiency to $924,067 (2009 - $1,299,860) consisting of a pre-1992 deficiency ($646,208) and a post-1991 deficiency ($277,859).

The University's portion of the UAPP deficiency has been allocated based on its percentage of the plan's total employer contributions for the year.

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members and is accounted for on a defined contribution basis. At December 31, 2009, the PSPP reported an actuarial deficiency of $1,729,196 (2008 - $1,187,538). An actuarial valuation of the PSPP was carried out as at December 31, 2008 and was then extrapolated to December 31, 2009. The pension expense recorded in these financial statements is $18,294 (2008 - $15,861).

Long-term disability and early retirement

The University provides long-term disability (academic and support staff) and early retirement (support staff) defined benefits to its employees. The most recent actuarial valuation for these benefits was as at March 31, 2010.

The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date.

The early retirement benefits for support staff include bridge benefits and a retirement allowance. Bridge benefits allows eligible employees who retire early, to continue participating in several staff benefit programs between the date of early retirement and the end of the month in which the employee turns 65. Benefits include group life insurance, employee family assistance program, supplementary health care and dental care. The support staff retirement allowance provides eligible employees one week's base pay per full year of employment to a maximum 25 days pay. The early retirement benefit for academic staff was for bridge benefits and was terminated in 2004. Participants already receiving these benefits, when the benefit was terminated, will continue to receive bridge benefits under the original terms.

(thousands of dollars)

Supplementary retirement plans (SRP)

The University provides non-contributory defined benefit supplementary retirement benefits to executives. An actuarial valuation of these benefits was carried out as at March 31, 2010.

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

	2010				2009			
	UAPP [1]	Long-term disability [2]	Early retirement [2]	SRP	UAPP [1]	Long-term disability [2]	Early retirement [2]	SRP
Expense								
Current service cost	$ 31,005	$ 6,159	$ 1,323	$ 516	$ 27,600	$ 4,144	$ 1,278	$ 573
Interest cost	17,527	1,528	1,474	212	8,340	1,174	1,261	135
Amortization of net actuarial (gain) loss	17,343	(1,495)	11	(81)	6,180	(1,597)	170	-
Amortization of past service cost	-	-	-	41	-	-	-	-
Total expense	$ 65,875	$ 6,192	$ 2,808	$ 688	$ 42,120	$ 3,721	$ 2,709	$ 708
Financial Position								
Accrued benefit obligation:								
Balance, beginning of year	$ 667,510	$ 20,934	$ 23,074	$ 2,054	$ 594,790	$ 21,776	$ 24,888	$ 1,891
Current service cost	31,005	6,159	1,323	516	27,600	4,144	1,278	573
Interest cost	45,775	1,528	1,474	212	40,780	1,174	1,261	135
Recognition of past service	-	-	-	434	-	-	-	-
Benefits paid	(30,389)	(5,294)	(1,614)	-	(27,330)	(4,888)	(1,884)	-
Actuarial (gain) loss	(93,876)	1,224	(2,733)	317	31,670	(1,272)	(2,469)	(545)
Balance, end of year	620,025	24,551	21,524	3,533	667,510	20,934	23,074	2,054
Plan assets	(467,820)	-	-	-	(417,440)	-	-	-
Funded status - plan deficit	152,205	24,551	21,524	3,533	250,070	20,934	23,074	2,054
Unamortized net actuarial gain (loss)	(71,201)	4,527	2,533	(183)	(195,980)	7,246	(211)	609
Accrued benefit liability	$ 81,004	$ 29,078	$ 24,057	$ 3,350	$ 54,090	$ 28,180	$ 22,863	$ 2,663

Plan assets:

(1) UAPP - the unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2008 - 1.25%) of total earnings by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.03% (2008 – 1.74%) of total earnings required to eliminate the unfunded deficiency by December 31, 2043. The actuarial valuation shows that the present value at December 31, 2008 of the Province of Alberta's obligation for the future additional contributions was $270,200. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 4.08% (2008 – 4.08%) of pensionable earnings shared equally between employees and employers until December 31, 2021.

(2) Long-term disability and early retirement - the University plans to use its working capital to finance these future obligations.

(thousands of dollars)

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

	2010				2009			
	UAPP	**Long-term disability**	**Early retirement**	**SRP**	UAPP	Long-term disability	Early retirement	SRP
Accrued benefit obligation:								
Discount rate	**6.90%**	**5.70%**	**5.70%**	**6.80%**	6.70%	6.25%	6.25%	7.40%
Long-term average compensation increase	**3.50%**	**n/a**	**3.00%**	**3.00%**	3.00%	n/a	3.00%	3.00%
Benefit cost:								
Discount rate	**6.70%**	**5.70%**	**5.70%**	**6.80%**	6.70%	5.00%	5.00%	5.50%
Long-term average compensation increase	**3.00%**	**n/a**	**3.00%**	**3.00%**	3.00%	n/a	3.00%	3.00%
Alberta inflation (long term)	**2.25%**	**3.00%**	**3.00%**	**n/a[1]**	2.70%	3.00%	3.00%	n/a[1]
Estimated average remaining service life	**11.3**	**5**	**12**	**n/a[2]**	10.5	5	12	n/a[2]

(1) Lump-sum payments upon retirement are based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries, and as such those assumptions are not set by the University.

(2) Actuarial gains and losses and past service costs are amortized over the remaining contract terms of the participants.

(b) Defined contribution

Supplementary retirement plan (SRP)
In 2010, the University introduced a non-contributory defined contribution supplementary retirement plan to provide benefits to eligible academic staff members. The expense recorded in these statements is $2,440.

(thousands of dollars)

7. Long-term liabilities

	Collateral	Maturity date	Fixed interest rate %	Amount outstanding 2010	Amount outstanding 2009
Mortgages payable to Canada Mortgage and Housing Corporation (CMHC):					
Lister Residences	(1)	July 2014	5.125	**$ -**	$ 828
Michener Park Phase I	(1)	April 2018	5.875	**-**	1,948
MacKenzie Hall	(1)	November 2018	6.250	**-**	1,064
Debentures payable to Alberta Capital Finance Authority:					
Health Research Innovation Facility	(3)	June 2011	5.030	**1,000**	1,000
Enterprise Square	(1)	October 2011	4.162	**2,549**	3,747
Natural Resources Engineering Facility	(2)	June 2014	4.974	**8,176**	9,760
Energy Management Program, Year 1	(3)	September 2014	4.551	**1,771**	2,118
Energy Management Program, Year 2	(3)	March 2016	4.525	**2,562**	2,926
Natural Resources Engineering Facility	(2)	June 2017	5.056	**6,358**	7,039
Health Research Innovation Facility	(3)	June 2017	5.053	**12,953**	14,342
Extension Centre	(3)	October 2017	8.750	**1,778**	1,928
Energy Management Program, Year 3	(3)	December 2017	4.493	**2,919**	3,216
Energy Management Program, Year 4	(3)	March 2019	3.718	**3,205**	3,500
Steam Turbine Generator	(2)	May 2020	6.250	**11,744**	12,472
Newton Place	(1)	August 2024	6.000	**12,137**	12,629
Newton Place Renovation	(1)	August 2024	6.000	**2,099**	2,184
Lister Residence II	(1)	November 2027	5.875	**18,323**	18,889
Windsor Car Park	(2)	September 2028	6.000	**6,023**	6,191
Saville Centre	(2)	December 2028	5.875	**3,963**	4,075
East Campus Village	(1)	March 2029	4.960	**8,149**	8,403
Centennial Centre for Interdisciplinary Science Phase I	(3)	September 2029	5.353	**8,772**	9,023
Centennial Centre for Interdisciplinary Science Phase I	(3)	June 2030	4.518	**1,926**	1,982
Health Research Innovation Facility	(3)	June 2032	5.191	**5,400**	5,525
Killam Centre	(3)	September 2036	4.810	**1,968**	2,005
Enterprise Square	(1)	September 2036	4.627	**40,500**	41,267
Jubilee Carpark	(2)	December 2047	4.814	**15,855**	16,000
				180,130	194,061
Liabilities under capital leases				**163**	210
Other long-term liabilities (includes asset retirements and liabilities for site restoration)				**10,128**	10,064
				190,421	204,335
Less current portion				**10,656**	10,483
				$ 179,765	$ 193,852

(1) title to land, building; (2) cash flows from facility; (3) none

The principal portion of long-term debt repayments required over the next five years is as follows:
2011 - $10,862; 2012 - $12,409; 2013 - $10,629; 2014 - $11,120; 2015 - $10,423

Interest expense on long-term liabilities is $11,177 (2009 - $10,604) and is included in materials, supplies and services.

The weighted average interest rate is 5.204% (2009 - 5.209%).

The University has recorded a liability for an asset retirement obligation of $1,128 (2009 - $1,064). The asset retirement obligation represents the legal obligation associated with the eventual decommissioning of a research reactor.

(thousands of dollars)

8. Deferred contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2010		2009	
	Capital	**Research and other**	Capital	Research and other
Balance, beginning of the year	**$ 495,632**	**$ 359,444**	$ 290,074	$ 370,801
Grants and donations received	**321,269**	**483,314**	418,882	480,464
Recognized as revenue	**-**	**(397,169)**	-	(424,180)
Transferred to unamortized deferred capital contributions (note 9)	**(379,284)**	**(40,178)**	(213,324)	(67,641)
Balance, end of the year	**437,617**	**405,411**	495,632	359,444
Less amounts included in current liabilities	**-**	**315,411**	-	269,444
	$ 437,617	**$ 90,000**	$ 495,632	$ 90,000

9. Unamortized deferred capital contributions

Unamortized deferred capital contributions represent the unamortized grants and donations received to fund capital acquisitions. The amortization of unamortized deferred capital contributions is recorded as revenue in the statement of operations. The changes in the unamortized deferred capital contributions balance are as follows:

	2010	2009
Balance, beginning of the year	**$ 1,329,723**	$ 1,121,647
Additions from deferred contributions - capital (note 8)	**379,284**	213,324
Additions from deferred contributions - research and other (note 8)	**40,178**	67,641
Long-term liabilities - repayment	**2,747**	2,625
Amortization to revenue	**(89,054)**	(75,514)
Balance, end of the year	**$ 1,662,878**	$ 1,329,723

(thousands of dollars)

10. Endowments

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

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University 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 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.

The composition of endowments is as follows:

	2010	2009
Balance, beginning of year	**$ 602,414**	$ 734,191
Gifts of endowment principal	**35,018**	39,156
Transfers to endowments	**131**	7,943
Transfers from endowments	**(97)**	(37,917)
Investment income (loss)	**80,029**	(140,959)
Balance, end of year	**$ 717,495**	$ 602,414
Cumulative contributions	**$ 530,715**	$ 495,663
Cumulative capitalized income	**186,780**	106,751
	$ 717,495	$ 602,414

During the year, the University capitalized $80,029 of investment income. A portion of this amount was added to endowments through the authority provided to the University under the *Post-Secondary Learning Act*. The University intends that this portion be maintained in perpetuity. During the 2009 year, cumulative capitalized income of $178,735 was required to cover the investment loss on endowments of $140,959, the approved endowment spending allocation of $31,389 and the transfer to unrestricted net assets to repay the 2008 spending allocation and investment loss on the internally restricted endowments of $6,387.

The Board of Governors approved the permanent endowment of certain unrestricted funds and transferred $131 (2009 - $7,943) from unrestricted net assets to endowments. In accordance with the terms and conditions of specific endowments, $97 was decapitalized for spending purposes (2009 - $141).

Gifts of endowment principal include matching grant funds of $5,000 (2009 - $5,000) from the Province of Alberta's Access to the Future Fund.

(thousands of dollars)

11. Investment in capital assets and collections

Net assets invested in capital assets and collections represent the carrying amount (net book value) of capital assets and collections less unamortized deferred capital contributions and any related debt.

	2010	2009
Capital assets and collections at net book value (note 5)	**$ 2,309,290**	$ 1,970,766
Less amounts financed by:		
Unamortized deferred capital contributions (note 9)	**(1,662,878)**	(1,329,723)
Long-term liabilities related to capital expenditures	**(179,516)**	(191,020)
Investment in capital assets and collections, end of year	**$ 466,896**	$ 450,023

	2010	2009
The changes during the year are as follows:		
Investment in capital assets and collections, beginning of year	**$ 450,023**	$ 407,668
Acquisition of capital assets and collections	**59,277**	86,037
Long-term liabilities - repayment	**11,437**	7,445
Long-term liabilities - new financing	**(2,680)**	(12,586)
Net book value of asset disposals	**(333)**	(736)
Amortization of investment in capital assets	**(54,223)**	(49,084)
Net change in investment in capital assets	**13,478**	31,076
Contributions of assets not subject to amortization	**3,395**	11,279
Increase for the year	**16,873**	42,355
Investment in capital assets and collections, end of year	**$ 466,896**	$ 450,023

12. Contingent liabilities and commitments

(a) The University is a defendant in a number of legal proceedings. 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. Administration has concluded that none of the claims meet the criteria for recording an accrued liability under GAAP.

(b) 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, 2009 CURIE had a surplus of $32,032 (2008 - $17,748). This surplus is an accumulation of five different underwriting periods. The University participates in four of the underwriting periods, which have an accumulated surplus of $28,647 (2008 - $13,771) of which the University's pro rata share is approximately 6.78% (2008 – 6.66%). This surplus is not recorded in the financial statements.

(c) At March 31, 2010 the University has contractual commitments for capital projects greater than $1 million of approximately $358,000 (2009 – approximately $629,000).

(d) Effective July 1, 2005 the University renewed their agreement for information technology support with an external party. The cost of $1,506 over the remaining 3 months provides for manager application support services.

(e) During the year, the University entered into agreements with two external parties for information technology support. The agreement for infrastructure management services has a five year term (effective July 1, 2010) with a total cost of $12,630. The agreement for application management services has a three year term (effective July 1, 2010) with a total cost of $6,522.

(f) In order to manage its exposure to the volatility in the electrical industry, the University has entered into contracts to fix a portion of its electrical cost at an average of $64.85 (2009 - $67.10) per megawatt hour. The five contracts (2009 - four contracts) with expenditures totaling $137,614 (2009 - $120,101) expire on December (2010, 2012, 2013, 2015, 2016).

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

(h) The University has invested in a partnership agreement with iNovia Investment Fund II-B, Limited Partnership, which invests in the technology, energy, life sciences and applied sciences sectors. The partnership will continue until April 17, 2017, extendable for up to three additional years. The University subscribed to five million partnership units at a price of $1.00 per unit of which the University has purchased 1,750,000 units. The remaining commitment of $3,250 (2009 - $4,000) is due at such times and in such amounts as the General Partner may determine.

(i) The Board of Governors has approved a $25,000, 30 year debenture with an interest rate of 4.886% for the East Campus Village Graduate Student Housing project, which will be drawn on September 15, 2010.

(thousands of dollars)

13. Budget comparison

The University's 2009-10 budget was approved by the Board of Governors and was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2009-2010 Business Plan.

	Actual	Budget	Variance
Revenue		(unaudited)	
Government	$ 919,012	$ 875,209	$ 43,803
Student tuition and fees	235,799	231,141	4,658
Sales of services and products	201,375	180,806	20,569
Grants, donations and investment income	161,451	112,678	48,773
Amortization of deferred capital contributions	89,054	66,233	22,821
	1,606,691	1,466,067	140,624
Expense			
Salaries	794,643	740,684	53,959
Employee benefits	168,189	138,483	29,706
Materials, supplies, services and other expenses	487,089	467,303	19,786
Amortization of capital assets	143,277	118,569	24,708
	1,593,198	1,465,039	128,159
Excess of revenue over expense	$ 13,493	$ 1,028	$ 12,465

14. Investment income (loss)

	2010	2009
Income (loss) on investments held for endowment	**$ 134,213**	$ (140,959)
Income on other investments	**9,130**	3,230
Asset-backed commercial paper recovery (write-down)	**13,966**	(31,114)
	157,309	(168,843)
Amounts deferred	**(28,289)**	(14,418)
Endowment income capitalized (Note 10)	**(80,029)**	-
Loss charged to endowment net assets (note 10)	**-**	140,959
	$ 48,991	$ (42,302)

(thousands of dollars)

15. Related party 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.

	2010	2009
Revenue from GOA		
Advanced Education and Technology grants:		
Operating grant	**$ 518,146**	$ 484,774
Enrolment planning envelope grants	**61,842**	53,865
Capital grants	**313,180**	396,430
Alberta Ingenuity Fund	**-**	20,556
Alberta Innovates Bio Solutions	**2,615**	-
Alberta Innovates Energy and Environment	**2,263**	-
Alberta Innovates Health Solutions	**34,707**	-
Alberta Innovates Technology Futures	**24,670**	-
Other research grants	**21,903**	25,819
Other grants	**5,637**	16,117
Total Advanced Education and Technology	**984,963**	997,561
Other GOA departments and agencies grants:		
Alberta Education	**5,957**	627
Alberta Environment	**6,614**	3,063
Alberta Health and Wellness	**59,102**	49,468
Alberta Health Services	**12,687**	6,275
Alberta Heritage Foundation for Medical Research	**-**	31,636
Alberta Infrastructure	**28**	9,614
Alberta Lottery Fund	**5,120**	295
Other grants	**12,044**	16,027
Total other GOA departments and agencies	**101,552**	117,005
Total contributions received	**1,086,515**	1,114,566
Amounts deferred	**(352,661)**	(433,477)
	$ 733,854	$ 681,089
Accounts receivable:		
Advanced Education and Technology	**$ 24,923**	$ 29,544
Other GOA departments and agencies	**11,742**	2,325
	$ 36,665	$ 31,869
Accounts payable:		
Advanced Education and Technology	**$ 746**	$ 2,987
Other GOA departments and agencies	**1,154**	9,574
	$ 1,900	$ 12,561

The Province of Alberta's Access to the Future Fund has provided $5,000 (2009 - $5,000) in matching grant funds, which is included in endowments. The University has long-term liabilities with Alberta Capital Finance Authority as described in note 7.

Due to the GOA reorganization in April 2009, the table above shows the new departments and agencies in 2010, as compared to the previous organizational structure. The categorization reflects the entities from which the University received its funding.

(thousands of dollars)

16. Salary and employee benefits

Treasury Board Directive 12-98 under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2010				Restated 2009
	Base salary [3]	**Non-cash benefits** [4]	**Non-cash benefits (SRP)** [5]	**Total**	Total
Governance [1]					
Chair of the Board of Governors	$ -	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President	**479**	**222**	**235**	**936**	753
Vice-Presidents:					
Provost and Vice-President Academic	**461**	**32**	**105**	**598**	619
Vice-President Research	**431**	**82**	**74**	**587**	598
Vice-President Facilities and Operations	**414**	**58**	**79**	**551**	565
Vice-President Finance and Administration	**414**	**47**	**77**	**538**	543
Vice-President External Relations [2]	**237**	**29**	**20**	**286**	457

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

[2] Two individuals held this position in the current year, and the position was vacant for approximately two months. An Interim Vice-President was appointed on September 2009.

[3] Base salary includes pensionable base pay, and also includes an administrative honorarium for the Provost and Vice-President Academic.

[4] Non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee and family assistance program, critical illness, supplementary health care, short and long-term disability plans and dental plan. Benefits for some of the executive also include professional leave, car allowance, parking, supplemental life insurance and interest free or forgivable housing loans. Additional non-cash benefits for the President include administrative leave, legal fees (related to advice to the President with respect to a new employment contract) and utility costs (related to the personal use portion of the house).

On July 1, 2009 the University purchased the President's house at a price equal to fair market value (independently appraised at $930) and has entered into a lease for the personal use space of this house with the President at fair market value (independently assessed). Included in non-cash benefits is a pro rata amount related to the utilities paid by the University for this space. For the period prior to July 1, 2009, in recognition that the University used a portion of the President's home for various University functions, the University continued to pay for certain costs for the general operation of the house determined in accordance with a contractual arrangement entered into by the President and the University. Included in non-cash benefits is the personal use portion (46%) of these costs.

On July 1, 2009, the President entered into a new employment contract with the University. Under the terms of the new contract, the value of the President's cumulative supplemental retirement plan benefit (SRP) has been increased from 2% to 5% of final base salary multiplied by years of service at the University of Alberta. A portion of this additional cost is reflected in non-cash benefits in the current year and the remaining portion is deferred and will be amortized over the contract term (per footnote [5]). Also, under the terms of the new contract, the administrative leave accrual proration was changed. Under the previous contract the accrual of the one year leave was pro rated over the fourth and fifth years of the contract. Under the new contract the accrual of that same year leave is pro rated equally over each of the first five years of service. In 2010 the administrative leave accrual included in non-cash benefits is $97 (2009 - $97 restated). The total administrative leave accrued as at March 31, 2010 is $460 which represents one year of administrative leave based on approximately five years of service.

[5] Under the terms of the SRP, the executive may receive supplementary retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expenses for the rights to future compensation. Costs shown reflect the total estimated cost to provide supplementary retirement benefits. The SRP provides future benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro rated on service, a market interest rate, and other assumptions included in the Canadian Institute of Actuaries' lump-sum commuted value standard. Net actuarial gains and losses of the benefit obligations are amortized over the remaining contract terms of the participants. Current service cost is the actuarial present value of the benefits earned in the current year. Prior service and other costs include amortization of past service costs, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

(thousands of dollars)

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

	2010					2009	
	Years of University of Alberta service	**Current service cost**	**Prior service and other costs**	**Net cost**	**Accrued obligation[5a]**	Net cost	Accrued obligation
President	**4.8**	**$ 152**	**$ 83**	**$ 235**	**$ 981**	$ 120	$ 263
Vice-Presidents:							
Provost and Vice-President Academic	**6.8**	**82**	**23**	**105**	**660**	139	473
Vice-President Research	**2.8**	**65**	**9**	**74**	**211**	83	115
Vice-President Facilities and Operations	**7.2**	**64**	**15**	**79**	**436**	90	305
Vice-President Finance and Administration	**7.9**	**62**	**15**	**77**	**420**	86	296
Vice-President External Relations	**3.0**	**14**	**6**	**20**	**189**	65	149

[5a] The accrued obligation is based on University of Alberta years of service and other factors such as age, salary and actuarial assumptions.

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in note 6.

17. Comparative figures

Certain 2009 figures have been reclassified to conform to the presentation adopted in the 2010 financial statements.