MacEwan University

Annual Report 2013/14

MacEwan.ca

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Contents

Accountability Statement

MacEwan University's *Annual Report* for the year ended June 30, 2014, was prepared under the Board's direction in accordance with the *Fiscal Management Act* and ministerial guidelines established pursuant to the *Fiscal Management Act*. All material economic, environmental, or fiscal implications of which we are aware have been considered in the preparation of this report.

John Day, QC
Board Chair

Management's Responsibility for Reporting

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 Audit Committee of the Board of Governors provided oversight in the development of the consolidated financial statements and the accompanying management discussion and analysis on these consolidated financial statements. The *Annual Report* has been approved by the Board of Governors and is prepared in accordance with the *Fiscal Management 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 generally accepted auditing standards.

David W. Atkinson, PhD
President

President's Message

MacEwan University has made very significant progress in its transition from a community college to an undergraduate university. Since becoming a university in 2009, MacEwan was accepted as a member of the Association of Universities and Colleges of Canada and became the 17th member of Canada West Universities Athletics Association. We are proud of these accomplishments and, following the institution's rebranding in the previous reporting year, turned its attention internally to ensure that it continued to be a university in every sense of the word.

With the conclusion of the rebranding process, the university's major challenge clearly was to define its future directions and priorities. Throughout 2013/14, the university engaged in a comprehensive strategic planning process intended to articulate clearly the type of university it wished to become. The planning process involved extensive consultation and I am pleased to advise that the Integrated Strategic Plan (ISP) was approved by the Board in May 2014. This five-year plan expresses the university's strategic directions as well as high-level goals, and provides indicators and measures by which progress will be measured.

Development of the ISP resulted in significant discussion over the role of diploma and degree programs at the university. Consistent with the approved plan, the university will continue to offer both kinds of credential. While not all students may want or need to complete a degree at the undergraduate level, it is the university's position that this opportunity should be available. Accordingly, all diploma programs will bridge into a degree program with no loss of credit.

Following Board approval of the ISP, the university revised its budgeting process to allow for greater transparency and accountability, and to ensure that the institution's budget process was in line with priorities identified in the strategic plan.

Over the reporting period, Academic Governance Council concluded its self-review which was mandated when it was established a number of years ago. The recommendations will substantially benefit Council operations and will go to the Board for final approval.

Under the leadership of a new dean, the School of Continuing Education continued its development. A review of MacEwan International was also conducted and a search began for a new executive director. Consistent with the priorities identified in the ISP, it is the university's intention to expand and enhance its continuing education and international education activities.

Work also continued to finalize plans for the new Centre for Arts and Culture. Building on the Government's commitment of $30 million towards the new facility, Fund Development continued its re-organization to better support the capital campaign and fundraising for student awards, scholarships and bursaries.

The institution is well positioned to finalize its evolution to become a premier undergraduate university. Advocacy over the upcoming year will focus on sustainable and predictable funding for post-secondary institutions as well as a new governance model for our institution that is consistent with that of a university.

With the implementation of the ISP, the university will have a renewed focus in the upcoming academic year. I am proud of the progress we have made as a new university, and look forward to realizing our full potential.

David W. Atkinson

David W. Atkinson, PhD
President

About MacEwan University

BOARD OF GOVERNORS

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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

REBRANDING

Through extensive consultation with over 700 internal and external stakeholders, MacEwan University completed its rebranding exercise in the previous reporting period. Launched in September of 2013, the rebranding resulted in a new visual identity, eight defining brand pillars, and a positioning statement for the university.

INTEGRATED STRATEGIC PLAN

Over the 2013/14 academic year, the University Pillars served as the foundation for development of the Integrated Strategic Plan (ISP). Similar to the rebranding, development of the ISP was a highly collaborative process that engaged faculty, staff and students to define strategic directions which the university should pursue over the next five years. Priorities in the plan include the university's commitment to its academic programs and learning environment, student success, academic governance, community engagement, and institutional excellence. For each set of strategic directions, high-level goals and strategies were identified, along with indicators and measures by which progress will be assessed. The ISP was approved by the Board in May 2014.

PROGRAM OFFERINGS

A significant priority identified for the university in the strategic plan was that undergraduate degrees form the framework for the university's comprehensive range of credential and program offerings. As such, over the reporting period, the university prepared the groundwork towards aligning the academic requirements of its diploma programs to fulfill the requirements, or their equivalents, of the first two or three years of existing MacEwan University degree programs.

SPRING AND SUMMER ENROLMENTS

In an effort to double spring and summer enrolments from seven per cent to 15 per cent of total FLEs, the university implemented a new revenue-sharing model to encourage faculties and schools to offer additional courses. It was important that the institution increase its spring and summer offerings in the face of increased student demand.

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL OF CANADA STATUS

In July 2013, the university successfully met the Natural Sciences and Engineering Research Council (NSERC) criteria to receive a change in eligibility status from college to university. The change in status allows MacEwan to participate in NSERC's research grants and scholarships programs including student eligibility for research grants.

MACEWAN INTERNATIONAL

The university conducted a review of all its international activities, including MacEwan International, to determine how to position the institution to be competitive in what continues to be an important area for future development. The institution secured the services of Dr. Roger Barnsley, former President of Thompson Rivers University, and Dr. Randall Martin from the British Columbia Council for International Education, to conduct the review.

GOVERNANCE

The Minister of Innovation and Advanced Education agreed to the university's request that the membership of the Board of Governors be increased by two public members. The Board previously had 13 members, of whom nine were public members. Given what the institution expects from voluntary Board members, an additional two members provide an important new resource.

After a comprehensive review process, Academic Governance Council (AGC) approved the final AGC Review report. There were a number of significant recommendations for change, especially relating to committee structure. The recommendations will be provided to the Board of Governors in the fall of 2014.

ORGANIZATIONAL RESTRUCTURING

Over the reporting year, a number of restructuring initiatives took place. The Academic Quality Assurance and Accreditation group and the Institutional Research and Planning group were amalgamated into a single office of Institutional Analysis and Planning. Under the leadership of Dr. David McLaughlin, this office now supports the development of academic programs, conducts data gathering and interpretation, and will provide strategic advice on matters of accreditation and ongoing planning activities of the university.

All marketing and communication activities were centralized into a single administrative unit. Given the resources committed to the rebranding exercise, which emphasizes raising the profile of the institution as a whole, it was critical to reposition personnel and resources to take full advantage of this exceptional work.

Staff and resources from the School of Business, the Faculty of Health and Community Studies, and Instructional Media and Design were consolidated to form a new online education support team. The team introduced a university-wide approach to the support of learning management systems, the design and development of online and hybrid courses, and works with the schools and faculties to coordinate the planning and delivery of online education.

Internal Audit Services, Office of Emergency Management, Risk and Assurance Services and Information Management and Privacy now report through the Office of the Vice President General Counsel and Compliance Officer. It was important for the university to have those structures in place to mitigate institutional risk.

Fund Development was restructured in a manner that will support the university's Centre for Arts and Culture capital campaign, while maintaining staff dedicated to raise funds for students awards, scholarships, bursaries and academic initiatives. Alumni Relations, which was a separate unit within Student Services, also joined Fund Development. The Community Relations function moved to the Office of the President and was given responsibility for the university's fall and spring convocation ceremonies.

SEARCHES

A number of key searches were completed over the 2013/14 academic year. During the reporting period, the university was pleased to welcome a number of new leadership staff including:

Dr. Craig Monk, Dean,
Faculty of Arts and Science

Dr. Heather McRae, Dean,
School of Continuing Education

Amelia Canto Ellis, Executive Director,
Fund Development

Searches were also initiated for a number of critical positions including the associate vice-president, Human Resource Services, and the executive director, MacEwan International.

UNITED WAY

Through the generosity of university faculty, staff, and students, the United Way campaign generated $71,000, exceeding its target by $6,000.

SUSTAINABILITY

During the reporting period, the university launched Green Impact, an innovative engagement program run in universities and colleges across the UK. The university was the first non-UK university to participate in Green Impact which empowers sustainability champions, providing them with a framework of practical actions and helping them gain recognition for their environmental efforts, while playing on the competitive spirit of staff working in teams.

ALBERTA COLLEGE CAMPUS

Located on its current site since 1903, Alberta College is Alberta's oldest post-secondary institution and has a unique presence in downtown Edmonton as well as in the history of the city. With this in mind, the university reaffirmed its commitment to revitalizing the campus to integrate it with the City Centre Campus and a comprehensive review of the Campus was initiated to determine how best to use this facility.

In addition, a variety of departments were moved to Alberta College Campus including Institutional Analysis and Planning and Fund Development. The newly formed School of Continuing Education also operates out of this campus.


SOUTH CAMPUS

While the sale of MacEwan South Campus was a continuing project, all programming offered at South Campus was moved to City Centre Campus for fall 2014. A transition group chaired by the provost was actively involved in planning and coordinating what was a very complex move that had to be completed over a short period of time.

CENTRE FOR ARTS AND CULTURE

Plans for the new Centre for Arts and Culture progressed over the academic year. The building itself will constitute the largest building project at MacEwan University since the construction of the original City Centre Campus, with five floors comprising 39,801 m^2, along with an underground parkade. The building's interior spaces will consist of a central atrium, a performance theatre, a studio lab theatre, a music recital hall, theatre production labs and shops, studios, labs, faculty offices and classrooms. The interior of the fifth floor is entirely open and will be minimally finished as shell space for future development. Retail units on the main floor will be available for lease.

Over the reporting period, the provincial government announced its commitment to provide $30 million for construction of the Centre, which will allow the university to begin construction in the fall of 2014.

Public Interest Disclosure (Whistleblower Protection) Act

The Alberta Public Interest Disclosure (Whistleblower Protection) Act (PIDA) came into force on June 1, 2013 . PIDA facilitates the disclosure and investigation of wrongdoing in the public sector and protects public employees from reprisal for making a disclosure. The university and all employees are required to comply with the provisions of PIDA. In the reporting year, no disclosures were received by the university's Designated Officer.

Core Programs

Programs	2011/12	2012/13	2013/14
Baccalaureate degrees*	29	31	31
Applied degrees	2	2	2
Degree transfer programs*	4	4	4
Career diplomas*	43	41	35 [1]
Post-diploma certificates*	7	6	8
Career certificates*	11	12	11
Other credit programs / projects*	5	5	5
Non-credit courses offered	1,436	1,799	1,054 [2]

Enrolment, Facility and Staffing Information

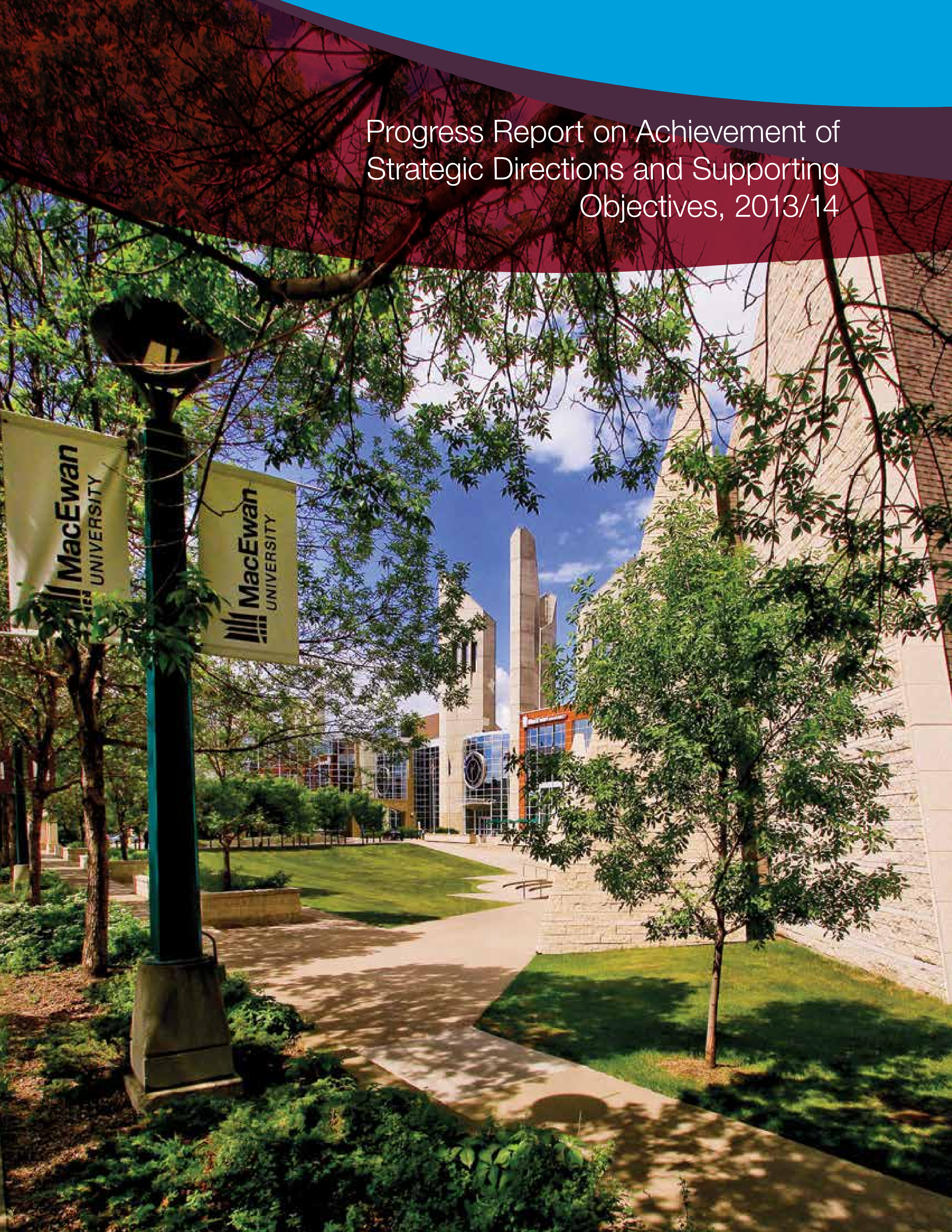
Enrolments and Applications	2011/12	2012/13	2013/14
Credit full-load equivalents (FLE)	11,465	11,838	11,958
Credit student headcount	18,862 **	18,897	19,250
Non-credit student headcount	12,005	10,793	10,058 [3]
International student headcount	978	1,054	1,125
Program applications (total)*	22,985	22,415	24,284
Unique applicants	20,695	20,017	20,832

Facilities	2011/12	2012/13	2013/14
Total supported space (m^2)	158,579	158,579	158,579
Student capacity (FLE)	11,553	11,553	11,553
% of capacity utilized	93.0%	95.2%	92.5% [4]

Staffing	2011/12	2012/13	2013/14 [5]
Credit faculty (FTE)	683	657	637
Instructional support and non-credit (FTE)	75	74	66
Supervisory and support (FTE)	839	816 **	743
Administration (FTE)	133	144	135
Total employees (FTE)	1,730	1,703	1,581
Total employees (Headcount)	3,060	2,747	3,061
Student / faculty ratio (FLE / FTE faculty)	16.8	18.0	18.8

** Historical data has been changed to reflect revised reporting processes.*
*** Indicates correction of previous error*
[1] *Diplomas with multiple majors had a reduction in the number of majors to better reflect student demand.*
[2] *The lower number affirms the need for the newly formed School of Continuing Education.*
[3] *Lower non-credit student headcount is the result of fewer non-credit course offerings.*
[4] *The decrease is a result of more students taking online and off-campus courses from the university.*
[5] *Changes attributed to the previous years' budget reduction exercise. The increase in total employee headcount is the result of more part-time employees.*

Progress Report on Achievement of Strategic Directions and Supporting Objectives, 2013/14



Academic Programming and Delivery

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

OBJECTIVES:

1.1 Develop and restructure academic programs, based on the curricular requirements of approved credentials, to meet student demand in a way consistent with the university's mandate and resource limits.

Consistent with the Integrated Strategic Plan (ISP) as approved by the Board in May 2014, faculties and schools, under the guidance of the provost, began the process of reframing of the university's credit offerings. With the exception of the Bachelor of Social Work proposal submitted to government during the reporting period, new program initiatives were held in abeyance pending the more comprehensive and strategic approach to be taken beginning July 1, 2014. The groundwork for this major reorganization of the university's credentials and programs occupied the entire reporting period in academic affairs.

1.2 Develop and implement a comprehensive plan for international activity.

A thorough external review of international operations was completed during the reporting period. Experienced reviewers from British Columbia were engaged in a six-month process of evaluating policies and practices defining the university's international work. A report was developed containing 21 recommendations with respect to how MacEwan International work might improve.

The report and its recommendations were reviewed by the university's Academic Planning and Priorities Committee, by the deans of faculties and schools, and by the President and Vice Presidents Group. Actions were taken immediately on seven of these recommendations while others were deferred until such time as the university appointed a new executive director of MacEwan International to replace the retiring director. That process will be completed in fall 2014 and more of the recommendations will be implemented as appropriate and consistent with the ISP.

In the midst of this administrative work, normal activities continued with increases in both study abroad activity and international student recruitment success. In addition, the Centre for the Advancement of Faculty Excellence added a strong international dimension to its work facilitating faculty workshops on internationalizing the curriculum and the classroom as well as adding an international participant from Nigeria to the MacEwan Great Teachers' Seminar held annually in Banff.

1.3 Continue to develop pathway programs, and where possible, integrate certificate and diploma programs with degree programs to provide flexible learning opportunities and pathways for students.

As noted in Objective 1.1, much of this work was held in abeyance in light of the comprehensive review of all of our credentials to come in the first year of the five-year ISP. While basic work on courses and programs was completed in the normal course of events, no major changes were made in the reporting period. The university does continue to struggle with meeting student demand as we transition from a transfer-out to a transfer-in institution and as applicant interest grows annually.

1.4 Implement a structure that allows for greater coordination and development of continuing education activities.

The university made significant strides during the reporting period. With support from the Academic Governance Council, the Board of Governors approved the creation of the School of Continuing Education, signaling the university's commitment to developing this aspect of its educational activity. The founding dean was appointed and the initial structure was implemented by transfers of existing programs from other faculties. Specifically, English as a Second Language and Preparation for University and College programs; Conservatory of Music and Fine Arts and Communications Continuing Education programs; Business Professional Development programs; and Seniors Community programs were brought under the auspices of the School of Continuing Education. A high priority was given to the creation of a robust academically and financially successful continuing education operation in the ISP.

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

A key element in the evolution of MacEwan as a university is the development of a much more powerful data analysis and reporting operation. A major reorganization was competed during the reporting period. Specifically, the formation of the Institutional Analysis and Planning group from previously existing units (Institutional Research and Planning plus Academic Quality Assurance and Accreditation) was completed and bolstered by the transfer of two full time members of staff from the Office of the University Registrar. This was complemented by the completion of the centralization of our previously-fragmented marketing and communications staff.

A new leadership structure plus a reallocation of budgetary resources resulted in a more efficient and effective way of promoting the university's unique role in Campus Alberta. The university's approach to reporting with respect to applications, admissions, and enrolment has advanced the university's ability to make better evidence based decisions with respects to its enrolment management goals.

With respect to student aid, initial steps were taken within operating budgets to maintain existing financial aid levels while taking new steps in our evolving advancement strategy to build new resources in support of student financial support. An initial assessment of the current available student scholarships, bursaries and awards for particular faculties/schools and student groups is in progress.

Research, Scholarly Activity and Artistic Creation

GOAL 2: To 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 ongoing building of a strong support system for faculty and student research and creative activity continued during the reporting period. The position of director, Research Services was created, elevating the role of the previous coordinator and providing both greater responsibility and authority to that position both internally and externally. Also, a full complement now numbering five full time staff members (increased from one and a half positions three years ago) was finalized. The university's capacity to manage ethics, animal care, and grants facilitation has never been better.

The Centre for the Advancement of Faculty Excellence continued to expand their workshop offerings in support of faculty research. Annual sessions are fully attended and well received by faculty. The university also received a very positive report on its operations from the Canadian Council on Animal Care, allowing it to continue important work in neuroscience and animal behavior.

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

Over the reporting period, three new grants were awarded in the Natural Sciences and Engineering Research Council (NSERC) competitions. In July 2013, MacEwan University successfully met NSERC of Canada criteria to receive a change in eligibility status from college to university. The change in status allows the university to more fully participate in NSERC's research grants and scholarships programs. As a result of the NSERC university status, MacEwan University students are now eligible for NSERC Undergraduate Student Research Awards. There were 5 of these prestigious grants awarded to MacEwan University students in Spring 2014.

Four new applications for Social Sciences and Humanities Research funding were submitted but none were fully funded. Three, however, did receive a 4A status and the provost (in his role as vice-president, Research) in cooperation with dean, Arts and Science and Office of Research Services, provided support funding for these applicants to allow them to prepare their next submissions based on the feedback from the adjudication panels.

Organizational Development

GOAL 3: To develop and implement leading human resource programs and services to support a high-performing, healthy and collaborative work environment for MacEwan University.

OBJECTIVES:

3.1 Develop a comprehensive human resource plan for the university that will outline the long term goals in alignment with the organizational needs and direction.

Over the reporting period, a Comprehensive Human Resource Plan was drafted and endorsed by the Human Resources Advisory Group. Components of the plan were included in the University Services Foundational Plan that was used to inform the development of the University's ISP.

3.2 Conduct a review of recruitment services and processes and implement improvements to streamline and support the university to recruit top talent.

During the 2013/14 academic year, process mapping of Recruitment Services was completed and minor improvements to processes were implemented. Work is ongoing to implement further improvements.

3.3 Conduct a review of performance management practices and processes and implement improvements that support alignment to organizational goals and increase awareness, understanding and achievement of individual goals/objectives.

A Guide to Performance Management was developed and communicated throughout the institution. In addition, during the reporting period training sessions on Performance Management were conducted with managers. Work is ongoing to implement further improvements.

Enhanced Student Services

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

OBJECTIVES:

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

During the reporting period the new student orientation program was reviewed and enhancements, such as improved communication strategies and an enhanced parent orientation evening, were made. The Student Success Committee of Academic Governance Council also added new student orientation to its work to support the institution-wide and program-specific activities.

Effective Administration

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

OBJECTIVES:

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

Over the reporting period, all key financial and administrative processes were documented and process improvement projects initiated.

The reorganization of the academic data analysis strategy (see Objective 1.5) provided a greater breadth and depth of analysis not just of enrolments but of the university's finances. For example, in the 2013/14 academic year Spring and Summer enrolments increased dramatically. This was managed collaboratively between the provost and the vice-president, Administration and Finance by evaluating the university's academic capacity and net revenue potential.

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

A plan to benchmark all areas of University Services was created and initial benchmarking studies initiated. The university also joined the Educational Advisory Board and the American Productivity and Quality Centre to gain access to leading practice reviews and enhance opportunities for peer benchmarking.

In addition, the university consolidated responsibility for curriculum and program reviews with its newly formed Institutional Analysis and Planning group. It also created a new framework for completing such reviews liberating the creativity and innovation of faculty in the process.

Proposals for new information and approval flow were prepared during the reporting period and these will be finalized in the next reporting year. With both the responsibility and authority for building more insightful and useful reviews now resting with deans and faculty/school councils, the university has now aligned its approach to curricular and program review more fully than before with a university model for such activity.

5.3 Implement a comprehensive communications plan.

The 2013/14 year was a year of significant change within the Office of Communications and Marketing (OCM) at the university. Not only did it move from a decentralized to centralized model for delivering marketing services, it also launched a new institutional brand after an extensive period of consultation.

Prior to the 2013/14 reporting period, OCM had been operating under the Communications and Marketing Plan that was released in October 2012. This plan established seven priorities along with goals and measures that were extended into the fall of 2013 and served as the background to the launch of the new brand in September 2013.

Key messages for the brand launch were built around the University Pillars and the brand campaign, "With the right preparation, extraordinary happens." The university continued with the campaign for the duration of 2013/14. The University Pillars continue to inform key messaging and will form the background for the next communications and marketing plan.

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

The university undertook several steps to enhance education for sustainability including the development of a general sustainability course open to all undergraduates, and an inventory of current courses offered that are sustainability focused or related. In addition, it completed several initiatives related to sustainable operations including support for a campus farmers' market, promotion of public transportation, and the enhancement of campus recycling and composting programs. To enhance planning and engagement for sustainability, a new sustainability governance structure was implemented and sustainability initiatives were included in the institution's ISP.

Technology Integration

GOAL 6: To provide exceptional technology infrastructure systems and services to support student engagement, distributed education, and teaching and research.

OBJECTIVES:

6.1 Expand learning technology systems and services in support of distance and distributed education, blended learning and accessible online learning resources.

During the 2013/14 academic year, the university established a new eLearning Office function. This new function, which was a consolidation of existing services, is now providing leadership and coordination of the planning and development of online curricula and for the technical support of primary learning management systems that support distributed education.

The university also established funding for a three year project to develop online courses and credentials to delivery on eCampusAlberta. A plan has been approved by academic leadership that established development priorities for 2014/15 and 2015/16. Development is underway across a variety of academic disciplines.

6.2 Enhance the university's connectivity to the Internet, provincial networks, research networks and wireless network services.

During the reporting period, the university continued to work with the City of Edmonton, Cybera, and a number of colleague institutions to establish a high-bandwidth CyberaNet connection for the institution. Work on some infrastructure has been completed and connectivity is on target to be in place in the late fall 2014.

Building wireless capacity has continued to be a priority for the university. In 2013/14 the student residence was converted from a wired network to a wireless environment. The residence buildings will also be serviced with dedicated fiber to enhance the student experience and access to university and internet resources.

6.3 Enhance student access and learning through enriched portal functionality, mobile computing, and through access to cloud-based productivity and collaboration tools.

A new student portal environment was fully developed and deployed during the 2013/14 academic year. The portal includes a robust and high-availability infrastructure, and features a seamless single-sign-on model for student access to a wide variety of learning and administrative applications. The student system, learning management systems, library resources, email, productivity collaboration applications, faculty evaluation, and other student-use applications are now contained within a single portal.

During the reporting period the university also introduced Google Apps for Education. The Google deployment provides students with significantly enhanced access to email, file storage, collaboration and social media tools, and the full range of Google productivity applications. Google Apps is fully integrated with the new student portal and is available across a variety of student-use devices.

Enterprise Resource Planning

GOAL 7: To implement and sustain state-of-the-art administrative systems built on an integrated approach to information assets.

OBJECTIVES:

7.1 Complete the implementation of a sustainment and governance organization which will facilitate the planning, development and support of the university's integrated ERP system, and associated interfaces and ancillary systems.

Based on a joint operations and application support model, the university has established a governance structure that manages the portfolio of Enterprise Resource Planning (ERP) system investments and provides a forum for setting strategic direction, long term planning, and decision making based on overall benefit to the university. The committees that make up the governance model are now central to the successful functioning of ERP development, sustainment and governance and will ensure the decisions around business systems have strategic fit, functional utility and balanced investment across the university.

During the 2013/14 academic year, the university established a new organizational function to support the planning, development and sustainment of the PeopleSoft ERP solution and associated ancillary systems. A newly formed ERP Support Office, which was a consolidation of existing services, is now providing leadership and coordination of the planning and development of PeopleSoft. This unit provides business analysis and project management services, and coordinates overall efforts by business and information technology staff and contractors to develop and sustain PeopleSoft.

7.2 Establish and execute a 24-month program of activities to enhance ERP and ancillary system functionality, based on university priorities and in alignment with strategic and budget plans.

Working within the newly established systems governance framework, the university funded and launched the ERP 3.0 Program of activities to further enhance the ERP environment. The program, spanning a projected 18 month time frame, was approved in February 2014 and will be completed in 2015. The program is comprised of 18 distinct projects that will update or enhance all the applications contained in the PeopleSoft ERP. An improvement to the student experience was an imperative while setting priorities, and a number of the projects focus on the student system component.

7.3 Complete the implementation of the Information Technology Management (ITM) control framework to ensure that appropriate controls, security, policy and standards are in place to help sustain the university's enterprise systems.

Work on the development of policy and standards that make up the ITM Control Framework continued in 2013/14. Two areas of concentration, IT Governance and Management, and Information Security and Identify Management, have seen significant progress with final draft documentation in place. The new framework will move through the university approval process in 2014/15. Concurrently, the university continues to develop best practices in the areas of change control, access controls, and security.

Campus Consolidation

GOAL 8: To consolidate university operations on the City Centre Campus site by 2020.

OBJECTIVES:

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

On March 12, 2014 the Government of Alberta announced $30 million over three years to assist in constructing the university's new Centre for Arts and Culture building adjacent to the Robbins Health Learning Centre. The new building will allow the university to consolidate its operations in the downtown core and allow for future growth.

On April 16, 2014 the university received Order in Council approval from the Government of Alberta to dispose of the Centre for the Arts and Communications and the MacEwan South Campus. Approval was also received from the respective Ministries to use the funds from the sale of these two campuses towards the building of the new Centre for Arts and Culture on City Centre Campus.

8.2 Pursue options for the disposal of South Campus.

University Administration worked with a realtor to pursue the sale of the MacEwan South Campus throughout the spring of 2014. Expressions of Interest and offers were received but, as of June 30, 2014, none had resulted in a sale.

8.3 Complete the design process for the next phase of campus development – a new Centre for Arts and Culture

Construction documents for the new Centre for Arts and Culture were delivered in June 2014. The overall area totals 39,801 m^2 with five above grade floors and one level below grade for parking. Retail area is incorporated into the design and totals 1,639 m^2.

Major building components to include centrally scheduled classrooms, theatre performing spaces, purpose built classrooms/labs, consumer retail units, administration offices, an atrium, and a connecting pedway to the Robbins Health Learning Centre. Construction on the new building is targeted to start in fall 2014.

8.4 Conclude current initiatives relative to land acquisition at City Centre Campus.

During the reporting period the university prepared an update to the Land Strategy to ensure continued opportunities for growth.

Alternative Revenue Sources

GOAL 9: To 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:

9.1 Initiate the "Building to 50 Years" Campaign to support facilities enhancement, student awards and academic initiatives.

Following the restructuring of the year prior, the Fund Development department has been rebuilt and a campaign plan is in place. As part of the "Building to 50 Years" initiative, community and university leaders, faculty, staff and alumni will be mobilized to assist in raising $25 million in private support for the Centre for Arts and Culture.

Performance Measures

MacEwan University's Comprehensive Institutional Plan for 2013/14 – 2015/16 identified a number of performance measures. The table below provides three years of performance data on each measure up to the 2013/14 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.

	Performance History				
Measure	**Year 1**	**Year 2**	**Year 3**	**Target**	**Comments**
STUDENT FOCUS					
Student Satisfaction with Overall Quality of Educational Experience	**97%** (2011/12 Baccalaureate Survey))	**96%** (2012/13 Satisfaction Surveys)	**93%** (2013/14 Baccalaureate Survey)	**95%** fully/ somewhat satisfied	Student surveys show that MacEwan continues to have a high level of overall student satisfaction.
Graduate Employment Rate (total employment)	**95%** (2008/09 Graduate Survey)	**95%** (2010/11 Graduate Survey)	**94%** (2013/14 Graduate Survey)	**95%**	Graduate Surveys shows that MacEwan continues to have a high rate of employment.
Tuition fees relative to comparable Alberta institutions (degree-granting)	2011/12 **$4,560**	2012/13 **$4,620**	2013/14 **$4,620**	Maintain relative position	MacEwan's tuition fees are competitive with other public degree-granting institutions in Alberta.
Dollar value of scholarships/bursaries awarded/FLE	2011/12 **$2.780M** **$242/FLE**	2012/13 **$2.45M** **$207/FLE**	2013/14 **$2.63M** **$220/FLE**	Increase	Total $ value of awards and $ per FLE have each increased more than 6% from 2012/13.
PROGRAM & SERVICE QUALITY					
Access/Enrolment	2011/12 **11,465 FLE** (99% of plan)	2012/13 **11,838 FLE** (101% of plan)	2013/14 **11,958 FLE** (99.6% of plan)	12,008 FLE	MacEwan's 2013/14 enrolment was 99.6% of its target (short by 50 FLE).
Student Satisfaction with Quality of Instruction	**94%** (2011/12 Baccalaureate Survey)	**95%** (2012/13 Satisfaction Survey)	**94%** (2013/14 Baccalaureate Survey)	**95%** fully/ somewhat satisfied	MacEwan marginally missed its goal of 95% overall student satisfaction. (Note: Baccalaureate Survey results reflect only degree programs)
RESOURCE ACQUISITION & UTILIZATION					
Achievement of fundraising targets	2011/12 **$3.668 Million**	2012/13 **$2.212 Million**	2013/14 **$2.521 Million**	**$40.0 Million** (2013-2017)	2013/14 is the first year of the campaign. Campaign is progressing towards long range goals.
Per cent expenditure on administration*	2011/12 **9.2%**	2012/13 **9.5%**	2013/14 **11.3%**	**<11.0%**	The increase is due to recoding of expenses following centralizing communications and marketing, plus a spike in utility costs and decreased overall institutional expenses.

** Using Ministry KPI/FIRS definition*

Management's Discussion and Analysis: Achievement of Strategic Directions and Supporting Objectives, 2013/14

The most significant development at the institution over the last year was the development and approval of the Integrated Strategic Plan (ISP). This document charts the future of the university and provides context for the achievement of the goals previously described in the Strategic Directions and Supporting Objectives, 2013/14 section. In many of these goals the alignment with the ISP is clear, and with others, there was a need to redirect activities to realign the goals to coincide with the anticipated directions from the ISP. The development of the institution's ISP took place over the full 2013/14 reporting year. As intended directions emerged, the activities at the university reflected these emerging trends. The following discussion needs to be understood in the light of these fundamental restructuring activities.

Academic Programming and Delivery

The most significant component of the institution's ISP is the focus on degree programs and the relationship of diplomas to those degrees. With a paradigm shift anticipated for the coming years, the development of academic programming at the university was redirected so that the full implications of this new direction could be understood. The university also made important advances with the creation of the School of Continuing Education and the restructuring of MacEwan International.

Research Scholarly Activity and Artistic Creation

With increases to staffing, the profile of research at the university continues to grow. Support for research activities has increased significantly, especially in support for grant applications. Successful applications under the new university eligibility for NSERC highlight this support, and though the applications to SSHRC were not funded they were recognized to be of high quality. The university has taken steps to provide further support specifically for these high quality applications to enhance the likelihood of success in future application cycles.

Organizational Development

Progress in this area was highlighted by the drafting of the Comprehensive Human Resources Plan which will serve as the basis for future organizational development through its incorporation into the ISP. Further institutional progress was made in the areas of recruitment and performance management, with plans for future implementation in these areas.

Enhanced Student Services

Activities for this goal were centered on the new student orientation program with the creation of new programming for this event as well as the development of a social media strategy for future new student orientations.

Effective Administration

The university made several key changes that have led or will lead to significant improvements in the functioning of the university and highlight the institution's goal of having an effective administration that is both representative of a university model and responsive to a need for efficiency. The institution made significant changes to the organization of its data analysis, government reporting, and academic programming services by streamlining and combining these areas into a consolidated university support group thus providing an integrated response to decision making for academic planning and review.

Additional developments relating to the strengthening of academic decision making at the faculty and school level are indicators of the university's commitment to a genuine university governance model. Further organizational efficiencies were made with the centralization of marketing services within the Office of Communications and Marketing.

Technology Integration

The university continues to develop and strengthen technology infrastructure systems and services. Key activities include an online course development project, expansion of wireless capacity, collaboration toward the establishment of a high-bandwidth CyberaNet connection, and deployment of a new student portal environment. By meeting the challenge of staying current with technological change, the university is able to meet the needs of our students who have increasing technology expectations and requirements.

Enterprise Resource Planning

The university established a new governance structure and organizational function to allow for a coherent decision making process for the Enterprise Resource Planning (ERP) system and created a program of activities to enhance the ERP environment. It has also made progress toward implementation of the Information Technology Management Control Framework with anticipated completion in the coming year.

Campus Consolidation

Substantial progress was made toward this goal with the announcement of financial support from the Government of Alberta and approval of the disposal of two buildings which will contribute to the consolidated campus vision. The university continues to pursue the disposal of the South Campus. The design process for the new building has been completed.

Alternative Revenue Sources

The key steps to realizing this goal have been made with the restructuring of Fund Development and the development of a fundraising campaign plan. Activities related to this plan have been initiated and the campaign is progressing towards long range goals.

Performance Measures

In almost all performance measures, the institution either met or marginally missed the target measure. Certain measures, such as student satisfaction and employment rate, fell slightly below target but already high standards means that the institution is still achieving an exceptionally high level of performance in these areas. The enrolment target was very nearly met and represents continued growth of 1%.

The area that showed the most dramatic change was the percentage of expense devoted to administrative expenses, an increase that results from a number of factors. The first of these was the result of the centralization of marketing and communications which led to a reclassification of expenses which previously had resided in individual schools and faculties. Though there were efficiencies gained in the move to centralization, these costs were all considered to be new in the computation of this indicator. The second contributing factor was a spike in utility costs due to a colder winter than usual. Finally, in a move to exercise fiscal responsibility following the budget cuts of 2013, the university made substantial cuts to overall expenses. This combination of centralizing communications and marketing, unforeseen utility costs and decreased overall institutional expenses account for the dramatic change in this indicator.

Management’s Discussion and Analysis of the Consolidated Financial Statements: June 30, 2014

Discussion and Analysis

This discussion and analysis of the consolidated financial statements for the year ended June 30, 2014 should be reviewed in conjunction with the audited consolidated financial statements and accompanying notes.

This discussion and analysis and the audited consolidated financial statements are reviewed and approved by the Board of Governors of MacEwan University on the recommendation of the Audit Committee of the Board of Governors.

The consolidated financial statements represent the consolidated financial results of operations of MacEwan University and the Grant MacEwan University Foundation and are prepared in accordance with Canadian public sector accounting standards.

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

A. Operational Highlights

During the year the university had an operating surplus of $5,696 compared to an approved operating budget deficit of $5,900 and a $5,909 deficit for 2013.

1. COMPARISON TO APPROVED OPERATING BUDGET

In response to significant funding reductions announced in the Province of Alberta 2013/14 provincial budget the university identified a number of budget strategies to reduce expenses or increase revenue, with the Board of Governors approving an operating budget deficit of $5,900.

The actual operating surplus was $5,696 as a result of a number of factors, including the following:

a. $2,602 increase in the Campus Alberta Grant in November 2013
b. Implementing the budget strategies earlier than originally planned
c. Position vacancy
d. Management of discretionary expenses
e. Increased net contributions from ancillary operations

2. COMPARISON TO 2013

Total operating revenue decreased $1,055 (0.5%) from $228,976 in 2013 to $227,921 in 2014. Government of Alberta grants decreased $5,312 as a result of reduction in Campus Alberta Grant funding. This was offset by $3,186 increase in student tuition revenue as a result of enrolment increases, increased international student tuition fee and additional revenue for international English language testing. See Section E for explanation on the changes to the operating revenue.

Total operating expenses decreased $12,660 (5.4%) from $234,885 in 2013 to $222,225 in 2014. The 2013 operating expenses included a number of one-time project expenses relating to the retrofit of the pool, design costs for the new Centre for Arts and Culture, rebranding initiative and process review of Enterprise Resource Planning (ERP) system. See Section F for detailed explanation on changes to operating expenses.

B. Assets Highlights

Total assets increased $15,941 (3.7%) from $434,152 at June 30, 2013 to $450,093 at June 30, 2014.

1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents decreased $41,898. As presented in the consolidated statement of cash flows, the decrease in cash and cash equivalent is due to the following activities:

	2014	2013
Cash provided by operating transactions	$ 15,620	$ 3,140
Cash applied to capital transactions	(10,446)	(16,446)
Cash (applied to)/provided by investing transactions	(46,388)	8,358
Cash (applied to) provided by financing transaction	(684)	(1,491)
	$ (41,898)	$ (6,439)

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 includes 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 term plans to consolidate operations at the City Centre Campus. See tangible capital assets below for additional information.

c. Cash (applied to)/provided by investing transactions represents the net change between cash and portfolio investments. See portfolio investment below for additional information.

d. Cash applied to financing activities includes contributions to endowment net assets, new debt and repayment of existing debt.

2. PORTFOLIO INVESTMENTS

Portfolio investments increased $60,538 from $82,995 at June 30, 2013 to $143,533 at June 30, 2014 as follows:

	2014	2013
Net transfer from (to) cash and cash equivalents	$ 47,070	$ (8,360)
Unrealized gain on unrestricted investments	4,934	2,523
Unrealized gain on restricted investments (endowments)	8,534	5,250
Change in portfolio investments	60,538	(587)
Portfolio investment, beginning of year	82,995	83,582
Portfolio investment, end of year	$ 143,533	$ 82,995

During the year the university transferred $47,070 from cash and cash equivalents to portfolio investments based on the anticipated cash flow requirements and to obtain a better rate of return on the funds. The unrealized gain on unrestricted and restricted investments represents the increase in market value of the investment portfolios during the year. See Notes 4 and 5 of the consolidated financial statements for additional information on the investment holdings and financial risk management.

3. ACCOUNTS RECEIVABLE

Accounts receivable decreased $578 from $4,112 in 2013 to $3,534 at June 30, 2014. This decrease is due to less owing from suppliers for goods returned to the suppliers by the bookstore.

4. INVENTORIES AND PREPAID EXPENSES

As at June 30, 2014 the university had $6,879 in inventories and prepaid expenses, which is $1,586 greater than the $5,293 balance at June 30, 2013. The majority of this increase is due to prepaid expenses for multi-year software licenses as well as prepaid expense for insurance premiums.

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets decreased from $285,443 at June 30, 2013 to $281,736 at June 30, 2014, a net decrease of $3,707. See Note 6 to the consolidated financial statements for information on the changes during the year which is summarized below:

		2014		**2013**
Acquisitions of tangible capital assets		$ 12,369		$ 16,479
Net book value of assets disposed during the year				
Cost	$ (2,058)		$ (2,746)	
Accumulated amortization	2,001	(57)	2,424	(322)
Amortization expense		(16,019)		(15,827)
Change in tangible capital assets		(3,707)		330
Tangible capital assets, beginning of year		285,443		285,113
Tangible capital assets, end of year		$ 281,736		$ 285,443

Acquisition of tangible capital assets includes:

a.	Design and detailed architectural drawings for the new Centre for Arts and Culture building	$ 4,795
b.	Annual tangible capital asset renewal and replacement	2,035
c.	Infrastructure maintenance projects and building renovations, including upgrades to the Alberta College Campus power system	1,646
d.	Capital improvements required for the transfer of South Campus programs to City Centre Campus as part of the downtown campus strategy	1,420
e.	Net new equipment acquisitions to support academic and ancillary operations	1,194
f.	Additions to library collection	922
g.	Land remediation costs	357
		$ 12,369

C. Liabilities Highlights

Total liabilities increased $4,606 from $237,860 at June 30, 2013 to $242,466 at June 30, 2014.

1. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities increased $3,124 (10.7%) from $29,209 at June 30, 2013 to $32,333 at June 30, 2014 as a result of increased liability for major projects in progress at June 30, 2014. These projects include the move from the South Campus to City Centre Campus, detailed construction design for the new Centre for Arts and Culture building, and maintenance projects.

2. EMPLOYEE FUTURE BENEFIT LIABILITIES

Note 7 to the consolidated financial statements provides information on the employee future benefit liabilities. The liability for the employees on short and long term disability, supplemental executive retirement plan and the accumulating non-vesting sick leave liability are based on independent actuarial valuations using past information and future assumptions. During 2014 administrative leave was approved for academic administrators which resulted in a liability for the administrative leave.

3. DEBT

During the year the university repaid $1,681 of the debentures payable to Alberta Capital Finance Authority for parkades and the student residence. The university also incurred additional $120 liability for capital lease of equipment and repaid $32 of the obligations for capital lease of equipment.

4. DEFERRED REVENUE

Deferred revenue consists of the following components:

	2014	2013	CHANGE
Unspent deferred revenue	$ 21,045	$ 18,356	$ 2,689
Expended deferred capital funding	131,878	136,496	(4,618)
Student tuition and fees, sales of services and contract program	10,154	6,254	3,900
	$ 163,077	$ 161,106	$ 1,971

a. **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 $4,450 during the year, while the endowment interest, donation and other fundraising revenue component of deferred revenue increased by $7,922 mostly due to unrealized investment income.

b. **Expended deferred capital funding** represents the unamortized grants and donations received to fund capital acquisitions. During the year, $1,880 of capital assets were purchased with grants and donations funding, offset by $6,498 amortization of current and prior years' externally funded capital assets. The net change is a $4,618 (3.4%) decrease in expended deferred capital grant.

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 services being provided in the next fiscal year as well as a $5,000 deposit received from the purchaser of the Centre for the Arts and Communications campus which is expected to be transferred in September 2017.

D. Net Assets Highlights

The net assets for the university increased $11,335 or 5.8% from $196,292 at June 30, 2013 to $207,627 at June 30, 2014.

1. ENDOWMENTS

Endowment net assets increased by $1,181 (2.6%). See Note 10 of the consolidated financial statements for more information.

2. ACCUMULATED SURPLUS

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

a. **Accumulated operating surplus** increased $5,696 which is the operating surplus for the year. Changes to each component of accumulated operating surplus is disclosed in Note 11 to the consolidated financial statements.

   i. **Accumulated surplus from operations** increased $11,094 during the year, from $1,808 at June 30, 2013 to $12,902 at June 30, 2014. See below for the items which impact accumulated surplus from operations.

	2014	**2013**
Operating activities		
Operating surplus (deficit)	$ 5,696	$ (5,909)
Add back:		
Amortization of internally funded capital assets	9,524	9,166
Net book value of assets disposed	52	215
Operating expenses funded from internally restricted surplus	1,946	9,166
Less net Board appropriation to internally restricted surplus	(865)	(3,830)
	16,353	8,808
Capital activities		
Debt repayment	(1,714)	(1,808)
Internally funded acquisition of tangible capital assets	(3,545)	(4,574)
	(5,259)	(6,382)
Change in accumulated surplus from operations	11,094	2,426
Accumulated surplus from operations, beginning of year	1,808	(618)
Accumulated surplus from operations, end of year	$ 12,902	$ 1,808

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

	2014	2013	CHANGE
Tangible capital assets	$ 281,736	$ 285,443	$ (3,707)
Debt	(42,626)	(44,219)	1,593
Deferred revenue - expended deferred capital funding	(131,878)	(136,496)	4,618
Rounding	2	(1)	3
	$ 107,234	$ 104,727	$ 2,507

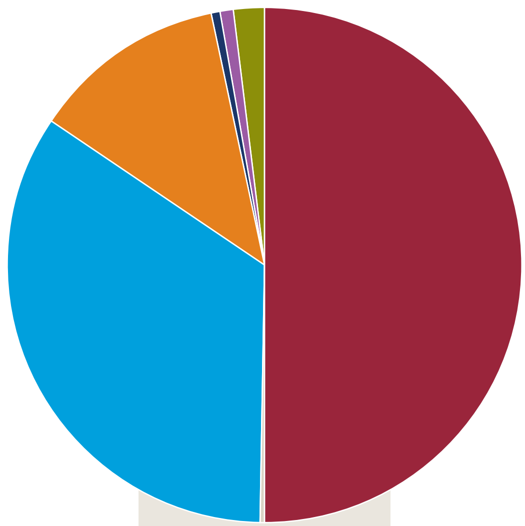
iii. **Internally restricted surplus**

- Decreased $1,946 for operating expense incurred during the year and $6,824 for the purchase of tangible capital assets.
- Increased for the following appropriations:
  - $162 for campus development. This is the 2014 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.
  - $703 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 remeasurement gains and losses** represents the unrealized gain (or loss) on unrestricted financial instruments as at June 30, 2014.

E. Revenue Highlights

The total revenue decreased from $228,976 in 2013 to $227,921 in 2014, with the percentage split being consistent from 2013 to 2014. Information on the major revenue categories is noted below.



	2014		2013		CHANGE FROM 2013	
	$	%	$	%	$	%
Government of Alberta grants	$ 114,140	50.1%	$ 119,452	52.2%	$ (5,312)	-4.4%
Federal and other government grants	226	0.1%	206	0.1%	20	9.7%
Student tuition and fees	78,096	34.3%	74,910	32.7%	3,186	4.3%
Sales of services and products	28,119	12.3%	28,327	12.4%	(208)	-0.7%
Contract programs	1,459	0.6%	1,715	0.7%	(256)	-14.9%
Donations and other grants	1,559	0.7%	1,133	0.5%	426	37.6%
Investment income	4,322	1.9%	3,233	1.4%	1,089	33.7%
	$ 227,921	100.0%	$ 228,976	100.0%	$ (1,055)	-0.5%

1. GOVERNMENT OF ALBERTA GRANTS

Government of Alberta grants represent approximately 50 per cent of the university's revenues, the majority of which comes from the Province of Alberta as Campus Alberta Grant. The Campus Alberta Grant decreased by $4,070 from 2013 as a result of the provincial government budget reductions announced in March 2013 offset by subsequent increases to fund tuition freeze and additional funding to alleviate enrolment pressures.

2. STUDENT TUITION AND FEES

Tuition fees charged by the university are set in accordance with provincial tuition fee regulations which limits 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 2013/14 was 1.00%, however the

Government of Alberta rolled this back to 2012/13 levels and provided an increase in Campus Alberta Grant for the estimated amount of tuition fee increases that would have otherwise been permitted.

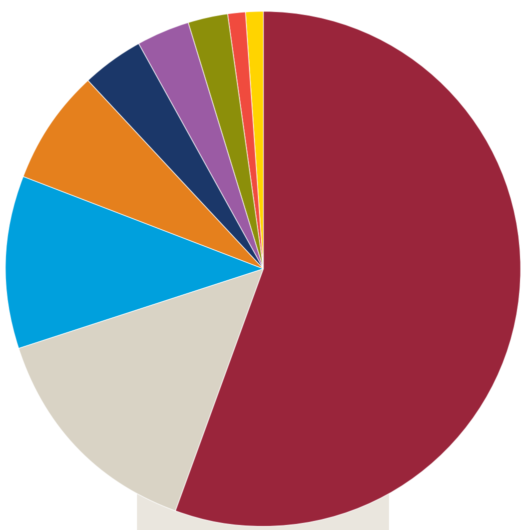
Tuition revenue increased from 2013 due to the following:

a. Net enrolment increase in credit programs;
b. Increase in tuition rates charged to international students;
c. Increased volume of international English language testing.

3. INVESTMENT INCOME

See Note 14 to the consolidated financial statements for details on restricted and unrestricted investment income. Restricted funds recognized as investment income increased $527 from $1,657 in 2013 to $2,184 in 2014 as a result of the increase in expenses funded from endowment earnings. Unrestricted funds recognized as investment income increased $562 from $1,576 in 2013 to $2,138 in 2014 as a result of increased funds in the long term investment portfolio.

F. Expense Highlights



	2014		2013		CHANGE FROM 2013	
	$	%	$	%	$	%
Salaries	$ 123,423	55.5%	$ 124,728	53.1%	$ (1,305)	-1.0%
Materials, supplies and services	32,203	14.5%	37,740	16.1%	(5,537)	-14.7%
Employee benefits	24,266	10.9%	23,192	9.9%	1,074	4.6%
Amortization of capital assets	16,019	7.2%	15,827	6.7%	192	1.2%
Cost of goods sold	8,435	3.8%	9,661	4.1%	(1,226)	-12.7%
Maintenance and repairs	7,210	3.2%	14,129	6.0%	(6,919)	-49.0%
Utilities	5,557	2.5%	4,591	2.0%	966	21.0%
Scholarships and bursaries	2,631	1.2%	2,438	1.0%	193	7.9%
Interest on long term debt	2,481	1.2%	2,579	1.1%	(98)	-3.8%
	$ 222,225	100.0%	$ 234,885	100.0%	$ (12,660)	-5.4%

1. SALARIES

As noted earlier, the university's 2014 Campus Alberta Grant funding was reduced as a result of the Province of Alberta 2013/14 funding reductions. The university identified a number of strategies to reduce operating expenses, including reduction in salaries. Implementation of these strategies along with budget reallocations and position vacancies resulted in a 1% reduction of salaries in comparison to 2013.

2. MATERIALS, SUPPLIES AND SERVICES

Materials, supplies and services decreased $5,537 (14.7%) from $37,740 in 2013 to $32,203 in 2014. The majority of this decrease was due to a significant decrease in professional service costs for the rebranding initiative, ERP processes review and design work for the new Centre for Arts and Culture.

Prior year expenses include $2,331 operating expense incurred for the design work on the new Centre for Arts and Culture. As this project is now in the construction design phase $4,795 of the costs incurred for this new building was capitalized in 2014, with only $206 recorded as an operating expense.

3. EMPLOYEE BENEFITS

The university had increased costs for all employee benefits when compared to the prior year and as a percentage of salaries. Higher Local Authority Pension Plan (LAPP) costs accounted for most of the $1,074 increase in employee benefits. The LAPP continues to increase costs to both employers and employees to reduce the unfunded liability.

4. AMORTIZATION OF CAPITAL ASSETS

Amortization of capital assets (buildings) increased due to the amortization of property acquired in 2013 as part of the land strategy for the university.

5. COST OF GOODS SOLD

Cost of goods sold decreased $1,230 (12.7%) due to lower sales of textbooks and technology. Textbook sales will continue to be reduced as more learning resources become available from other sources, including online.

6. MAINTENANCE AND REPAIRS

The maintenance and repairs expense decrease of $6,919 (49%) is largely a result of the costs incurred in 2013 for the pool retro fit project and reduction in infrastructure maintenance funding from the Government of Alberta.

7. UTILITIES

As a result of a colder winter and higher utility rates the cost of utility expenses increased $966 (21%) from 2013.

Consolidated Financial Statements for the year ended June 30, 2014

Contents

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,

David W. Atkinson, PhD
President

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

AUDITOR GENERAL *Alberta*

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 statement of financial position as at June 30, 2014, and the consolidated statements of operations, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MacEwan University as at June 30, 2014, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General
October 29, 2014
Edmonton, Alberta

Consolidated Statement of Financial Position

As at June 30, 2014 (thousands of dollars)

	2014	2013
ASSETS		
Cash and cash equivalents (Note 3)	**$ 14,411**	$ 56,309
Portfolio investments (Note 4)	**143,533**	82,995
Accounts receivable	**3,534**	4,112
Inventories and prepaid expenses	**6,879**	5,293
Tangible capital assets (Note 6)	**281,736**	285,443
	$ 450,093	$ 434,152
LIABILITIES		
Accounts payable and accrued liabilities	**$ 32,333**	$ 29,209
Employee future benefit liabilities (Note 7)	**4,430**	3,326
Debt (Note 8)	**42,626**	44,219
Deferred revenue (Note 9)	**163,077**	161,106
	242,466	237,860
NET ASSETS		
Endowments (Note 10)	**46,388**	45,207
Accumulated surplus		
Accumulated operating surplus (Note 11)	**154,258**	148,562
Accumulated remeasurement gains and losses	**6,981**	2,523
	207,627	196,292
	$ 450,093	$ 434,152

Financial risk management (Note 5)
Contingent liabilities (Note 12)
Contractual obligations (Note 13)

Approved by the Board of Governors:

Chair, Board of Governors

Chair, Audit Committee

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

Consolidated Statement of Operations

Year Ended June 30, 2014 (thousands of dollars)

	Budget (Note 19)	2014	2013
REVENUE			
Government of Alberta grants (Note 17)	$ 113,120	**$ 114,140**	$ 119,452
Federal and other government grants	94	**226**	206
Student tuition and fees	77,515	**78,096**	74,910
Sales of services and products	29,172	**28,119**	28,327
Contract programs	1,441	**1,459**	1,715
Donations and other grants	825	**1,559**	1,133
Investment income (Note 14)	4,710	**4,322**	3,233
	226,877	**227,921**	228,976
EXPENSES (Notes 15 and 16)			
Instructional and non-sponsored research	81,533	**79,800**	81,037
Academic and student support	54,742	**46,738**	48,006
Institutional support	33,268	**37,792**	35,493
Facility operations and maintenance	39,209	**36,006**	45,611
Ancillary services	23,948	**21,823**	24,607
Sponsored research	77	**66**	131
	232,777	**222,225**	234,885
Operating surplus (deficit)	**(5,900)**	**5,696**	**(5,909)**
Accumulated operating surplus, beginning of year	148,562	**148,562**	154,471
Accumulated operating surplus, end of year (Note 11)	**$ 142,662**	**$ 154,258**	**$ 148,562**

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

Consolidated Statement of Cash Flows

Year Ended June 30, 2014 (thousands of dollars)

	2014	2013
OPERATING TRANSACTIONS		
Operating surplus (deficit)	**$ 5,696**	$ (5,909)
Add (deduct) non-cash items:		
Amortization of tangible capital assets	**16,019**	15,827
Expended capital recognized as revenue	**(6,494)**	(6,661)
Loss on disposal of tangible capital assets	**43**	182
Change in employee future benefit liabilities	**1,104**	526
Decrease in accounts receivable	**578**	537
Increase in inventories and prepaid expenses	**(1,586)**	(186)
Increase (decrease) in accounts payable and accrued liabilities relating to operating transactions	**1,211**	(1,854)
Increase (decrease) in deferred revenue	**(951)**	678
Cash provided by operating transactions	**15,620**	**3,140**
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets, net of proceeds on disposal	**(12,359)**	(16,446)
Increase in accounts payable and accrued liabilities relating to capital transactions	**1,913**	-
Cash applied to capital transactions	**(10,446)**	**(16,446)**
INVESTING TRANSACTIONS		
Purchase of portfolio investments	**(67,806)**	(34,836)
Disposal of portfolio investments	**20,260**	42,350
Endowment investment earnings	**1,158**	844
Cash provided by *(applied to)* investing transactions	**(46,388)**	**8,358**
FINANCING TRANSACTIONS		
Endowment contributions	**879**	257
Capital contributions	**31**	16
Debt repayment	**(1,714)**	(1,808)
Debt - new financing	**120**	44
Cash applied to financing transactions	**(684)**	**(1,491)**
Decrease in cash and cash equivalents	**(41,898)**	**(6,439)**
Cash and cash equivalents, beginning of year	**56,309**	**62,748**
Cash and cash equivalents, end of year	**$ 14,411**	**$ 56,309**

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

Consolidated Statement of Remeasurement Gains and Losses

Year Ended June 30, 2014 (thousands of dollars)

	2014	2013
Accumulated remeasurement gains, beginning of year	**$ 2,523**	$ -
Unrealized gains recognized as revenue during year (Note 14)	(476)	-
Unrealized gains attributable to portfolio investments during year (Note 14)	4,934	2,523
Accumulated remeasurement gains, end of year	**$ 6,981**	$ 2,523

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

Notes to the Consolidated Financial Statements

June 30, 2014 (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 (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 Innovation 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

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

These consolidated 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 consolidated 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, amortization of tangible capital assets and the revenue recognition for expended capital 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 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 consolidated 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:

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

Unrealized gains and losses from changes in the fair value of 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 consolidated 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.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement 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. Investment management fees are expensed as incurred. The purchase and sale of cash and cash equivalents and portfolio investments are accounted for using trade-date accounting.

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

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

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 the 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.

In kind donations of services and materials are recorded at fair value when such value can reasonably be determined. While volunteers as well as University staff contribute a significant amount of time each year to assist the University in carrying out its mission the value of their services are not recognized in the 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 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 is recognized as deferred revenue when the terms for use create a liability, and is 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 8 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:

Buildings	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 consolidated 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 provides 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 based on the plan rules. 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. Actuarial valuations are obtained at least every three years, and the value of the supplementary retirement plan and the associated changes during the year are extrapolated when the most recent actuarial valuation was prepared one or two fiscal years earlier.

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. Actuarial valuations are obtained at least every three years, and the value of the sick leave benefit and the associated changes during the year are extrapolated when the most recent actuarial valuations was prepared one or two fiscal years earlier.

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. Actuarial valuations are obtained at least every three years, and the value of the benefit liability for employees on short-term and long-term disability and the associated changes during the year are extrapolated when the most recent actuarial valuation was prepared one or two fiscal years earlier.

v) Administrative Leave

The University provides support to employees transitioning from academic administrator positions to faculty positions by offering an administrative leave between appointments. Employees must serve a minimum of three years of continuous service as an academic administrator to be considered for administrative leave. The administrative leave is up to 12 months for five years of continuous service, and up to six months for three years of continuous service, and the employee must return to regular faculty responsibility for a minimum period of time equal to the administrative leave period. This administrative leave does not vest or accumulate to the employee.

June 30, 2014 (thousands of dollars)

On approval to receive an administrative leave, a liability is recorded for the following:

- Salary and benefits during the administrative leave; and
- The difference between the salary and benefits earned during the faculty appointment and the salary and benefits for the faculty position.

The cost of this benefit is expensed in the year the employee is approved to receive the administrative leave.

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 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 environmental standard. The University would recognize a liability related to the remediation of such contaminated sites subject to certain recognition criteria. Management is currently assessing the impact of this change in accounting standards on the consolidated financial statements effective the next fiscal period.

NOTE 3 CASH AND CASH EQUIVALENTS

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

	2014	2013
Cash	**$ 14,411**	$ 40,141
Short-term GIC	**-**	16,168
	$ 14,411	$ 56,309

June 30, 2014 (thousands of dollars)

NOTE 4 PORTFOLIO INVESTMENTS

The composition and fair value of portfolio investments are as follows:

	Level 1	Level 2	Level 3	Total
		2014		
Investments at fair value				
Short-term GIC	$ 37,776	$ -	$ -	$ 37,776
Pooled funds				
Common stocks and equivalents	85,553	-	-	85,553
Fixed income securities	13,244	6,092	-	19,336
Cash surrender value of planned gifts (life insurance policies)	-	-	865	865
Natural gas commodity investment	3	-	-	3
	$ 136,576	$ 6,092	$ 865	$ 143,533
		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
	$ 75,089	$ 7,075	$ 831	$ 82,995

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 asset or liability, either directly as prices or indirectly derived from prices
- Level 3 – Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are 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:

	2014	2013
Balance, beginning of year	**$ 831**	$ 791
Unrealized gains	**34**	40
Balance, end of year	**$ 865**	$ 831

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, to 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 5 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 long term objective of the University's investment policies is to achieve a long term real rate of return in excess of fees and expenses, and maintain the real value of the fund.

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, 2014, the impact of a change in the rate of return on the investment portfolio is as follows:

- 1.59% change in short-term GIC's would have a $601 increase or decrease (2013 – 1.25% change would have a $178 increase or decrease);
- 2.50% change in fixed income securities would have a $483 increase or decrease (2013 – 3.19% change would have a $346 increase or decrease);
- 13.20% change in common stocks and equivalents would have a $11,293 increase or decrease (2013 – 13.44% change would have a $7,663 increase or decrease).

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 foreign currency forward contracts or other types of derivative financial instruments for trading or speculative purposes. The University's exposure to foreign exchange risk is very low due to minimal business activities conducted in a foreign currency.

June 30, 2014 (thousands of dollars)

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 funds are available to meet current and forecasted financial requirements in the most cost effectively manner.

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.

The credit risk on investments held are as follows:

	2014	2013
Credit rating:		
AAA	24.60%	27.90%
AA	17.16%	46.45%
A	57.59%	23.90%
BBB	0.65%	1.75%
	100.00%	100.00%

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 8).

The maturity of interest bearing investments are as follows:

2014	Less than 1 year	1 to 5 years	Greater than 5 years	Average effective market yield
Cash and cash equivalents	100%	0%	0%	1.22%
Portfolio investments, short-term	100%	0%	0%	1.59%
Portfolio investments, fixed income	17%	83%	0%	2.26%

2013	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%

June 30, 2014 (thousands of dollars)

NOTE 6 TANGIBLE CAPITAL ASSETS

2014	Land	Buildings	Land Improvements	Equipment[2]	Computer hardware & software	Other[3]	Total
Cost[1]							
Beginning of year	$ 51,098	$ 299,606	$ 1,676	$ 24,894	$ 33,649	$ 17,220	$ 428,143
Acquisitions	483	7,838	81	1,182	1,862	923	12,369
Disposals, including write-downs	-	-	-	(258)	(180)	(1,620)	(2,058)
	51,581	307,444	1,757	25,818	35,331	16,523	438,454
Accumulated Amortization							
Beginning of year	-	(98,721)	(367)	(12,314)	(21,059)	(10,239)	(142,700)
Amortization expense	-	(7,761)	(68)	(1,873)	(5,085)	(1,232)	(16,019)
Adjustment	-	-	-	424	-	(424)	-
Effects on disposals, including write-downs	-	-	-	208	180	1,613	2,001
	-	(106,482)	(435)	(13,555)	(25,964)	(10,282)	(156,718)
Net book value at June 30, 2014	$ 51,581	$ 200,962	$ 1,322	$ 12,263	$ 9,367	$ 6,241	$ 281,736

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, including 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, including 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

(1) Cost includes work-in-progress at June 30, 2014 totaling $7,564 (2013: $1,025) comprised of buildings $7,466 (2013: $257), land improvements $81 (2013: $0), equipment $3 (2013: $28), and computer hardware and software $14 (2013: $740).

(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 2014 or 2013.

June 30, 2014 (thousands of dollars)

The University has two properties for sale with the following recorded on the consolidated statement of financial position as at June 30, 2014:

Assets		
Tangible capital assets		
Cost	$	39,790
Accumulated amortization	$	(21,223)
Net book value	$	18,567
Liabilities		
Deferred revenue		
Expended deferred capital funding	$	10,955
Net Assets		
Accumulated operation surplus		
Investment in tangible capital assets	$	7,612

Under the terms of the conditional agreement for the sale of one property, the purchaser has paid a $5,000 deposit which is recorded as deferred revenue, with the balance of the purchase price owing due upon the transfer of title which is scheduled for September 2017. The second property is listed for sale.

NOTE 7 EMPLOYEE FUTURE BENEFIT LIABILITIES

Employee future benefit liabilities are comprised of the following:

	2014	2013
Benefit liability for employees on short and long term disability	**$ 1,717**	$ 1,584
Supplemental Executive Retirement Plan (SERP)	**1,067**	869
Accumulating non-vesting sick leave liability	**978**	873
Administrative leave	**668**	-
	$ 4,430	$ 3,326

a) Defined Benefit Accounted for on a Defined Benefit Basis

i) 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 and results were then extrapolated to June 30, 2014. As at June 30, 2013 the University had 38 employees on short or long term leave.

June 30, 2014 (thousands of dollars)

ii) 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 and results were then extrapolated to June 30, 2014.

iii) 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 and results were then extrapolated to June 30, 2014. 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) Administrative Leave

The University provides support to employees transitioning from academic administrator positions to faculty positions by offering an administrative leave between appointments. On approval to receive an administrative leave, a liability is recorded for the salary and benefits during the administrative leave and the difference between the salary and benefits earned during the faculty appointment and the salary and benefits for the faculty position. The cost of this benefit is expensed in the year the employee is approved to receive the administrative leave.

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

	Benefit liability for employees on short and long term disability	Supplemental Executive Retirement Plan	Accumulated non-vesting sick leave benefit	Administrative Leave
		2014		
Expenses				
Current service cost	$ 713	$ 158	$ 342	$ 668
Interest cost	62	41	24	-
Amortization of actuarial losses (gains)	49	43	(10)	-
Total Expense	$ 824	$ 242	$ 356	$ 668
Financial Position				
Accrued benefit obligation:				
Balance, beginning of year	$ 2,089	$ 1,292	$ 771	$ -
Current service cost	713	158	342	668
Benefit payment	(690)	(44)	(251)	-
Interest cost	62	41	24	-
Actuarial (gain) loss	-	4	-	-
Balance, end of year	2,174	1,451	886	668
Unamortized net actuarial gain (loss)	(457)	(384)	92	-
Accrued benefit liability	$ 1,717	$ 1,067	$ 978	$ 668

June 30, 2014 (thousands of dollars)

	Benefit liability for employees on short and long term disability	Supplemental Executive Retirement Plan	Accumulated non-vesting sick leave benefit	Administrative Leave
		2013		
Expenses				
Current service cost	$ 699	$ 143	$ 317	$ -
Interest cost	45	48	18	-
Actual prior service costs in year	-	(16)	-	-
Actuarial loss (gain) in year	(209)	400	(7)	-
Difference between recognized and actual actuarial gains in year	239	(396)	(3)	-
Total Expense	$ 774	$ 179	$ 325	$ -
Financial Position				
Accrued benefit obligation:				
Balance, beginning of year	$ 1,606	$ 720	$ 722	$ -
Current service cost	699	143	317	-
Benefit payment	(470)	(19)	(279)	-
Interest cost	45	48	18	-
Actuarial (gain) loss	209	400	(7)	-
Balance, end of year	2,089	1,292	771	-
Unamortized net actuarial gain (loss)	(505)	(423)	102	-
Accrued benefit liability	$ 1,584	$ 869	$ 873	$ -

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

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

	2014			2013		
	Benefit liability for employees on long and short term disability	Supplemental Executive Retirement Plan	Accumulated non-vested sick leave benefit	Benefit liability for employees on long and short term disability	Supplemental Executive Retirement Plan	Accumulated non-vested sick leave benefit
Accrued benefit obligation						
Discount rate	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
Long term average compensation increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Benefit Cost						
Discount rate	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
Long term average compensation increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Alberta Inflation rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Estimated average remaining service life	11	9	11	11	10	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.

June 30, 2014 (thousands of dollars)

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, 2013, the LAPP reported an actuarial deficiency of $4,861,516 (2012 - $4,977,303 deficiency). An actuarial valuation of the LAPP was carried out as at December 31, 2012 and the results were then extrapolated to December 31, 2013. The pension expense recorded in these financial statements is $12,336 (2013 - $11,143). Other than the requirement to make increased contributions, the University does not bear any risk related to the LAPP deficiency.

NOTE 8 DEBT

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

			Amount Outstanding	
	Maturity Date	Interest rate	**2014**	**2013**
Debentures payable to Alberta Capital Finance Authority:				
Parkade	April 2025	6.25%	$ 3,992	$ 4,239
Student residence	June 2030	5.85%	32,356	33,552
West parkade	September 2030	4.39%	4,634	4,823
Robbins Health Learning Centre parkade	September 2032	4.89%	1,517	1,566
			42,499	44,180
Obligations under capital leases			127	39
			$ 42,626	$ 44,219

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
2015	$ 1,819	$ 2,402	$ 4,221
2016	1,923	2,298	4,221
2017	2,028	2,188	4,216
2018	2,114	2,071	4,185
2019	2,228	1,949	4,177
Thereafter	32,514	11,384	43,898
	$ 42,626	$ 22,292	$ 64,918

Interest expense on debt is $2,481 (2013 - $2,579) and is included in the consolidated statement of operations.

June 30, 2014 (thousands of dollars)

NOTE 9 DEFERRED REVENUE

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

	Restricted			
	Unspent deferred revenue	Expended deferred capital funding	Student tuition and fees, sales of services and products, and contract programs	Total
2014				
Balance, beginning of year	$ 18,356	$ 136,496	$ 6,254	$ 161,106
Grants, donations and other revenue received	7,276	-	111,569	118,845
Restricted investment income (Note 14)	10,245	-	-	10,245
Unearned capital acquisition transfers	(1,880)	1,880	-	-
Recognized as revenue	(12,650)	(6,498)	(107,669)	(126,817)
Transfer to endowment (Note 10)	(302)	-	-	(302)
Balance, end of year	$ 21,045	$ 131,878	$ 10,154	$ 163,077
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
Restricted investment income (Note 14)	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 10)	(584)	-	-	(584)
Funds returned to grantor	(18)	-	-	(18)
Balance, end of year	$ 18,356	$ 136,496	$ 6,254	$ 161,106

NOTE 10 ENDOWMENTS

	2014	2013
Balance, beginning of year	**$ 45,207**	$ 44,366
Endowment contributions	**879**	257
Transfer from Deferred revenue (Note 9)	**302**	584
	$ 46,388	$ 45,207

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 policy, stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

June 30, 2014 (thousands of dollars)

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 11 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 (deficit), June 30, 2012	$ (618)	$ 96,997	$ 58,092	$ 154,471
Operating deficit	(5,909)	-	-	(5,909)
Amortization of internally funded tangible 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, June 30, 2013	**1,808**	**104,727**	**42,027**	**148,562**
Operating surplus	5,696	-	-	5,696
Amortization of internally funded tangible capital assets	9,524	(9,524)	-	-
Net book value of assets disposals	52	(52)	-	-
Debt repayment	(1,714)	1,714	-	-
Internally funded acquisition of tangible capital assets	(3,545)	10,369	(6,824)	-
Operating expenses funded from internally restricted surplus	1,946	-	(1,946)	-
Net Board appropriation to internally restricted surplus	(865)	-	865	-
Accumulated operating surplus, June 30, 2014	**$ 12,902**	**$ 107,234**	**$ 34,122**	**$ 154,258**

June 30, 2014 (thousands of dollars)

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

Internally restricted surplus represent amounts 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:

		Disbursements			
	Balance at beginning of year	Operating expense	Capitalized	Appropriations from accumulated operating surplus	Balance at end of year
Campus development - Centre for Arts and Culture	$ 30,214	$ (206)	$ (4,795)	$ -	$ 25,213
Capital renewal and replacement	4,046	-	(1,916)	-	2,130
ERP renewal and technology enhancement	1,865	(638)	27	-	1,254
Campus development	1,746	-	(126)	162	1,782
School of Continuing Education	1,500	-	-	-	1,500
Student activity support	925	(255)	-	-	670
Student technology reserve	565	(401)	(14)	703	853
Sustainability	500	(60)	-	-	440
Scholarships and bursaries	404	(386)	-	-	18
Music degree - renovations	262	-	-	-	262
	$ 42,027	$ (1,946)	$ (6,824)	$ 865	$ 34,122

NOTE 12 CONTINGENT LIABILITIES

The University is a defendant in a two 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 neither of the claims meet the criteria for being recorded as a liability under Canadian 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.

June 30, 2014 (thousands of dollars)

NOTE 13 CONTRACTUAL OBLIGATIONS

The University has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met. The estimated aggregate 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
2015	$ 4,100	$ 1,461	$ 1,689	$ 1,581	$ 8,831
2016	2,886	1,461	563	857	5,767
2017	1,670	1,461	-	456	3,587
2018	1,624	1,461	-	155	3,240
2019	1,550	1,461	-	9	3,020
Thereafter	-	-	-	-	-
	$ 11,830	$ 7,305	$ 2,252	$ 3,058	$ 24,445

In 2013 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.

NOTE 14 INVESTMENT INCOME

	2014		
	Realized	Unrealized	Total
Restricted funds - Endowments			
Investment earnings on cash, cash equivalents and portfolio investments held for endowments	$ 1,664	$ 8,534	$ 10,198
Transferred to deferred revenue (Note 9)	(1,664)	(8,534)	(10,198)
Add deferred revenue recognized as investment income	2,184	-	2,184
Restricted funds - Endowments, recognized as investment income	2,184	-	2,184
Restricted funds - Other			
Investment earnings on cash, cash equivalents and portfolio investments held for other restricted purposes	47	-	47
Transferred to deferred revenue (Note 9)	(47)	-	(47)
Restricted funds - Other, recognized as investment income	-	-	-
Unrestricted funds			
Investment earnings on unrestricted cash, cash equivalents and portfolio investments	1,662	4,934	6,596
Transferred from (to) accumulated remeasurement gain and losses	476	(4,934)	(4,458)
Unrestricted funds recognized as investment income	2,138	-	2,138
Total investment income	$ 4,322	$ -	$ 4,322

June 30, 2014 (thousands of dollars)

	2013		
	Realized	Unrealized	Total
Restricted funds - Endowments			
Investment earnings on cash, cash equivalents and portfolio investments held for endowments	$ 1,289	$ 5,250	$ 6,539
Transferred to deferred revenue (Note 9)	(1,289)	(5,250)	(6,539)
Add deferred revenue recognized as investment income	1,657	-	1,657
Restricted funds - Endowments, recognized as investment income	1,657	-	1,657
Restricted funds - Other			
Investment earnings on cash, cash equivalents and portfolio investments held for other restricted purposes	3		3
Transferred to deferred revenue (Note 9)	(3)	-	(3)
Restricted funds - Other, recognized as investment income	-	-	-
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	1,576	-	1,576
Total investment income	$ 3,233	$ -	$ 3,233

NOTE 15 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.

June 30, 2014 (thousands of dollars)

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 and grants from external organizations and undertaken within the University to produce research outcomes.

NOTE 16 EXPENSE BY OBJECT

The following is a summary of expense by object:

	Budget	2014	2013
Salaries (Note 18)	$ 132,615	**$ 123,423**	$ 124,728
Materials, supplies and services	32,541	**32,203**	37,740
Employee benefits	22,437	**24,266**	23,192
Amortization of capital assets	15,516	**16,019**	15,827
Cost of goods sold	10,021	**8,435**	9,661
Maintenance and repairs	10,282	**7,210**	14,129
Utilities	5,260	**5,557**	4,591
Scholarships and bursaries	1,616	**2,631**	2,438
Interest on long term debt	2,489	**2,481**	2,579
	$ 232,777	**$ 222,225**	$ 234,885

NOTE 17 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.

June 30, 2014 (thousands of dollars)

	2014	2013
Grants from Government of Alberta		
Innovation and Advanced Education:		
Operating	**$ 104,266**	$ 112,814
Capital	**-**	-
Total Innovation and Advanced Education	**104,266**	112,814
Other Government of Alberta departments and agencies	**192**	41
Total grants received	**104,458**	112,855
Restricted expended capital recognized as revenue	**6,151**	6,462
Change in deferred revenue	**3,531**	135
	$ 114,140	$ 119,452
Accounts receivable		
Innovation and Advanced Education	**$ 109**	$ 109
Other Government of Alberta departments and agencies	**74**	139
	$ 183	$ 248
Accounts payable		
Innovation and Advanced Education:	**$ 170**	$ 134
Other Government of Alberta departments and agencies	**213**	228
	$ 383	$ 362

The University has liabilities with Alberta Capital Finance Authority as described in Note 8.

NOTE 18 SALARY AND EMPLOYEE BENEFITS

Under the authority of the *Fiscal Management Act*, the President of Treasury Board and Minister of Finance requires the disclosure of certain salary and employee benefits information.

	2014			
	Base salary[1]	Other cash benefits[2]	Other non-cash benefits[3]	Total
Governance[4]				
Chair	$ -	$ -	$ -	$ -
Board Members	-	9	-	9
Executive				
President	314	11	72	397
Provost and Vice President, Academic	248	11	62	321
Vice President, Finance and Administration	248	11	59	318
Vice President, Student Services	221	11	47	279
Vice President, General Counsel and Compliance Officer	242	11	53	306

June 30, 2014 (thousands of dollars)

	2013			
	Base salary[1]	Other cash benefits[2]	Other non-cash benefits[3]	Total
Governance[4]				
Chair	$ -	$ 6	$ -	$ 6
Board Members	-	29	-	29
Executive				
President	307	20	68	395
Provost and Vice President, Academic[5]	258	11	68	337
Vice President, Finance and Administration	243	19	58	320
Vice President, Advancement[6]	123	6	21	150
Vice President, Student Services	210	13	45	268
Vice President and General Counsel[7]	150	7	43	200

(1) Base salary includes pensionable base pay.
(2) Other cash benefits include earnings such as vacation payouts, bonuses, honoraria, car allowances and other lump sum payments, including severance.
(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, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plan, professional memberships, club memberships and tuition.
(4) During 2012/13 the Chair of the Board of Governors received an honoraria of $6 and all other members of the Board of Governors received an honoraria of $3 per year, prorated for their term on the Board during the year. Effective July 1, 2013 only academic staff, student and non-academic staff members appointed to the Board of Governors receive an honoraria of $3 per year, prorated for their term on the Board during the year. During 2013/14 the position of student member on the Board of Governors was filled by two individuals.
(5) During 2012/13 the position of Provost and Vice President, Academic was filled by two individuals.
(6) The position of Vice President, Advancement has been vacant since January 16, 2013 and will not be filled.
(7) The position of Vice President and General Counsel is a new position, with the incumbent being in the position since November 5, 2012. This position title was updated to Vice President, General Counsel & Compliance Officer in 2014.

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 the 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. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses and interest accruing on the actuarial liability.

June 30, 2014 (thousands of dollars)

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, 2013	Service cost	Interest cost	Benefits paid	Actuarial loss (gain)	Accrued benefit obligation June 30, 2014
President	$ 104	$ 39	$ 4	$ -	$ -	$ 147
Provost and Vice President, Academic	10	32	1	-	-	43
Vice President, Finance and Administration	199	21	7	-	-	227
Vice President, Student Services	133	14	4	-	-	151
Vice President, General Counsel and Compliance Officer	17	19	1	-	-	37

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 7.

NOTE 19 BUDGET FIGURES

Budgeted figures have been provided for comparison purposes and have been included in the University's 2013/14 to 2015/16 Comprehensive Institutional Plan as approved by the Board of Governors.

NOTE 20 APPROVAL OF FINANCIAL STATEMENTS

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

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