UNIVERSITY OF
CALGARY

Consolidated Financial Statements

For the Year Ended
March 31, 2019

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The University of Calgary ("the University") is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with Canadian Public Sector Accounting Standards as described in note 2 to the consolidated financial statements. The consolidated financial statements present fairly the financial position of the University as at March 31, 2019 and the results of its operations, changes in net financial assets, remeasurement gains and losses and cash flow for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal control designed to provide reasonable assurance that the University's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

The Board of Governors is responsible for reviewing and approving the consolidated financial statements, and overseeing management's performance of its financial reporting responsibilities.

The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Audit Committee. The Audit Committee meets with Management and the External Auditor to discuss the results of audit examinations and financial reporting matters. The External Auditor has full access to the Audit Committee, with and without the presence of Management.

The consolidated financial statements for the year ended March 31, 2019 have been reported on by the Auditor General of Alberta, the auditor appointed under *The Post-secondary Learning Act*. The Independent Auditor's Report outlines the scope of the audit and provides the audit opinion on the fairness of presentation of the information in the consolidated financial statements.

[Originally signed by Ed McCauley]
President & Vice-Chancellor

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

Auditor General OF ALBERTA

Independent Auditor's Report

To the Board of Governors of the University of Calgary

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the University of Calgary (the Group), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, change in net financial assets, remeasurement gains and losses, and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University of Calgary as at March 31, 2019, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the consolidated financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie, FCPA, FCMA, ICD.D]
Auditor General

May 24, 2019
Edmonton, Alberta

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019
(in thousands)

		2019		2018
Financial assets excluding portfolio investments restricted for endowments				
Cash and cash equivalents	$	**145,757**	$	145,295
Portfolio investments - non-endowment (Note 4)		**941,581**		886,760
Accounts receivable		**101,306**		70,306
Inventories held for sale		**6,037**		4,363
Investment in government business enterprise (Note 6)		**(3,771)**		(9,974)
	$	**1,190,910**	$	1,096,750
Liabilities				
Accounts payable and accrued liabilities	$	**182,409**	$	166,723
Employee future benefit liabilities (Note 8)		**97,726**		115,453
Debt (Note 9)		**158,678**		164,069
Deferred revenue (Note 10)		**540,823**		468,234
	$	**979,636**	$	914,479
Net financial assets excluding portfolio investments restricted for endowments	$	**211,274**	$	182,271
Portfolio investments - restricted for endowments (Note 4)	$	**991,060**	$	952,665
Net financial assets	$	**1,202,334**	$	1,134,936
Non-financial assets				
Prepaid expenses	$	**7,920**	$	7,334
Tangible capital assets (Note 7)		**2,020,186**		1,880,149
	$	**2,028,106**	$	1,887,483
Net assets before spent deferred capital contributions	$	**3,230,440**	$	3,022,419
Spent deferred capital contributions (Note 11)	$	**1,403,737**	$	1,352,515
Net assets (Note 12)	$	**1,826,703**	$	1,669,904
Net assets is comprised of:				
Accumulated surplus	$	**1,711,741**	$	1,561,364
Accumulated remeasurement gains		**114,962**		108,540
	$	**1,826,703**	$	1,669,904

Contingent assets and contractual rights (Note 13 and 15)

Contingent liabilities and contractual obligations (Note 14 and 16)

Approved by the Board of Governors:

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

[Originally signed by Beverley Foy]
Chair, Audit Committee

CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2019
(in thousands)

UNIVERSITY OF CALGARY

	2019 Budget (Note 17)	2019	2018
Revenue			
Government of Alberta grants (Note 22)	$ 703,539	$ 690,114	$ 681,426
Federal and other government grants (Note 22)	157,660	175,472	165,346
Sales of services and products	124,000	128,882	122,165
Student tuition and fees	231,792	242,574	229,906
Donations and other grants	134,020	203,683	146,207
Investment income (Note 18)	48,222	55,133	53,495
Investment income from government business enterprise (Note 6)	-	6,203	3,741
	$ 1,399,233	$ 1,502,061	$ 1,402,286
Expense			
Academic costs and institutional support	$ 862,254	$ 818,867	$ 811,006
Research	347,685	386,373	387,069
Special purpose and trust	72,591	76,264	77,204
Facilities operations and maintenance	71,831	75,308	78,146
Ancillary services	44,872	45,839	43,862
	$ 1,399,233	$ 1,402,651	$ 1,397,287
Annual operating surplus	$ -	$ 99,410	$ 4,999
Endowment donations		11,996	18,557
Endowment capitalized investment income (Note 18)		38,971	70,319
Endowment donations and capitalized investment income		$ 50,967	$ 88,876
Annual surplus		$ 150,377	$ 93,875
Accumulated surplus, beginning of year		1,561,364	1,467,489
Accumulated surplus, end of year (Note 12)		$ 1,711,741	$ 1,561,364

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

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2019
(in thousands)

UNIVERSITY OF CALGARY

	2019 Budget (Note 17)	2019	2018
Annual surplus	$ -	$ 150,377	$ 93,875
Acquisition of tangible capital assets	(215,008)	(272,601)	(196,684)
Proceeds from sale of tangible capital assets	-	70	141
Amortization of tangible capital assets	129,774	132,558	126,618
(Gain) loss on disposal of tangible capital assets	-	(64)	26
Change in prepaid expenses	-	(586)	11,673
Change in spent deferred capital contributions	51,592	51,222	81,593
Change in accumulated remeasurement gains	-	6,422	(33,738)
(Decrease) increase in net financial assets	$ (33,642)	$ 67,398	$ 83,504
Net financial assets, beginning of year	$ 1,134,936	$ 1,134,936	$ 1,051,432
Net financial assets, end of year	$ 1,101,294	$ 1,202,334	$ 1,134,936

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

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2019
(in thousands)

		2019		2018
Accumulated remeasurement gains, beginning of year	$	**108,540**	$	142,278
Unrealized gains (losses) attributable to:				
Foreign exchange		**(264)**		(331)
Quoted in active market financial instruments				
Portfolio investments - non-endowments		**8,672**		(9,750)
Designated fair value financial instruments				
Portfolio investments - non-endowments		**4,045**		(135)
Portfolio investments - restricted for endowments		**(2,623)**		48,398
Amounts reclassified to consolidated statement of operations:				
Foreign exchange		**331**		(19)
Quoted in active market financial instruments				
Portfolio investments - non-endowments		**6,210**		807
Designated fair value financial instruments				
Portfolio investments - restricted for endowments		**(9,949)**		(72,708)
Change in accumulated remeasurement gains	$	**6,422**	$	(33,738)
Accumulated remeasurement gains, end of year (Note 12)	$	**114,962**	$	108,540

Accumulated remeasurement gains (losses) is comprised of:				
Portfolio investments - non-endowments	$	**5,643**	$	(13,284)
Portfolio investments - restricted for endowments		**109,583**		122,155
Foreign exchange		**(264)**		(331)
	$	**114,962**	$	108,540

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2019
(in thousands)

UNIVERSITY OF CALGARY

		2019		2018
Operating transactions				
Annual surplus	$	150,377	$	93,875
Add (deduct) non-cash items:				
Amortization of tangible capital assets		132,558		126,618
Gain on sale of portfolio investments		(36,465)		(83,813)
(Gain) loss on sale of tangible capital assets		(64)		26
Capital gifts in kind received		(39,460)		(1,686)
Expended capital contributions recognized as revenue		(90,165)		(85,390)
Change in investment in government business enterprises		(6,203)		2,680
Decrease in employee future benefit liabilities		(17,727)		(12,054)
Change in non-cash items	$	(57,526)	$	(53,619)
(Increase) decrease in accounts receivable		(31,000)		6,042
(Increase) decrease in prepaid expenses		(586)		11,673
(Increase) decrease in inventories held for sale		(1,674)		1,977
Increase in accounts payable and accrued liabilities		15,686		19,102
Increase in deferred revenue		72,589		27,296
Cash provided by operating transactions	$	147,866	$	106,346
Capital transactions				
Acquisition of tangible capital assets less gift in kind	$	(226,701)	$	(194,998)
Proceeds on sale of tangible capital assets		70		141
Cash applied to capital transactions	$	(226,631)	$	(194,857)
Investing transactions				
Purchases of portfolio investments	$	(140,777)	$	(65,365)
Proceeds on sale of portfolio investments		90,448		158,490
Cash (applied to) provided by investing transactions	$	(50,329)	$	93,125
Financing transactions				
Debt - repayment	$	(5,391)	$	(72,765)
Increase in spent deferred capital, less expended capital recognized as revenue, less in-kind donations		134,947		166,983
Cash provided by financing transactions	$	129,556	$	94,218
Increase in cash and cash equivalents	$	462	$	98,832
Cash and cash equivalents, beginning of year	$	145,295	$	46,463
Cash and cash equivalents, end of year	$	145,757	$	145,295

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

1. Authority and purpose

The Governors of the University of Calgary is a corporation that manages and operates the University of Calgary ("the University") under the *Post-secondary Learning Act* (Alberta). All members of the Board of Governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education, with the exception of the Chancellor and President, who are *ex officio* members. Under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, the University is a comprehensive academic and research university offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax. This tax exemption does not extend to its wholly-owned subsidiaries, University Technologies Group and West Campus Development Corporation.

2. Summary of significant accounting policies and reporting practices

(a) General – Canadian Public Sector Accounting Standards and use of estimates

These consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS").

The measurement of certain assets and liabilities, revenues and expenses are contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. Amortization of tangible capital assets, recognition of deferred revenue related to restricted grants and donations, determining the fair value of in-kind donations, and employee future benefit liabilities are the most significant items based on estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these consolidated financial statements and, together with the following notes, should be considered an integral part of the consolidated financial statements.

(b) Valuation of financial assets and liabilities

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

Financial statement component	Measurement
Cash and cash equivalents	Cost or amortized cost
Portfolio investments	Fair value
Inventories held for sale	Lower of cost or net realizable value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Debt	Amortized cost

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

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

For financial assets and liabilities measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of cash and cash equivalents and portfolio investments are accounted for using trade-date accounting.

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

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

(b) Valuation of financial assets and liabilities (Continued)

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

(c) Revenue recognition

All revenue is reported on the accrual basis of accounting. Cash received for which goods or services have not been provided is recognized as deferred revenue.

Government grants, non-government grants and donations

Government transfers are referred to as government grants.

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

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

In-kind donations of services, materials, and tangible capital assets are recognized at fair value when such value can reasonably be determined. Transfers of tangible capital assets from related parties are recorded at the carrying value.

Grants and donations related to land

Grants and donations for the purchase of land are recognized as deferred revenue when received and recognized as revenue when the land is purchased. An in-kind grant or donation of land is recognized as revenue at the fair value of the land when a fair value can be reasonably determined. When the fair value cannot reasonably be determined, the in-kind grant or donation is recorded at nominal value.

Investment income

Investment income includes dividends, interest income, and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on investments from unrestricted grants and donations are recognized in the accumulated remeasurement gains and losses until settlement. Once realized, these gains and losses are recognized as revenue or expense in the consolidated statement of operations. Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as revenue in the consolidated statement of operations when the terms of the grants or donations are met.

Realized investment income allocated to endowment balances for the preservation of endowment capital purchasing power is recognized in the statement of operations as a component of endowment donations and capitalized investment income.

Endowments

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

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

(c) Revenue recognition (Continued)

Endowments (Continued)

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University's policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the *Post-secondary Learning Act*, the University has the authority to alter the terms and conditions of endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized investment income. However, for individual endowment funds without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

Endowment donations and associated investment income allocated for the preservation of endowment capital purchasing power are recognized in the Consolidated Statement of Operations in the period in which they are received.

(d) Cash and cash equivalents

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

(e) Inventories held for sale

Inventories held for sale is valued at the lower of cost and expected net realizable value and is determined using the weighted average method. Inventory held for consumption is valued at cost.

(f) Tangible capital assets

Tangible capital assets are recorded at cost, which include amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the asset, and costs associated with asset retirement obligations. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Work in progress, which includes facilities and improvement projects and development of information systems, is not amortized until after the project is complete and the asset is in service. Assets or disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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

Buildings	20-40 years
Furnishings, equipment and systems	3-10 years
Learning resources	10 years

Tangible capital asset writedowns are recorded when conditions indicate they no longer contribute to the University's ability to provide services, or when the value of future economic benefits associated with the capital assets are less than their net book value. The net write-downs are recognized as expense in the consolidated statement of operations. Intangible assets, works of art, historical treasures and collections are expensed when acquired and not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made.

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

(g) Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the consolidated statement of financial position date. Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains and losses.

In the period of settlement, foreign exchange gains and losses are reclassified to the consolidated statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains and losses.

(h) Employee future benefits

Pension

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

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of pensionable earnings. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

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

Supplementary retirement plan (SRP)

The pension expense for defined benefit SRP is actuarially determined using the projected benefit method prorated on service. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected service lifetime for each plan participant.

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

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

- Arctic Institute of North America ("AINA"), a nonprofit organization controlled by the University. AINA operates under the authority of the Act of the Federal Parliament (910 George VI, Chapter 45) to initiate, encourage and support northern research and to advance the study of arctic conditions.
- University Technologies Group ("UTI"), a group of entities being combined under common control and managed by a common owner. UTI operates to facilitate the transfer of intellectual property from the University to private business, thereby commercializing the scientific innovations of University researchers.

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

- Tri-University Meson Facility (TRIUMF) (7.14% interest) - a joint venture with twelve other universities to operate a subatomic physics research facility.
- Western Canadian Universities Marine Sciences Society (20% interest) - a government partnership with five other universities to provide research infrastructure in the marine sciences for its member universities and the worldwide scientific community.

All government partnership inter-entity accounts and transactions between these organizations are eliminated upon consolidation.

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

(j) Investment in government business enterprise

Government business enterprises, owned or controlled by the University but not dependent on the University for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the University. Thus, the University's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. The University's wholly-owned entity accounted for by the modified equity basis is West Campus Development Corporation ("WCDC").

(k) Funds and reserves

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

(l) Expense by Function

The University uses the following function categories on its consolidated statement of operations:

Academic costs and institutional support

Academic costs and institutional support includes expenses relating to activities directly and indirectly supporting innovative learning, programming, and teaching as well as administration and governance functions of the University.

Research

Research expenses relate primarily to activity funded by externally sponsored research funds intended for specific research purposes as well as internal funds designated for research related spending.

Special purpose and trust

Special purpose and trust is comprised of expenses relating to externally restricted funding for non-research related activities including scholarships and community service.

Facilities operations and maintenance

Facilities operations and maintenance function includes centralized management and maintenance of grounds and facilities, and buildings. Examples include utilities, facilities administration, building maintenance, custodial services, landscaping and grounds keeping, and major repairs and renovations.

Ancillary services

Ancillary expenses relate to secondary services available to students, faculty, and staff. Services include on campus residence, food services, university bookstores, Hotel Alma, parking, and conference services.

(m) Future accounting changes

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

In November 2018, the Public Sector Accounting Board approved PS 3400 Revenue. This accounting standard is effective for fiscal years starting on or after April 1, 2022 and provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions.

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

3. Adoption of New Accounting Standards

The University has prospectively adopted PS 3430 Restructuring transactions. This accounting standard is effective for fiscal years starting on or after April 1, 2018. Restructuring transactions defines and establishes disclosure standards for restructuring transactions. There was no impact to the consolidated financial statements.

(in thousands)

4. Portfolio investments

		2019		2018
Portfolio investments - non-endowment	**$**	**941,581**	$	886,760
Portfolio investments - restricted for endowments		**991,060**		952,665
	$	**1,932,641**	$	1,839,425

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

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Portfolio investments at fair value:				
Bonds				
Canadian government and corporate	**$ -**	**$ 559,694**	**$ -**	**$ 559,694**
Foreign government and corporate	**-**	**5,145**	**-**	**5,145**
Pooled investments funds	**-**	**94,153**	**-**	**94,153**
Equities				
Canadian equities	**3,268**	**-**	**-**	**3,268**
Foreign equities	**1,810**	**-**	**-**	**1,810**
Pooled investments funds	**-**	**806,989**	**-**	**806,989**
Other				
Cash and money market funds	**42,644**	**-**	**-**	**42,644**
Guaranteed investment certificate (GICs)	**-**	**33,606**	**-**	**33,606**
Canadian mortgages	**-**	**283,119**	**-**	**283,119**
Hedge funds	**-**	**102,213**	**-**	**102,213**
	$ 47,722	**$ 1,884,919**	**$ -**	**$ 1,932,641**

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

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

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

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

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

(in thousands)

5. Financial risk management

Market price risk

The University is exposed to market price risk, the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the University has established an investment policy with a target asset mix that is diversified by asset class with individual issuer limits and is designed to achieve a long-term rate of return that in real terms equals or exceeds total endowment expenditures with an acceptable level of risk.

The following details the University's portfolio sensitivity to a 7.5% increase or decrease in the market prices. The sensitivity rate is determined using the historical annualized standard deviation for the portfolio investments over a four year period. At March 31, 2019, if market prices had a 7.5% (2018 - 5.2%) increase or decrease with all other variables held constant, the increase or decrease in accumulated remeasurement gains and losses, net assets, and deferred revenue for the year would have totalled $138,487 (2018 - $93,150).

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

Foreign currency risk

Foreign currency is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchanges rates. The University is exposed to foreign currency risk on investments that are denominated in foreign currencies.

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

	Fair Value	2.5% decrease	1.0% decrease	1.0% increase	2.5% increase
U.S. and International Equity	$ 486,560	$ 474,396	$ 481,694	$ 491,426	$ 498,724

The University has a contract with the Qatari government to operate a campus in Qatar. Expenses incurred are recovered from the government of Qatar and claims are adjusted to reflect currency fluctuations, thus reducing exchange risk exposure to the University.

Credit risk

The University is exposed to credit risk on investments arising from the potential failure of a counterparty, debtor or issuer to honour its contractual obligations. To manage this risk, the University only invests in investment grade issuers as guided by the University's Investment policy. The credit risk from accounts receivable is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricted enrolment activities for students with delinquent balances and maintaining standard collection procedures.

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

Credit Rating	2019	2018
AAA	**41.47 %**	52.53 %
AA	**24.19 %**	18.13 %
A	**19.77 %**	17.77 %
BBB	**14.57 %**	11.57 %
	100.00 %	100.00 %

(in thousands)

5. Financial risk management (Continued)

Liquidity risk

Liquidity risk is the risk that the University will encounter difficultly in meeting obligations associated with its financial liabilities. The University maintains a line of credit designed to ensure availability of funds to meet current and forecasted financial requirements as cost effectively as possible. At March 31, 2019, the University has committed borrowing facilities of $18,750 (2018 - $18,750) none of which has been drawn.

Interest rate risk

Interest rate risk is the risk that future cash flows or fair values will fluctuate due to the volatility of market interest rates. The University is exposed to this risk on its interest bearing assets and bonds. Bonds are affected indirectly as they are subject to fluctuations in market values. Bonds are currently invested at the shorter end of the yield curve to reduce market value volatility. Interest risk on the University's debt is managed through fixed-rate agreements with Alberta Capital Finance Authority as described in Note 9. If interest rates increased by 1% and all other variables are held constant, the potential loss in fair value on bonds and mortgage funds to the University would be $28,341 (2018 - $29,575).

The terms to maturity of interest-bearing securities held by the University are as follows:

Asset class	< 1 year	1 - 5 years	> 5 years	Average effective market yield
Money market funds and GICs	100.00 %	-	-	2.60 %
Canadian government and corporate bonds	14.58 %	75.14 %	10.28 %	2.05 %
Canadian mortgage fund	19.19 %	55.17 %	25.64 %	3.60 %

(in thousands)

6. Investment in government business enterprise

WCDC is a wholly-owned subsidiary of the University of Calgary. The WCDC operates as trustee of the West Campus Development Trust ("WCDT"), which subleases land to developers for the commercialization of residential and commercial development. The University is the beneficiary of WCDT and will receive distributions from the trust once leases are in place with developers and net proceeds are available.

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

	Total	
	2019	2018
Assets		
Accounts receivable	**$ 285**	$ 129
Deposit	**14,124**	14,887
Prepaid expenses	**43**	40
Capital assets	**3,984**	2,914
Development costs	**31,667**	28,640
Intangible assets	**-**	39
	$ 50,103	$ 46,649
Liabilities		
Accounts payable and accrued liabilities	**$ 5,244**	$ 6,176
Deferred revenue	**4,157**	3,945
Long term debt	**36,065**	40,673
Cost to complete	**8,408**	5,829
	$ 53,874	$ 56,623
Equity		
Deficit	**$ (3,771)**	$ (9,974)
	$ 50,103	$ 46,649

	2019	2018
Net Income		
Revenues, net of cost of land lease	**$ 9,766**	$ 7,613
Expenses	**3,563**	3,872
	$ 6,203	$ 3,741

(in thousands)

7. Tangible capital assets

	2019					2018
	Buildings	**Furnishings, equipment and systems**	**Learning resources**	**Land**	**Total**	Total
Cost						
Beginning of year	**$ 2,661,382**	**$ 477,252**	**$ 233,034**	**$ 14,082**	**$ 3,385,750**	$ 3,627,113
Acquisitions	**171,669**	**60,506**	**7,616**	**32,810**	**272,601**	196,684
Disposals	**(495)**	**(29,782)**	**(52)**	**-**	**(30,329)**	(27,687)
Write off of fully amortized assets	**-**	**-**	**-**	**-**	**-**	(410,360)
	$ 2,832,556	**$ 507,976**	**$ 240,598**	**$ 46,892**	**$ 3,628,022**	$ 3,385,750
Accumulated amortization						
Beginning of year	**$ 972,919**	**$ 340,518**	**$ 192,164**	**$ -**	**$ 1,505,601**	$ 1,816,863
Amortization expense	**80,636**	**43,592**	**8,330**	**-**	**132,558**	126,618
Disposals	**(495)**	**(29,776)**	**(52)**	**-**	**(30,323)**	(27,520)
Write off of fully amortized assets	**-**	**-**	**-**	**-**	**-**	(410,360)
	$ 1,053,060	**$ 354,334**	**$ 200,442**	**$ -**	**$ 1,607,836**	$ 1,505,601
Net book value at March 31, 2019	**$ 1,779,496**	**$ 153,642**	**$ 40,156**	**$ 46,892**	**$ 2,020,186**	$ 1,880,149
Net book value as at March 31, 2018	$ 1,688,463	$ 136,734	$ 40,870	$ 14,082	$ 1,880,149	

Acquisitions of tangible capital assets include capitalized interest of $ - (2018 - $188).

Tangible capital assets include work-in-process at March 31, 2019 totaling $147,978 (2018 - $112,818) comprised of buildings $126,565 (2018 - $107,567) and furnishings, equipment and systems $21,413 (2018 - $5,251). Work-in-process is not amortized as the assets are not available for use.

Acquisitions during the year included in-kind contributions (such as land, buildings, learning resources, equipment and software) in the amount of $45,900 (2018 - $1,686).

8. Employee future benefit liabilities

Employee future benefit liabilities are comprised of the following:

	2019	2018
Universities Academic Pension Plan	**$ 82,957**	$ 101,211
Long-term Disability	**2,181**	2,029
Administrative Leave (Note 23)	**842**	880
Supplementary Retirement Plan	**11,746**	11,333
	$ 97,726	$ 115,453

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

UAPP

The UAPP is a multiemployer contributory joint defined benefit pension plan for academic and professional staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2016 and was then extrapolated to March 31, 2019, resulting in a UAPP deficiency of $996,451 (2018 - $446,722) consisting of a pre-1992 deficiency of $827,872 (2018 - $735,624) and a post-1991 deficiency of $168,579 (2018 - surplus of $288,902). The University's portion of the UAPP pre-1992 deficiency and post-1991 surplus has been allocated based on its percentage of the plan's total employer contributions for the year.

(in thousands)

8. Employee future benefit liabilities (Continued)

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2018 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.90% (2018 - 2.90%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The Government of Alberta's obligation for the future additional contributions was $258,570 (2018 - $244,241) at March 31, 2019. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 4.93% (2018 - 4.93%) of salaries until June 30, 2018, 4.44% (2018 - 4.44%) of salaries until December 31, 2021, 1.71% (2018 - 1.71%) of salaries for 2022 and 2023, 0.70% (2018 - 0.70%) of salaries for 2024 and 2025, and 0.25% (2018 - 0.25%) of salaries for 2026 and 2027, all shared equally between employees and employers.

SRP

The University provides non-contributory defined benefit supplementary retirement benefits to executives. An actuarial valuation of these benefits was carried out as at March 31, 2019.

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

	March 31, 2019			March 31, 2018		
	UAPP	**Long term disability [1]**	**SRP [1]**	UAPP	Long term disability [1]	SRP [1]
Expenses						
Current service cost	**$ 33,157**	**$ 494**	**$ 510**	$ 32,063	$ 645	$ 523
Interest cost	**2,772**	**54**	**367**	5,596	47	349
Amortization of net actuarial (gain) loss	**(6,047)**	**(173)**	**(64)**	(2,723)	(541)	23
Total expenses	**$ 29,882**	**$ 375**	**$ 813**	$ 34,936	$ 151	$ 895
Financial Position						
Accrued benefit obligation:						
Balance, beginning of year	**$ 895,510**	**$ 2,029**	**$ 11,143**	$ 834,870	$ 2,087	$ 10,918
Current service cost	**33,157**	**494**	**510**	32,063	645	523
Interest cost	**54,467**	**54**	**367**	50,908	48	349
Benefits paid	**(41,775)**	**(223)**	**(400)**	(36,937)	(210)	(386)
Actuarial loss (gain)	**44,702**	**(173)**	**122**	14,606	(541)	(260)
Balance, end of year	**$ 986,061**	**$ 2,181**	**$ 11,742**	$ 895,510	$ 2,029	$ 11,144
Plan assets	**852,170**	**-**	**-**	858,399	-	-
Plan deficit	**$ (133,891)**	**$ (2,181)**	**$ (11,742)**	$ (37,111)	$ (2,029)	$ (11,144)
Unamortized net actuarial (gain) loss	**$ 50,934**	**$ -**	**$ (4)**	$ (64,100)	$ -	$ (189)
Accrued benefit liability	**$ (82,957)**	**$ (2,181)**	**$ (11,746)**	$ (101,211)	$ (2,029)	$ (11,333)

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

(in thousands)

8. Employee future benefit liabilities (Continued)

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

	March 31, 2019			March 31, 2018		
	UAPP	**Long term disability**	**SRP**	UAPP	Long term disability	SRP
Accrued benefit obligation:						
Discount rate	**5.60 %**	**2.80 %**	**3.10 %**	6.00 %	2.80 %	3.20 %
Long term average compensation increase	**3.00 %**	**n/a**	**3.00 %**	3.00 %	n/a	3.00 %
Benefit cost:						
Discount rate	**5.60 %**	**2.80 %**	**3.20 %**	6.00 %	2.80 %	3.10 %
Long term average compensation increase	**3.00 %**	**n/a**	**3.00 %**	3.00 %	n/a	3.00 %
Alberta inflation (long term)	**2.00 %**	**n/a**	**1.50 %**	2.00 %	n/a	1.50 %
Estimated average remaining service life	**10.6 yrs**	**6.88 yrs**	**3 yrs**	10.6 yrs	7.31 yrs	4.0 yrs

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

PSPP

PSPP is a multi-employer contributory joint defined benefit pension plan for support staff members. As the University does not have sufficient information to follow the accounting standards for defined benefit plans, PSPP is accounted for on a defined contribution basis. The pension expense recorded in these consolidated financial statements is $23,164 (2018 - $24,707).

An actuarial valuation of the PSPP was carried out as at December 31, 2017 and was then extrapolated to December 31, 2018. At December 31, 2018, the PSPP reported an actuarial surplus of $519,218 (2017 - $1,275,843). For the year ended December 31, 2018 PSPP reported employer contributions of $337,390 (2017 - $363,748). For the 2018 calendar year, the University's employer contributions were $23,048 (2017 - $25,060).

(in thousands)

9. Debt

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

	Collateral	Maturity date	Interest rate %	2019	2018
Debentures payable to Alberta Capital Finance Authority:					
Debenture for Cascade Hall	(1)	May 2025	6.25%	**$ 7,312**	$ 8,126
Debenture for Residences	(1)	December 2038	3.90%	**76,032**	78,506
Debenture for International Residence House	(1)	June 2039	5.10%	**24,468**	25,132
Debenture for Phase VI Residence	(1)	March 2040	4.73%	**50,555**	51,938
Bank loans payable:					
Demand loan for Western Canadian Universities Marine Sciences Society	(2)	April 2020	3.39%	**212**	228
				$ 158,579	$ 163,930
Obligations under capital leases				**$ 99**	$ 139
				$ 158,678	$ 164,069

(1) General security agreement;
(2) None

Interest expense on debt recorded in these consolidated statements is $7,171 (2018 - $9,362) of which $0 (2018 - $188) was capitalized. Principal and interest repayments are as follows:

	Principal	Interest	Total
2020	$ 5,627	$ 7,019	$ 12,646
2021	6,064	6,757	12,821
2022	6,141	6,477	12,618
2023	6,427	6,189	12,616
2024	6,706	5,889	12,595
Thereafter	127,713	48,791	176,504
	$ 158,678	$ 81,122	$ 239,800

(in thousands)

10. Deferred revenue

	2019		
	Unspent externally restricted grants and donations	**Tuition and other fees**	**Total**
Balance, beginning of year	**$ 444,129**	**$ 24,105**	**$ 468,234**
Grants, tuition and donations received	**597,403**	**249,371**	**846,774**
Investment income	**31,924**	**-**	**31,924**
Transfer to spent deferred capital contributions	**(141,387)**	**-**	**(141,387)**
Recognized as revenue	**(419,343)**	**(245,379)**	**(664,722)**
	$ 512,726	**$ 28,097**	**$ 540,823**

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

11. Spent deferred capital contributions

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

	2019	2018
Balance, beginning of year	**$ 1,352,515**	$ 1,270,922
Transfer from unspent externally restricted grants and donations	**141,387**	166,983
Recognized as revenue	**(90,165)**	(85,390)
	$ 1,403,737	$ 1,352,515

(in thousands)

12. Net Assets

	2019					2018
	Unrestricted	**Investment in tangible capital assets**	**Internally restricted**	**Endowments**	**Total**	Total
Net Assets, beginning of year	**$ 1,024**	**$ 363,565**	**$ 352,650**	**$ 952,665**	**$ 1,669,904**	$ 1,609,767
Annual operating surplus	**99,410**	**-**	**-**	**-**	**99,410**	4,999
Transfer to internally restricted net of expenditures	**(63,143)**	**-**	**63,143**	**-**	**-**	-
Endowment						
New contributions	**-**	**-**	**-**	**11,996**	**11,996**	18,557
Capitalized investment income	**-**	**-**	**-**	**38,971**	**38,971**	70,319
Tangible capital assets						
Acquisition of capital assets	**(76,267)**	**131,214**	**(54,947)**	**-**	**-**	-
Amortization of capital assets	**42,399**	**(42,399)**	**-**	**-**	**-**	-
Debt repayment	**(5,391)**	**5,391**	**-**	**-**	**-**	-
Debt - new financing	**-**	**-**	**-**	**-**	**-**	-
Change in accumulated remeasurement gains	**18,994**	**-**	**-**	**(12,572)**	**6,422**	(33,738)
Net assets at March 31, 2019	**$ 17,026**	**$ 457,771**	**$ 360,846**	**$ 991,060**	**$ 1,826,703**	$ 1,669,904
Net assets is comprised of:						
Accumulated surplus	**$ 11,647**	**$ 457,771**	**$ 360,846**	**$ 881,477**	**$ 1,711,741**	$ 1,561,364
Accumulated remeasurement gains	**5,379**	**-**	**-**	**109,583**	**114,962**	108,540
Net assets at March 31, 2019	**$ 17,026**	**$ 457,771**	**$ 360,846**	**$ 991,060**	**$ 1,826,703**	$ 1,669,904

Internally restricted net assets

Internally restricted net assets represent amounts set aside by the University's Board of Governors for strategic initiatives in support of student learning, research, capital projects and community service. Those amounts are not available for other purposes without the approval of the Board and do not have interest allocated to them. Internally restricted net assets are summarized as follows:

	2019	2018
Capital projects	**$ 101,943**	$ 111,481
Academic and institutional initiatives	**132,728**	145,248
Research activities	**126,175**	95,921
	$ 360,846	$ 352,650

13. Contingent assets

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

14. Contingent liabilities

The University is a defendant in a number of legal proceedings arising in the normal course of business. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Management has concluded that none of the claims meet the criteria for recording a liability.

(in thousands)

14. Contingent liabilities (Continued)

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

At March 31, 2019 the University had entered into agreements that provide guarantees on employee housing loans in the amount of $500 (2018 - $555). These amounts are not recorded in the consolidated financial statements.

15. Contractual rights

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

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

	Operating leases	Other contracts	Total
2020	$ 4,345	$ 13,227	$ 17,572
2021	3,406	2,736	6,142
2022	3,172	2,337	5,509
2023	1,317	1,794	3,111
2024	469	633	1,102
Thereafter	290	1,902	2,192
March 31, 2019	$ 12,999	$ 22,629	$ 35,628
March 31, 2018	$ 13,670	$ 23,668	$ 37,338

16. Contractual obligations

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

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

	Service contracts	Capital projects	Long term leases	Total
2020	$ 62,513	$ 88,850	$ 7,134	$ 158,497
2021	1,700	44,282	7,319	53,301
2022	75	14,795	7,267	22,137
2023	75	-	5,640	5,715
2024	75	-	5,443	5,518
Thereafter	225	-	42,496	42,721
March 31, 2019	$ 64,663	$ 147,927	$ 75,299	$ 287,889
March 31, 2018	$ 44,452	$ 205,602	$ 77,958	$ 328,012

(in thousands)

16. Contractual obligations (Continued)

The University is one of 61 members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2018 CURIE had an annual surplus of $3,841 (2017 - annual deficit of $890). The University participates in six of the underwriting periods, which have an accumulated surplus of $79,338 (2017 - 81,232) of which the University's pro rata share is approximately 6.05% (2017 - 6.03%). This surplus is not recorded in the consolidated financial statements.

17. Budget comparison

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

18. Investment income

	2019	2018
Portfolio investments - restricted for endowments	**$ 70,579**	$ 98,562
Portfolio investments - non-endowment	**23,525**	25,252
	$ 94,104	$ 123,814
Income capitalized to endowments	**(38,971)**	(70,319)
	$ 55,133	$ 53,495

19. Expense by object

	2019 Budget (Note 17)	**2019**	2018
Salaries	$ 696,682	**$ 685,550**	$ 676,927
Employee benefits	139,062	**119,226**	120,274
Materials, supplies and services	288,474	**297,817**	314,348
Utilities	27,727	**24,909**	27,507
Maintenance and repairs	18,355	**25,401**	19,947
Scholarships and bursaries	86,596	**100,213**	99,181
Cost of goods sold	12,563	**16,977**	12,485
Amortization of tangible capital assets	129,774	**132,558**	126,618
	$ 1,399,233	**$ 1,402,651**	$ 1,397,287

20. Funds held on behalf of others

The University holds the following funds on behalf of others over which the University's Board of Governors has no power of appropriation. Accordingly, these funds are not included in the University's consolidated financial statements.

	2019	2018
University of Calgary Medical Group	**$ 10,386**	$ 10,812
University Child Care Centre Society	**1,480**	1,554
State of Qatar	**1,177**	132
Alberta Gambling Research Institute	**835**	711
Canadian Institute of Resource Law	**134**	113
Canadian Research Institute for Law and the Family	**51**	48
Others	**32**	84
	$ 14,095	$ 13,454

(in thousands)

21. Related parties

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

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

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

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

22. Government transfers

The University operates under the authority and statutes of the Province of Alberta. Transactions and balances between the University and the Government of Alberta ("GOA") are measured at the exchange amount and summarized below.

	2019	2018
Grants from GOA		
Advanced Education:		
Operating	**$ 482,785**	$ 469,696
Capital	**114,409**	121,485
Research	**6,415**	6,220
Other	**17,286**	16,061
Total Advanced Education	**$ 620,895**	$ 613,462
Other post secondary institutions	**$ 3,588**	$ 2,970
Other GOA departments and agencies:		
Alberta Health	**$ 74,935**	$ 71,556
Other	**56,126**	63,370
Total other GOA departments and agencies	**$ 131,061**	$ 134,926
Total contributions received	**$ 755,544**	$ 751,358
Restricted expended capital recognized as revenue	**65,810**	62,151
Less: deferred revenues	**(131,240)**	(132,083)
Government of Alberta Grants	**$ 690,114**	$ 681,426

Federal and other government grants		
Contributions received	**$ 204,283**	$ 173,993
Restricted expended capital recognized as revenue	**$ 11,983**	$ 11,321
Less: deferred revenue	**(40,794)**	(19,968)
Federal and other government grants	**$ 175,472**	$ 165,346

(in thousands)

23. Salary and Employee Benefits

	2019			
	Base salary [1]	**Other cash benefits [2]**	**Other non-cash benefits [3] [4]**	**Total**
Governance [5]				
Chair of the Board of Governors	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-
Chancellor honorarium [6]	-	5	-	5
Executive				
President				
Incumbent [7][8][9]	112	2	54	168
Past Incumbent	360	164	244	768
Vice-Presidents:				
Provost and Vice President Academic	429	12	115	556
Vice President Development and Alumni Engagement	300	42	75	417
Vice President Facilities	315	12	88	415
Vice President Finance and Services	320	12	99	431
Vice President Research				
Acting [10]	71	-	11	82
Past Incumbent [10]	305	9	64	378
Vice President University Relations				
Incumbent [11]	282	10	86	378
Acting [11]	52	2	7	61

	2018			
	Base salary [1]	Other cash benefits [2]	Other non-cash benefits [3] [4]	Total
Governance [5]				
Chair of the Board of Governors	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-
Chancellor honorarium [6]	-	5	-	5
Executive				
President	480	121	297	898
Vice-Presidents:				
Provost and Vice President Academic	429	12	135	576
Vice President Development and Alumni Engagement	300	39	78	417
Vice President Facilities	315	12	90	417
Vice President Finance and Services	320	12	102	434
Vice President Research	407	12	114	533
Vice President University Relations	282	12	96	390

1. Base salary includes pensionable base pay.
2. Other cash benefits include administrative honorariums, bonuses, relocation benefits, executive allowances and lump sum payments.

(in thousands)

23. Salary and Employee Benefits (Continued)

3. Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee family assistance program, critical illness, supplementary health care, short and long-term disability plans, dental plan, professional memberships, supplemental retirement plan (per footnote (4)), accidental disability and dismemberment.
4. Under the terms of the SRP, the executive may receive supplemental retirement payments. Retirement arrangement costs as detailed are not cash payments in the period but are period expenses for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post- employment period. The SRP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method prorated on services, a market interest rate, and management's best estimate of other assumptions. Net actuarial gains and losses of the benefit obligations are amortized over the expected remaining service life of each plan participant. Current service cost is the actuarial present value of the benefits earned in the current year. The components of the cost of the SRP include current service cost, amortization of actuarial gains and losses, past service costs on plan initiation, and interest accruing on the actuarial liability.
5. The Chair and Members of the Board of Governors receive no remuneration for participation on the Board.
6. An annual honorarium of five thousand dollars is paid to Chancellors who reside outside of the Province of Alberta.
7. The individuals in this role received a vehicle allowance included in other cash benefits.
8. The individuals in this role earned future administrative leave benefits during the year that have been included in other non-cash benefits.
9. During the fiscal year, the President Past Incumbent position was occupied for 9 months and the President Incumbent position was held for 3 months.
10. During the fiscal year, the Vice President Research Past Incumbent position was occupied for 9 months and the Vice President Research Acting position was held for 3 months.
11. During the fiscal year, the Vice President University Relations Incumbent position was occupied for 9.5 months. During the Incumbent's leave, the Vice President University Relations Acting position was occupied for 2.5 months.

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

	Accrued benefit obligation March 31, 2018	Service costs	Interest costs	Actuarial loss (gain)	Benefits paid	Benefits transferred due to change in role (1)	Accrued benefit obligation March 31, 2019
President							
Incumbent	$ -	$ 20	$ 1	$ (1)	$ -	$ 591	$ 611
Past Incumbent	1,000	129	36	19	-	-	1,184
Vice-Presidents:							
Provost and Vice President Academic	613	92	23	(17)	-	-	711
Vice President Development and Alumni Engagement	144	39	6	1	-	-	190
Vice President Facilities	237	57	9	(2)	-	-	301
Vice President Finance and Services	238	63	10	(3)	-	-	308
Vice President Research							
Acting	-	-	-	-	-	-	-
Past Incumbent	528	59	19	(15)	-	(591)	-
Vice President University Relations							
Incumbent	358	51	13	(26)	-	-	396
Acting	-	-	-	-	-	-	-

1. During the fiscal year, the Vice President Research moved into the role of President. The Vice President Research accrued benefits balance was transferred into the role of President at the time of appointment.

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

(in thousands)

23. Salary and Employee Benefits (Continued)

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

	Accrued benefit obligation March 31, 2018	Service costs	Interest costs	Actuarial loss (gain)	Benefits paid	Accrued benefit obligation March 31, 2019
Administrative Leave-Incumbent	$ -	$ 23	$ -	$ -	$ -	$ 23
Administrative Leave-Past Incumbent	880	85	25	(26)	(145)	819

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

24. Comparative figures

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

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