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Management's Responsibility for Reporting



Accountability Statement

MacEwan University's *Annual Report* for the year ended June 30, 2013, was prepared under the Board's direction in accordance with the *Government Accountability Act* and ministerial guidelines established pursuant to the *Government Accountability Act*. All material economic, environmental, or fiscal implications of which we are aware have been considered in the preparation of this report.

Original signed by John Day

John Day, QC
Board Chair

MacEwan University's management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the *Annual Report*, including the financial statements, performance results and supporting management information. Systems of internal control are designed and maintained by management to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, are executed in accordance with all relevant legislation, regulations and policies, reliable financial records are maintained and assets are properly accounted for and safeguarded.

The *Annual Report* has been developed under the oversight of the institution audit committee, as well as approved by the Board of Governors and is prepared in accordance with the *Government Accountability Act* and the *Post-secondary Learning Act*.

The Auditor General of the Province of Alberta, the institution's external auditor appointed under the *Auditor General Act*, performs an annual independent audit of the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards.

Original signed by David W. Atkinson

David W. Atkinson, PhD
President



President's Message

There was no doubt at the outset of 2012/2013 that the upcoming year would be a pivotal one in strengthening MacEwan University's position within the city, province and country. In this connection, there were many key achievements during the last year. Among these, MacEwan attained admittance into the Association of Universities and Colleges of Canada (AUCC); achieved probationary acceptance into Canada West Universities Athletic Association; and completed its institutional rebranding.

Throughout the year, the university's optimism grew as its list of accomplishments did. The conclusion of the first and foundational phase of our rebranding initiative resulted in not only a new logo—linking together our sense of history and our view of the future—but also eight University Pillars that affirm the institution's core values: Quality Education, Students First, Personal Learning Experiences, Student-Engaged Research, An Engaged University, At the Heart of the City and the MacEwan Spirit. These University Pillars support our promise to be connected, engaged and inspired with our students, faculty and community, and are critical in the current strategic planning exercise well underway in the institution.

Just as the institution embraced these new value statements, the pillars were immediately put to the test. Among the university's various accomplishments this past year there were also some challenges, two of which are worth noting here—the reorganization of the institution's fund development unit and the provincial budget reduction to post-secondary education.

Although restructuring is never easy, it is essential for the institution periodically to review organizational structure to ensure it is well positioned to achieve its objectives. The Advancement Office was reorganized to support our Centre for the Arts and Culture capital campaign as well as our fundraising for student awards, scholarships, bursaries and other academic initiatives. These are key initiatives in supporting our students and the quality of education MacEwan University delivers.

The provincial budget challenged the university to develop a strategy to reduce costs while maintaining the integrity of its academic programming. As with most post-secondary institutions in the province, MacEwan University did not escape some negative impacts as a result of the provincial budget. However it was able to minimize these impacts using the institution's pillars as a mechanism of developing a budget reduction strategy. No programs were eliminated and access was not limited; in fact, the university increased its enrolment as part of its budget strategy. By meeting these challenges through the lens of its pillars, the university can stand by its decisions knowing that it has kept its core values in mind and made the best choices possible with the best interests of the university at heart.

As we move into the next academic and fiscal year, we will build on the past year's goals reached and challenges met, and look forward to new prospects for broader research opportunities, enhanced athletics programming and new academic initiatives. With a renewed conviction of who we are as a university, MacEwan University once again stands on the threshold of great things to come.

Original signed by David W. Atkinson

David W. Atkinson, PhD
President

About MacEwan University

BOARD OF GOVERNORS

Chair

John Day, QC

President and Chief Executive Officer

Dr. David W. Atkinson

Students' Association of MacEwan University member

Kassie Russell/Josh Stock

MacEwan Staff Association member

Andy Rhoads

MacEwan University Faculty Association member

Dr. Chaldeans Mensah

Public members

Enzo J. Barichello, QC

Dr. Bill Johnston /James (Jim) Gillespie, CA
Carolyn Graham, FCA

William (Willie) Grieve, QC

Oryssia Lennie /Ross J. Harris, FCA, ICD.D.

John B. Mitchell

Elizabeth Hurley, CMC, ICD.D.

Mission Statement

Grant MacEwan University is a vibrant, innovative educational institution focused on student learning. MacEwan fosters student success and student contributions within local, national and international communities. Teaching and learning are central to the academic endeavour, which is informed and enriched by research and scholarly pursuits of highly engaged faculty and staff. MacEwan strives to exemplify the values of respect, integrity, citizenship and environmental stewardship through teaching, learning, scholarship, research and service.

Approved by the Grant MacEwan College Board of Governors, June 12, 2008 (Motion 03-6-12-2007/08). Name Changed by Order-in-Council #481/1009, A. R. 254/2009 September 24, 2009. Approved by Board of Governors' Motion #01-10-8-2009/10

Mandate

Grant MacEwan University is a public, board-governed Baccalaureate and Applied Studies Institution within Alberta's post-secondary system, operating under the authority of the public colleges section of the Post-Secondary Learning Act. The university was officially renamed Grant MacEwan University by Order in Council on September 24, 2009.

Grant MacEwan University focuses on four primary types of programming:

- Baccalaureate degrees that prepare learners for employment and for graduate studies.
- Certificate, diploma and applied degree programs that prepare learners for entry to careers and employment, and for continued study in other credential areas.
- University transfer programs that prepare learners for degree completion at other degree-granting institutions.
- Preparatory programming that prepares learners for success in further post-secondary studies.

Grant MacEwan University serves a diversity of learners in the following major areas of study: liberal arts, business/commerce, communications, education, engineering, health and human services, performing and visual arts, physical education and science. The university's innovative approaches to program delivery are designed to maximize graduates' opportunities to advance their careers and further their education.

Grant MacEwan University emphasizes a learner-centred approach to the provision of its programs and services. The university fosters student success through a focus on teaching excellence, interaction among faculty and students, flexible learning delivery and high quality student support. From prospective learners to alumni, students are provided with a wide range of services and support systems, residence and campus life activities, and intercollegiate and intramural sports programs. The university's inclusive governance structure provides many opportunities for leadership development that enable learners to develop skills to enhance their careers and future post-secondary endeavours.

Grant MacEwan University supports a culture of research, scholarship and creative activity to inform pedagogy, support economic and community development, enhance learning, create opportunities for innovation, and foster the application and creation of new knowledge. By incorporating a global focus in its research and teaching, serving a diverse range of Canadian and international faculty and students, and providing opportunities for knowledge dissemination and study abroad, the university aims to provide all researchers and learners with opportunities to develop the skills and attitudes to function successfully in an interconnected world economy and society.

Grant MacEwan University serves primarily the greater Edmonton region and northern Alberta by responding to the learning needs of business, industry, government and communities. Through distance delivery and eCampusAlberta, the university extends educational access across Canada and internationally. As a strong partner in Campus Alberta, Grant MacEwan University collaborates with stakeholders and partners to advance student mobility, conduct applied research, develop shared services and deliver continuing professional education and customized training.

*Approved by Grant MacEwan University Board of Governors
June 18, 2010 Board Motion: 02-06-18-2009/10. Approved by the
Minister of Advanced Education & Technology, August 19, 2010.*

MacEwan University

Pillars

STUDENTS FIRST

Focused on learner-centred teaching, student growth, opportunity and achievement.

QUALITY EDUCATION

Excellence is achieved here by combining a first-class education with an extraordinary student experience.

PERSONAL LEARNING EXPERIENCES

We are a welcoming, intimate and inspiring learning environment where the individual student—the whole person—thrives.

STUDENT-ENGAGED RESEARCH

We support and foster research and innovation that engages students, faculty and the community across all our programs.

AN ENGAGED UNIVERSITY

A “connected” culture where students, faculty, staff and the community are linked – and are collectively, collaboratively engaged in realizing their full potential.

SUSTAINABILITY

We are committed to creative approaches to sustainability in education and campus operations – activating solutions for positive environmental, social and economic impact.

AT THE HEART OF THE CITY

A vibrant and vital urban experience. We are a hub of creative, scholarly and cultural activity in the core of the city – building, sharing in, and contributing to its growth and prosperity.

THE MACEWAN UNIVERSITY SPIRIT

Our youthful energy comes from a pervasive excitement about the future – about how all of us can contribute to helping the university grow and succeed.

Positioning Statement

MacEwan University inspires its students with a powerful combination of academic excellence and personal learning experiences. We provide a transformative education in a creative, collaborative and supportive learning environment.

We are an engaged university at the heart of the city where creativity and innovation thrive, and a unique student experience opens up diverse pathways for achievement and growth.

Operational Overview





Major Accomplishments

During the course of MacEwan University's recent rebranding journey, the university identified eight defining brand pillars. The *University Pillars* are a result of extensive consultation with our internal and external communities and define the university's core commitments. These commitments are not new — MacEwan University has been living them for more than 40 years.

However, by clearly defining these fundamental promises, the university now has the foundation and framework in place for future strategic and academic planning—an unobstructed lens through which to make the decisions needed as the university moves into the future.

Students First; Quality Education; Personal Learning Experiences; Student-Engaged Research; An Engaged University; Sustainability; At the Heart of the City; and The MacEwan University Spirit — these are the pillars that inform the decisions made and cultivate the accomplishments celebrated.

EMPHASIZING COMMITMENT TO UNIVERSITY-LEVEL OPERATIONS THROUGH AUCC MEMBERSHIP

The university was admitted into the Association of Universities and Colleges of Canada (AUCC) on October 24. As a member of AUCC, the university can now contribute to national conversations and policy development processes as well as move forward with the development of new academic programs, upholding the university's commitment to offering a high quality education.

The mission of the AUCC is to foster and promote higher education, participate in the development of public policy and find solutions to the economic and social challenges facing Canada. MacEwan University has demonstrated it possesses the governance, administrative structures and academic goals appropriate for a university, reinforcing its position alongside fellow Canadian universities.

DEVELOPING ACADEMIC OPPORTUNITIES FOR STUDENTS ON CAMPUS AND BEYOND

The new Bachelor of Psychiatric Nursing (BPN) was approved and will open for applications in Fall 2013 with classes starting in Fall 2014. This new degree will allow registered psychiatric nurses (RPNs) already armed with a diploma to expand their knowledge and skills in the field of psychiatric nursing. Consisting of 45 credits, the BPN will have intakes in January and September and will be delivered via distance and online. MacEwan University is the only provider of psychiatric nursing education in the province.



The university continues to work on the development of a Bachelor of Social Work as per the letter of intent approved by the Board in September 2012. The proposal for the social work degree was approved by the university's Academic Governance Council in Spring 2013.

Due to the rising number of alumni pursuing graduate studies, the university's graduate school liaison planned and implemented the first annual Graduate School Fair in the Fall of 2012. More than 160 MacEwan University undergraduate students to date have been accepted into graduate or professional education programs at more than 40 institutions in Canada and internationally, a testament to the quality of the university's students and academics.

IMPROVING ACCESS AND SERVICE TO STUDENTS VIA NEW TECHNOLOGIES

A number of new tools and technologies were implemented to improve access and service at the university, providing an enriched student experience.

A new single-sign-on portal environment, including the deployment of a central authentication service, was implemented to provide seamless access for students and staff to a variety of web applications and information sources.

A project to complete the technical deployment of a new Learning Management System (LMS) for the university was also completed. The university now uses Blackboard Learn 9.1 to offer online distance education and blended learning delivery.

Google Apps for Education was introduced to the university community. Student email moved to Google Gmail, and new applications to support expanded online storage, student calendar function, social media and collaboration, and Google Apps have been successfully deployed for students.

A MacEwan University Library iPhone app was launched in October. Available without charge through the iTunes app store, "MacEwan Lib" allows users access to the complete university Library and NEOS catalogues, as well as a wide range of online journal articles, streaming audio and video, and ebooks. Users can search for and request materials; check the status of their holds; renew checked-out items; download articles from academic journals and periodicals; and find basic information, such as campus library hours and locations.

The new app coincided with the launch of the Library's mobile website, which allows users access regardless of their smartphone's operating system.



CULTIVATING OPPORTUNITIES TO ENGAGE STUDENTS AND FACULTY IN RESEARCH

Undergraduate research at MacEwan University continues to be a unique opportunity for students with the desire to enhance their university experience.

The university applied for eligibility with the Natural Sciences and Engineering Research Council of Canada (NSERC). Currently participating in NSERC's College and Community Innovation program, university eligibility will grant university faculty and students the opportunity to apply to a wide range of new research funding programs including grants, scholarships and fellowships.

Eligibility will also increase both MacEwan University's visibility as a contributor to innovative science and engineering research, and opportunities for MacEwan graduates entering postgraduate degree programs at other Canadian universities.

The university launched the Undergraduate Student Research Initiative, which is comprised of three programs for undergraduate student research at the university, including a competitive grant program; a peer-reviewed, open access student e-journal MUSE; and an annual research showcase week featuring more than 50 student presentations of scientific posters, scholarly talks and creative displays.

BROADENING SCOPE OF STUDENT ATHLETICS WITH NEW LEVEL OF COMPETITION

The university was accepted as a probationary member of Canada West Universities Athletic Association (CWUAA) in preparation for membership in Canada Interuniversity Sport (CIS).

This moves the Griffin Athletics into competition at the university level, with men and women athletes competing in basketball, volleyball, soccer and cross-country in the Canada West league. CWUAA membership provides expanded media exposure as a university throughout Canada and specifically in the western provinces; application of sports science fitness and conditioning knowledge and techniques; high performance and media training for athletes; as well as additional fitness training and pre-play medical checks.

MacEwan University will continue to compete at the collegiate level in indoor track, curling, golf and hockey within the Alberta Colleges Athletic Conference (ACAC).



REFINING UNIVERSITY PROCESSES AND MODELS OF IT GOVERNANCE TO SUPPORT OPERATIONS

A business intelligence (BI) tool in support of enrolment management and student systems was developed and launched in Fall 2012. Further work on the BI tool continues to develop, validate and publish various reports. These resources integrate the expertise of diverse personnel to support accurate and timely enrolment reporting and effective, ongoing use of the tool itself.

The university completed the implementation of a new model of governance and sustainment of its integrated Enterprise Resource Planning (ERP) applications. This new model represents all stakeholders across campus, and brings them into the process as part of the systems team.

By acknowledging that information systems include more than technology, this model facilitates the inter-relationships of people, policy and technology in a systems environment, reflecting the integrated nature of ERP systems and interfaces to third party systems.

The new model provides an opportunity to socialize ideas and discuss strategies around the ERP environment at the university, allows decisions to be taken from a university perspective, builds a shared awareness of cost, complexity and risk, and establishes the collective ownership of integrated systems.

PROGRESSING TOWARDS CAMPUS CONSOLIDATION IN THE HEART OF THE CITY

The design development phase of the university's new fine and performing arts building was completed, and the sale of the Centre for the Arts and Communications was confirmed, with the City of Edmonton taking ownership of the west-end campus in 2017 once the sale is approved by the provincial government.

Additional pieces of property adjacent to the City Centre Campus were purchased as an important element in the future development of the single sustainable campus.

The university entered into a relationship with the City of Edmonton to gain access to the Downtown Community Rink to be built in association with the new downtown arena in Edmonton. This access will give the Griffins hockey teams a home rink.



DEFINING “MACEWAN UNIVERSITY” TO STRENGTHEN SPIRIT AND FOCUS COMMITMENT

The university’s rebranding exercise resulted in the development of a new visual identity, eight defining brand pillars and a positioning statement. Consultation with internal and external stakeholders was extensive on all aspects of the rebrand and involved more than 700 people. The level of engagement shown by so many students, staff, faculty and supporters during this consultation demonstrated the excitement and spirit within the institution.

The University Pillars define the university’s core commitments—Students First, Quality Education, Personal Learning Experiences, Student-Engaged Research, An Engaged University, Sustainability, At the Heart of the City and The MacEwan University Spirit—and provide the foundation and framework for future strategic and academic planning.

The new MacEwan University logo and visual identity features the iconic City Centre Campus towers, and represents the university’s sense of place as well as celebrates the university’s heritage.

The new brand is scheduled to launch in September 2013.

EXPANDING SERVICES WITH FOCUS ON HEALTH AND WELLNESS FOR STUDENTS

Members of Student Life developed and implemented multiple healthy campus initiatives, including university-wide health and wellness days; a suicide prevention panel event with the Students’ Association of MacEwan University (SAMU); a multi-faith spirituality evening and the creation of a university statement on spirituality; and the Diversity Project.

With the renewal of the contract for the on-campus medical clinic at City Centre Campus, additional focus was placed on services addressing mental health concerns. This enhanced clinic provides the opportunity to grow new partnership opportunities with Student Life and the Student of Concern team, as well as pre-play support for Griffin Athletics and referrals for recreational injuries.



PROMOTING ENVIRONMENTAL STEWARDSHIP IN EDUCATION AND OPERATIONS

The Office of Sustainability cofounded the Sustainable Campus International Competition (SCIC) with the Youth for Sustainable Development Foundation, Concordia University (Quebec), and Kingston University (London, UK). Aimed at promoting sustainable innovations in higher education, this international initiative received 13 entries from seven universities around the world with the winner to be announced in August 2013. The SCIC is now slated to be an annual event.

The City of Edmonton awarded the university with two Certificates of Recognition this year for participation in the City's innovative recycling and waste collection programs and for continued commitment to diverting waste from landfill.

The Robbins Health Learning Centre, located on the City Centre Campus, received a level three BOMA BEST certification (level four being the highest). BOMA BEST is the Canadian industry standard for commercial building sustainability certification, which is based on the internationally recognized and accepted Green Globes environmental assessment platform. The BOMA BEST program is designed to assess environmental performance and management of existing buildings. Six key areas were assessed: energy, water, waste reduction and site, emissions and effluents, indoor environment and environmental management system.

Core Programs

Programs	2010 / 2011	2011 / 2012	2012 / 2013
Baccalaureate degrees	25	27	27
Applied degrees	3	2	2
Degree transfer programs	5	5	5
Career diplomas	36	36	33
Post-diploma certificates	4	5	5
Career certificates	11	10	10
Other credit programs / projects	4	2	2
Non-credit courses offered	1,468	1,436	1,799

Updated degree numbers reflect the number of individual degree majors as approved by Campus Alberta Quality Council.

Enrolment, Facility and Staffing Information

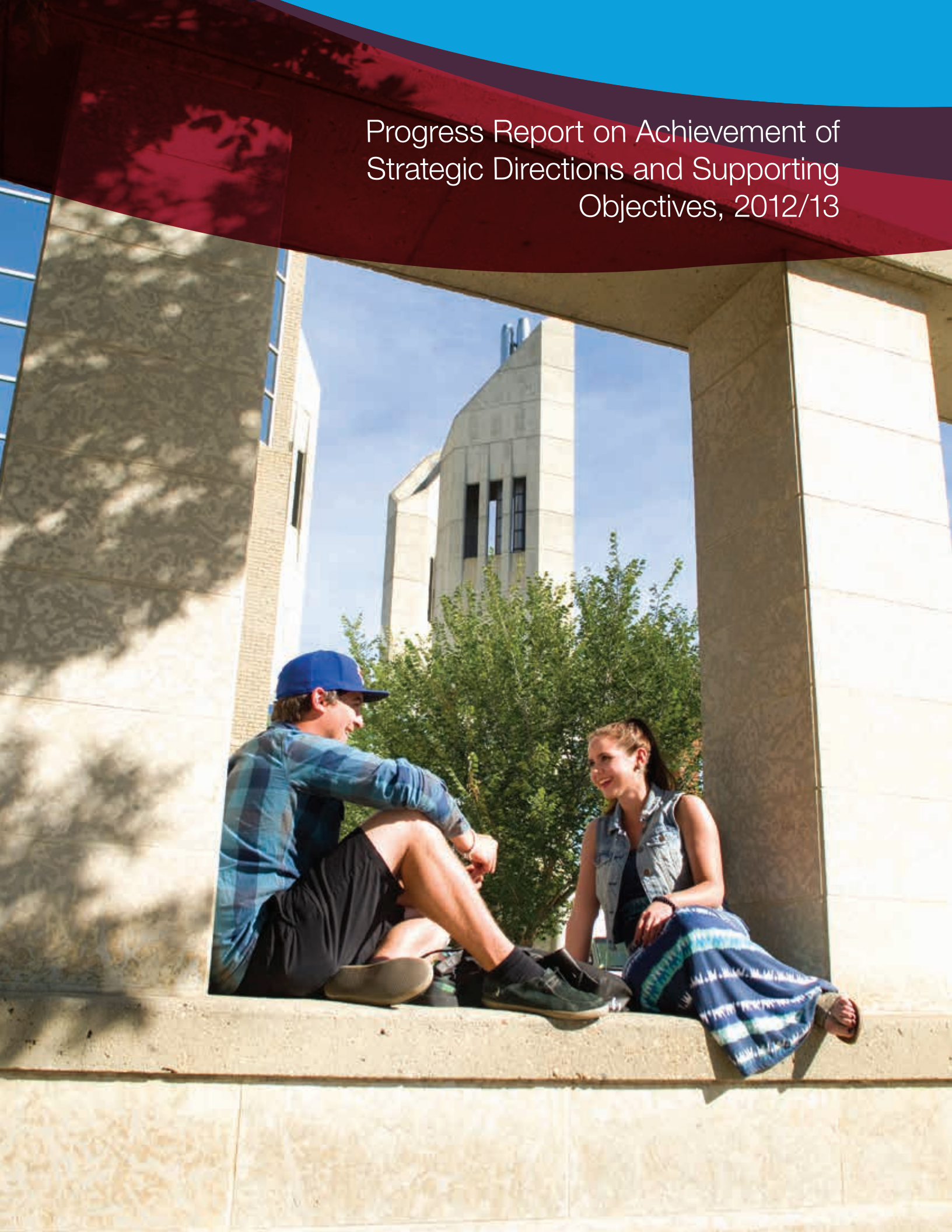
Enrolments and Applications	2010 / 2011	2011 / 2012	2012 / 2013
Credit full-load equivalents (FLE)	11,742	11,465	11,838
Credit student headcount*	19,143	18,832	18,897
Non-credit student headcount*	13,384	12,005	10,793
International student headcount*	902	978	1,054
Program applications (total)	18,503	19,217	19,091
Program applications (per quota place)	2.8	2.9	2.9

** Historical data has been changed to reflect revised reporting processes.*

Facilities	2010 / 2011	2011 / 2012	2012 / 2013
Total supported space (m ²)	158,579	158,579	158,579
Student capacity (FLE)	11,553	11,553	11,553
% of capacity utilized	96.0%	93.0%	95.2%

Staffing	2010 / 2011	2011 / 2012	2012 / 2013
Credit faculty (FTE)	678	683	657
Instructional support and non-credit (FTE)	133	75	74
Supervisory and support (FTE)	774	839	828
Administration (FTE)	142	133	144
Total employees (FTE)	1,727	1,730	1,703
Total employees (Headcount)	3,250	3,060	2,747
Student / faculty ratio (FLE / FTE faculty)	17.3	16.8	18.0

Progress Report on Achievement of
Strategic Directions and Supporting
Objectives, 2012/13



Academic Programming and Delivery

GOAL 1: Develop and adapt academic programs and delivery mechanisms as appropriate to a comprehensive undergraduate university.

OBJECTIVES:

1.1 Develop new degree, diploma and certificate programs based on institutional mandate, student need and resource capacity.

As MacEwan University continues to mature and to position itself within its Campus Alberta mandate, program development remains a high priority. This includes not only the development of new programs but also the re-framing of existing programs to better serve students and address provincial needs or the removal of programs that are no longer viable in the Alberta post-secondary education context.

New degree programs in psychiatric nursing and social work were developed and approved by both Academic Governance Council and the Board of Governors. These proposals provide efficient degree completion programs for diploma holders in health areas for which there is strong student demand for degree opportunities. The absence of opportunities such as these has long been driving outstanding students away from the province for their final educational development.

In addition, an important new initiative was undertaken to create a School of Continuing Education, to be established January 2014 under the leadership of a founding dean. Approved by the Board in June 2013, this school will be responsible for leading development in existing areas of non-credit learning as well as new areas of educational opportunity in corporate learning, university preparation, online education and community outreach education.

1.2 Through the Campus Alberta model, continue to develop opportunities for student transfer and mobility with other post-secondary institutions in Alberta and western Canada.

MacEwan University has become Alberta's largest "transfer-in" institution. The university is proud of the interest students have shown in studying at the institution and equally proud of the relationships forged with other post-secondary institutions, with respect to the portability of student credits and credentials.

The university retains close relationships with its institutional partners through a broad range of working groups involving the university registrar, vice-president, Student Services, and the provost.

The institution has continued to expand its formal program links to facilitate student mobility. As an example, students studying business at Grande Prairie Regional College can now block transfer their credits to MacEwan University's Bachelor of Commerce. The university continues to seek such opportunities but cannot deny the enrolment management pressure. With retention rates high in four-year degree programs and with more students wishing to stay than to leave, there are fewer spaces than there are applicants for upper-level transfers. In business and nursing there is very limited remaining capacity to expand the university's ability to welcome new and transfer students to the upper levels of the programs.

1.3 Develop and implement a comprehensive plan for international activity, including targets for both incoming and outgoing students.

Faculties, schools, MacEwan International and other student-support departments worked together to increase and support international student enrolment.

The institution has instigated a thorough review of its international operations. Two external consultants will provide a detailed analysis of policies and practices with respect to international student recruitment, study-abroad opportunities for domestic MacEwan University students, and the globalization of academic programs via innovative curriculum and pedagogy design.

1.4 Continue to develop pathway programs that integrate certificate and diploma programs with degree programs to provide additional learning opportunities and pathways for students.

As the number of degree programs has increased, a residual disconnect has been left between degree programs and the university's other credentials. In large part, this is due to the extraordinary effort required to have developed degree proposals for both ministry and Campus Alberta Quality Council approval. Enrolments in certificates and diplomas have remained strong and the institution's commitment to these programs is unwavering.

Considerable progress has been made to better align the university's traditional certificates and diplomas to a degree pathway. The university started a review of its diploma programs to ensure students entering into arts and science degrees would receive recognition for their credential. This review is expected to be completed in the upcoming year. In addition, a new four-year music degree ladders significantly out of the university's very popular two-year Music diploma, and the Bachelor of Commerce links closely with business

diplomas and certificates. The newly approved Bachelor of Psychiatric Nursing is a degree-completion program targeted specifically, in a very effective and efficient way, to holders of the Psychiatric Nursing diploma. Similarly, the social work degree proposal will ladder to existing two-year diplomas in social work.

1.5 Develop a structure that allows for greater coordination and development of continuing education activities.

Due to MacEwan University's necessary emphasis on degree development during its transition from college to university and from transfer institution to degree-granting institution, enrolment in its continuing education programs has declined. In response to this development, the Board of Governors and Academic Governance Council, with the assistance of an external consultant and the leadership of the president, developed and approved a proposal to create a School of Continuing Education.

This new academic unit, reporting to the provost and under the supervision of a dean, is intended to house a number of initiatives that currently have neither a distinct nor a clear mandate. The school will take responsibility for creating a synergistic, collaborative and revenue-positive educational environment in programs such as English as a Second Language, Preparation for University and College, online education, corporate learning, community outreach education, and lifelong learning (including music education). The selection process for the new dean was initiated in the spring of 2013 with anticipation that the successful candidate would assume office in January 2014.

Research, Scholarly Activity and Artistic Creation

GOAL 2: Expand the capacity for and profile of research, scholarly activity and artistic creation at MacEwan University.

OBJECTIVES:

2.1 Raise the profile of research, scholarly activity and artistic creation at MacEwan University.

The university has, in the past five years, hired more than 200 new faculty members in support of its degree program development. This has fundamentally altered the university's scholarly capacity and created a substantial skilled resource for government, business, social service agencies and academia that did not exist at the time of the university's formal creation. As a result, the research and creative activity dynamic within the university has increased both in quantity and quality. This growth has occurred within the mandate of MacEwan University as an undergraduate teaching and learning university. It is clear that the university's commitment to research beyond the campus is not yet established as strongly as it needs to be.

The key elements in support of the faculty's scholarly work remained in place during the past year. Examples of these are the *Annual Report on Scholarly Work* that highlights both faculty and student scholarship; the biannual *Research Showcase* publication; the annual Student Research Showcase event each winter semester, and the *Research Services Newsletter*. The addition of new staff to the Office of Research Services has assisted with the work of promoting research and creative activity.

2.2 Increase support for research and scholarly activity, including the scholarship of teaching and learning, discipline-based activity and student research, to enhance the university's research capacity.

The MacEwan University 2012-17 Strategic Plan for Research currently guides the university's development. This plan will continue to be part of the current integrated planning process in which the institution is engaged and in which research and creative activity play a prominent role. Over the reporting period, the university applied to the Natural Sciences and Engineering Research Council of Canada (NSERC) for full university eligibility. This classification will allow the university to apply for additional kinds of research funding, including student support via the research assistants' funding program.

The MacEwan Research Council continues to distribute internally provided research support to faculty and students (the latter via its University Student Research Initiative) to underpin the scholarly activities in all of the faculties and schools.

The university has already embarked on an energetic program of consultation with government and business to explore sources of financial support previously untapped because of MacEwan University's lack of capacity to leverage that support. The institution is now in a solid position to enter into external partnerships which will allow faculty and students greater opportunity than ever before to obtain collaborative assistance for their work.

Organizational Development

GOAL 3: Develop and implement a comprehensive human resource/organizational development plan that identifies key improvements necessary to further the university's mission and priorities.

OBJECTIVES:

3.1 Continue to develop governance structures as appropriate to a university.

The university successfully implemented a new model of systems and data governance to oversee and coordinate the university-wide Enterprise Resource Planning (ERP) application environment. A series of committees, with representation from across the university and from the community, now coordinate planning and support for human resources, student and financial systems. Integration, controls and standards are also being managed through the new governance model.

The institution is currently in the middle of a planned review of Academic Governance Council. Elements being reviewed include the functioning, composition and membership of the council; the structure, size and composition of committees; the role of Executive Committee; the relationship of the council and its committees to faculty/school councils; and administrative support for the council and its committees.

Academic Quality Assurance and Accreditation and Institutional Research and Planning were amalgamated into a single office of Institutional Analysis and Planning. This department supports development of academic programs and provides strategic advice on matters of accreditation documents and the ongoing planning activities of the university.

The Human Resource Advisory team consisting of representatives from across the university was established to provide input and advice on the strategic direction of human resources initiatives and in particular to guide the creation of a strategic human resource plan.

3.2 Develop and implement organizational strategies to enhance professional and skills development, employee recruitment and retention strategies, succession planning and workforce planning.

The Human Resources department collaborated to support annual organizational activities such as long service recognition, MacEwan Day, the annual flu shot campaign and a quarterly professional development newsletter. A number of workforce planning activities were supported including organizational restructuring, implementing a vacancy management process and an improved applicant tracking system. Professional development events and activities included the new staff orientation, in-service sessions and the annual Organizational Development Day.

3.3 Review performance management practices and make recommendations for change.

The Human Resources department provided support for the development and implementation of the Faculty Annual Performance Evaluation while facilitating the adoption of a PeopleSoft version of the Faculty Annual Report and Faculty Workload Assignment. This project was supported by training and resources including user productivity kits and briefing sessions. In addition, e-Performance training sessions were provided to promote understanding of performance practices.

3.4 Design organizational feedback systems as necessary to ensure effective human resource planning and evaluation.

In 2012/13, a variety of processes were streamlined including compliance with working alone legislative requirements, benefit payment for employees on leave, calculation of service for service milestones and the recognition nomination process. In addition, a range of information sessions were coordinated for Local Authorities Pension Plan, Health Spending Account, e-Performance, back safety and WHMIS, “Slips, Trips, and Falls.”

Supportive Services and Processes

GOAL 4: Develop and enhance services to students to ensure an outstanding campus life experience.

OBJECTIVES:

4.1 Develop and implement a comprehensive enrolment management plan that incorporates recruitment, marketing, admissions, student aid and retention.

MacEwan University remains a student destination of choice. Its dedication to inclusion and accessibility, combined with a highly focused commitment to undergraduate teaching and learning excellence and new programs of considerable interest to students, has meant steady growth in recent years. In some areas, such as business and nursing, that growth has been explosive.

In the past year, the university has taken important first steps in the development of a strategic enrolment management plan that will lead the institution forward in a clear and focused way. These steps included the development of new and more detailed data analysis and reporting techniques (a work still in progress as the PeopleSoft implementation continues successfully); a new brand by which to leverage student recruitment; a reorganization of a decentralized recruitment structure emphasizing individual programs to a centralized one emphasizing the institution and its student-centered undergraduate values; and changes to admissions policies and procedures to allow better planning and more flexible student access to a MacEwan University education.

As the need to provide greater access for students who either were not successful in securing admission to a program or those who wished to participate in credit coursework prior to admission, faculties and schools were asked to increase enrolment in Open Studies by providing more seats and sections. Further, to facilitate this intentional focus on providing students with greater access, the business processes for admissions and registration to Open Studies were enhanced to reduce the processing time from five to seven days to fewer than 20 minutes.

4.2 Increase investment in the university library consistent with the institution's status as a comprehensive undergraduate university.

Over the reporting period, the MacEwan University Library continued to advance its ongoing development as a university library. The Library's collection of electronic books rose in number by 155,000 titles, an overall increase of 97 per cent and at the same time, the collection of electronic journals increased in number by 6,138, an overall increase of 17 per cent.

The Library made a number of changes to improve search and access for university and eCampusAlberta users. These included the development of the 1Search tool to allow online researchers the ability to search multiple databases via a single search string; the development of a mobile application allowing library resources to be accessed on an iOS mobile device; and the launch of an electronic reserve system which makes reserve materials, formerly accessible in print, video or DVD format, now available virtually via audio/video streaming service to students wherever they are needed.

Another initiative included the design, development and implementation of 75 online information literacy modules, as well as an institutional repository, "Discovery Garden," to gather, organize and curate online learning objects. This year, the Library was a founding partner in the Networking Edmonton's Online Systems (NEOS), which creates a single platform across which the library holdings for 17 libraries in central and northern Alberta may be searched and accessed on line.

4.3 Develop and implement program-specific and institution-wide initiatives to support student learning and academic success.

The university implemented a variety of initiatives to support student learning and academic success over the past year, including the first annual Graduate School Fair; a new staffing and service model which enables increased student contacts and earlier touch points with new students; and the Get to Work Career Week Fair attended by 77 public and private organizations—the largest career fair in the history of MacEwan University. Moreover, the university implemented multiple healthy campus initiatives such as Health and Wellness Days, the Josh Rivedal Suicide Prevention Panel Event and Peer Support training.

To provide an opportunity for growth and development of leadership and other opportunities for students, the university developed a grant to support student-led initiatives, available to individuals and student groups. Successful applicants prepared and submitted final reports, including outcomes and budget, with several projects returning unused funds back to the university.

Effective Administration

GOAL 5: Develop and improve institutional services to ensure effective operation of the university.

OBJECTIVES:

5.1 Implement initiatives to fully realize the benefits of the new Enterprise Resource Planning (ERP) system, and to ensure ongoing training and support for the system.

The university implemented a new systems and data governance model that reflects the integrated nature of the ERP to enable the university to effectively sustain the ERP application environment. The institution has reorganized staff and resources used to sustain the ERP, and an ERP Support Office function has been established reporting to the chief information officer.

The university has also completed a post-implementation stabilization project. A number of priority initiatives related to access controls, application change management, application patch levels, development and deployment of business intelligence tools and improved businesses processes were completed. In addition, a budget was established to support the next cycle of application development and updates, and planning is underway for module upgrades in 2015/16.

5.2 Enhance financial management and administrative processes and structures to improve decision support and enhance operational efficiency and effectiveness.

MacEwan University established its Budget Advisory Committee to review possible funding sources for new initiatives and to help the institution deal with financial constraints. This resulted in more refined reports and improved accessibility to report details providing a better response to end-users' needs.

The university also converted monthly, quarterly and year-end financial statements to meet Canadian Public Sector Accounting Standard criteria for the June 30, 2013 year (with restatement of June 30, 2012 results) and improved the contents and format of financial reporting for Board committees. The development of process documentation and cross-training initiatives and the creation of a process management services department were foundational in improving the institution's service capacity.

5.3 Develop frameworks and mechanisms for reflective self-study, peer review and benchmarking of services.

The university's system of course and program development, quality assurance and linkage to government approval processes served it well during its transition from a college to a university. To ensure that the creativity, innovation and rigor brought by peer review evolve in a way consistent with a mature and self-reflective university in search of constant improvement, MacEwan University integrated the quality assurance and institutional analysis units and undertook an external academic governance review with the aim to create a more streamlined system of internal approvals; a more effective academic collegial governance system with more engaged department, program, faculty and school councils; and a stronger Academic Governance Council.

Additional highlights during the reporting period included implementation of a new investment strategy, based on Monte Carlo portfolio simulations and benchmarking against universities across Canada, and continued development of a process classification framework for the university based on the American Productivity and Quality Center education framework, to allow for benchmarking across post-secondary institutions.

5.4 Implement a rebranding initiative that positions the institution as a university committed to teaching and learning.

MacEwan University underwent a rebranding consultation process that was completed in spring of 2013. The consultation process included more than 700 participants comprised of faculty, staff, students, alumni, the Board of Governors and members of the community. These stakeholders provided feedback on all aspects of the rebranding process. Significant milestones included approval of the:

- MacEwan University Pillars: eight key institutional commitments that summarize who MacEwan is as a university and what it brings to the marketplace and the community
- MacEwan University Positioning Statement: a key statement that summarizes the core proposition of the University Pillars and describes the distinctive position the university occupies in the marketplace, guiding all communications and marketing efforts
- MacEwan University Logo: the new visual identity that expresses the institution's proud name and brand image
- Visual Identity Guidelines: a document which will guide all of MacEwan University's visual identity elements relating to the brand, including how it presents and uses its logo.

The tag line, "Connected - Engaged - Inspired" was also approved along with the creative look and direction of the fall campaign. With a view to a formal brand launch in fall 2013, significant planning was completed on the application of the new brand to digital properties, pageantry, printed materials and signage.

A Single Sustainable Campus

GOAL 6: Consolidate university operations on the City Centre Campus site by 2020.

MacEwan University completed targeted land acquisitions over the reporting year. Properties purchased are adjacent to the downtown campus land on the south side of 105 Avenue. MacEwan University now owns all property between 104 Avenue and 105 Avenue from 105 Street to 112 Street.

These acquisitions, along with the original campus site, give the university a substantial, continuous tract of property to provide for growth well into the future.

OBJECTIVES:

6.1 Obtain necessary approvals and funding from key provincial ministries to implement the consolidated campus model in a phased approach.

During the reporting period, MacEwan University drafted the Government of Alberta business case for campus consolidation.

6.2 Pursue options for the disposal of the Centre for the Arts and Communications (CFAC) and South campuses.

Over the past year MacEwan University researched potential lease opportunities for MacEwan South Campus and completed an agreement with the City of Edmonton for the potential sale of CFAC. In addition, it provided a decant plan for MacEwan South Campus and CFAC occupants, and drafted the Government of Alberta business case for campus disposal.

6.3 Initiate the design process for the next phase of campus development – a new fine and performing arts building.

MacEwan University prepared a schematic design and design development documents for a new 40,000 m² fine and performing arts building. Approval was provided by the Board to continue on the design and complete construction documents by June 2014. The university also prepared initial concept plans for retail space as the first development in the long range ancillary plan.

Additional activities over the reporting period included submitting documentation to the Edmonton Design committee for review and approval, updating project cost estimates to ensure feasibility and viability, soliciting involvement and participation from provincial departments and funders, and completing functional program updates for the new fine and performing arts building.

6.4 Implement high-priority strategies from the university's sustainability plan.

As part of the rebranding initiative, sustainability was identified as one of the MacEwan University Pillars, attesting to its importance for the university. Priority areas of sustainability included education for sustainability; sustainable operation; and planning, administration and engagement. Key accomplishments from the reporting year included:

- launching the quarterly Sustainability in Practice series to host cutting-edge, high profile events providing opportunities for participants to learn, engage and take action in support of sustainability
- surveying 231 students on the topic of education for sustainability
- tracking the impact of the ETS@Work program and finding that prior to joining 30 per cent of participants were previously using motor transportation to get to the university
- compiling a waste baseline for 2012
- co-founding the Sustainable Campus International Competition, a unique competition recognizing and supporting business-case sustainability
- developing a Sustainability Planning Model as the new planning process for sustainability to engage all areas of the university

Alternative Revenue Sources

GOAL 7: Develop alternate sources of revenue and enhance external investment in MacEwan University, with a particular focus on supporting student awards, facilities development and academic initiatives.

OBJECTIVES:

7.1 Initiate the “Building to 50 Years” campaign to support facilities enhancement, student awards and academic initiatives.

Support for facilities enhancement, student awards and academic initiatives remains a priority for the university. Over the reporting period, the Advancement Office was restructured to better reflect the unit’s primary objective of raising funds on behalf of the institution. Searches were initiated for key positions including an executive director of Fund Development and major gift officers. A consultant was also contracted to provide on-going campaign advice as well as campaign leadership during this transition.

Performance Measures

MacEwan University's Strategic Plan and Budget Strategies for 2012/13 – 2014/15 identified a number of performance measures. The table below provides three years of performance data on each measure up to the 2012/13 reporting year. It must be noted that most university surveys, such as the Student Satisfaction and Graduate Surveys, are conducted bi-annually, and that the three data years are not necessarily the last three calendar years.

Measure	Performance History				Comments
	Year 1	Year 2	Year 3	Target	
STUDENT FOCUS					
Student Satisfaction with Overall Quality of Educational Experience	96% (2010/11 Satisfaction Surveys)	97% (2011/12 Baccalaureate Survey)	96% (2012/13 Satisfaction Surveys)	95% fully/ somewhat satisfied	Student surveys show that MacEwan continues to exceed its goal of 95% overall student satisfaction.
Graduate Employment Rate (total employment)	97% (2006/07 Graduate Survey)	95% (2008/09 Graduate Survey)	95% (2010/11 Graduate Survey)	95%	Graduate Surveys show that MacEwan has met or exceeded its graduate employment target since 2006/07.
Tuition fees relative to comparable Alberta institutions (degree-granting)*	2010/11 \$4,518 (Second lowest of 7)	2011/12 \$4,560 (Lowest of 7)	2012/13 \$4,620** (Lowest of 7)	Maintain relative position	MacEwan's tuition fees are affordable compared with other public degree-granting institutions in Alberta.
Dollar value of scholarships/bursaries awarded/FLE	2010/11 \$2.4 M \$201/FLE	2011/12 \$2.8 M \$242/FLE	2012/13 \$2.5 M \$207/FLE	\$2.6 M \$222/FLE	Total \$ value of awards was 94% of target and \$ per FLE was 93% of target.
PROGRAM & SERVICE QUALITY					
Access/Enrolment	2010/11 11,742 FLE (104% of plan)	2011/12 11,465 FLE (99% of plan)	2012/13 11,838 FLE (101% of plan)	100% of 11,694 FLE	MacEwan's 2012/13 enrolment was 101.2% of its target (+144 FLE).
Student Satisfaction with Quality of Instruction	95% (2010/11 Satisfaction Surveys)	94% (2011/12 Baccalaureate Survey)	95% (2012/13 Satisfaction Surveys)	95% fully/ somewhat satisfied	MacEwan met its goal of 95% overall student satisfaction. (Note: Baccalaureate Survey results reflect only five degree programs)
RESOURCE ACQUISITION & UTILIZATION					
Achievement of fundraising targets	\$40.5 M (Yr. 5)	\$9.4 M (Yr. 1)	\$2.2 M (Yr. 2)	\$90.0 M (10 years)	The restructuring of the development team and the accompanying fundraising goals makes comparisons impossible.
Per cent expenditure on administration*	2010/11 9.3%	2011/12 9.2%	2012/13 8.5%	<11.0%	MacEwan continues to maintain administrative expenditures well below its targeted level of 11%.

* Method revised from previous years

** Estimate based on internal data

*** Using Ministry KPI/FIRS definition

Management's Discussion and Analysis:
Achievement of Strategic Directions and
Supporting Objectives, 2012/13



Academic Programming and Delivery

In 2012/13, MacEwan University continued to enhance its program offerings and provide important access to degree completion for Alberta students. The university initiated a review of its diploma programs so that students can ladder successfully into arts and science degrees. The university also received approval to offer the Bachelor of Psychiatric Nursing and will start offering courses for this new degree in September 2014. Internal approvals for a Bachelor of Social Work were also completed in June 2013, paving the way for the submission of this new proposal to the ministry and to Campus Alberta Quality Council with a projected start date of September 2015. These degrees, with laddering possibilities for diploma students, fit into an architecture of post-secondary education that provides exceptional flexibility for students both within MacEwan University and between MacEwan University and other Campus Alberta institutions.

The university faces a significant challenge in providing access to the increasing number of students wishing to experience a MacEwan University education. This challenge is the result of our commitment to the retention of our own degree students, in the laddering of diploma students into degrees via our internal program structure and in leading the province in transfer-in students via both block transfer agreements with colleges and individual transfer decisions made by students from other universities. The confluence of these three trends has placed strains on our ability to offer access, particularly at the third-year level in some programs.

A major development this year was the approval to create a School of Continuing Education and the implementation of a search for a dean to lead this new academic unit. This self-sustaining school

will provide additional opportunities for access to learning in many areas such as corporate learning, English as a Second Language, university preparation, community outreach and online learning.

Distributed education remains an area of growth for the institution. MacEwan University continued to provide leadership to eCampusAlberta, and lead the consortium in enrolment for 2012/13.

Research, Scholarly Activity and Artistic Creation

As more of the university's programming moves to degree offering, the opportunity for faculty to engage in student learning-related research, scholarly activity and artistic creation has increased. New faculty, who have joined the university in large numbers to support degree programs, are increasingly engaged in these areas in high quality ways. To assist these activities, the Research Council has a long-term strategic plan which includes the provision of competitive seed money for faculty to establish research programs with an aim to future leveraging of funding from external agencies.

A major component of the council's strategic plan is to continue to increase student participation in research. This year a number of initiatives were dedicated to this goal. In its second year, the Undergraduate Student Research Initiative provided a competitive grant process to fund student research activities under the mentorship of a faculty member and launched the MacEwan University Student e-Journal. Together with Student Research Showcases, these innovations provide students with undergraduate opportunities to engage at all levels of scholarly activity, including grant writing, engagement in research, publication, public presentations and journal editing.

To provide our students with further opportunities, the university has applied for full university eligibility with the Natural Sciences and Engineering Research Council. A successful application for this eligibility will provide federal research funding directly to MacEwan University students.

Organizational Development

As a key part of its transition from a college to a university, MacEwan University established the Academic Governance Council in 2008. The institution is currently undertaking a thorough review of this governance model as per council's bylaws. Among the elements undergoing review are the composition of the Academic Governance Council and the subcommittee structure of council. When completed, this review will ensure that the academic governance of the university is fully consistent with our mandate and emergence as a new undergraduate university.

Over the reporting period, there were a number of new senior administrative appointments, including the provost/vice-president academic; vice-president and general counsel; associate vice-president, Finance; dean of Libraries; and dean, Faculty of Arts and Science.

Human Resources implemented several processes which allow for a more robust reporting system for faculty. These processes have streamlined reporting features within the Enterprise Resources Planning and will allow for easier access to data for reporting and analysis.

With the merger of two complementary units, Academic Quality Assurance and Accreditation and Institutional Research and Planning, the university has simplified planning and program review, thus allowing for a consistent approach to its review of programs.

Enhanced Student Services

The institution made significant progress on the development of an enrolment management plan that will provide MacEwan University with specific strategies and processes for attracting and retaining students. Aspects of this plan include rebranding, a centralized recruitment structure and admission policies changes that combine with improved data analysis to attract and orient students, while providing increased admission flexibility for applicants. In addition, the enrolment management plan strives to ensure that students are guided to academic choices for which they are well-suited and supported.

The students-first approach, one of MacEwan University's newly approved pillars, is evident in the large number of activities which support students in both their academic endeavours and their growth as individuals. Activities such as detailed student program review to ensure relevance of academic decisions to students' needs, graduate and career fairs, health and wellness days, scholarships and leadership grants all point to MacEwan University's commitment to student life and academic success. This commitment is also evident in the continued development of library support for students with innovative access initiatives, enhanced library holdings and participation in the NEOS consortium of libraries. The university has also expanded student access by enhancing core technologies such as portals, the primary learning management system and online environments that enable collaboration. These initiatives provide students with an increasing array of options for access to information and improved sharing of information across Campus Alberta.

Effective Administration

With the support of the Board of Governors, the university initiated a rebranding initiative which included the creation of a set of institutional imperatives which would serve as touchstones for all decisions made at MacEwan University. These eight fundamental statements, known as the MacEwan University Pillars, will serve to guide all decision-making and initiatives at the university.

MacEwan University's ability to provide effective business solutions has been enhanced. In the past year, activities to optimize the Enterprise Resource Planning system, the establishment of a Budget Advisory Committee, conversion to Canadian Public Sector Accounting Standards and the implementation of a new investment strategy all contributed to enhancing the university's capacity and an improvement in business processes.

The university also enhanced its capacity to manage institutional risk and meet its various compliance requirements, in part, through the hiring of the vice-president and general counsel who leads the legal, audit, and risk and insurance areas, and the development of risk management and compliance programs.

A Single Sustainable Campus

A number of significant steps were completed in 2012/13 that contribute to the single sustainable campus model. The institution made targeted land acquisitions adjacent to the downtown campus forming a substantial and continuous tract of property for future growth. Negotiations with the City of Edmonton resulted in an agreement that will allow for the future sale of the Centre for the Arts and Communications campus, a significant component of the plan to finance the construction of a new building planned for the west end of

the downtown campus. Also, the sale or lease of South Campus was actively pursued. There was continued activity on the development of plans and approvals for the construction of the new academic building centre on City Centre Campus.

MacEwan University continued to implement high priority strategies from the university's sustainability plan and the importance of sustainability at the university was highlighted by the inclusion of sustainability as one of the eight University Pillars.

Alternative Revenue Sources

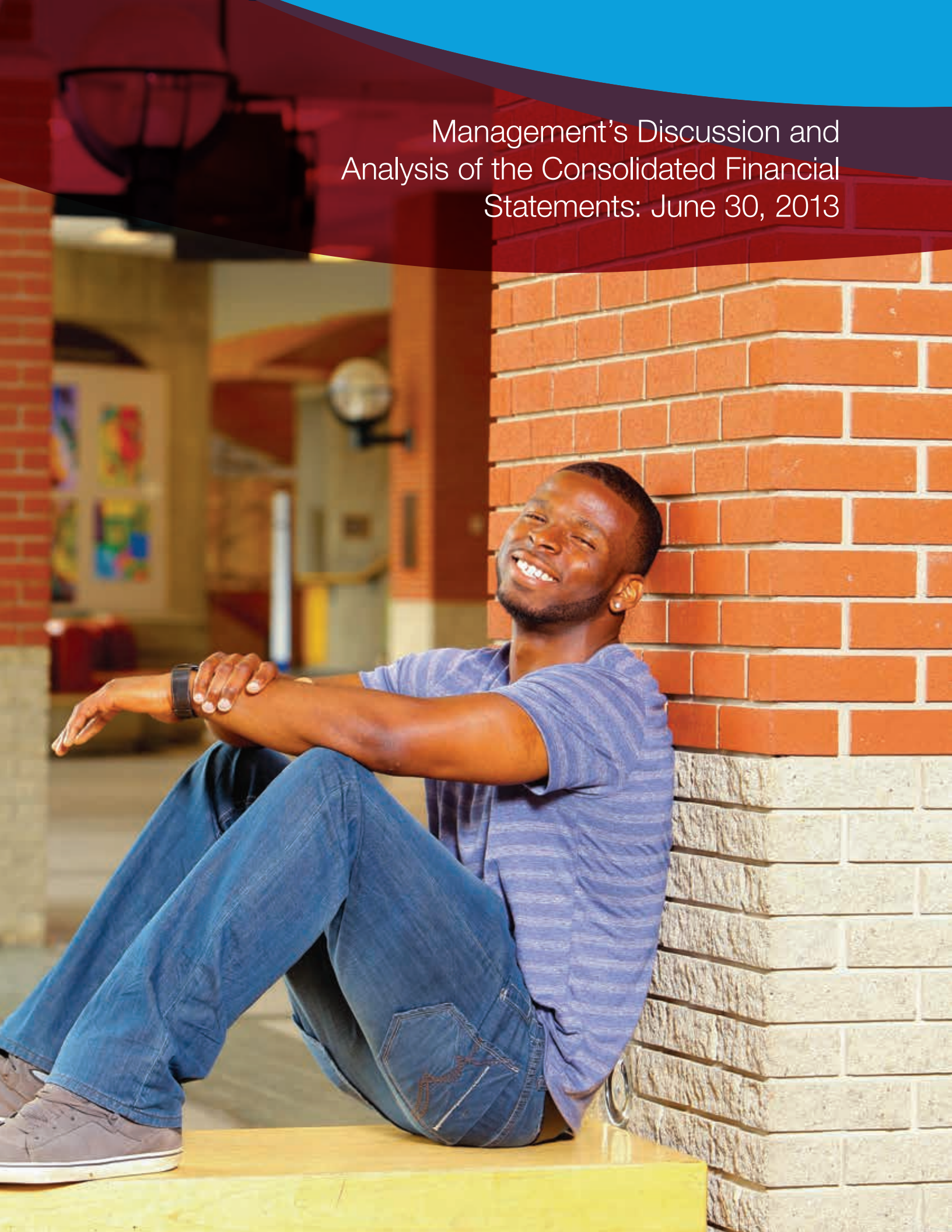
Significant activities included the restructuring of the Advancement Office to better reflect the unit's role within the university, and a search was initiated for the executive director of Fund Development. With reductions seen to the 2013/14 Campus Alberta Grant and Infrastructure Maintenance Program funding, the ongoing role of this unit, ancillary services and the School of Continuing Education will be critical in supporting priorities for the university.

The university is also working on long-term plans to enhance ancillary and retail offerings which, in addition to providing services that improve the experience at MacEwan University, will seek to add additional net revenue sources to the institution.

Performance Measures

MacEwan University met or exceeded targets in most of the institution-wide performance measures identified in its Strategic Plan and Budget Strategies for 2012/2013. Scholarship values were slightly lower than target but exceeded 2010/11 values. The achievement of fundraising targets did not lend itself to comparison due to the restructuring of the Advancement Office and the consequent redefinition of targets.

Management's Discussion and
Analysis of the Consolidated Financial
Statements: June 30, 2013



Discussion and Analysis

This discussion and analysis of the consolidated financial statements for the year ended June 30, 2013 should be reviewed in conjunction with the audited consolidated financial statements and accompanying notes. The financial statements represent the consolidated financial results of operations of MacEwan University and the Grant MacEwan University Foundation.

(All amounts are in thousands of dollars unless otherwise noted.)

Canadian Public Sector Accounting Standards

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards commencing with the 2012/13 fiscal year. The impact of this change is described in Note 2, Note 3 and the schedules to the consolidated financial statements.

The impacts on prior year's financial statement are:

1. Financial statement presentation changes.
2. Additional employee future benefit liabilities for accumulated non-vested sick leave and the university's contribution to benefits for employees on short- and long-term disability.
 - a. Accumulated surplus (deficit) from operations (formerly unrestricted net assets) as at June 30, 2011 decreased \$2,015, from \$2,503 to \$488.
 - b. As these were previously expensed annually the June 30, 2012 operating surplus (deficit) changed from a deficit of \$260 to a deficit of \$352, a net change of \$92.
 - c. Accumulated surplus (deficit) from operations as at June 30, 2012 decreased from \$1,489 to a deficit of \$618 as a result of the cumulative impact of item 2.a and 2.b above (\$2,015 plus \$92).

The adoption of Canadian public sector accounting standards also changed the accounting treatment for financial instruments, and in particular the unrealized gain or loss on unrestricted investments. Under Canadian generally accepted accounting principles the university accounted for unrealized gains and losses on unrestricted investments in the consolidated statements of operations. Effective July 1, 2012 these unrealized gains and losses is reported in the new consolidated statement of remeasurement gains (losses) rather than in the consolidated statements of operations.

Operational Highlights

During the year the university had an operating deficit of \$5,909 compared to a \$352 deficit for 2012. The operating deficit resulted from a portion of the \$9,166 of projects funded from internally restricted surplus, as disclosed in Note 13 to the consolidated financial statements. These projects include planning for the proposed Centre for Arts and Culture, ERP system renewal and technology enhancement, and the retrofit of the aquatics facility in the Christenson Family Centre for Sports and Wellness.

Assets Highlights

Total assets decreased \$7,046 (1.6%) from \$441,198 at June 30, 2012 to \$434,152 at June 30, 2013.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents decreased \$6,439. As presented in the consolidated statement of cash flows, the decrease in cash and cash equivalent is due to the following activities:

	<u>2013</u>	<u>2012</u>
Cash provided by operating transactions	\$ 3,140	\$ 15,704
Cash applied to capital transactions	(16,446)	(14,458)
Cash provided by (applied to) investing transaction	8,358	(2,057)
Cash (applied to) provided by financing transaction	<u>(1,491)</u>	<u>(21)</u>
	<u>\$ (6,439)</u>	<u>\$ (832)</u>

- a. Cash provided by operating transactions adjusts the operating surplus (deficit) for the accounting impacts of non-cash items included in operating surplus (deficit) and for any accruals of past or future operating cash receipts or payments.
- b. Cash applied to capital transactions include the acquisition of tangible capital assets required for the current operation of the university as well as land and building acquisitions to support the long terms plans for a single sustainable campus on the City Centre site. See tangible capital assets below for additional information.
- c. Cash provided by (applied to) investing transactions represents the net change between cash and portfolio investments. See portfolio investment below for additional information.
- d. Cash (applied to) provided by financing activities include contributions to endowment net assets, new debt and repayment of existing debt.

The university continues to hold cash, cash equivalents and short-term investments in anticipation of cash flows required for the proposed construction activities on the City Centre site.

PORTFOLIO INVESTMENTS

Portfolio investments decreased from \$83,582 at June 30, 2012 to \$82,995 at June 30, 2013 as follows:

Net sale of investments	\$ (8,360)
Unrealized gain on unrestricted investments	2,523
Unrealized gain on restricted investments (endowments)	<u>5,250</u>
Change in portfolio investments	(587)
Portfolio investment, beginning of year	<u>83,582</u>
Portfolio investment, end of year	<u>\$ 82,995</u>

See Notes 6 and 7 for additional information on the investment holdings and financial risk management.

ACCOUNTS RECEIVABLE

Accounts receivable decreased \$536 from \$4,648 in 2012 to \$4,112 at June 30, 2013. This decrease is due to improvements in collection procedures.

INVENTORIES AND PREPAID EXPENSES

As at June 30, 2013 the university had \$5,293 inventories and prepaid expenses, which is \$186 greater than the \$5,107 balance at June 30, 2012. The majority of this increase is inventory for the bookstore in response to the product demand from students.

TANGIBLE CAPITAL ASSETS

Tangible capital assets increased from \$285,113 at June 30, 2012 to \$285,443 at June 30, 2013, a net increase of \$330. See Note 8 to the consolidated financial statements for information on the changes during the year which is summarized below:

Acquisitions of tangible capital assets		\$	16,479
Net book value of assets disposed during the year			
Cost	\$	(2,746)	
Accumulated amortization		<u>2,424</u>	(322)
Amortization expense			<u>(15,827)</u>
Change in tangible capital assets			330
Tangible capital assets, beginning of year			<u>285,113</u>
Tangible capital assets, end of year		\$	<u>285,443</u>

Acquisition of tangible capital assets includes:

- a. \$8,924 for the acquisition of land (\$7,348) and buildings (\$1,576) to support the long-term plans for a single sustainable campus on City Centre site
- b. \$1,100 for the annual tangible capital asset renewal and replacement
- c. \$1,100 to enhance the Bachelor of Science, Bachelor of Music, and Bachelor of Science in Nursing labs, classrooms, equipment and collections. Of this amount \$750 was grant-funded and the balance funded by the university
- d. \$825 for additional library collections
- e. \$662 infrastructure maintenance projects, including upgrades to the heating system at Alberta College and an upgrade to the emergency power system at the University Service Centre
- f. \$636 for ERP stabilization and development
- g. \$627 to upgrade the IT infrastructure

Liabilities Highlights

Total liabilities decreased \$4,501 from \$242,361 to \$237,860.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities decreased \$1,853 (6.0%) from \$31,062 at June 30, 2012 to \$29,209 at June 30, 2013 as a result of the completion of major projects which were in progress at June 30, 2012, including the expansion and renovation of the Christenson Family Centre for Sport and Wellness, and reduction in planning activities for the single sustainable campus.

EMPLOYEE FUTURE BENEFIT LIABILITIES

As a result of a review of all employee future benefits for the conversion of Canadian public sector accounting standards additional liabilities were retroactively recorded for accumulated non-vested sick leave benefits and benefits liabilities for employees on short- and long-term disability. Note 9 to the consolidated financial statements provides additional information on the employee future benefit liabilities calculated by independent actuarial valuations using past information and future assumptions.

DEBT

During the year the university repaid \$1,590 of the debentures payable to Alberta Capital Finance Authority for the parkade and student residence. The remaining decrease in debt liability is due to the net reduction in obligations for capital lease of equipment.

DEFERRED REVENUE

Deferred revenue consists of the following components:

	2013	2012	CHANGE
Unspent deferred revenue	\$ 18,356	\$ 14,734	\$ 3,622
Expended deferred capital funding	136,496	142,132	(5,636)
Student tuition and fees, sales of services and contract program	6,254	5,650	604
	<u>\$ 161,106</u>	<u>\$ 162,516</u>	<u>\$ (1,410)</u>

- Unspent deferred revenue includes a number of one-time and conditional funding to support program development, research, capital, scholarships and other operating requirements. This category also includes unrealized investment income on restricted investments (endowments). Conditional grants from the Government of Alberta decreased \$1,002 during the year, while the endowment interest, donation and other fundraising revenue component of deferred revenue increased by \$5,004 mostly due to unrealized investment income.
- Expended deferred capital funding represents the unamortized grants and donations received to fund capital acquisitions. During the year, \$1,133 of capital assets were purchased with grants and donations funding, offset by \$6,661 amortization of current and prior years' externally funded capital assets and \$108 reduction due to disposal of externally funded tangible capital assets. The net change is a \$5,636 (4.0%) decrease in expended deferred capital funding.

- c. Student tuition and fees, sales of services and contract program component of deferred revenue represents the operating revenue received in the current year which relates to the services being provided in the next fiscal year.

Net Assets Highlights

The net assets for the university decreased \$2,545 (1.3%) from \$198,837 at June 30, 2012 to \$196,292 at June 30, 2013.

ENDOWMENTS

Endowment net assets increased by \$841 (1.9%). See Note 12 of the consolidated financial statements for more information.

ACCUMULATED SURPLUS

Accumulated surplus consist of accumulated operating surplus and accumulated remeasurements gains and losses.

- a. **Accumulated operating surplus** decreased \$5,909 which is the operating deficit for the year. Changes to each component of accumulated operating surplus is disclosed in Note 13 to the consolidated financial statements.
- i. **Accumulated surplus from operations** increased \$2,426 during the year, from a deficit of \$618 at June 30, 2012 to a surplus of \$1,808 at June 30, 2013. See below for the items which impact accumulated surplus from operations.

	2013	2012
Operating activities		
Operating surplus (deficit)	\$ (5,909)	\$ (352)
Add back:		
Amortization of internally funded capital assets	9,166	8,723
Net book value of assets disposed	215	183
Operating expenses funded from internally restricted surplus	9,166	7,497
Less net Board appropriation to internally restricted surplus	<u>(3,830)</u>	<u>(9,670)</u>
	<u>8,808</u>	<u>6,381</u>
Capital activities		
Debt repayment	(1,808)	(1,581)
Internally funded acquisition of tangible cash assets	<u>(4,574)</u>	<u>(4,906)</u>
	<u>(6,382)</u>	<u>(6,487)</u>
Transfer to endowment	-	<u>(1,000)</u>
Change in accumulated surplus from operations	2,426	(1,106)
Accumulated surplus (deficit) from operations, beginning of year	<u>(618)</u>	<u>488</u>
Accumulated surplus (deficit) from operations, end of year	<u>\$ 1,808</u>	<u>\$ (618)</u>

ii. **Investment in tangible capital assets** is represented by the following:

	2013	2012	CHANGE
Tangible capital assets	\$ 285,443	\$ 285,113	\$ 330
Debt	(44,219)	(45,983)	1,764
Deferred revenue - expended deferred capital funding	(136,496)	(142,132)	5,636
Rounding	(1)	(1)	-
	<u>\$ 104,727</u>	<u>\$ 96,997</u>	<u>\$ 7,730</u>

iii. **Internally restricted surplus**

- Decreased \$9,166 for operating expense incurred during the year and \$10,729 for the purchase of tangible capital assets.
 - Increased for the following appropriations:
 - \$1,400 to support future expense for ERP renewal and technology at MacEwan University
 - \$242 for campus development. This is the 2013 net contribution from the rental of land and building acquired during the past few years, and in accordance with the approved strategy is appropriated for future campus development.
 - \$1,500 to support future expenses for the School of Continuing Education
 - \$688 for student technology reserve as required based on prior year's agreement with the Student Association of MacEwan University for student technology fee
- b. **Accumulated rereasurement gains and losses** is a new category as a result of the conversion and adoption of public sector accounting standards. This represents the unrealized gain (or loss) on unrestricted financial instruments as at June 30, 2013.

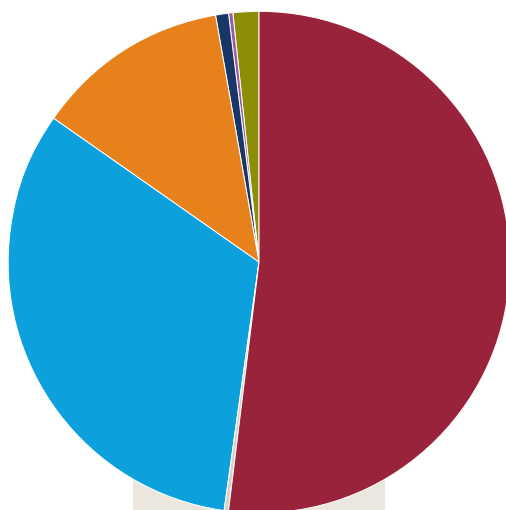
Operating results - comparison to approved budget

The Board of Governors approved a balanced budget for 2013 based on \$228,834 in revenue and expenses. Actual total expenses exceeded revenue, resulting in a deficit of \$5,909 (2.6% of budget revenue). The largest contributors to the budget variance were:

- a. Maintenance and repairs due to the fact that the pool retrofit project was budgeted as a capital project;
- b. Amortization in which the budget for 2013/14 was reset due to increases in the capital assets over the past few years and from the investment in Enterprise Resource Planning software and science lab;
- c. Employee benefit cost increase due to annual pension cost rate adjustments and new accounting standards.

Revenue Highlights

The total revenue increased from \$222,134 in 2012 to \$228,976 in 2013, with the percentage split being consistent from 2012 to 2013. Information on the major revenue categories are noted below.



	2013		2012		CHANGE FROM 2012	
	\$	%	\$	%	\$	%
Government of Alberta grants	\$ 119,452	52.2%	\$ 117,283	52.7%	\$ 2,169	1.8%
Federal/other government grants	206	0.1%	194	0.1%	12	6.2%
Student tuition and fees	74,910	32.7%	72,305	32.6%	2,605	3.6%
Sales of services and products	28,327	12.4%	26,310	11.8%	2,017	7.7%
Contract programs	1,715	0.7%	1,924	0.9%	(209)	-10.9%
Donations and other grants	1,133	0.5%	1,292	0.6%	(159)	-12.3%
Investment income	3,233	1.4%	2,826	1.3%	407	14.4%
	<u>\$ 228,976</u>	<u>100.0%</u>	<u>\$ 222,134</u>	<u>100.0%</u>	<u>\$ 6,842</u>	<u>3.1%</u>

GOVERNMENT OF ALBERTA GRANTS

Government of Alberta grants represent approximately 52% of the university's revenues, the majority of which comes from the Province of Alberta as Campus Alberta Grant. The increase in the 2012/13 Campus Alberta grant of 2% was \$2,098 which is the only significant change in grant revenue.

STUDENT TUITION AND FEES

Tuition fees charged by the university are set in accordance with provincial tuition fee regulations which set a cap on increases in tuition and mandatory instruction fees based on the Alberta consumer price index. Other optional fees or fees for materials and supplies are established at a level to recover the costs of services, materials and supplies. The permitted tuition fee increase for 2012/13 was 1.45%.

Tuition revenues were up from 2012 due to the allowable increase and an overall enrolment growth of 2.5% attributable to significant FLE increases in the commerce, music, communication studies and science degrees. These increases were partially offset by a decline in international studies, Design Studies program and Bachelor of Arts, as well as the planned reduction of Bachelor of Science in Nursing enrolment to sustainable levels. Student athletic fees increased during the year resulting in an additional \$724 revenue to support the athletic and recreation services.

SALES OF SERVICES AND PRODUCTS

Sales directly to students in the Bookstore, food outlets and instruction materials represent almost 50% of the revenue in this category. This category is therefore very much enrolment driven. The increase in enrolment contributed to the increase in sales from prior year but the increase is also due to increase sales of Apple products, and general price increases applied to text books in January.

The next significant revenue contributor in this category is residence rental income, which experienced an 8% increase from the prior year. Over half of this increase was attributable to an increase in casual bookings as the summer and guest accommodation business continues to grow. Rental income from recently acquired properties contributed to an increase in rental income as well.

INVESTMENT INCOME

Investment income increased by 14%, and is comprised of:

- \$1,657 (2012: \$1,435) investment income from restricted funds (endowment and other restricted purpose funds) to match the expenses of these funds
- \$1,576 (2012: \$1,391) from unrestricted funds

Effective July 1, 2012, and in accordance with Canadian public sector accounting standards, unrealized gains and losses on unrestricted funds are now recorded in the consolidated statement of remeasurement gains and losses rather than the consolidated statement of operations which was the requirement for the earlier fiscal years. For restricted funds, these unrealized gains and losses are recorded as deferred revenue.

Note 16 to the consolidated financial statements presents the investment income from restricted and unrestricted funds, as well as the realized and unrealized investment income for each category.

- a. Restricted funds:
 - i. During 2013 the total investment earnings on restricted funds was \$6,542, of which 80% was unrealized. The market rate of return on endowment investment was 14.8%, with the majority of this being unrealized (11.8%) and the remaining 3.0% being the accounting rate of return which is available for future distribution as scholarships, bursaries and staff development.
 - ii. Realized investment income on restricted funds increased \$224 from \$1,068 in 2012 to \$1,292 in 2013. As disclosed in Note 12 to the consolidated financial statements the amount of endowment funds increased \$4,479 in 2012 resulting in more funds available for investment in the 2013 fiscal year. This investment income is recorded as deferred revenue until it is spent on the purpose intended.

- iii. Unrealized investment income on restricted funds increased \$7,497, from an unrealized loss of \$2,247 in 2012 to an unrealized gain of \$5,250 in 2013. This is due to the increased return based on the market value of the investments.
 - 1. Included in deferred revenue at June 30, 2011 was \$3,087 unrealized gain on investments. Due to the unrealized investment loss in 2012 this amount was decreased by \$1,833 to \$1,254 as at June 30, 2012.
 - 2. This amount was increased during the 2013 fiscal year by \$5,250.
 - 3. As there was a cumulative encroachment of endowment due to unrealized investment losses in prior years, \$562 of this amount was transferred to endowments. Note 11 to the consolidated financial statements include this amount plus an additional \$22 being transferred to endowment.
 - 4. At June 30, 2013 the balance of the unrealized restricted investment income recorded in deferred revenue is \$5,942. This unrealized investment income will be increased or decreased in future years based on the unrealized change in market value of the investments.
- iv. When investment income from restricted funds are spent for the purpose intended (scholarships, bursaries, staff development) the income is recognized as revenue in the consolidated statement of operations. During the year \$1,657 (2012: \$1,448) was recognized as revenue.
- v. In the 2012 fiscal year \$414 of the unrealized loss was recorded as a reduction of the endowment value, resulting in a cumulative encroachment of \$770 in the value of certain endowments. As noted above, \$562 of the unrealized gain was transferred to endowment to offset this encroachment, resulting in a current encroachment of \$208. The university will continue to eliminate this encroachment.
- b. Unrestricted funds:
 - i. Realized investment income from unrestricted funds decreased \$307 as less funds are available for investing (see consolidated statement of cash flows).
 - ii. Unrealized investment income on unrestricted funds increased \$3,015 due to increase in the market value of the investments.
 - iii. The market rate of return on the long-term investment portfolio was 15.03%.

CONTRACT PROGRAMS

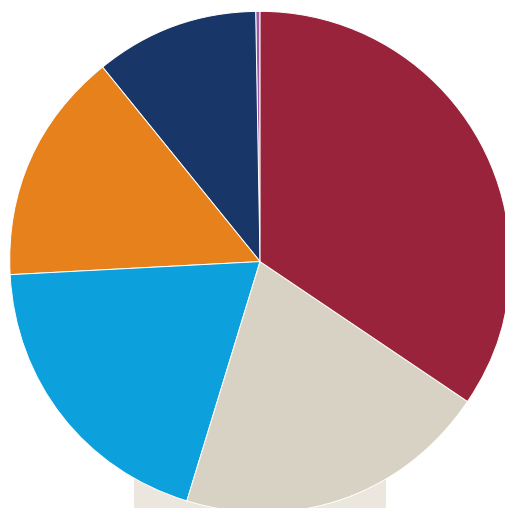
The decline in contract revenue was due to a revenue decline for international contracts.

DONATION AND OTHER GRANTS

Donation and other grants include unrestricted donations received during the year and the amount of donations and other grants recognized as revenue when the terms for the use of these funds have been met. The decrease of \$159 is offset by a reduction of the related expenditures.

Expense by Function Highlights

The operating expenses disclosed on the consolidated statement of operations is by operating function. These categories are described in Note 17 to the consolidated financial statements.



	2013		2012		CHANGE FROM 2012	
	\$	%	\$	%	\$	%
Instructional and non-sponsored research	\$ 81,037	34.5%	\$ 79,871	35.8%	\$ 1,166	1.5%
Academic and student support	48,006	20.4%	46,848	21.1%	1,158	2.5%
Facility operations & maintenance	45,611	19.4%	39,550	17.8%	6,061	15.3%
Institutional support	35,493	15.1%	32,895	14.8%	2,598	7.9%
Ancillary services	24,607	10.5%	23,165	10.4%	1,442	6.2%
Sponsored research	131	0.1%	157	0.1%	(26)	-16.6%
	<u>\$ 234,885</u>	<u>100.0%</u>	<u>\$ 222,486</u>	<u>100.0%</u>	<u>\$ 12,399</u>	<u>5.6%</u>

INSTRUCTIONAL AND NON-SPONSORED RESEARCH

Increase of 1.5% is substantially due to increase in salary rates offset by reductions in costs.

ACADEMIC AND STUDENT SUPPORT

Increase of 2.5% is substantially due to increase in salary rates offset by reductions in costs.

FACILITIES OPERATIONS AND MAINTENANCE

The \$6,061 increase in facility operations and maintenance is largely attributable to project expenses with the most significant being the pool upgrade.

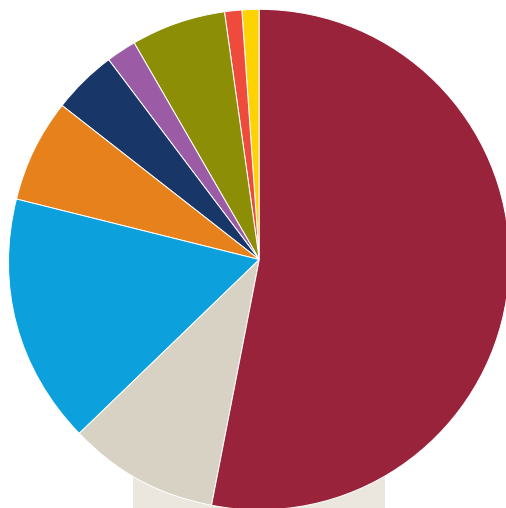
INSTITUTIONAL SUPPORT

The \$2,598 increase in expenses for institutional support is a result of a number of consulting projects during the year, including the university rebranding effort, completion of the ERP stabilization project started in 2011/12, requests for external reviews of specific areas in the university, and severance payments where organizational restructuring was undertaken as a result of the planning for the 2013/14 operating budget. The filling of administrative vacancies as mentioned in the salaries section below also resulted in higher institutional support costs.

ANCILLARY SERVICES

Additional costs were incurred to develop the new print services model and the costs of goods sold also increased due to higher sales which resulted in increase in the contribution margins.

Expense by Objects Highlights



	2013		2012		CHANGE FROM 2012	
	\$	%	\$	%	\$	%
Salaries	\$ 124,728	53.1%	\$ 120,226	54.0%	\$ 4,502	3.7%
Employee benefits	23,192	9.9%	20,975	9.4%	2,217	10.6%
Materials, supplies and services	37,740	16.1%	37,368	16.8%	372	1.0%
Amortization of capital assets	15,827	6.7%	15,338	6.9%	489	3.2%
Cost of goods sold	9,661	4.1%	9,277	4.2%	384	4.1%
Utilities	4,591	2.0%	4,765	2.1%	(174)	-3.7%
Maintenance and repairs	14,129	6.0%	9,075	4.1%	5,054	55.7%
Scholarships and bursaries	2,438	1.0%	2,796	1.3%	(358)	-12.8%
Interest on long-term debt	2,579	1.1%	2,666	1.2%	(87)	-3.3%
	<u>\$ 234,885</u>	<u>100.0%</u>	<u>\$ 222,486</u>	<u>100.0%</u>	<u>\$ 12,399</u>	<u>5.6%</u>

SALARIES

Salaries increased \$4,502 (3.7%), with about \$2,400 of this total due to the 1.75% and 2.0% economic adjustments for faculty and support staff respectively. New positions approved as part of the strategic plan reflect the university's commitment to the student experience including additional staff for athletics and administrative positions in the School of Business due to much higher enrolment in Business programs. Other key vacancies were filled in Human Resources, Finance, Information Technology and the Executive area that resulted in higher administrative salary costs. Another factor contributing to the increase in salaries was severance costs for positions eliminated during the preparation of the 2013/14 operating budget.

EMPLOYEE BENEFITS

The university had an increased cost for all employee benefit when compared to prior year and as a percentage of salaries. Higher pension service costs (Local Authority Pension Plan) accounted for 50% of the \$2,217 (10.6%) increase in employee benefits.

MATERIALS, SUPPLIES AND SERVICES

Materials, supplies and services increased from \$37,368 in 2012 to \$37,740 in 2013, resulting in an increase of \$372 (1.0%). The majority of this increase was due to an increase in professional services to support the rebranding initiative and the design work on the new Centre for Arts and Culture. These costs were partially offset by lower office administration, printing, copyright, and marketing expenses.

AMORTIZATION OF CAPITAL ASSETS

Amortization of capital assets increased due to the amortization of buildings acquired as part of the Board property strategy and the full amortization of the ERP system and new science labs.

MAINTENANCE AND REPAIRS

The maintenance and repairs expense increase of \$5,054 is largely a result of the pool retro fit project. This project received a significant portion of its funding from the university's Internally Restricted Surplus.

SCHOLARSHIPS AND BURSARIES

Scholarship support for students declined due to lower contributions from the Faculty of Arts and Science for the arts degree entrance scholarship (60% of the decrease) and from a decline in donor support for scholarships (40% of the decrease). All internal funding for scholarships are being eliminated in 2013/14 as part of the university's budget reduction strategy.

Consolidated Financial Statements
for the year ended June 30, 2013



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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of MacEwan University are the responsibility of management and have been approved by the Board of Governors. The consolidated financial statements have been prepared by management in conformity with Canadian public sector accounting standards.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, guidelines and procedures, and a formal authorization structure. This system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

The Board of Governors carries out its fiduciary responsibility for financial management of the university through its audit and finance committees. The Audit Committee meets with management, internal audit and the external auditor to discuss the results of audit examinations and financial reporting matters. The internal and external auditors have full access to the Audit Committee, with and without the presence of management.

The Auditor General of the Province of Alberta, the university's external auditor, appointed under the Auditor General Act, performs an annual independent audit of the consolidated financial statements.

On behalf of management,

Original signed by David W. Atkinson

David W. Atkinson, PhD
President

Original signed by Brent Quinton

Brent Quinton, CA, MBA
Vice President, Finance and Administration



Independent Auditor's Report

To the Board of Governors of Grant MacEwan University

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of MacEwan University, which comprise the consolidated statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, and the consolidated statements of operations and cash flows for the years ended June 30, 2013 and June 30, 2012, and the consolidated statement of remeasurement gains and losses for the year ended June 30, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MacEwan University as at June 30, 2013, June 30, 2012 and July 1, 2011, and the results of its operations and its cash flows for the years ended June 30, 2013 and June 30, 2012, and its remeasurement gains and losses for the year ended June 30, 2013 in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General
October 24, 2013
Edmonton, Alberta

Consolidated Statements of Financial Position

As at June 30, 2013 and 2012, and July 1, 2011 (thousands of dollars)

	June 30, 2013	June 30, 2012	July 1, 2011
		(See Note 2, Schedule 1 and 2)	
ASSETS			
Cash and cash equivalents (Note 5)	\$ 56,309	\$ 62,748	\$ 63,580
Portfolio investments (Note 6)	82,995	83,582	83,524
Accounts receivable	4,112	4,648	5,595
Inventories and prepaid expenses	5,293	5,107	5,103
Tangible capital assets (Note 8)	285,443	285,113	286,174
	<u>\$ 434,152</u>	<u>\$ 441,198</u>	<u>\$ 443,976</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 29,209	\$ 31,062	\$ 23,715
Employee future benefit liabilities (Note 9)	3,326	2,800	2,529
Debt (Note 10)	44,219	45,983	47,564
Deferred revenue (Note 11)	161,106	162,516	174,458
	<u>237,860</u>	<u>242,361</u>	<u>248,266</u>
NET ASSETS			
Endowments (Note 12)	45,207	44,366	39,887
Accumulated surplus			
Accumulated operating surplus (Note 13)	148,562	154,471	155,823
Accumulated remeasurement gains (losses)	2,523	-	-
	<u>196,292</u>	<u>198,837</u>	<u>195,710</u>
	<u>\$ 434,152</u>	<u>\$ 441,198</u>	<u>\$ 443,976</u>
Financial risk management (Note 7)			
Contingent liabilities (Note 14)			
Contractual obligations (Note 15)			

Approved by the Board of Governors:

Original signed by John Day

Chair, Board of Governors

Original signed by Carolyn Graham

Chair, Audit Committee

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

Consolidated Statements of Operations

Years Ended June 30 (thousands of dollars)

	Budget 2013	Actual 2013	2012
	(Note 21)		(See Note 2 and Schedule 3)
REVENUE			
Government of Alberta grants (Note 19)	\$ 117,294	\$ 119,452	\$ 117,283
Federal and other government grants	39	206	194
Student tuition and fees	75,678	74,910	72,305
Sales of services and products	27,547	28,327	26,310
Contract programs	2,640	1,715	1,924
Donations and other grants	2,166	1,133	1,292
Investment income (Note 16)	3,470	3,233	2,826
	<u>228,834</u>	<u>228,976</u>	<u>222,134</u>
EXPENSES (Notes 17 and 18)			
Instructional and non-sponsored research	83,227	81,037	79,871
Academic and student support	53,149	48,006	46,848
Facility operations and maintenance	38,821	45,611	39,550
Institutional support	29,382	35,493	32,895
Ancillary services	24,255	24,607	23,165
Sponsored research	-	131	157
	<u>228,834</u>	<u>234,885</u>	<u>222,486</u>
Operating surplus (deficit)	-	(5,909)	(352)
Transfer to endowments	-	-	(1,000)
Change in accumulated operating surplus	-	(5,909)	(1,352)
Accumulated operating surplus, beginning of year	<u>154,471</u>	<u>154,471</u>	<u>155,823</u>
Accumulated operating surplus, end of year	\$ 154,471	\$ 148,562	\$ 154,471

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

Consolidated Statements of Cash Flows

Years Ended June 30 (thousands of dollars)

	2013	2012
		(See Note 2 and Schedule 5)
OPERATING TRANSACTIONS		
Operating surplus (deficit)	\$ (5,909)	\$ (352)
Add (deduct) non-cash items:		
Amortization of tangible capital assets	15,827	15,338
Expended capital recognized as revenue	(6,661)	(6,696)
(Gain) loss on disposal of tangible capital assets	182	197
Change in employee future benefit liabilities	526	271
Unrealized loss on investment (Note 3(a))	-	492
(Increase) decrease in accounts receivable	537	946
(Increase) decrease in inventories and prepaid expenses	(186)	(2)
Increase (decrease) in accounts payable and accrued liabilities	(1,854)	7,347
Increase (decrease) in deferred revenue	678	(1,837)
Cash provided by (applied to) operating transactions	<u>3,140</u>	<u>15,704</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets, net of proceeds on disposal	(16,446)	(14,458)
Cash provided by (applied to) capital transactions	<u>(16,446)</u>	<u>(14,458)</u>
INVESTING TRANSACTIONS		
Net sale (purchase) of investments	7,514	(2,779)
Endowment investment earnings	844	722
Cash provided by (applied to) investing transactions	<u>8,358</u>	<u>(2,057)</u>
FINANCING TRANSACTIONS		
Endowment contributions	257	1,557
Capital contributions	16	3
Debt retirement	(1,808)	(1,581)
Debt received	44	-
Cash provided by (applied to) financing transactions	<u>(1,491)</u>	<u>(21)</u>
Increase (decrease) in cash and cash equivalents	(6,439)	(832)
Cash and cash equivalents, beginning of year	<u>62,748</u>	<u>63,580</u>
Cash and cash equivalents, end of year	<u>\$ 56,309</u>	<u>\$ 62,748</u>

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

Consolidated Statement of Remeasurement Gains (Losses)

Year Ended June 30 (thousands of dollars)

	2013
	(Note 3 (a))
Accumulated remeasurement gains (losses), beginning of year	\$ -
Unrealized gains (losses) attributable to portfolio investments during year (Note 16)	<u>2,523</u>
Accumulated remeasurement gains (losses), end of year	<u>\$ 2,523</u>

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

Notes to the Consolidated Financial Statements

June 30, 2013 (thousands of dollars)

NOTE 1 **AUTHORITY AND PURPOSE**

The Board of Governors of Grant MacEwan University is a corporation which manages and operates MacEwan University, formerly Grant MacEwan University, (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 Enterprise and Advanced Education, with the exception of the President, who is an ex officio member. Under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, the University is a Baccalaureate and Applied Studies Institution offering baccalaureate degrees, certificates, diplomas and applied degrees 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.

NOTE 2 **CONVERSION TO PUBLIC SECTOR ACCOUNTING STANDARDS AND RESTATEMENT OF PRIOR YEAR**

Commencing with the 2012/13 fiscal year, the University has adopted Canadian Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board. These consolidated financial statements are the first consolidated financial statements for which the University has applied Canadian PSAS.

The impact of the conversion to Canadian PSAS on the consolidated statements of financial position, operations and cash flows, and expense by objects are presented in the attached schedules. The impact includes:

- a) changes in statement presentation
- b) additional employee future benefit liabilities for accumulated non-vested sick leave

Upon review of all employee future benefits for conversion to PSAS, the University identified a benefit that was previously expensed on an annual basis only. The University contributes the employee and employer Local Authority Pension Plan (LAPP) contributions and other benefit premiums on behalf of employees on short- and long-term disability for the duration of their leave, until retirement age, or until the termination of the benefit, whichever is longer. This liability of future payments was not previously reflected in the consolidated financial statements. An actuarial valuation was completed for the July 1, 2011 liability; with retroactive restatement to July 1, 2011. This change had an impact on the University's comparative figures, which are disclosed in the Schedules.

In accordance with the requirement of the Public Sector Accounting (PSA) Section 2125 – First-time Adoption, the accounting policies set out in Note 4 have been consistently applied to all years presented. Adjustments resulting from the adoption of PSAS have been applied retroactively except for tangible capital asset impairment. PSA Section 3150 – Tangible Capital Assets indicates the conditions for accounting for a write-down of a tangible capital asset. A first-time adopter need not comply with those requirements for write-downs of a tangible capital asset that were incurred prior to the date of conversion to PSAS. If a first-time adopter uses this exemption, the conditions for a write-down of a tangible capital asset in PSA Section 3150 are applied on a prospective basis from the date of conversion. The University has elected to use this exemption and therefore adopted PSA Section 3150 on a prospective basis from the date of conversion.

NOTE 3 **ADOPTION OF NEW ACCOUNTING STANDARDS**

The University has adopted the following public sector accounting standards that are effective July 1, 2012. Other than stated in this Note, there were no other transitional adjustments required for adopting these standards.

a) Financial Instruments

As of July 1, 2012 the University adopted PSA Handbook Section 3450 – Financial Instruments. This new standard provides guidance for recognition, measurement and disclosure of financial instruments.

The transitional provisions in the standards state that when a government organization applies this standard in the same year it adopts PSAS for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the University immediately preceding its adoption of PSAS. Consequently, unrealized gains and losses on unrestricted portfolio investments reported in the consolidated statements of financial position as of July 1, 2011 and June 30, 2012 remain in accumulated surplus from operations and in the June 30, 2012 investment income reported on the consolidated statements of operation.

b) Portfolio Investments

As of July 1, 2012 the University adopted the PSA Handbook Section 3041 – Portfolio Investments. This new standard established standards on how to account for and report portfolio investments.

The transitional provisions in the standards state that when a government organization applies this standard in the same year it adopts PSAS for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the University immediately preceding its adoption of PSAS. The impact of adopting this new standard is the presentation of short-term and long-term investments as portfolio investments, as outlined in Schedules 1 and 2.

c) Foreign Currency

As of July 1, 2012 the University adopted the PSA Handbook Section 2601 – Foreign Currency Translation. This new standard establishes standards on how to account for and report transactions that are denominated in a foreign currency.

The transitional provisions in the standards state that when a government organization applies this standard in the same year it adopts PSAS for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the University immediately preceding its adoption of PSAS. There is no impact on these consolidated financial statements as a result of adopting this standard.

Notes to the Consolidated Financial Statements

June 30, 2013 (thousands of dollars)

d) Financial Statement Presentation

As of July 1, 2012 the University adopted the PSA Handbook Section 1201 – Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in financial statements. The impact of adopting this standard is presented in the Schedules.

e) Government Transfers

As of July 1, 2012 the University adopted revised PSA Handbook Section 3410 – Government Transfers. This revised standard establishes standards on how to account for and report government transfers to individuals, organizations, and other governments from both a transferring government and a recipient government perspective. The University has elected to apply the requirements of the revised standards on a retroactive basis. The impact of adopting this standard is presented in the Schedules.

NOTE 4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES**

a) General – Public Sector Accounting Standards and Use of Estimates

These financial statements have been prepared in accordance with Canadian public sector accounting standards. 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 management uses judgment to determine such estimates. Employee future benefit liabilities and amortization of tangible capital assets are the most significant items based on estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

b) Non-use of Net Debt Model Format

Canadian public sector accounting standards require a net debt presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as net debt or net financial assets as an indicator of the government's financial position and provides a measure of the future revenues required to pay for past transactions and events. The University operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

c) Valuation of Financial Assets and Liabilities

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

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash and cash equivalents	Fair value
Portfolio investments	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Debt	Amortized cost

Unrealized gains and losses from changes in the fair value of unrestricted financial instruments are recognized in the consolidated statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the consolidated statement of remeasurement gains and losses and recognized in the statement of operations.

Unrealized gains and losses from changes in the fair value of restricted financial instruments are recognized as a liability under deferred revenue.

Interest and dividends attributable to financial instruments are reported in the consolidated statements of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statements of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

The University does not use derivative financial instruments to manage currency exposures.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the University's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities. The University does not have any embedded derivatives.

d) Revenue Recognition

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

i) Government Grants, Non-government Grants and Donations

Government transfers are referred to as government grants.

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

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

Notes to the Consolidated Financial Statements

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In kind donations of services and materials are recorded at fair value when such value can reasonably be determined. Volunteers as well as University staff contribute a significant amount of time each year to assist the University in carrying out its mission. Such contributed services are not recognized in these consolidated financial statements because fair value cannot be reasonably determined.

ii) Grants and Donations Related to Land

Grants and donations for the purchase of land are recognized as deferred revenue when received, and recognized as revenue when the land is purchased.

The University recognizes in kind contributions of land as revenue at the fair value of the land when a fair value can be reasonably determined. When the University cannot determine the fair value, it records such in-kind contributions at nominal value.

iii) Endowments

Donations that must be maintained in perpetuity are recognized as a direct increase in endowment net assets when received or receivable. Investment income and unrealized gains and losses attributable to restricted portfolio investments are recognized as a direct increase in deferred revenue.

iv) Investment Income

Investment income includes dividends, interest income and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments that are from unrestricted grants and donations are recognized in the consolidated statement of accumulated remeasurement gains and losses until the related investments are sold. Once realized, these gains or losses are recognized as investment income in the consolidated statements of operations.

Investment income from restricted grants and donations are recognized as deferred revenue when the terms for use create a liability, and are recognized as investment income when the terms of the grant or donation are met.

e) Inventories

Inventories held for resale are valued at the lower of cost and expected net realizable value and are determined using the moving average basis. Inventories held for consumption are valued at cost.

f) Tangible Capital Assets

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

Work in progress, which includes facilities and improvement projects and development of information systems, is not amortized until after the project is complete and the asset is in service.

Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the University's rate for incremental borrowing or the interest rate implicit in the lease. Note 10 provides a schedule of repayments and amount of interest on the leases.

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

Building	10 to 40 years
Land improvements	20 to 25 years
Equipment	3 to 25 years
Computer hardware and software	3 to 5 years
Other	10 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the University's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Contributed capital assets are recorded as revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at the carrying value.

g) Employee Future Benefits

i) Pension

The University participates with other employers in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit pension plan that provide pensions for the University's participating employees based on years of service and earnings.

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

ii) Supplementary Retirement Plans

The University maintains a supplementary pension plan for its senior executives. The pension expense for this defined benefit supplementary retirement plan 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 pension expense for the defined benefit supplementary retirement plan is the employer's current year contribution to the plan as calculated in accordance with the plan rules.

Notes to the Consolidated Financial Statements

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iii) Accumulating Non-vesting Sick Leave Liability

Sick leave benefits accumulate with employee service and are provided by the University to all employee groups as defined by employment agreements to cover illness related absences that are outside of short-term and long-term disability coverage. The maximum accumulated sick leave is 168 to 315 hours depending on the employee group. The liability for the accumulated non-vested sick pay benefit is actuarially determined using two models: Excess Utilization Model and Disability Model. The cost of the accumulating non-vesting sick leave benefits are expensed as the benefits are earned.

iv) Benefit Liability for Employees on Short-term and Long-term Disability

The University is responsible for paying the employee and employer Local Authority Pension Plan (LAPP) contributions and other benefit premiums while an employee is on short and long term disability. The liability is actuarially calculated at the present value of the forecasted combined premiums for each claimant. The cost of this benefit is expensed in the year the employee becomes disabled.

h) Basis of Consolidation

These consolidated financial statements use the line-by-line method to record the accounts of the Grant MacEwan University Foundation, which operates under Part 9 of the *Companies Act* (Alberta) for the support and advancement of the University. The Foundation is a registered charity and is exempt from payment of income tax.

i) Funds and Reserves

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

j) Future Accounting Changes

In June 2010 the Public Sector Accounting Board issued PS 3260 – Liability for Contaminated Sites. This accounting standard is effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environment standard. The University would be required to recognize a liability related to the remediation of such contaminated site subject to certain recognition criteria. Management is currently assessing the impact of this adoption on the consolidated financial statements and cannot provide an estimate of any liability at this time.

NOTE 5 **CASH AND CASH EQUIVALENTS**

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

	2013	2012	July 1, 2011
Cash	\$ 40,141	\$ 62,748	\$ 63,580
Short-term GIC	16,168	-	-
	<u>\$ 56,309</u>	<u>\$ 62,748</u>	<u>\$ 63,580</u>

NOTE 6 **PORTFOLIO INVESTMENTS**

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

	2013	2012	July 1, 2011
Fair value			
Short-term GIC	\$ 14,218	\$ 25,892	\$ 25,471
Pooled funds			
Common stocks and equivalents	57,014	32,182	31,133
Fixed income securities	10,845	24,717	26,136
Cash surrender value of planned gifts (life insurance policies)	831	791	766
Natural gas commodity investment	87	-	-
Other	-	-	18
	<u>\$ 82,995</u>	<u>\$ 83,582</u>	<u>\$ 83,524</u>

The following table provides a categorization of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	Level 1	Level 2	Level 3	Total
	2013			
Investments at fair value				
Short-term GIC	\$ 14,218	\$ -	\$ -	\$ 14,218
Pooled funds				
Common stocks and equivalents	57,014	-	-	57,014
Fixed income securities	3,770	7,075	-	10,845
Cash surrender value of planned gifts (life insurance policies)	-	-	831	831
Natural gas commodity investment	87	-	-	87
	<u>\$ 75,089</u>	<u>\$ 7,075</u>	<u>\$ 831</u>	<u>\$ 82,995</u>
	2012			
Investments at fair value				
Short-term GIC	\$ 25,892	\$ -	\$ -	\$ 25,892
Pooled funds				
Common stocks and equivalents	32,182	-	-	32,182
Fixed income securities	6,740	17,977	-	24,717
Cash surrender value of planned gifts (life insurance policies)	-	-	791	791
	<u>\$ 64,814</u>	<u>\$ 17,977</u>	<u>\$ 791</u>	<u>\$ 83,582</u>

Notes to the Consolidated Financial Statements

June 30, 2013 (thousands of dollars)

The fair value measurement are those derived from:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Market based inputs other than quoted prices that are observable for the assets or liabilities, either directly as prices or indirectly derived from prices
- Level 3 – Valuation techniques that include inputs for the assets or liabilities that are not based on observable market data. Assumptions are based on the best internal or external information available that is most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

The following table reconciles the changes in fair value of Level 3 investments:

	2013	2012
Balance, beginning of year	\$ 791	\$ 766
Unrealized gains	40	25
Balance, end of year	<u>\$ 831</u>	<u>\$ 791</u>

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 committee of the Board of Governors, has been delegated authority for oversight of the University's investments. The Investment Committee meets regularly to monitor investments, to review investment manager performance, ensure compliance with the University's investment policies and to evaluate the continued appropriateness of the University's investment policies.

The University engages an external investment manager. The investment holdings are currently separated into three funds, unrestricted short-term operating fund, unrestricted long-term operating fund and restricted endowments fund.

NOTE 7 FINANCIAL RISK MANAGEMENT

The University is exposed to a variety of financial risks, including market risks (price risk, currency risk and interest rate risk), credit risk, and liquidity risk. To manage these risks, the University invests in a diversified portfolio of investments that is guided by established investment policies that outline risk and return objectives.

The University is exposed to the following risks:

a) Market Risk

The University is exposed to market risk - the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the University has established an investment policy with a target asset mix that is diversified by asset class with individual issuer limits. The objective of the University's unrestricted long-term operating fund is to achieve a long-term capital growth equal to the indices' growth rates for the various components of the portfolio. For restricted investments for endowments the investment policy is designed to achieve a long-term rate of return that in real terms equals or exceeds total endowment expenditures with an acceptable level of risk.

At June 30, 2013, the impact of a change in the rate of return on the investment portfolio is as follows:

- 1.25% change in short-term GIC's would have a \$178 increase or decrease (2012 – 1.25% change would have a \$324 increase or decrease)
- 3.19% change in fixed income securities would have a \$346 increase or decrease (2012 – 3.57% change would have a \$882 increase or decrease)
- 13.44% change in common stocks and equivalents would have a \$7,663 increase or decrease (2012 impact is not available)

b) Foreign Currency Risk

The University is exposed to foreign exchange risk on investments that are denominated in foreign currencies. The University does not use forward contracts to manage this risk.

The University's exposure to foreign exchange risk is very low due to minimal business activities conducted in a foreign currency.

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.

c) Liquidity Risk

The University maintains a portfolio of short-term investments with rolling maturity dates to manage short-term cash requirements. In addition, the University maintains a short-term line of credit that is designed to ensure the availability of funds to meet current and forecasted financial requirements as cost-effectively as possible.

d) Credit Risk

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

Notes to the Consolidated Financial Statements

June 30, 2013 (thousands of dollars)

The credit risk on investments held are as follows:

	2013	2012
Credit rating:		
AAA	27.90%	24.37%
AA	46.45%	60.35%
A	23.90%	13.98%
BBB	1.75%	1.30%
	<u>100.00%</u>	<u>100.00%</u>

e) Interest Rate Risk

Interest rate risk is the risk to the University's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates. This risk is managed by investment policies that limit the term to maturity of certain fixed income securities that the University holds. Interest risk on the University's debt is managed through fixed-risk agreements with Alberta Capital Finance Authority (Note 10).

The maturity of interest bearing investments are as follows:

	Less than 1 year	1 to 5 years	Greater than 5 years	Average effective market yield
Cash and cash equivalents	100%	0%	0%	1.25%
Portfolio investments, short-term	100%	0%	0%	1.25%
Portfolio investments, fixed income	55%	45%	0%	3.19%

NOTE 8 TANGIBLE CAPITAL ASSETS

2013							
	Land	Buildings	Land Improvements	Equipment ⁽²⁾	Computer hardware & software	Other ⁽³⁾	Total
Cost⁽¹⁾							
Beginning of year	\$ 43,750	\$ 295,637	\$ 1,676	\$ 25,203	\$ 32,036	\$ 16,108	\$ 414,410
Acquisitions	7,348	3,969	-	1,324	2,464	1,374	16,479
Disposals, incl. write-downs	-	-	-	(1,633)	(851)	(262)	(2,746)
	51,098	299,606	1,676	24,894	33,649	17,220	428,143
Accumulated Amortization							
Beginning of year	-	(91,087)	(299)	(11,367)	(16,811)	(9,733)	(129,297)
Amortization expense	-	(7,634)	(68)	(1,854)	(5,079)	(1,192)	(15,827)
Effects on disposals, incl. write-downs	-	-	-	907	831	686	2,424
	-	(98,721)	(367)	(12,314)	(21,059)	(10,239)	(142,700)
Net book value at June 30, 2013	\$ 51,098	\$200,885	\$ 1,309	\$ 12,580	\$ 12,590	\$ 6,981	\$285,443
2012							
	Land	Buildings	Land Improvements	Equipment ⁽²⁾	Computer hardware & software	Other ⁽³⁾	Total
Cost⁽¹⁾							
Beginning of year	\$ 39,000	\$291,298	\$ 1,676	\$ 24,204	\$ 29,554	\$ 15,280	\$ 401,012
Acquisitions	4,750	4,339	-	1,953	2,512	949	14,503
Adjustment	-	-	-	39	-	-	39
Disposals, incl. write-downs	-	-	-	(993)	(30)	(121)	(1,144)
	43,750	295,637	1,676	25,203	32,036	16,108	414,410
Accumulated Amortization							
Beginning of year	-	(83,619)	(231)	(10,286)	(12,201)	(8,501)	(114,838)
Amortization expense	-	(7,468)	(68)	(1,810)	(4,639)	(1,353)	(15,338)
Adjustment	-	-	-	(39)	-	-	(39)
Effects on disposals, incl. write-downs	-	-	-	768	29	121	918
	-	(91,087)	(299)	(11,367)	(16,811)	(9,733)	(129,297)
Net book value at June 30, 2012	\$ 43,750	\$204,550	\$ 1,377	\$ 13,836	\$ 15,225	\$ 6,375	\$ 285,113

- (1) Cost includes work-in-progress at June 30, 2013 totaling \$1,025 (2012: \$2,212) comprised of buildings \$257 (2012: \$1,502), equipment \$28 (2012: \$467) and computer hardware and software \$740 (2012: \$243).
- (2) Equipment includes vehicles, heavy equipment, office equipment and furniture, and other equipment.
- (3) Other tangible capital assets include library materials and leasehold improvements.

No interest was capitalized by the University in 2013 or 2012.

Notes to the Consolidated Financial Statements

June 30, 2013 (thousands of dollars)

NOTE 9 EMPLOYEE FUTURE BENEFIT LIABILITIES

Employee future benefit liabilities are comprised of the following:

	2013	2012	July 1, 2011
Supplemental Executive Retirement Plan (SERP)	\$ 869	\$ 693	\$ 514
Accumulating non-vesting sick leave liability	873	827	696
Benefit liability for employees on short- and long-term disability	1,584	1,280	1,319
	<u>\$ 3,326</u>	<u>\$ 2,800</u>	<u>\$ 2,529</u>

a) Defined Benefit Accounted for on a Defined Benefit Basis

i) Supplementary Executive Retirement Plans (SERP)

The University provides non-contributory defined benefit supplementary retirement benefits to executives. An actuarial valuation of these benefits was carried out as at June 30, 2013.

ii) Accumulating Non-vested Sick Leave Liability

The University provides accumulating non-vested sick leave to employees. An actuarial valuation of these benefits was carried out as at June 30, 2013. Any resulting net actuarial gain (loss) is deferred and amortized on a straight-line basis over the expected average remaining service life of the related employee groups.

iii) Benefit Liability for Employees on Short-term and Long-term Disability

In accordance with the University policy and collective agreements, employees eligible for participation in the Local Authority Pension Plan (LAPP) who are receiving benefits under the short term or long term disability plan must continue to participate in LAPP. The University is responsible for remitting both the employee and employer contributions in accordance with LAPP regulations.

An actuarial valuation was carried out as at June 30, 2013. As at June 30, 2013 the University had 38 employees on short- or long-term leave (2012: 37).

Notes to the Consolidated Financial Statements
June 30, 2013 (thousands of dollars)

The expense and financial position of these employee future benefits are as follows:

	Supplemental Executive Retirement Plan	Accumulated non-vesting sick leave benefit	Benefit liability for employees on short- and long- term disability
	2013		
Expenses			
Current service cost	\$ 143	\$ 317	\$ 699
Interest cost	48	18	45
Actual prior service costs in year	(16)	-	-
Actuarial loss (gain) in year	400	(7)	(209)
Difference between recognized and actual actuarial gains in year	(396)	(3)	239
Total Expense	<u>\$ 179</u>	<u>\$ 325</u>	<u>\$ 774</u>
Financial Position			
Accrued benefit obligation:			
Balance, beginning of year	\$ 720	\$ 722	\$ 1,606
Current service cost	143	317	699
Benefit payment	(19)	(279)	(470)
Interest cost	48	18	45
Actuarial (gain) loss	400	(7)	209
Balance, end of year	<u>1,292</u>	<u>771</u>	<u>2,089</u>
Unamortized net actuarial gain (loss)	<u>(423)</u>	<u>102</u>	<u>(505)</u>
Accrued benefit liability	<u>\$ 869</u>	<u>\$ 873</u>	<u>\$ 1,584</u>
		2012	
Expenses			
Current service cost	\$ 138	\$ 314	\$ 325
Interest cost	38	27	46
Actuarial loss in year	1	-	-
Difference between recognized and actual actuarial gains in year	3	-	-
Total Expense	<u>\$ 180</u>	<u>\$ 341</u>	<u>\$ 371</u>
Financial Position			
Accrued benefit obligation:			
Balance, beginning of year	\$ 543	\$ 696	\$ 1,319
Current service cost	138	314	325
Benefit payment	-	(210)	(410)
Interest cost	38	27	46
Actuarial (gain) loss	1	(105)	326
Balance, end of year	<u>720</u>	<u>722</u>	<u>1,606</u>
Unamortized net actuarial gain (loss)	<u>(27)</u>	<u>105</u>	<u>(326)</u>
Accrued benefit liability	<u>\$ 693</u>	<u>\$ 827</u>	<u>\$ 1,280</u>

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

Notes to the Consolidated Financial Statements

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

	Supplemental Executive Retirement Plan	Accumulated non-vesting sick leave benefit	Benefit liability for employees on short- and long- term disability
2013			
Accrued benefit obligation	2.96%	2.96%	2.96%
Discount rate	2.00%	2.00%	2.00%
Long-term average compensation increase			
Benefit cost			
Discount rate	2.96%	2.96%	2.96%
Long-term average compensation increase	2.00%	2.00%	2.00%
Alberta Inflation rate	1.50%	1.50%	1.50%
Estimated average remaining service life	10	11	11
2012			
Accrued benefit obligation			
Discount rate	5.60%	2.63%	2.63%
Long-term average compensation increase	4.00%	2.00%	2.00%
Benefit cost			
Discount rate	5.60%	2.63%	2.63%
Long-term average compensation increase	4.00%	2.00%	2.00%
Alberta Inflation rate	2.50%	2.50%	2.50%
Estimated average remaining service life	7	11	11

As there are no assets set aside to fund these liabilities, the 2013 discount rate used for the accrued benefit obligation and benefit cost is the borrowing rate calculated by Alberta Capital Finance Authority as of June 15, 2013.

b) Defined Benefit Plan Accounted for on a Defined Contribution Basis

Multi-Employer Pension Plans

The Local Authority Pension Plan (LAPP) is a multi-employer contributory defined benefit pension plan for all employees of the University and is accounted for on a defined contribution basis. At December 31, 2012, the LAPP reported an actuarial deficiency of \$4,977,303 (2011 - \$4,639,390 deficiency). An actuarial valuation of the LAPP was carried out as at December 31, 2011 by Mercer (Canada) Limited and the results were then extrapolated to December 31, 2012. The pension expense recorded in these financial statements is \$11,143 (2012 - \$10,206). Other than the requirement to make increased contributions, the University does not bear any risk related to the LAPP deficit.

NOTE 10 **DEBT**

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

	Maturity Date	Interest rate	Amount Outstanding		
			2013	2012	July 1, 2011
Debentures payable to Alberta Capital Finance Authority:					
Parkade	April 2025	6.25%	\$ 4,239	\$ 4,472	\$ 4,692
Student residence	June 2030	5.85%	33,552	34,682	35,747
West parkade	September 2030	4.39%	4,823	5,002	5,175
Robbins Health Learning Centre parkade	September 2032	4.89%	1,566	1,614	1,659
			<u>44,180</u>	<u>45,770</u>	<u>47,273</u>
Obligations under capital leases					
			<u>39</u>	<u>213</u>	<u>291</u>
			<u>\$ 44,219</u>	<u>\$ 45,983</u>	<u>\$ 47,564</u>

Collateral provided is cash flows from parking and residence facilities.

Principal and interest repayments in each of the next five years and thereafter are as follows:

	Principal	Interest	Total
2014	\$ 1,692	\$ 2,497	\$ 4,189
2015	1,790	2,399	4,189
2016	1,893	2,296	4,189
2017	1,996	2,187	4,183
2018	2,106	2,071	4,177
Thereafter	<u>34,742</u>	<u>13,334</u>	<u>48,076</u>
	<u>\$ 44,219</u>	<u>\$ 24,784</u>	<u>\$ 69,003</u>

Interest expense on debt is \$2,579 (2012 - \$2,666) and is included in the consolidated statements of operations.

Notes to the Consolidated Financial Statements

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NOTE 11 DEFERRED REVENUE

Deferred revenue are set aside for specific purposes as required either by legislation, regulation or agreement:

	Restricted		Student tuition and fees, sales of services and products, and contract programs	Total
	Unspent deferred revenue	Expended deferred capital funding		
2013				
Balance, beginning of year	\$ 14,734	\$ 142,132	\$ 5,650	\$ 162,516
Grants, donations and other revenue received	7,083	-	105,556	112,639
Investment income (Note 16)	6,542	-	-	6,542
Unearned capital acquisition transfers	(1,133)	1,133	-	-
Recognized as revenue	(8,268)	(6,769)	(104,952)	(119,989)
Transfer to endowment (Note 12)	(584)	-	-	(584)
Funds returned to grantor	(18)	-	-	(18)
Balance, end of year	<u>\$ 18,356</u>	<u>\$ 136,496</u>	<u>\$ 6,254</u>	<u>\$ 161,106</u>
2012				
Balance, beginning of year	\$ 22,151	\$ 146,953	\$ 5,354	\$ 174,458
Grants, donations and other revenue received	6,718	-	100,835	107,553
Investment income (Note 16)	1,068	-	-	1,068
Reduction due to unrealized investment losses (Note 16)	(1,833)	-	-	(1,833)
Unearned capital acquisition transfers	(1,875)	1,875	-	-
Recognized as revenue	(9,172)	(6,696)	(100,539)	(116,407)
Transfer to endowment (Note 12)	(2,323)	-	-	(2,323)
Balance, end of year	<u>\$ 14,734</u>	<u>\$ 142,132</u>	<u>\$ 5,650</u>	<u>\$ 162,516</u>

NOTE 12 ENDOWMENTS

	2013	2012
Balance beginning of year	\$ 44,366	\$ 39,887
Endowment contributions	257	1,557
Transfer from Deferred revenue (Note 11)	584	2,323
Internal transfer and University support	-	1,000
Investment loss (Note 16)	-	(401)
	<u>\$ 45,207</u>	<u>\$ 44,366</u>

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 for a period of not less than 10 years.

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 practice 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 University has the option to defer the spending allocation, fund the spending allocation from the University's operating funds or fund the spending allocation through encroachment of endowment capital.

NOTE 13 ACCUMULATED OPERATING SURPLUS

Accumulated operating surplus is comprised of the following:

	Accumulated surplus (deficit) from operations	Investment in tangible capital assets	Internally restricted surplus	Total accumulated operating surplus
Accumulated operating surplus, June 30, 2011 - as previously stated	\$ 2,503	\$ 91,656	\$ 63,679	\$ 157,838
Restatement for employee future benefits upon conversion to PSAS	(2,015)	-	-	(2,015)
Accumulated operating surplus, July 1, 2011	488	91,656	63,679	155,823
Operating surplus (deficit)	(352)	-	-	(352)
Transfer to endowment	(1,000)	-	-	(1,000)
Amortization of internally funded capital assets	8,723	(8,723)	-	-
Net book value of assets disposals	183	(183)	-	-
Debt repayment	(1,581)	1,581	-	-
Internally funded acquisition of tangible capital assets	(4,906)	12,666	(7,760)	-
Operating expenses funded from internally restricted surplus	7,497	-	(7,497)	-
Net Board appropriation to internally restricted surplus	(9,670)	-	9,670	-
Accumulated operating surplus (deficit), June 30, 2012	(618)	96,997	58,092	154,471
Operating surplus (deficit)	(5,909)	-	-	(5,909)
Amortization of internally funded capital assets	9,166	(9,166)	-	-
Net book value of assets disposals	215	(215)	-	-
Debt repayment	(1,808)	1,808	-	-
Internally funded acquisition of tangible capital assets	(4,574)	15,303	(10,729)	-
Operating expenses funded from internally restricted surplus	9,166	-	(9,166)	-
Net Board appropriation to internally restricted surplus	(3,830)	-	3,830	-
Accumulated operating surplus (deficit), June 30, 2013	\$ 1,808	\$ 104,727	\$ 42,027	\$ 148,562

Notes to the Consolidated Financial Statements

June 30, 2013 (thousands of dollars)

Investment in tangible capital assets represents the amount of the University's accumulated surplus that has been invested in the University's tangible capital assets.

Internally restricted surplus represent amount set aside by the University's Board of Governors for specific purposes. Those amounts are not available for other purposes without the approval of the Board and do not have interest allocated to them. Internally restricted surplus with significant balances include:

	Balance at beginning of year	Disbursements		Appropriations from accumulated operating surplus	Balance at end of year
		Operating expense	Capitalized		
Campus development -					
Centre for Arts and Culture	\$ 32,545	\$ (2,331)	\$ -	\$ -	\$ 30,214
Capital renewal and replacement	5,143	-	(1,097)	-	4,046
ERP renewal and technology enhancement	2,148	(1,047)	(636)	1,400	1,865
Campus development	10,428	-	(8,924)	242	1,746
School of Continuing Education	-	-	-	1,500	1,500
Student activity support	1,000	(75)	-	-	925
Student technology reserve	664	(737)	(50)	688	565
Sustainability	500	-	-	-	500
Scholarships and bursaries	404	-	-	-	404
Music degree - renovations	1,093	(809)	(22)	-	262
Infrastructure maintenance	4,167	(4,167)	-	-	-
	<u>\$ 58,092</u>	<u>\$ (9,166)</u>	<u>\$ (10,729)</u>	<u>\$ 3,830</u>	<u>\$ 42,027</u>

NOTE 14 CONTINGENT LIABILITIES

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. Management has concluded that none of the claims meet the criteria for being recorded as a liability under public sector accounting standards.

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.

NOTE 15 **CONTRACTUAL OBLIGATIONS**

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

	2013	2012
Service contracts	\$ 8,652	\$ 8,879
Information systems and technology	6,031	5,433
Capital projects	4,832	6,731
Long-term operating leases	3,599	3,514
	<u>\$ 23,114</u>	<u>\$ 24,557</u>

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

	Service contracts	Information systems and technology	Capital projects	Long-term operating leases	Total
2014	\$ 2,930	\$ 1,278	\$ 3,833	\$ 1,695	\$ 9,736
2015	2,940	1,222	560	1,237	5,959
2016	1,725	1,177	439	526	3,867
2017	529	1,177	-	141	1,847
2018	528	1,177	-	-	1,705
Thereafter	-	-	-	-	-
	<u>\$ 8,652</u>	<u>\$ 6,031</u>	<u>\$ 4,832</u>	<u>\$ 3,599</u>	<u>\$ 23,114</u>

During the year the University started to negotiate a partnership agreement with the City of Edmonton for the use of the community arena which is part of the downtown arena project. The University is being asked to commit \$2,000 to the project. This expenditure will be recorded when there is sufficient information on the nature of the partnership and timing of the payment.

Notes to the Consolidated Financial Statements

June 30, 2013 (thousands of dollars)

NOTE 16 INVESTMENT INCOME

	Realized	Unrealized	Total
2013			
Restricted funds			
Investment earnings on cash, cash equivalents and portfolio investments held for endowments and other restricted purposes	\$ 1,292	\$ 5,250	\$ 6,542
Transferred to deferred revenue (Note 11)	(1,292)	(5,250)	(6,542)
Add deferred revenue recognized as investment income	1,657	-	1,657
Restricted funds recognized as investment income	<u>1,657</u>	<u>-</u>	<u>1,657</u>
Unrestricted funds			
Investment earnings on unrestricted cash, cash equivalents and portfolio investments	1,576	2,523	4,099
Transferred to accumulated remeasurement gain and losses	-	(2,523)	(2,523)
Unrestricted funds recognized as investment income	<u>1,576</u>	<u>-</u>	<u>1,576</u>
Total investment income	<u>\$ 3,233</u>	<u>\$ -</u>	<u>\$ 3,233</u>
2012			
Restricted funds			
Investment earnings on cash, cash equivalents and portfolio investments held for endowments and other restricted purposes	\$ 1,068	\$ (2,247)	\$ (1,179)
Transferred to deferred revenue (Note 11)	(1,068)	-	(1,068)
Reduction of deferred revenue - unrealized investment earnings (Note 11)	-	1,833	1,833
Transferred (to) from endowment (Note 12)	(13)	414	401
Add deferred revenue recognized as investment income	1,448	-	1,448
Restricted funds recognized as investment income	<u>1,435</u>	<u>-</u>	<u>1,435</u>
Unrestricted funds			
Income on unrestricted cash, cash equivalents and portfolio investments	1,883	(492)	1,391
Total investment income	<u>\$ 3,318</u>	<u>\$ (492)</u>	<u>\$ 2,826</u>

NOTE 17 **EXPENSE BY FUNCTION**

The University uses the following categories of functions on its consolidated statements of operations:

a) Instruction and Non-Sponsored Research

Includes expenses related to all programming and training within the University, whether for credit or non-credit. This category also includes any non-sponsored research and scholarly activity undertaken by faculty and within departments.

b) Academic and Student Support

Includes expenses relating to activities directly supporting the academic functions of the University, including expenses of the library and academic Dean's departments.

This category also includes centralized functions that support individual students or groups of students such as student service administration, student recruitment, records and admissions (registrar), counseling or career services, social development and recreation, financial aid administration, intercollegiate athletics, centralized scholarship awards, and any other centralized student support group.

c) Facility Operations and Maintenance

Includes utilities costs and the centralized management and expenses for the maintenance and renovations of grounds, facilities, operations and of physical plant for all University activities. Also includes amortization of building and equipment, except those expenses attributable to Ancillary Services.

d) Institutional Support

Includes expenses for: executive management; corporate marketing and communications; alumni relations and development; corporate insurance premiums; centralized core computing, network and data communication; corporate finance; human resources; and any other centralized institution wide administrative services.

e) Ancillary Services

This includes expenses for operations outside of the normal functions of instruction and research. Examples include bookstores, food services, residences and housing, parking services, and print services. Also includes amortization directly attributable to Ancillary Services.

f) Sponsored Research

Includes expenses for all research activities specifically funded by contracts with and grants from external organizations and undertaken within the University to produce research outcomes.

Notes to the Consolidated Financial Statements

June 30, 2013 (thousands of dollars)

NOTE 18 EXPENSE BY OBJECT

The following is a summary of expense by object:

	2013		2012
	Budget	Actual	Actual (See Note 2 and Schedule 5)
Salaries (Note 20)	\$ 128,194	\$ 124,728	\$ 120,226
Employee benefits	19,590	23,192	20,975
Materials, supplies and services	38,704	37,740	37,368
Amortization of capital assets	11,770	15,827	15,338
Cost of goods sold	10,146	9,661	9,277
Utilities	5,112	4,591	4,765
Maintenance and repairs	9,894	14,129	9,075
Scholarships and bursaries	2,713	2,438	2,796
Interest on long-term debt	2,711	2,579	2,666
	<u>\$ 228,834</u>	<u>\$ 234,885</u>	<u>\$ 222,486</u>

NOTE 19 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 are measured at the exchange amount and summarized below.

	2013	2012
Grants from Government of Alberta		
Enterprise and Advanced Education:		
Operating	\$ 112,814	\$ 108,716
Capital	-	2
Access to the Future Fund	-	2
Total Enterprise and Advanced Education	<u>112,814</u>	<u>108,720</u>
Other Government of Alberta departments and agencies	<u>41</u>	<u>553</u>
Total grants received	112,855	109,273
Restricted expended capital recognized as revenue	6,462	6,414
Change in deferred revenue	135	1,596
	<u>\$ 119,452</u>	<u>\$ 117,283</u>
Accounts receivable		
Enterprise and Advanced Education	\$ 109	\$ 66
Other Government of Alberta departments and agencies	<u>139</u>	<u>83</u>
	<u>\$ 248</u>	<u>\$ 149</u>
Accounts payable		
Enterprise and Advanced Education	\$ 134	\$ 183
Other Government of Alberta departments and agencies	<u>228</u>	<u>233</u>
	<u>\$ 362</u>	<u>\$ 416</u>

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

NOTE 20 **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.

	2013			
	Base salary ⁽¹⁾	Other cash benefits ⁽²⁾	Other non-cash benefits ⁽³⁾	Total
Governance				
Chairman of the Board	\$ -	\$ 6	\$ -	\$ 6
Board Members	-	29	-	29
Executive				
President	307	20	68	395
Provost and Executive Vice President, Academic ⁽⁴⁾	258	11	68	337
Vice President, Finance and Administration	243	19	58	320
Vice President, Advancement ⁽⁵⁾	123	6	21	150
Vice President, Student Services	210	13	45	268
Vice President and General Counsel ⁽⁶⁾	150	7	43	200
	2012			
	Base salary ⁽¹⁾	Other cash benefits ⁽²⁾	Other non-cash benefits ^(3, 7)	Total
Governance				
Chairman of the Board	\$ -	\$ 6	\$ -	\$ 6
Board Members	-	30	-	30
Executive				
President	301	11	68	380
Provost and Executive Vice President, Academic	253	12	61	326
Vice President, Finance and Administration	236	11	51	298
Vice President, Advancement	212	11	48	271
Vice President, Student Services	199	11	39	249

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include bonuses, overtime, lump sum payments, honoraria, vacation payouts, and car allowances.

(3) Other non cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out of country medical benefits, group life insurance, long and short term disability plan, professional memberships and tuition. Other non cash benefits also includes the employer's share of the cost of additional benefits including Supplemental Executive Retirement Plan and club memberships.

(4) The position of Provost and Executive Vice President, Academic, was filled by two individuals during the year.

(5) The position of Vice President, Advancement was vacant since January 16, 2013.

(6) The position of Vice President and General Counsel is a new position, with the incumbent being in the position since November 5, 2012.

(7) The 2012 other non-cash benefits for the Executives has been increased to report the benefits relating to supplemental executive retirement plan, professional memberships and club memberships for each individual.

Notes to the Consolidated Financial Statements

June 30, 2013 (thousands of dollars)

Under the terms of the Supplemental Executive Retirement Plan (SERP), executive officers may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post-employment period. The SERP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the current year. Other costs include amortization of actuarial gains and losses and interest accruing on the actuarial liability.

The SERP current service cost and accrued obligation for each of the executives in the above table are outlined in the following table:

	Accrued benefit obligation June 30, 2012	Service cost	Interest cost	Benefits paid	Actuarial loss (gain)	Accrued benefit obligation June 30, 2013
President	\$ 36	\$ 36	\$ 4	\$ -	\$ 28	\$ 104
Provost and Executive Vice President, Academic						
Current incumbent	-	22	1	-	(13)	10
Past incumbent	147	8	7	(3)	77	236
Vice President, Finance and Administration	104	20	7	-	68	199
Vice President, Student Services	65	13	4	-	51	133
Vice President, Advancement						
Past incumbent	56	2	3	-	43	104
Vice President and General Counsel	-	18	1	-	(2)	17

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

NOTE 21 BUDGET FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the University's 2012/13 to 2014/15 Comprehensive Institutional Plan as approved by the Board of Governors.

NOTE 22 APPROVAL OF FINANCIAL STATEMENTS

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

SCHEDULE 1 - Reconciliation of July 1, 2011 Consolidated Statement of Financial Position
 Schedule of Transition to Public Sector Accounting Standards, Restatements and Reclassifications (thousands of dollars)

	Conversion and adoption to public sector accounting standards				Restatement and reclassification			Canadian generally accepted accounting principles
	Investments ⁽¹⁾	Debt ⁽²⁾	Deferred revenue ⁽³⁾	Accumulated operating surplus ⁽⁴⁾	Accumulating non-vesting sick liability ⁽⁵⁾	Benefit for employees on short-term long-term disability ⁽⁶⁾	Reclassification of cash and cash equivalents to conform with current years presentation ⁽⁷⁾	
ASSETS								
Cash and cash equivalents	\$ 59,123	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,457	\$ 63,580
Portfolio Investments	-	-	-	-	-	-	-	83,524
Short-term investments	25,471	(25,471)	-	-	-	-	-	-
Long-term investments	62,510	(58,053)	-	-	-	(4,457)	-	-
Accounts receivable	5,595	-	-	-	-	-	-	5,595
Inventories and prepaid expenses	5,103	-	-	-	-	-	-	5,103
Tangible capital assets	286,174	-	-	-	-	-	-	286,174
	<u>\$ 443,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 443,976</u>
LIABILITIES								
Accounts payable and accrued liabilities	\$ 23,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,715
Employee future benefit liabilities	514	-	-	-	696	1,319	-	2,529
Debt	-	47,564	-	-	-	-	-	47,564
Current portion of long-term liabilities	1,581	(1,581)	-	-	-	-	-	-
Long term liabilities	45,993	(45,983)	-	-	-	-	-	-
Deferred revenue	5,354	-	169,104	-	-	-	-	174,458
Deferred contributions	21,938	-	(21,938)	-	-	-	-	-
Deferred contributions, capital	213	-	(213)	-	-	-	-	-
Unamortized deferred capital contributions	146,953	-	(146,953)	-	-	-	-	-
	<u>246,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>696</u>	<u>1,319</u>	<u>-</u>	<u>248,266</u>
NET ASSETS								
Endowments	39,887	-	-	-	-	-	-	39,887
Accumulated operating surplus	91,656	-	-	157,838	(696)	(1,319)	-	155,823
Investment in capital assets and collections	63,679	-	-	(91,656)	-	-	-	-
Internally restricted	2,503	-	-	(63,679)	-	-	-	-
Unrestricted	197,725	-	-	(2,503)	(696)	(1,319)	-	195,710
	<u>\$ 443,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 443,976</u>

SCHEDULE 2 - Reconciliation of June 30, 2012 Consolidated Statement of Financial Position
 Schedule of Transition to Public Sector Accounting Standards, Restatements and Reclassifications (thousands of dollars)

	Conversion and adoption to public sector accounting standards				Restatement and reclassification			Canadian public sector accounting standards		
	Canadian generally accepted accounting principles	Investments ⁽¹⁾	Employee future benefit liabilities ⁽⁸⁾	Debt ⁽²⁾	Deferred revenue ⁽³⁾	Accumulated operating surplus ⁽⁴⁾	Accumulating non-vesting sick liability ⁽⁵⁾		Benefit for employees on short and long-term disability ⁽⁶⁾	Reclassification of cash and cash equivalents to conform with current years presentation ⁽⁷⁾
ASSETS										
Cash and cash equivalents	\$ 20,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,412	\$ 62,748
Portfolio Investments	-	83,582	-	-	-	-	-	-	-	83,582
Short-term investments	62,292	(62,292)	-	-	-	-	-	-	-	-
Long-term investments	63,702	(21,290)	-	-	-	-	-	-	(42,412)	-
Accounts receivable	4,648	-	-	-	-	-	-	-	-	4,648
Inventories and prepaid expenses	5,107	-	-	-	-	-	-	-	-	5,107
Tangible capital assets	285,113	-	-	-	-	-	-	-	-	285,113
	<u>\$ 441,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 441,198</u>
LIABILITIES										
Accounts payable and accrued liabilities	\$ 31,062	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,062
Employee future benefit liabilities	-	-	693	-	-	-	827	1,280	-	2,800
Current portion of employee future benefit liabilities	15	-	(15)	-	-	-	-	-	-	-
Employee future benefit liabilities	678	-	(678)	-	-	-	-	-	-	-
Debt	-	-	-	45,983	-	-	-	-	-	45,983
Current portion of long-term liabilities	1,673	-	-	(1,673)	-	-	-	-	-	-
Long term liabilities	44,310	-	-	(44,310)	-	-	-	-	-	-
Deferred revenue	5,650	-	-	-	156,866	-	-	-	-	162,516
Deferred contributions	14,518	-	-	-	(14,518)	-	-	-	-	-
Deferred contributions, capital	216	-	-	-	(216)	-	-	-	-	-
Unamortized deferred capital contributions	142,132	-	-	-	(142,132)	-	-	-	-	-
	<u>240,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>827</u>	<u>1,280</u>	<u>-</u>	<u>-</u>	<u>242,361</u>
NET ASSETS										
Endowments	44,366	-	-	-	-	-	-	-	-	44,366
Accumulated operating surplus	-	-	-	-	156,578	-	(827)	(1,280)	-	154,471
Investment in capital assets and collections	96,997	-	-	-	(96,997)	-	-	-	-	-
Internally restricted	58,092	-	-	-	(58,092)	-	-	-	-	-
Unrestricted	1,489	-	-	-	(1,489)	-	-	-	-	-
	<u>200,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(827)</u>	<u>(1,280)</u>	<u>-</u>	<u>-</u>	<u>198,837</u>
	<u>\$ 441,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 441,198</u>

SCHEDULE 3 - Reconciliation of June 30, 2012 Consolidated Statement of Operations

Schedule of Transition to Public Sector Accounting Standards, Restatements and Reclassifications (thousands of dollars)

	Canadian generally accepted accounting principles		Conversion and adoption to public sector accounting standards				Restatement	Canadian public sector accounting standards
	Unrestricted net assets ⁽⁴⁾	Investment in capital assets ⁽⁴⁾	Internally restricted net assets ⁽⁴⁾	Expenses presented by public sector accounting standards ⁽⁵⁾	Accumulating non-vesting sick liability ⁽⁶⁾	Presentation of amortization of deferred capital contributions ⁽¹⁰⁾	Benefit for employees on short and long-term disability ⁽⁶⁾	
REVENUE								
Government of Alberta grants	\$ 110,869	\$ -	\$ -	\$ -	\$ -	\$ 6,414	\$ -	\$ 117,283
Federal and other government grants	191	-	-	-	-	3	-	194
Student tuition and fees	72,305	-	-	-	-	-	-	72,305
Sales of services and products	26,310	-	-	-	-	-	-	26,310
Amortization of deferred capital contributions	6,696	-	-	-	-	(6,696)	-	-
Contract programs	1,924	-	-	-	-	-	-	1,924
Donations and other grants	1,013	-	-	-	-	279	-	1,292
Investment income	2,826	-	-	-	-	-	-	2,826
	<u>222,134</u>							<u>222,134</u>
EXPENSE BY OBJECT								
Salaries	120,226	-	-	(120,226)	-	-	-	-
Employee benefits	20,883	-	-	(20,883)	-	-	-	-
Materials, supplies and services	37,368	-	-	(37,368)	-	-	-	-
Amortization of capital assets	15,338	-	-	(15,338)	-	-	-	-
Cost of goods sold	9,277	-	-	(9,277)	-	-	-	-
Utilities	4,765	-	-	(4,765)	-	-	-	-
Maintenance and repairs	9,075	-	-	(9,075)	-	-	-	-
Scholarships and bursaries	2,796	-	-	(2,796)	-	-	-	-
Interest on long term debt	2,666	-	-	(2,666)	-	-	-	-
EXPENSE BY FUNCTION								
Instructional and non-sponsored research					73	-	(22)	79,871
Academic and student support					26	-	(8)	46,848
Facility operations and maintenance					7	-	(2)	39,550
Institutional support					32,881	-	(5)	32,895
Ancillary services					23,161	-	(2)	23,165
Sponsored research					157	-	-	157
	<u>222,394</u>				<u>131</u>		<u>(39)</u>	<u>222,486</u>
Excess of revenue over expense/Operating surplus (deficit)	(260)	-	-	-	(131)	-	39	(352)
Transfer to endowment	(1,000)	-	-	-	-	-	-	(1,000)
Change in investment in capital assets	(5,341)	5,341	(5,587)	-	-	-	-	-
Net expenditure of internally restricted net assets	5,587	(5,587)	(5,587)	-	-	-	-	-
Change in net assets/accumulated operating surplus	(1,014)	5,341	(5,587)	-	(131)	-	39	(1,352)
Net assets/accumulated operating surplus, beginning of year	2,503	91,656	63,679	-	(696)	-	(1,319)	155,823
Net assets/accumulated operating surplus, end of year	\$ 1,489	\$ 96,997	\$ 58,092	\$ -	\$ (827)	\$ -	\$ (1,280)	\$ 154,471

SCHEDULE 4 - Reconciliation of June 30, 2012 Consolidated Statement of Cash Flows

Schedule of Transition to Public Sector Accounting Standards, Restatements and Reclassifications (thousands of dollars)

	Canadian generally accepted accounting principles	Accumulating non-vesting sick liability ⁽⁶⁾	Change in presentation due to adoption of PSAS ⁽¹¹⁾	Restatement - Benefit for employees on short and long-term disability ⁽⁶⁾	Restatement to correct presentation ⁽¹²⁾	Reclassification of cash and cash equivalents to conform with current years presentation ⁽⁷⁾	Canadian public sector accounting standards
OPERATING TRANSACTIONS							
Operating surplus (deficit)	\$ (260)	\$ (131)	\$ -	\$ 39	\$ -	\$ -	\$ (352)
Add (deduct) non-cash items:							
Allowance for doubtful accounts	(20)	-	-	-	20	-	-
Amortization of tangible capital assets	15,338	-	-	-	-	-	15,338
Amortization of deferred capital contributions	(6,696)	-	6,696	-	-	-	-
Expended capital recognized as revenue	-	-	(6,696)	-	-	-	(6,696)
(Gain) loss on disposal of tangible capital assets	197	-	-	-	-	-	197
Gift in Kind	(22)	-	-	-	22	-	-
Change in employee future benefit liabilities	179	131	-	(39)	-	-	271
Unrealized gain/loss on investment	2,325	-	-	-	(1,833)	-	492
Change in non-cash working capital items							
(Increase) decrease in accounts receivable	966	-	-	-	(20)	-	946
(Increase) decrease in short-term investments	(36,821)	-	36,821	-	-	-	-
(Increase) decrease in inventories and prepaid expenses	(2)	-	-	-	-	-	(2)
Increase (decrease) in accounts payable and accrued liabilities	7,347	-	(8,142)	-	6,009	-	7,347
Increase (decrease) in deferred revenue	296	-	-	-	-	-	(1,837)
Increase (decrease) in deferred contribution	(7,420)	-	7,420	-	-	-	-
Cash Provided by (Applied to) Operating Transactions	(24,593)	-	36,099	-	4,198	-	15,704
CAPITAL TRANSACTIONS							
Acquisition of tangible capital assets, net of proceeds from disposal	(14,458)	-	-	-	-	-	(14,458)
Cash Provided by (Applied to) Capital Transactions	(14,458)	-	-	-	-	-	(14,458)
INVESTING TRANSACTIONS							
Purchases of investments, net of sales	(3,913)	-	(36,821)	-	-	37,955	(2,779)
Endowment investment earnings (loss)	-	-	722	-	-	722	-
Cash Provided by (Applied to) Investing Transactions	(3,913)	-	(36,099)	-	-	37,955	(2,057)
FINANCING TRANSACTIONS							
Endowment contributions	3,880	-	-	-	(2,323)	-	1,557
Capital contributions	1,878	-	-	-	(1,875)	-	3
Debt retirement	(1,581)	-	-	-	-	-	(1,581)
Cash Provided by (Applied to) Financing Transactions	4,177	-	-	-	(4,198)	-	(21)
Increase (decrease) in cash and cash equivalents	(38,787)	-	-	-	-	37,955	(832)
Cash and cash equivalents, beginning of year	59,123	-	-	-	-	4,457	63,580
Cash and cash equivalents, end of year	\$ 20,336	\$ -	\$ -	\$ -	\$ -	\$ 42,412	\$ 62,748

SCHEDULE 5 - Reconciliation of June 30, 2012 Expenses by Object

Schedule of Transition to Public Sector Accounting Standards, Restatements and Reclassifications (thousands of dollars)

	Canadian generally accepted accounting principles	Employee Future Benefit		Canadian public sector accounting standards
		Conversion and adoption of public sector accounting standards - Accumulating non-vesting sick liability ⁽⁹⁾	Restatement - Benefit for employees on short and long-term disability ⁽⁹⁾	
EXPENSE BY OBJECT				
Salaries	\$ 120,226	\$ -	\$ -	\$ 120,226
Employee benefits	20,883	131	(39)	20,975
Materials, supplies and services	37,368	-	-	37,368
Amortization of capital assets	15,338	-	-	15,338
Cost of goods sold	9,277	-	-	9,277
Utilities	4,765	-	-	4,765
Maintenance and repairs	9,075	-	-	9,075
Scholarships and bursaries	2,796	-	-	2,796
Interest on long term debt	2,666	-	-	2,666
	<u>\$ 222,394</u>	<u>\$ 131</u>	<u>\$ (39)</u>	<u>\$ 222,486</u>

SCHEDULE 6 - Explanations to Schedules 1 to 5

Schedule of Transition to Public Sector Accounting Standards, Restatements and Reclassifications

- (1) Reclassify short and long term investments into one amount for portfolio investment.
- (2) Reclassify current portion of long-term liabilities and long term liabilities to one amount for debt.
- (3) Reclassify deferred revenue, deferred contributions, deferred contributions capital and unamortized deferred capital contributions as deferred revenue.
- (4) Reclassify investment in capital assets and collections, internally restricted net assets and unrestricted net assets into accumulated operating surplus.
- (5) To record accumulated non-vesting sick leave liability on conversion and adoption of public sector accounting standards. See Note 9(a) for additional information.
- (6) To record restatement for benefit liability for employees on short and long term disability. See Note 9(a) for additional information.
- (7) To reclassify cash holdings previously presented in long term investments into cash and cash equivalents.
- (8) Reclassify current and long term portions of employee future benefit liabilities as one amount.
- (9) Operating expenses under Canadian generally accepted accounting principles were presented by objects. Under Canadian public sector accounting standards operating expenses are presented by function. See Note 17 for a description of the categories of functions.
- (10) Reclassify amortization of deferred capital contribution to Government of Alberta grants, federal and other government grants, and donations and other grants as appropriate based on the funding source and stipulations for externally funded tangible capital assets.
- (11) Consolidated statement of cash flows adjusted to reflect changes in the following presentations due to adoption of public sector accounting standards:
 - (a) Amortization of deferred capital contribution now referred to as expended capital recognized as revenue during the year.
 - (b) As noted in (1) above, short-term investments are now presented as portfolio investments.
 - (c) As noted in (3) above, deferred contributions are now presented as deferred revenue.
- (12) Consolidated statement of cash flows has been restated to correct presentation.

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