UNIVERSITY OF CALGARY
ANNUAL REPORT 2004-2005

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UNIVERSITY OF CALGARY

MESSAGE

From the Chair of the Board of Governors and the President and Vice-Chancellor

Albertans, understandably, have high expectations for the future. They have built a community with strong economic foundations and social promise. They envision a tomorrow filled with innovation and achievement. The University of Calgary plays a vital role in this vision by preparing new generations of citizens to shape the future through leadership, scholarship and creativity. It is our responsibility – and an economic imperative – to inspire students to reach for and achieve new heights in excellence.

On behalf of the Board of Governors, we are pleased to present the University of Calgary's 2004-2005 *Annual Report*, which celebrates the accomplishments of our students, faculty and staff in the period April 1, 2004 to March 31, 2005. Of note are the initiatives aimed at achieving our goal of inspiring tomorrow's leaders, built on the vision embedded in the *Academic Plan* and executed in the *Business Plan*.

A key challenge is meeting the rapidly growing needs and expectations of students in terms of funding, enrolment and capacity as Alberta's economic engine continues to accelerate. The University has balanced its budget, and the six per cent annual operating increases for 2005-2006 through 2007-2008 announced by the Government of Alberta will provide a measure of stability that will make long-term planning possible. Provincial expectations for further expansion of the post-secondary sector – to reach the target of 60,000 new student places by 2020 – will put new pressures on the University in the immediate future. This report details the University's strategy for responding to those needs with a growth plan for 7,000 more students and new capital infrastructure by 2010.

To begin, the University has streamlined operations and decision-making to deliver greater efficiencies. We have reallocated funds to priority areas, while working to maximize and leverage sponsored research funding, philanthropic support and investment returns.

Priority areas include bursaries and scholarships, new and improved study and wireless spaces for students, and support for teaching excellence. The University of Calgary is leading the nation by actively engaging its student body in identifying how to enhance the student experience. As we attract more and more top quality students, they expect – and have earned – a voice in the delivery of their education.

As of March 31, 2005, the University of Calgary had awarded 125,583 degrees since its inception in 1966 – 6,249 of those in 2004-2005. About 53% of graduates stay in Calgary, playing significant and diverse roles throughout the community. We know that almost 92% of the University's graduates are employed within two years of graduation, directly contributing to the economic health and general well-being of society.

In keeping with the expectations of a research intensive university, the University of Calgary increased the number of graduate students from 4,467 in 2002-2003 to 5,131 in 2004-2005. Graduate students as a percentage of total enrolment rose from 15.7% to 18.4% in the same period. This is on track to meet our target of 20% of the student body as identified in the *Academic Plan*. At the same time, the U of C is committed to ensuring that 80 per of our student body are undergraduates.

The University of Calgary is Alberta's fastest growing post-secondary institution, absorbing 20% of the post-secondary enrolment growth in the province since 1993-94. The 2004-2005 Enrolment Management Plan held the line on undergraduate expansion to ensure that the quality of education delivered to students was not compromised. Additional support will be needed to achieve the long-term growth required to meet the provincial government's enrolment targets.

To meet current needs, we are preparing for significant physical renewal and expansion to respond to space deficiencies and to provide the accommodation and facilities necessary to support the top calibre work of our faculty and staff.

The University of Calgary is well on its way to becoming an institution of international repute. Through strategic and focussed efforts, we are investing in our students, in our community and in our future. In this *Annual Report*, the Board of Governors invites you to share in our efforts to create an environment of excellence that will nurture and inspire the superior calibre of leaders that Albertans expect and demand.

Brian MacNeill
Chair, Board of Governors

Harvey P. Weingarten
President and Vice-Chancellor

MISSION

"The University of Calgary is a place of education and scholarly inquiry. Its mission is to seek truth and disseminate knowledge. Our aim is to pursue this mission with integrity for the benefit of the people of Alberta, Canada and the world."

MANDATE

In fulfilling its mandate and strategic direction, the University's programs and services link to the Government Core Businesses of: People, Prosperity and Preservation.

"The University of Calgary is a board-governed, comprehensive research university, offering degree programs at the baccalaureate, master's and doctoral levels in education, engineering, fine arts, health sciences, humanities, law, management, and physical and social sciences to students from Calgary, Alberta, Canada and the world. Within Alberta, it offers unique undergraduate and graduate programs in communications studies, social work, geomatic (surveying) engineering as well as a graduate program in environmental design.

Its faculty and students engage in research within and across the major disciplines comprising the program areas, and provide research expertise and services to the community and to national and international organizations.

The University is a partner in the social and cultural development of the province. It delivers a wide range of credit and non-credit courses and professional development programs to individuals and organizations directly, through the technologies of distance education, and, increasingly, through co-operative education programs."

The University of Calgary's current Mandate was approved by the Minister of Advanced Education on March 24, 1994, and operates under the authority of the Post-Secondary Learning Act, March 18, 2004.

FACT SHEET

HISTORY

Founded – 1966

125,583 degrees were awarded from 1966 to March 31, 2005.

FACULTIES

Communication and Culture
Education
Engineering
Environmental Design
Fine Arts
Graduate Studies
Haskayne School of Business
Humanities
Kinesiology
Law
Medicine
Nursing
Science
Social Sciences
Social Work
Veterinary Medicine (Under development)

The University is comprised of 15 faculties, offering more than 80 academic programs and was selected in 2004 by the provincial government to develop a sixteenth faculty, a Faculty of Veterinary Medicine, with an intake of 30 students in the fall of 2006 in a new Doctor of Veterinary Medicine program. Work on developing the DVM program has proceeded well. The University is planning for the facilities required, commencing recruitment of world-class faculty members and initiating discussion with many partners (community veterinaries, the Calgary Zoo, other learning institutions and others) that will all play a major role in the success of the new Faculty. Since being announced, the University has received a growing interest from prospective students.

Full-time equivalent enrolment for 2004-05 was 28,306 including 19,600 full-time undergraduate students and 3,814 full-time graduate students. As well, 4,514 part-time students were also accommodated. (For summary of historical trends see Statistical Summary, page 55).

Full time equivalent staff of 5,009 was comprised of 2,209 faculty and 2,800 support staff. (See Statistical Summary).

More than 30 research centres, institutes and groups with national and international affiliations support the institutional activities. Significant additions in the past year include the Markin Institute for Public Health, the Institute for Advanced Policy Research (IAPR) and the Institute for Quantum Information Science.

The University was allocated 74 chairs by the Canada Research Chairs Program (research professorships sponsored by the Government of Canada), and 63 holders have been confirmed by the CRC Secretariat.

The University of Calgary has absorbed 20% of the total growth in Alberta's post-secondary education system since 1993/94.

The campus welcomes in excess of 125,000 visitors annually to lectures, to various events, including sports events, to Campus Fair, to its museums, and to presentations in the Arts.

The University has been a significant contributor to the city's economy from its inception, and is Calgary's fifth largest employer. It injected an estimated $492 million in direct student, faculty and employee expenditures in 2003-2004, the most recent year for which figures are available, and created or supported some 9,000 jobs with a financial impact estimated at $836 million.

THE *ACADEMIC PLAN*

The University of Calgary's *Academic Plan*, approved in April 2002, provides strategic direction and informs the University's Business Plan. The *Academic Plan* is based on four Core Principles and identifies the University's priorities for the coming years, focusing always on quality. The Core Principles are:

- To enhance the learning experience
- To enhance research, discovery and creativity
- To promote multidisciplinary inquiry
- To provide return to community.

The University continues to build on the momentum established in the first years of the *Academic Plan* in four areas of greatest national and international prominence and promise, specifically:

- Advancing health and wellness
- Leading innovation in energy and the environment
- Creating technologies and managing information for the knowledge era
- Understanding human behaviour, institutions and cultures.

Building on the talents and ideas of the entire University community, the strategic priorities are not tied to any specific faculty or department, but rather are intended to draw on the strengths and expertise of all faculties to achieve the desired results. Despite working in the context of scarce financial resources, significant progress has been made in advancing pillars within each of the four strategic priority areas in the past year. These initiatives are in various stages of completion. Some examples of tangible progress in implementing the *Academic Plan* follow.

Advancing Health and Wellness

Substantial work has been accomplished in developing the program for the Doctor of Veterinary Medicine, based on a unique clinical presentation approach. The link between animal health and human health research and education is a unique key strength of the venture and a potential for the Health and Wellness area.

Creation of the Markin Institute for Public Health, supported by six Chairs in Public Health, will lead research in population health, promotion and wellness programs.

Work is well underway on the Health Research Innovation Centre (HRIC) adjacent to the Foothills Hospital where research groups and clinical practice will be brought together in transdisciplinary activities that will greatly enhance research capacity.

Leading Innovation in Energy and the Environment

The Institute for Sustainable Energy, Environment and Economy (ISEEE) began its work in integrated research and education programs. Multidisciplinary, multi-faculty curricular energy studies have been developed. A Memorandum of Understanding has been signed with the University of Alberta and the University of Lethbridge on the roles each will play in energy studies research. A building associated with ISEEE is on the drawing board, and is now the second ranked capital priority of the University.

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Creating Technologies and Managing Information for the Knowledge Era

The Institute for Quantum Information Science, involving a multidisciplinary group of researchers from the areas of Computer Science, Mathematics, and Physics was created with the primary focus of further advancing the field of quantum information science, which addresses fundamental properties and information processing applications of quantum mechanical aspects of information.

Understanding Human Behaviour, Institutions and Cultures.

The year saw developments in the establishment of the Institute for Advanced Policy Research (IAPR), which provides a forum where public policy issues can be studied and long-term policies developed.

A Special Advisor on Creativity and Innovation in the Arts was appointed to offer new ways of strengthening, enhancing and promoting the University of Calgary's place as a leader in arts and culture.

Supported by CFI and provincial government funds, a Language Research Centre was launched to enhance research on second language learning.

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OPPORTUNITIES and CHALLENGES

The University's Business Plan 2004-2008 outlined the University's opportunities and challenges impacting realization of its *Academic Plan*. Opportunities are seen in:

- Focusing on areas of strength
- Applying research knowledge to benefit society and the economy
- Increasing lifelong learning options
- Accelerating research activity
- Increasing fund development and external revenue generation
- Enhancing business opportunities and partnerships
- Enhancing return on investment in education.

Challenges include:

- Dealing with budgetary restructuring, funding and financial market uncertainty
- Ensuring learners, teachers and researchers have appropriate tools and resources
- Integrating teaching, research and creative activity
- Resolving space issues to accommodate teaching and research programs
- Improving the ability to attract and retain the best faculty and staff
- Increasing access through innovation and collaboration
- Improving the quality of information, structure and business processes
- Managing the issue of funding for indirect costs of research.

GOALS, STRATEGIES and OUTCOMES

Guided by the *Academic Plan* the University Business Plan articulates four goals to respond to the Opportunities and Challenges that exist for the University of Calgary. New technologies and pedagogical approaches, and changes in our environment have resulted in adjustments to some goals and the need for flexibility in how they are implemented.

The four goals are:

1. To create a quality learning environment built on integrated teaching, research and creative activities
2. To return the benefits of research to the University's communities, ensuring that it is responsive to their needs
3. To enhance the University's effectiveness as a responsive and responsible institution
4. To provide a positive work environment that supports and expects excellence, quality, innovation and accountability.

1. To create a quality learning environment built on integrated teaching, research and creative activities.

Strategies:
Attract students best able to benefit from a high caliber learning environment; select strategic academic programs for focused development; and improve the quality of the student experience.

Progress:
The Enrolment Management Plan approved by the General Faculties Council in the fall of 2004, introduced a competitive admission process that has seen the mean entering average increase to 83.5%, up from 81.2% in 2002. At the same time the University agreed to hold the line on the number of admissions to the 2002 level, in recognition that existing resources did not allow for further expansion. With a significant number of underfunded seats, the University is seeking new funding sources and a more appropriate distribution of enrolment among faculties.

Success has been achieved in the objective of increasing the percentage of graduate students, particularly doctoral students, in keeping with the needs of a research intensive University, and to advance the provincial research and development priorities through production of highly qualified personnel. With an increase in the number of graduate students from 4,467 in 2002-2003 to 5,131 in 2004-2005, graduate students as a percentage of total enrolment rose from 15.7% to 18.4% in the same period, on course to meet the planning target of 20% of the student body by 2010 as identified in the *Academic Plan*. Increased support to graduate students has been an integral part of realizing the target and we can report that 81% of PhD students are now supported with $15,000 or better per annum.

The University has introduced significant new scholarship and bursary support to attract the best qualified undergraduate students. In March the University announced a minimum of $500 to all high school graduates with a graduating average of 80% or better. Some faculties, such as Science, further supplement these entrance awards on formal admission.

New programs in Indigenous Studies and Transportation have been developed and extensive work has been undertaken to develop the clinical presentation program for the new Faculty of Veterinary Medicine. More than 80 veterinarians and allied disciplines voluntarily assisted in building a unique DVM program, appropriate for the new Faculty.

Strategies:
Recruit, retain and reward high caliber academic staff to achieve critical mass within strategic priority areas; expand research support; and align reward systems with the Academic Plan.

Progress:
The University has set a target of increasing externally funded chairs by 35 by 2010, and has made a significant step forward in realizing this objective.

New Canada Research Chairs have been named in the areas of Health Science Research, Genetics, Developmental Biology, Petroleum Geology (Energy and the Environment), Quantum Computing, Mobile Multi-Sensor Geomatic Systems, Electro-Chemistry and Fuel Cells, Information Visualization, Molecular Biology of Lyme Disease, Auroral Studies, Image Science and Molecular Neurobiology.

It has become commonplace to note that a very competitive environment exists for top caliber academics, and the University of Calgary, like its sister institutions, faces challenges in recruitment and retention. It becomes important to build, and build on critical mass in strategic areas, seeking out “the best in class”.

The Institute for Sustainable Energy, Environment and Economy (ISEEE) began its work in integrated research and education programs, and has forged ahead in developing multidisciplinary, multi-faculty curricular programming. By the end of the year under review, development of a detailed and ambitious Business Plan was nearing completion.

The increased use of Merit awards to recognize individual excellence in research, teaching and community service, and to reward significant innovation, has not previously received the attention intended. A pilot project was introduced to increase the merit pool available to Deans by 0.2 units per regular faculty member, with an expectation of providing greater rewards for outstanding contributions to teaching and service. The results will be reviewed for allocations in future years.

Strategies:
Become internationally recognized as a top Canadian research university. Increase the levels of research funding; proactively address the impact of indirect costs of research; promote partnerships with government and the private sector to leverage new resources; and develop mentorship programs.

Progress:
The University's outstanding researchers received a record $282M in research funding from all sources in 2004-05, an increase of 14% over 2003/04. This included $41.3M received this year to support the construction of the University’s new $203M Health Research Innovation Centre (HRIC) that is expected to be completed in 2006 and will double the amount of space available for multidisciplinary and collaborative health research. It also included $17 million from the Canada Foundation for Innovation for the creation of the Institute for Infection, Immunity and Inflammation, Project NeuroArm, the world’s first image-guided neuro surgical robot, and the Environmental Economic Data Laboratory.

The University is keenly aware of the strain on its infrastructure occasioned by its success in securing research grants. The matter of indirect costs of research has been a major concern for a number of years. The federal government allocations linked to the level of success from the federal granting agencies has been one source of relief. Negotiations with the provincial government for similar recognition of indirect costs were ongoing during 2004-2005.

The University entered into an arrangement with Direct Energy Business Services whereby the University will make substantial savings in energy costs, and will receive more than $8 million in direct support for its academic activities including student scholarships, a Chair in Sustainable Energy and funding for a range of other education and research activities related to energy and the environment.

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Strategies:
Establish an undergraduate learning experience that integrates research and teaching.

Progress:
An Inquiry Action Group was established to identify existing opportunities for inquiry based learning and to spur creation of new opportunities, and 13 pilots were initiated. Experiential learning is already incorporated extensively as over half of the total sections taught in lab or tutorial format use inquiry-based learning and experiential learning as the prevalent mode of learning. Responding to class evaluations, efforts are on-going to improve the student experience with regard to the quality of teaching, through implementation of Teaching Certification Programs, reducing size of classes, with support for additional sections, and improved access to innovative learning technology including extended wireless "hot spots" across campus. The number of senior lecture sections with more than 200 students fell by 40%, and the number of first year lecture sections in this range fell by 12 % in 2004. Blackboard, a technology that allows interactive course discussion and information exchange, continues to grow, serving more than 72% of students in some 850 courses. This year the University also provided students access to their administrative applications via the portal as part of the move toward the "connected campus" where students can easily access their administrative applications from anywhere via a web interface. Work began within Project Emerge, our systems renewal project, to identify an appropriate Student Information System to replace the very out-dated system currently used.

The Universal Student Ratings of Instruction (USRI) provides a forum for student feedback to Instructors, Department Heads and Deans about the overall quality of instruction. The USRI team has begun the process of moving the evaluations online.

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2. To return the benefits of research to the University's communities, ensuring that it is responsive to their needs.

Strategies:
To improve and expand the transfer of knowledge to the University's communities; support international development and research projects; and increase opportunities for lifelong learning.

Progress:
To extend the benefits of the University's research into the larger community, the Research Transition Facility was opened in September 2004. This facility provides housing and other support to new enterprises that assists them to take research and translate it into commercial ventures.

The University aims to increase the number of Post Degree Continuous Learning programs and the number of students enrolled in them. Modest advancements have occurred in this area, and while much more is planned for the main campus, the Urban Campus Initiative presents significant opportunities for the provision of new programs and an expanded student base.

The University is eager to expand international experience opportunities for students. Plans have been drawn up for an International House to cater to increased interaction between international and domestic students on campus. The University also explored the provision of additional study abroad opportunities.

Strategies:
Prepare students for lifelong learning, productive and rewarding careers; demonstrate the relevance of research to the community; and highlight University involvement in community service and wellbeing.

Progress:
The University uses the Key Performance Indicators (KPI)-based survey of graduates employed two years after graduation to demonstrate contributions to the community. The 2004 Alberta Learning measure, the most recent available, indicates 91.2% employment for U of C graduates, compared to 97% in 2002. Investigation to explain the drop is incomplete, but workforce demands for more and more highly prepared graduates suggests an increasing number of graduates continue for further degrees.

Steady progress was shown in refining planning for the Campus Calgary Digital Library (CCDL) project. This is the University's number one capital project, and plans include construction of a new building adjacent to the MacKimmie Library complex, renovation of existing space, and freeing up space to support an increased number of students. The University has prepared a Memorandum of Understanding with the Alberta College of Art and Design, Bow Valley College, Old Sun College, Mount Royal College, Red Crow

College, Southern Alberta Institute of Technology, and St Mary's College, providing access to all forms of information to a wider range of post-secondary students. The CCDL will be a sub-component of a province-wide digital project to be named the Lois Hole Campus Alberta Digital Library.

Work on the Urban Campus Initiative also progressed, drawing in the support of several postsecondary institutions in the city, including Bow Valley College, Mount Royal College and SAIT. Surveys, reports and public consultation, are preparing the way for this major undertaking in the city core, a project that engages City Hall and the wider community and plans to help accommodate the significant growth in post-secondary education expected in the coming years.

The Senate introduced "Impressive Impressions—I^2 ", a project that will have the Senate investigating and documenting public perceptions regarding the "usefulness" of the University and how citizens feel that University has affected their lives or is useful to their quality of life.

The Faculty of Graduate Studies unveiled "Eye on Ideas", a publication profiling graduate research.

3. To enhance the University's effectiveness as a responsive and responsible institution.

Strategies:
Further development of transparency and accountability in the planning and resource allocation process; renewing and streamlining administrative processes.

Progress:
Clearly expressed criteria were introduced by which budget submissions would be assessed, and a re-investment pool was established to ensure investment in priority areas. The re-investment pool is in effect a 2% redistribution to top priority areas.

The University continually strives to be lower than the target set by Advanced Education for administrative expenses. The target is 4% and the University's administrative expenses as a percentage of total expenditures was 3.69% for 2004/05 (3.59% in 2003/04).

Project Emerge was well underway over the course of the reporting year, and is on target for implementation of the PeopleSoft Financial System, Purchasing, and Human Resources components to improve services and reliability. Assessment of the PeopleSoft Student Information System continues to ensure that this will provide the necessary and desired services for all student registry functions and record keeping. This entire project represents a significant capital outlay, but is deemed essential to provide the level of service required at an institution of this size and stature, as it becomes patently clear that the existing systems can no longer be maintained to perform the volume and complexity of transactions. The Woodrow Task Team, established in Fall 2003, continues its work on streamlining processes for academic program creation, modification, and deletion in support of institutional priorities and the *Academic Plan* and in compliance with provincial legislation. The team is also charged with the responsibility of streamlining processes for modification of programming and the need to clarify the situation for Non-Credit programming. Delegation by General Faculties Council of new program proposal approval and deletion to the Academic Program Committee, approved in June 2004, and subsequent sub-delegation of certain APC duties, has expedited the academic decision-making process appreciably.

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Strategies:
Improving the physical environment for integrating research and learning; developing alternative sources of financial resources; and ensuring technological investments support long-term institutional needs.

Progress:
Progress on ISEEE's academic and research program continues, with particular attention to integrating teaching and research, and planning for a dedicated building to realize the related interdisciplinary activities.

The University continues to suffer from an acute space shortage, particularly for science instruction and research. To rectify this, construction of an Experiential Learning Centre has become a pressing priority, to accommodate both classrooms and laboratories for expanded programs in a range of faculties involving enquiry-based learning for undergraduate students. Planning is well underway.

Major effort has been spent on securing new monies for a range of University initiatives and activities, and considerable success can be noted. The Canadian Association of University Business Officers (CAUBO) reports that Calgary ranks 8th among 72 Canadian University Endowments as of December 31, 2004, with a total endowment market value of $292,668,000. The 2004 rate of return at 10.10% was the 5th best among the 72 institutions reporting.

Fundraising at the University of Calgary increased from $26.7 million in cash in fiscal 2003-04 to $39.5 million in fiscal 2004-05, an increase of 48%. In addition, we received $23.8 million in pledges for a total of cash and pledges of $63.3 million. This has allowed the University to hit its four year fundraising target in two years.

Scholarship fundraising increased by 53% with commitments of $8.5 million. The largest gift in UofC history was received from Mr. A. Markin who committed $18 million to establish six chairs in health and wellness. The University also received its largest estate gift, $6.2 million, dedicated to the Department of Chemical and Petroleum Engineering.

The University is working to increase utilization of existing classrooms and laboratories, placing a minimum of 85% of all classroom and labs under the management of one office, namely, the Registrar. Appropriate software to implement improved scheduling is being reviewed.

Deferred maintenance at the University of Calgary, like all other Canadian universities, is a significant problem. The Association of Higher Education Facility Officers (APPA) recommends an annual funding level of 1.5% per year of facility replacement value to meet renewal requirements, and the Canadian Association of University Business Officers (CAUBO) recommends an annual funding level of between 2% and 4% of current replacement cost to avoid deferral of required maintenance. With a replacement value in excess of $1 billion dollars, an annual maintenance reinvestment of approximately $15 - $40 million is necessary to meet the renewal requirements.

The Infrastructure Maintenance Program (IMP) is the primary mechanism by which post secondary institutions are currently funded by the Province for infrastructure maintenance. Annual IMP funding has amounted to approximately $7 million per year, and as such the University of Calgary has an estimated shortfall annually in maintenance support of between $8 and $23 million.

A facility evaluation process undertaken with Alberta Infrastructure and Transportation has quantified the accumulated deferred maintenance liability of the University of Calgary at in excess of $250 million, and growing. This situation is unsustainable, and strategies for correcting this chronic under-allocation of resources include significant capital funding requests by the University to the Province identifying major capital IMP initiatives that will be integrated into future capital expansion plans.

Strategies:
Rationalizing service deliveries, and investigation of collaboration opportunities within Campus Alberta; enhancing collaboration and partnerships with public service and non-profit organizations; and targeting industry for research, business and student employment opportunities.

Progress:
New levels of collaboration among other Calgary post-secondary institutions have emerged in the Urban Campus Initiative and in work with regard to the Campus Calgary Digital Library.

The University and the Calgary Health Region continued to increase and enhance joint initiatives during the year. The University and the Calgary Health Region launched a joint fund raising initiative. In order to improve library services provided to the CHR staff, patients and the public, and to leverage existing library services within the University, the two organizations substantively completed a service agreement that will be implemented in the upcoming year. Work continued on the development of a new affiliation agreement between the two organizations that will act as an enabler for even more collaborative initiatives for the benefit of the community.

Implementation of the Doctor of Veterinary Medicine program calls for several partnerships with community veterinary practices and other stakeholders, including the Calgary Zoo, Calgary Exhibition and Stampede, Spruce Meadows, and several Colleges, for delivery of the clinical presentation program. Preliminary negotiations were undertaken during the year and agreements will follow. The sector has demonstrated a growing eagerness to participate in the Veterinary program that bodes well for its implementation.

4. To provide a positive work environment that supports and expects excellence, quality, innovation and accountability.

Strategies:
Provide a supportive environment: expand leadership and professional development opportunities; improve internal communication; and recognize and celebrate outstanding contributions of employees, associates and volunteers.

Progress:
A web based exit survey was implemented to monitor employee satisfaction. Leadership development programs for new department heads were organized in August 2004, and additional programs are being prepared. Organized professional development opportunities report good participant ratings.

Orientation sessions are organized for new faculty, covering a wide range of issues, and an updated and expanded website "First Stop for Academics' Professional Development" launched for new and continuing Faculty.

The campus newspaper, OnCampus has increased its number of publications, disseminating news on a more regular basis. The President issued a series of newsletters during the year to comment on significant developments and announcements.

Management's Discussion & Analysis

Executive Summary

This Management Discussion and Analysis (MD&A) should be read in conjunction with the University of Calgary annual audited consolidated financial statements and accompanying notes. The MD&A and audited financial statements are reviewed and approved by the University of Calgary Audit Committee who then recommend their approval to the Board of Governors. The University financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are expressed in Canadian dollars.

In 2004-05 the University of Calgary continued to build on the progress of prior years' financial planning. Alberta's fastest growing post-secondary institution; the University has absorbed 20 % of the post-secondary enrolment growth in the province since 1993-94, more than any other institution. This growth saw the University serve 28,306 full-time equivalent (FTE) students and award 6,455 degrees in 2004-05 compared to 28,869 FTE students and 6,415 degrees the previous year. (University of Calgary, Office of Institutional Analysis (OIA)).

University total revenues increased by $36.9 million (5.3 %) to a total of $728.6 while total expenditures increased by $36.0 million (5.3 %) to a total of $709.6. The University Board-approved budget for 2004/05 was a deficit of $8.2 million. The excess of revenues over expenditures, after adjusting for future commitments, is $4.6 million. The actual year-end surplus was $19.0 million, and represents a $27.2 million favorable variance to budget, which is less than 4 % of revenue. Had the impact of one-time revenues of $17.5 million from the University Research Centre and $10.1 million of special purpose funding which will be internally restricted for future commitments been reflected, the University would have been close to budget.

Fiscal year 2004/05 was the second year of two planned deficit years. While the University did not incur deficits in either year, the University will need to continue to optimize use of resources in order to meet internal commitments and redirect funding to invest in priority areas identified in the *Academic Plan*. Deans and other senior budget officers continue to demonstrate creativity and leadership in financial stewardship in difficult budgetary circumstances.

The University of Calgary is committed to achieving its strategic objectives, improving its cash flow to finance its projects and activities, and managing the risks inherent in moving forward on significant initiatives.

Introduction

This Management Discussion and Analysis (MD&A) provides details and analysis in review of the past year towards achieving the objectives and strategies of the *Academic Plan* of the University of Calgary.

Included in this MD&A is discussion and analysis of the University of Calgary's:

- strategic focus and measurement,
- business planning and management,
- students and programs, revenues and expenditures, and progress in capital projects,
- efforts to improve cash flow from operations and investments for current and future capital projects, and
- management of known and unknown risks inherent in moving forward with the objectives of the University *Academic Plan*.

Strategic Focus and Measurement

The guide to the future is the University's *Academic Plan*. It is a long-range road map for teaching, research and learning goals that will further enhance the quality, reputation, profile and distinctive character of the University, and confirm its place in the top echelon of Canadian universities. The *Academic Plan* defines expectations and provides the means for measuring progress. It identifies both opportunities and challenges.

Performance measures are used to monitor the University's progress towards its goals, and to communicate that progress to its community and stakeholders. International and national measures compare the University's performance to other high-quality, research-intensive universities, while other measures are unique to the University of Calgary. As the University continues to implement its *Academic Plan*, the measures and targets are continually refined to ensure they are appropriate and realistic.

University goals and their measurement are part of an accountability relationship with many stakeholders: students, faculty and staff, the Board of Governors, the business community, various public communities, other post-secondary institutions, and the provincial and federal governments.

Business Planning and Management

The University uses the resource allocation process for planning and for management of resources. Differential allocations are used to promote change/enhance action in areas of priority. The business planning and resource allocation process is transparent across the

University with clear communication of criteria used in allocating resources and resulting allocation decisions.

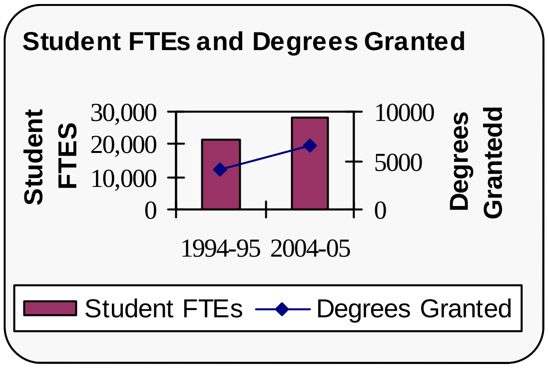
Strategies of the Business Plan establish action plans which help achieve the objectives of the *Academic Plan* by:

- Investing in capital projects
- Achieving Financial Sustainability
- Enhancing the Student Experience
- Achieving a Return on Investment in Education.

Achieving Results

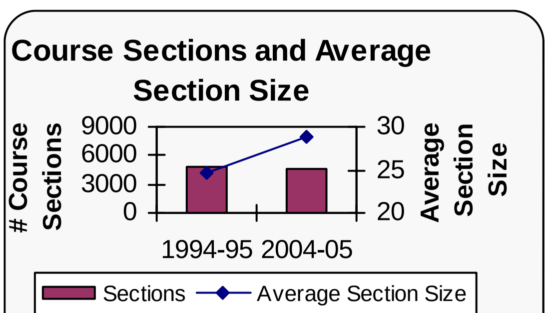
Students

The number of student FTEs and degrees granted at the University of Calgary have steadily increased over the past decade.



Programs

The number of course and sections has remained steady this past year, whereas the average section size has continued to steadily increase.

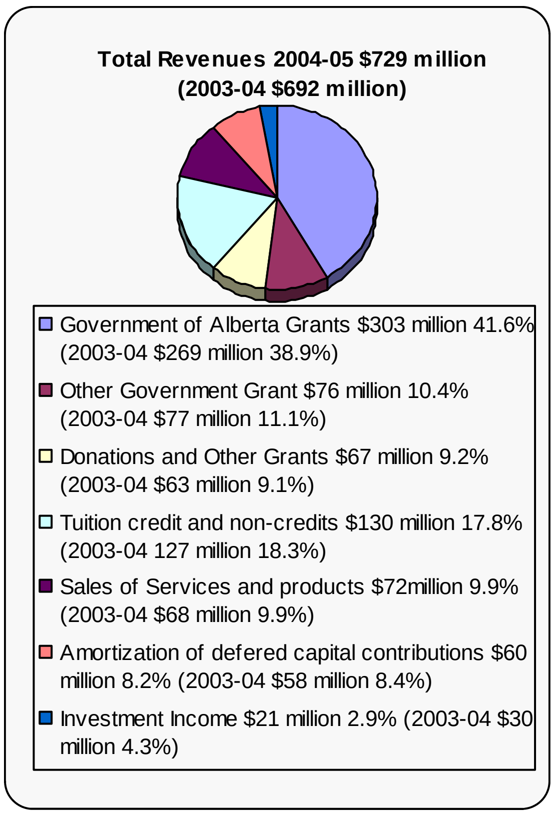


Source: University of Calgary Office of Institutional Analysis Fact Book

The need for academic classroom and lab space continues to pressure existing campus facilities and capacity to meet student demand and instructional requirements.

Total Revenues

The following graph shows the composition of the University's total revenues for the 2004-05 fiscal year with comparatives for the 2003-04 fiscal year:



The most significant change in revenue was from Government of Alberta grants.

Government Grants

Government grants are the University's single largest source of funding. Revenue in this category increased $33.1 million (9.6%) from $345.8 million in 2003/04 to $378.9 million in 2004/05. Of this increase $32.0 million is in operating. Operating grants from Alberta Advanced Education increased by $16.1 million from $217.9 million in 2003-04 to $234.0 million. Of this, $8.4 million is an increase in the base operating grant. In addition, there were net increases in the Access funding of $3.9 million, increases in other grants totaling $2.2 million and $1.6 million in grant interest revenue. One-time income for the University Research Centre of $15.9 million was recognized as revenue in 2004-05.

Grants from the Government of Alberta represent 79.9% of the total government grants received by the University (77.7% in prior year) and 41.6% of total revenues for the University in 2004-05 (38.8% in 2003-04).

Tuition Fees

Total credit and non-credit tuition has increased by $2.9 million (2.3%) to $129.8 million in 2004-05 from $126.9 million in 2003-04, due entirely to Credit tuition and related fees increases of $2.9 million. The increase in Credit tuition revenue can be attributed to fee increases only, as enrollment decreased by 563 full-time equivalent students or (1.95%) from 28,869 in 2003-04 to 28,306 in 2004-05. Undergraduate tuition for one half-courses in all faculties except Law and Medicine went up by 4.8% from $438 per course in 2003-04 to $459 per course in 2004-05.

Research Revenue

Research revenue was $174.4 million in 2004-05 versus $164.5 million in the prior year. Actual research revenue earned increased by $9.9 million (6.0 %). Research revenues from the Provincial government increased $3.1 million (Alberta Infrastructure $2.0 million and Alberta Energy Control Board $1.0 million, $1.8 million from Alberta Cancer Board, with a net decrease of $1.7 million in other areas). Research revenues from the Federal government increased by $2.7 million (3.7 %). The increase in Federal revenues was related primarily to Social Sciences and Humanities Research Council funding.

Investment Income

The University's long-term investments are valued at market value. Overall, the University is reporting an investment gain of $21.1 million for fiscal 2005. The components of this gain are as follows:

Gain for investments related to restricted endowments	$22.2 million
Gain for investments related to non-endowed funds	9.4 million
Deferred in previous years and recognized this year	(0.2) million
Total investment income earned	31.4 million
Less capitalized to capital contributions or endowments	10.3 million
Investment income recorded on the financial statements	$21.1 million

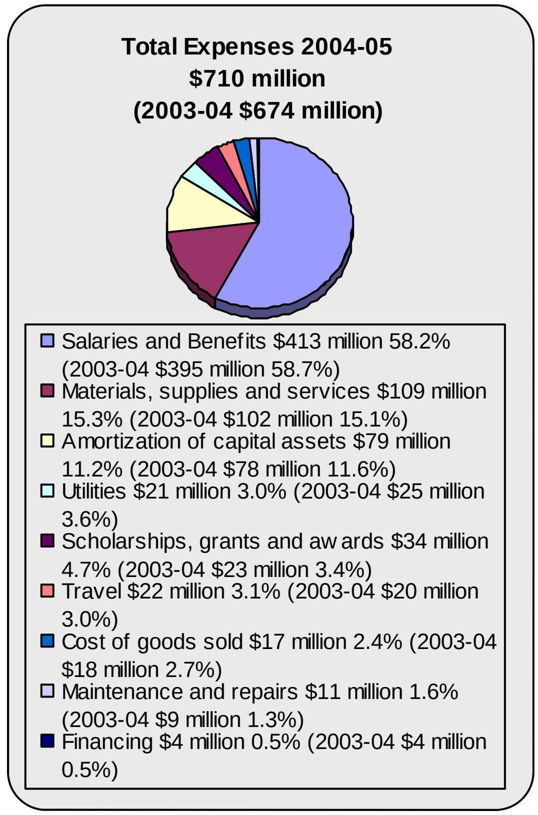
As noted above, the University of Calgary earned $31.4 million in total investment income in 2004-05 (2003-04: $75.3 million). In 2004-05, $10.3 million of total investment income earned was capitalized to capital contributions or endowments (2003-04: $45.6 million). The decrease in total investment income earned and investment income capitalized to capital contributions or endowments is a result of yearly fluctuations in market values of long term investments related to endowments. Since 2003 it has been the University of Calgary's policy to record long term investments at market value. Changes in market value from one period to the next are included in the investment income (loss) for the year. The prorated portion of market value increase (decrease) from one year to the next that is related to external endowments is capitalized to endowments as a direct increase (decrease) to net assets in accordance with the University's revenue recognition policies.

For the year ending March 31, 2005 the return on the University of Calgary's endowment funds was 7.17% (2003-04 26.62%) and the return on the working capital was 2.62% (2003-04 5.74%).

Total Expenditures

Total expenditures increased by $36 million (5.3%) in 2004/05 from $673.6 million in 2003/04 to $709.6 million in 2004/05.

The following graph shows the composition of the University's total expenses for the 2004-05 fiscal year with comparatives for the 2003-04 fiscal year:



As shown in the graph above, the proportion of the various expenditure categories has stayed relatively constant. At 58.2% of total expenditures (2003-04 58.7%), salaries and benefits is the single most significant operating expenditure at the University. If amortization, a non-cash expense, was excluded, salaries and benefits would represent 65.5% of total expenditures. Salaries increased by $12.6 million in 2004-05 (2003-04 $18.7 million) and result from both the increase in staff numbers (see table below) and salary rate increases. Some of the increased salary costs were recovered from external sources.

UNIVERSITY OF CALGARY

Changes in Staffing
Full-time Equivalents (FTEs)

Staff (FTEs)	2003-04	2004-05	% change
Faculty	2,080	2,209	6.2 %
Support	2,678	2,800	4.5 %

Source: University of Calgary Office of Institutional Analysis Fact Book

Benefits have increased by $5.3 million (10.9%) over the prior year, attributable to increased salaries and benefit cost increases. The weighted average cost of benefits as a percentage of salaries in 2004-05 was 18.5% compared to 17.3 % in 2003/04. The largest portion of benefit costs arise from pension costs, which represent 36.3% of total benefit costs (2003-04 32.4%), and have been increasing steadily over the past few years.

Materials, supplies and services have increased by $6.8 million (6.7%) from the $101.9 million spent in 2003/04. Of this amount, $3.5 million or over half of the increase is related to a change in accounting estimate wherein the threshold for expensing versus capitalizing capital assets was increased from $1,000 to $5,000.

Utilities costs have decreased by $3.2 million (13.2%) over the previous year. Cost exposure for natural gas was mitigated by a provincial government utility rebate program in which payments amounting to $1.1 million were received by the University. The University has entered into a new and more favorable electricity contract that became effective in January of 2004 and runs for three years. It is anticipated that this contract will net savings to the University of approximately $2 million per year.

Scholarship spending has increased $10.7 million (46.6%) over 2003-04. Graduate Studies increased spending on support for graduate students by $1.2 million and faculty expenditures for student support increased by $3.0 million. Special Purpose scholarship account expenditures increased by $3.2 million. In 2003-04, $3.3 million of scholarships were classified as salaries.

Capital Assets

The net book value for capital assets after amortization expense, has increased from $598.8 million for 2003-04 to $665.5 million in 2004-05. The University expended $103.7 million on additions in buildings and plant, and a total of $42.2 million on furnishings, equipment and systems, software, and library holdings. Of this total additions, $114.5 million was funded from external sources and $31.4 million was funded using internal University funds.

Highlights of building additions are as follows:

- Health Research Innovation Centre $70.3 million
- Health Sciences Centre $7.4 million

Highlights of furnishings and equipment additions:

- $12.2 million of equipment additions was funded through our Partnership programs (includes Canada Foundation for Innovation, Alberta Science and Research Investments Program and other associated matching funds).

- Just under $2.0 million of equipment additions were funded by Alberta Heritage Foundation for Medical Research.
- $8.0 million in equipment was purchased with the use of other Research and Trust funding
- $10.1 million in equipment was purchased with the use of Operating funds which included the use of Carry-over Reserves.

The University added $8.5 million in books and rare books ($7.8 million in prior year) to its various library collections.

Investment in administrative systems renewal (Project eMerge) was capitalized at $5.6 million during 2004-05.

Analysis of Financial Position

Operations

The University recorded an excess of revenues over expenditures of $19.0 million for the fiscal year ended March 31, 2005 as compared to an excess of revenues over expenditures of $18.1 million for the previous fiscal year.

The Board approved a budget deficit for 2004-05 of $8.2 million. The overall variance to Board approved budgets was $27.2 million comprised as follows:

	Variance Positive / (negative)
One-time income recognized as revenue for University Research Centre	$17.5 million
One-time special purpose funds to be restricted for future commitments	10.1 million
Additional government grant revenues received for 2004-05	6.1 million
Spending of operating reserves by departments and faculties	(5.4) million
Other revenue and expenditure variances for 2004-05	(1.1) million
Total variance to Board approved budgets	$27.2 million

Unrestricted net assets at March 31, 2005 is $1.1 million (2003-04 $0.5 million). After Board approval for transfers, internally restricted net assets will have a balance of $24.0 million (2003-04 $19.2 million). The composition of internally restricted net assets will be as follows:

Funding reserved for subsidiaries (University Technologies International Inc. (UTI) and Arctic Institute of North America (AINA).)	$ 4.7 million
Funds received from external sources and committed for specific areas	10.1 million
Funds for faculty and departmental priorities	2.1 million
Funding for strategic reinvestments	4.7 million
Funding for initiatives to support research	2.4 million
	$24.0 million

UNIVERSITY OF CALGARY

Investments

The cash and cash equivalents and short term investments balance at March 31, 2005 is $228.1 million compared to $205.1 million in 2004. This increase is primarily due to the receipt of the $30.7 million from the provincial government for the University Research Centre building that was a receivable at March 31, 2004, offset by expenditures on capital projects.

Accounts Receivable decreased by $27.2 million from $90.2 million in 2004 to $63.0 million in 2005. The main reason for this decrease is the receipt in 2004-05 of the $30.7 million from the provincial government for the University Research Centre Building as noted above.

Long term Investments have increased by $21.9 million relative to the prior year. The increase is due primarily to the growth in the equity markets. The University's accounting policy is to record investments at their market value.

The University received $9.4 million in contributions towards externally restricted endowments ($7.6 million in 2003-04). External endowment spending (including fees) amounted to $9.8 million ($9.7 million in 2003-04) whereas investment income attributed to the external endowments amounted to $18.5 million ($51.2 million in 2003-04). The ending balance for externally funded endowments increased from $225.7 million to $243.7 million.

Capital

The top strategic capital priorities for the upcoming year are (University of Calgary, Campus Infrastructure):

i. Campus Calgary Digital Library (CCDL)
ii. Energy and Environment Project (ISEEE)
iii. The Urban Campus Initiative
iv. Experiential Learning Centre (ELC)
v. Pine Creek Research Centre
vi. Child Development Centre (CDC)
vii. Veterinary Medicine Faculty
viii. West Campus Future Development
ix. Health Research Innovation Centre (HRIC)
x. Energy Centre
xi. Central Storage Facility (ACIR)
xii. Law Initiative
xiii. International Residence
xiv. Nursing Initiative
xv. Administrative Systems Renewal Project (Project eMerge)
xvi. Infrastructure Upgrades and Ongoing - Various
xvii. Functional Upgrades

Risk Management

The University of Calgary continued to improve its financial position during 2004-05, and it continues to look forward to maximizing future growth opportunities. In this context, it must also give careful consideration to issues where risk management is required. The following is a brief synopsis of issues to be considered as the University moves forward.

Funding

The potential impact of the upcoming provincial funding review, as well as the proposed new tuition policy, will hopefully have significant positive impact on upcoming budgets, but this is currently unknown.

Achieving enrolment targets has an impact on both credit tuition income and the amount of Access Grants. The budget for 2005-06 and the forecasts for future years assume that the University will achieve its enrolment targets.

Requirements to match funding for major research projects and demands placed on provincial support to ensure that opportunities are not missed, make predictions of capital funding requirements difficult.

Deficits in previous years as well as needed investments in capital assets have eroded working capital, net asset position, and funding of carryover balances.

Growth Opportunities

The Provincial government expects enrolment at Alberta's post-secondary institutions to increase by 30,000 students by 2010, with an estimated 7,000 of those students being absorbed by the University of Calgary. To meet this challenge, the University of Calgary and the four other Calgary post-secondary institutions signed a Memorandum of Understanding in January 2005, which commits them to working collaboratively to increase access by 19,000 students in total in Calgary by 2010.

Staffing

Although the forecasts include a conservative contingency for salary and benefit increases, the actual outcome of collective bargaining settlements over the next four years is unknown.

The issue of whether all or some trust employees should be University of Calgary employees is before the Labour Relations Board. The outcome and potential impact of that decision cannot be determined at this time.

An increasing number of faculty positions are funded through external sources. There are risks such funding will be discontinued, requiring the University either to assume responsibility or discontinue the position.

Costs for pension benefits are based on the current parameters of the pension plan adjusted for expected cost escalations. If there were significant changes to the plan, such as an increase in the maximum pensionable earnings level, this could significantly increase pension costs.

Energy

Cost escalation for utilities, as with other major non-salary expense items, might be greater than budgeted.

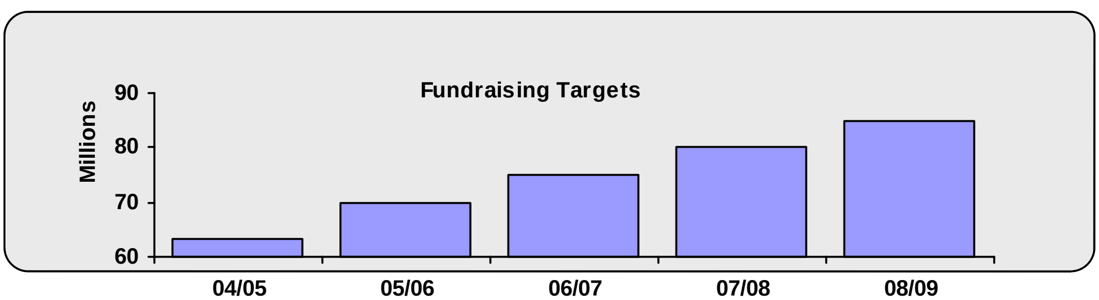
Fundraising

The University of Calgary's record-breaking performance in 2004-05 has illustrated the effectiveness of the plan we adopted in 2003-04. Through investment in key areas, strategic growth in resources, a change in culture across the campus about fundraising and additional infrastructure, we have reaped significant dividends. The outlook is optimistic. Our new targets for fundraising which includes cash and pledge are

2005-06	$70 million
2006-07	$75 million
2007-08	$80 million
2008-09	$85 million.

Deferred Maintenance

The magnitude of deferred maintenance and an ageing physical plant mean that emergency repairs may be unavoidable. The current deferred maintenance listing totals $280 million. Wherever possible, the University will try to address deferred maintenance as part of new capital projects. Even with this strategy, deferred maintenance will continue to be a major issue for the University.



Future Outlook

The financial pressures of the University are ongoing. In common with universities throughout North America, the University of Calgary's expenditures have increased more than the funding received from government and tuition fees. While the recent funding announcements in the provincial government's 2005-06 budget are good news, the need remains for the University to use resources prudently, to allocate those resources to priorities, and to continually evaluate how those resources are utilized.

Vital organizations strive to reallocate 1% to 5% of their budget to priority areas. This reallocation process encourages the organization to critically evaluate what it is doing and supports change. The University of Calgary is committed to creating a 2% re-investment pool each year to fund priority areas and facilitate change. Funding for this re-investment pool will come from contributions from all faculties and units. In each year, the actual amount of the contribution may be greater to the extent that increases in expenditures exceed increases in revenues. (For 2005-06, an additional 3% (for a total of 5%) is being used to fund the shortfall between operating and revenue increases).

The University of Calgary continues to use the allocation of resources as an impetus for change and a catalyst to achieve the goals in the *Academic Plan*. The University remains committed to a resource allocation process that reviews all resources available and is transparent, both to the University as a whole and to individual budget units.

Conclusion

The University continues to position itself to meet the needs of Albertans for high quality post-secondary learning opportunities and for the benefits that accrue from world class research. The University will maintain the momentum of the past few years by focusing on the goals and objectives of the Business Plan for 2005-09. The financial results in 2004/05 demonstrate the University's commitment to prudent financial management and allocation of resources to priority areas. The University will continue to improve its financial position such that it can meet its internal commitments and invest in priorities and emerging opportunities.

The *Academic Plan* continues to guide the University's future growth and development. Through the continued support of the University's stakeholders and partners it will achieve its goals.

STATEMENT OF MANAGEMENT RESPONSIBILITY

UNIVERSITY OF CALGARY

The University is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with Canadian generally accepted accounting principles 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, 2005 and the results of its operations and cash flows 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 University 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 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, 2005 have been reported on by the Auditor General of the Province of Alberta, the auditor appointed under *The Post-Secondary Learning Act*. The Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation of the information in the consolidated financial statements.

H Weingarten.

Dr. Harvey P. Weingarten
President and Vice-Chancellor

Michael W. McAdam

Michael W. McAdam, CA
Vice-President (Finance and Services)

UNIVERSITY OF CALGARY

AUDITOR'S REPORT

AUDITOR GENERAL Alberta

To the Board of Governors of
The University of Calgary

I have audited the consolidated statement of financial position of the University of Calgary as at March 31, 2005 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 27, 2005

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2005 (thousands of dollars)

ASSETS

		2005		2004
CURRENT ASSETS				
Cash and cash equivalents (note 3)	$	**127,631**	$	108,980
Investments (note 3)		**100,433**		96,156
Accounts receivable		**63,044**		90,214
Inventories		**5,688**		5,033
Prepaid expenses		**3,390**		3,494
		300,186		303,877
LONG-TERM INVESTMENTS (note 4)		**298,357**		276,481
OTHER LONG-TERM ASSETS (note 5)		**17,247**		17,682
CAPITAL ASSETS AND COLLECTIONS (note 6)		**665,513**		598,763
	$	**1,281,303**	$	1,196,803
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$	**78,999**	$	72,687
Deferred revenue		**17,332**		18,030
Deferred contributions, research and other (note 7)		**157,034**		166,227
Current portion of long-term liabilities (note 9)		**35,113**		3,652
		288,478		260,596
DEFERRED CAPITAL CONTRIBUTIONS (note 7)		**3,900**		22,777
LONG-TERM LIABILITIES (note 9 and note 10)		**24,824**		56,799
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (note 8)		**442,658**		373,828
NET ASSETS				
Restricted for endowment purposes (note 11)		**295,719**		274,465
Investment in capital assets and collections (note 12)		**200,576**		188,577
Internally restricted (note 13)		**24,028**		19,217
Unrestricted		**1,120**		544
		521,443		482,803
	$	**1,281,303**	$	1,196,803

Commitments and contingencies (Note 18)

Signed on behalf of the Board of Governors:

Member of the Board

Vice-President (Finance & Services)

The accompanying notes are part of these consolidated financial statements.

UNIVERSITY OF CALGARY

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE

FOR THE YEAR ENDED MARCH 31, 2005 (thousands of dollars)

	2005	2004
REVENUE		
Government of Alberta grants (note 19)	**$ 303,099**	$ 268,692
Other government grants	**75,813**	77,105
Donations and other grants	**66,714**	63,068
Credit tuition and related fees	**116,485**	113,562
Non-credit tuition and related fees	**13,328**	13,326
Sales of services and products	**72,211**	68,425
Amortization of deferred capital contributions (note 8)	**59,843**	57,861
Investment income (note 14)	**21,138**	29,688
	728,631	691,727
EXPENSE		
Salaries	**359,479**	346,889
Benefits	**53,469**	48,217
Materials, supplies and services	**108,725**	101,916
Amortization of capital assets	**79,277**	78,151
Utilities	**21,280**	24,517
Scholarships, grants and awards	**33,640**	22,945
Travel	**21,917**	20,095
Cost of goods sold	**17,113**	18,251
Maintenance and repairs	**11,021**	8,998
Financing	**3,704**	3,665
	709,625	673,644
EXCESS OF REVENUE OVER EXPENSE, for the year (note 16)	**$ 19,006**	$ 18,083
Internally restricted for endowments and future commitments	**(14,428)**	(9,797)
EXCESS OF REVENUE OVER EXPENSE, net of Board transfers	**$ 4,578**	$ 8,286

The accompanying notes are part of these consolidated financial statements.

UNIVERSITY OF CALGARY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2005 (thousands of dollars)

	Restricted for Endowment Purposes (note 11)	Investment in Capital Assets & collections (note 12)	Internally Restricted (note 13)	Unre-stricted	2005 Total	2004 Total
NET ASSETS, beginning of year	$ 274,465	$ 188,577	$ 19,217	$ 544	$ 482,803	$ 411,267
Excess of revenue over expense	-	-	-	19,006	19,006	18,083
Amortization of internally funded assets	-	(19,434)	275	19,159	-	-
Expenditure of Internally Restricted net assets	-	-	(7,345)	7,345	-	-
Purchase and contribution of capital assets	-	28,592	(528)	(28,062)	2	253
Repayment of long-term debt	-	2,841	-	(2,841)	-	-
Board transfers	2,009	-	12,419	(14,428)	-	-
Transfers of endowment expenditures	(10,304)	-	-	2,096	(8,208)	(5,716)
Investment gain on endowments	19,979	-	(10)	(1,517)	18,452	51,207
Contributions	9,570	-	-	(182)	9,388	7,709
NET ASSETS, end of year	**$ 295,719**	**$ 200,576**	**$ 24,028**	**$ 1,120**	**$ 521,443**	**$ 482,803**

The accompanying notes are part of these consolidated financial statements.

UNIVERSITY OF CALGARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2005 (thousands of dollars)

	2005	2004
CASH PROVIDED FROM (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expense	**$ 19,006**	$ 18,083
Items not affecting cash flow:		
Amortization of capital assets	**79,277**	78,151
Amortization of deferred capital contributions	**(59,843)**	(57,861)
Gain on non-endowed and internally restricted endowment investments	**(1,546)**	(10,198)
Net change in non-cash working capital	**20,053**	(23,232)
	56,947	4,943
INVESTING ACTIVITIES		
Purchase of capital assets, net	**(146,027)**	(92,213)
Contribution of non-amortizable assets	**2**	253
Increase in other long-term assets	**435**	31,028
(Purchase) Proceeds of long-term investments, net	**(13,573)**	2,294
Gain on investments related to externally restricted endowments	**(6,757)**	(45,491)
	(165,920)	(104,129)
FINANCING ACTIVITIES		
Endowment contributions	**9,388**	7,709
Capital contributions	**108,506**	70,255
Decrease in long-term liabilities, net	**(514)**	(2,756)
Gain on externally restricted endowments	**6,757**	45,491
Excess of investment revenue over expenditures capitalized to endowments	**3,487**	-
	127,624	120,699
INCREASE IN CASH AND CASH EQUIVALENTS	**18,651**	21,513
CASH AND CASH EQUIVALENTS, beginning of year	**108,980**	87,467
CASH AND CASH EQUIVALENTS, end of year (note 3)	**$ 127,631**	$ 108,980

Net change in non-cash working capital:	2005	2004
Increase in Investments	**$ (4,277)**	$ (7,903)
Decrease (Increase) in Accounts receivable	**28,460**	(40,884)
(Increase) Decrease in Inventories	**(655)**	205
Decrease (Increase) in Prepaid expenses	**104**	(122)
Increase in Accounts payable	**6,312**	9,612
(Decrease) Increase in Deferred revenue	**(698)**	3,632
(Decrease) Increase in Deferred contributions, research and other	**(9,193)**	12,228
	$ 20,053	$ (23,232)

The accompanying notes are part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 1 Authority and Purpose

The University of Calgary ("the University") operates under the authority of The Post-Secondary Learning Act, Statutes of Alberta 2003, chapter P-19.5. It is a Board-governed, comprehensive 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 is exempt, under Section 149 of the Income Tax Act, from the payment of income tax. The tax exemption does not extend to its wholly-owned subsidiary, University Technologies International Inc.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

The financial statements of the University have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by the University's administration. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Consolidated Statements

The financial statements are prepared on a consolidated basis and include the consolidated accounts of University Technologies International Inc. (UTI), a wholly-owned subsidiary of the University, and the accounts of The Arctic Institute of North America (AINA), a non-profit organization controlled by the University. UTI is incorporated under the Canada Business Corporations Act to facilitate the transfer of intellectual property from the University to private business. AINA operates under the authority of the Act of the Federal Parliament (9-10 George VI, Chapter 45) to initiate, encourage and support northern research and to advance the study of arctic conditions and problems.

UNIVERSITY OF CALGARY

(c) *Revenue Recognition*

Operating grants are recognized as revenue, either in the period receivable, or, where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period. Unrestricted contributions are recognized as revenue when received or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue as earned.

Tuition fees and the sale of services and products are recognized as revenue at the time the services are substantially provided or the products are delivered. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined. Pledges are recognized as revenue when collected.

The University recognizes restricted contributions and restricted grants in accordance with the deferral method, as summarized below:

Contributions, including investment income, restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which related expenses are incurred.

Contributions restricted for the acquisition of capital assets are initially recorded as deferred capital contributions until the contribution is invested in capital assets. Amounts representing funded capital assets are then transferred to unamortized deferred capital contributions and amortized as deferred capital contributions in the periods in which the related amortization expense of the funded capital asset is recognized.

Contributions restricted for the acquisition of non-consumable capital assets are initially recorded as deferred contributions, and when expended, are recognized as direct increases to net assets.

Endowment contributions, including investment earnings, are recognized as direct increases to net assets. That portion of investment earnings, which in accordance with agreements with benefactors or the authority provided by Section 76(2) (c) of The Post-Secondary Learning Act, used to fund the annual endowment spending allocation is transferred to investment income (Note 14).

(d) *Investments*

Short-term investments are recorded at the lower of cost or market.

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Long-term investments are recorded at market value except for investment in joint venture and common shares subject to restrictions which are recorded at cost. Market value is determined based on the current market price of the underlying asset. Changes in market value from one period to the next are included in the investment income (loss) for the period (Note 14). Such investment income (loss) is included in revenue in accordance with the University's revenue recognition policies (Note 2c).

(e) *Inventories*

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

(f) *Patents*

Patents are recorded at cost and include acquisition and maintenance costs. The carrying value of patents related to a project is limited to the estimated future net cash flows expected to be derived from the project. Patent costs in excess of estimated future net cash flows are written off.

Patents are amortized on a straight-line basis over a 10 year estimated useful life.

(g) *Capital Assets and Collections*

Capital assets and collections are recorded at cost as acquired. Donations of capital assets and collections in kind are capitalized at fair value when received and a fair value can be reasonably determined.

Buildings and plant include construction in progress. The costs of buildings under construction are not amortized until construction is substantially complete and the assets are ready for productive use.

Collections are not amortized and include that portion of library assets considered to have permanent value and works of art held for education and public exhibition purposes.

Software development is not amortized until development is complete and the assets are ready for productive use.

Amortization is recorded on a straight-line basis over the estimated useful lives of the capital assets, as follows:

• Buildings and plant	40 years
• Site improvements	20 years

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• Telecommunication equipment, furnishings and library acquisitions	10 years
• Equipment	10 years, average
• Software	3 years

(h) *Employee Future Benefits*

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. 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 costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plans. The University does not record the University's portion of the pension plans' deficit or surplus.

The University has a number of defined benefit plans providing long-term disability, early retirement incentives and pension benefits. The early retirement plans were available to employees from 1992 to 1998. The cost of these benefits is actuarially determined using the projected benefit method pro rated on service, a market interest rate and management's best estimate of the retirement ages of employees, expected health care costs and the terms of employee disability agreements. With respect to employees on long-term disability, actuarial gains and losses are amortized over the average expected term of the payments. With respect to the early retirement incentive plan, actuarial gains and losses are recognized immediately. With respect to the supplemental pension obligation, for each plan participant, the balance of actuarial gains and losses in excess of 10% of the accrued benefit obligation is amortized over the expected service lifetime.

(i) *Credit, Interest Rate and Market Risk*

The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the University's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

The market risk is the risk to the University's earnings that arises from the fluctuations and degree of volatility in the market value of its long-term investments.

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(j) Financial Instruments

The carrying value of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

Note 3 Cash and Cash Equivalents and Investments

				2005		2004
	Cash & Cash Equivalents (1)	**Current Investments (2)**	**Total Cost**	**Total Market (3)**	**Total Cost**	**Total Market**
Money market investments	**$ 127,383**	**$ -**	**$ 127,383**	**$ 127,383**	$ 103,101	$ 103,101
Bank balances	**248**	**-**	**248**	**248**	5,879	5,879
Bonds (4)	**-**	**100,433**	**100,433**	**101,092**	95,440	97,604
Shares	**-**	**-**	**-**	**-**	716	723
Balance, end of year	**$ 127,631**	**$ 100,433**	**$ 228,064**	**$ 228,723**	$ 205,136	$ 207,307
Total, 2004	**$ 108,980**	**$ 96,156**	**$ 205,136**	**$ 207,307**		

(1) Money market investments are purchased at a discount. The University Investment Policy states these investments must be rated R-1 low or better (rated by Dominion Bond Rating Service). At March 31, 2005 the investments held have an average effective yield of 2.60% (2004 – 2.30%) and will mature within 45 days (2004 – 36 days). The University of Calgary invests in an externally managed money market fund with an average yield for 2005 of 2.51% (2004 - 2.62%). The combined average realized return on money market investments for 2005 was 2.38% (2004 – 2.95%).

(2) Current investments consist primarily of bonds that have a maximum allowable term of nine years and stated interest ranging from 3.0% to 8.0% (2004 – 3.5% to 8.4%). All bonds have a rating of a single "A" or better. Effective yield for bonds is calculated based on carrying values at year-end and is disclosed on a weighted average basis using the duration method.

(3) Market value approximates fair value of investments.

(4) The effective yields on bonds are as follows:

		2005		2004
	Effective Yield	**Cost**	**Effective Yield**	**Cost**
Current Investments - Bond Maturity				
0-2 years to maturity	**1.63%**	**$ 7,790**	4.15%	$ 9,509
2-5 years to maturity	**4.09%**	**77,614**	4.16%	68,454
> 5 years to maturity	**6.92%**	**15,029**	5.26%	17,477
Total		**$ 100,433**		$ 95,440

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Note 4 Long-term Investments

	Market Yield	2005	Market Yield	2004
Money market investments		$ **160**		$ 274
S&P/TSX Index	14.02%	**96,267**	37.71%	83,527
Bond index	5.04%	**85,406**	10.73%	81,305
International index	6.62%	**59,342**	41.25%	55,501
S & P 500 index	-1.74%	**52,769**	20.74%	53,561
Canadian shares	-	**4,122**	-	2,036
U.S. shares	-	**-**	-	60
Investment in joint venture	-	**291**	-	217
Balance, end of year		$ **298,357**		$ 276,481

The University of Calgary Investment Committee, a subcommittee of the Board of Governors, has the delegated authority for managing the University's investments. This committee is comprised of six voting members, which include two members of the Board of Governors and four members from the community appointed by the Board of Governors. Non-voting officials include the Vice-President (Finance and Services); the Director, Treasury and Investments; General Counsel and Corporate Secretary. It meets on a quarterly basis during the year to monitor investments and to review the performance of the Investment Managers to ensure they are in compliance with the investment objectives and policies of the University. The Committee reports annually to the Board of Governors.

The University employs a mix of passive and active investment management strategies for long-term investments and an active management strategy for the short-term money market portfolio and short-term bond portfolio. For the long-term endowment portfolio the Investment Committee established the asset mix at 70% equity and 30% debt. Within the equity mix, the Investment Committee further sets out acceptable ranges for investment within the various funds (Canadian 30%, U.S. 20%, International 20%). The University employs a strict rebalancing policy to ensure the asset mix stays within the allowable range for each class.

The University of Calgary Investment Committee uses time-weighted rates of return in comparison to like funds or indexes to assess the performance of the Investment Managers. The University also reports the market values and time-weighted rates of return at December 31 each year to the Canadian Association of University Business Officers (CAUBO) Investment Survey. This survey compares and ranks the endowment funds of Canadian universities and is available to all Canadian universities.

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Note 5 Other Long-term Assets

		2005		2004
Capital grant due from the Province of Alberta	$	-	$	30,700
Capital lease receivable (1)		15,739		15,881
Other long-term assets		779		1,072
Patents (2)		982		1,064
		17,500		48,717
Current portion in Accounts Receivable		(253)		(31,035)
Balance, end of year	$	17,247	$	17,682

(1) The University and the Calgary Health Region entered into a 25-year agreement for the Region to lease space in the University Research Centre Building. This lease has been accounted for as a capital lease. The University's capital lease receivable is $15,739 (2004 - $15,881). The future minimum lease payments for the next five fiscal years are as follows: 2006 - $153; 2007 - $165; 2008 - $177; 2009 - $230; 2010 - $277.

(2) The cost of patents is $2,183 (2004 - $1,925) and the accumulated amortization is $1,201 (2004 - $861). During the year patents with a net book value of $171 were written off (2004 - $76).

Note 6 Capital Assets and Collections

	2005			2004		
	Cost (2)	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Buildings, plant and site improvements	$ 852,909	$ 382,446	$ 470,463	$ 749,731	$ 341,570	$ 408,161
Furnishings, equipment and systems (1)	387,764	262,903	124,861	368,039	240,519	127,520
Library books	128,269	98,711	29,558	119,945	93,318	26,627
Software (3)	39,458	32,191	7,267	33,326	30,058	3,268
Land	22,768	-	22,768	22,768	-	22,768
Art collection	7,525	-	7,525	7,375	-	7,375
Rare books and archives collection	3,071	-	3,071	3,044	-	3,044
Balance, end of year	$ 1,441,764	$ 776,251	$ 665,513	$ 1,304,228	$ 705,465	$ 598,763

(1) Capital Leases

Included in furnishings, equipment and systems are assets under capital leases in the amount of $648 (2004 - $1,917). Accumulated amortization is $87 (2004 – $589) on these assets.

(2) *Donated Assets*

Capital acquisitions during the year included donations-in-kind in the amount of $3,171 (2004 - $11,379).

(3) *Software Development*

Included in Software are software development costs for Project eMerge. Project eMerge is a software development project for

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administrative systems at the University of Calgary and includes new systems for Finance, Materials Management, HR-Payroll and Student Information. This project started early in 2004-05 and will be complete in 2007-08.

Note 7 Deferred Contributions

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

	2005 Research & Other (1)	2005 Capital	2004 Research & Other (1)	2004 Capital
Contributions received during the year:				
Government of Alberta grants	$ 120,861	$ -	$ 83,790	$ -
Other government grants	97,714	-	100,269	-
Sales	976	-	1,305	-
Donations & other grants	70,709	5,215	66,907	4,384
Investment income (note 14)	10,024	76	9,684	124
	$ 300,284	$ 5,291	$ 261,955	$ 4,508
Transferred to revenue:				
Government of Alberta grants	$ 65,060	$ 605	$ 46,872	$ -
Other government grants	74,717	-	75,767	-
Sales	1,039	-	1,500	-
Donations & other grants	54,905	-	51,960	-
Investment income (note 14)	9,781	-	11,424	-
	$ 205,502	$ 605	$ 187,523	$ -
Net change in accounts receivable	4,324	-	3,565	-
Transferred to unamortized deferred capital contributions (note 8)	(108,285)	(20,388)	(65,994)	(3,810)
Transferred to investment in capital assets	-	-	(6)	(247)
Transferred from unrestricted accounts	-	-	231	-
Transferred from restricted accounts	(14)	(3,175)	-	-
(Decrease) increase during the year	$ (9,193)	$ (18,877)	$ 12,228	$ 451
Balance, beginning of year	166,227	22,777	153,999	22,326
Balance, end of year	$ 157,034	$ 3,900	$ 166,227	$ 22,777

(1) Includes research grants expended for capital and other purposes.

Note 8 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2005	2004
Transfer from Deferred Contributions (note 7)	$ 128,673	$ 69,804
Amortized to revenue	(59,843)	(57,861)
Increase (decrease) during the year	68,830	11,943
Balance, beginning of year (note 12)	373,828	361,885
Balance, end of year	**$ 442,658**	**$ 373,828**

Note 9 Long-term Liabilities

	Rate of Interest	Original Advance	2005	2004
* Debenture for University Research Centre, due June 3, 2005	4.750%	$ 30,700	$30,700	$30,700
Mortgage for University Research Centre, due April 1, 2012	0.000%	5,500	3,942	4,492
Mortgage for Varsity Courts, due November 1, 2005	7.875%	3,714	175	458
* Debenture for Car Park in MacEwan Student Centre, due October 1, 2006	9.750%	1,900	382	548
* Debentures for Art Building, due December 15, 2006	9.75 % & 10%	11,700	2,360	3,385
* Debenture for Norquay, Brewster and Castle Halls, due January 15, 2007	9.750%	3,953	795	1,140
Mortgage for the Dining Centre, Kananaskis and Rundle Halls, due March 1, 2016	5.125%	2,165	998	1,065
* Debenture for Cascade Hall, due May 1, 2025	6.250%	16,500	15,225	15,574
Financing for Project eMerge, due June 30, 2007	3.003%	3,657	2,855	-
			57,432	57,362
Due to Alberta Heritage Foundation for Medical Research			229	232
Due to Western Economic Diversification Canada			155	-
Minority interest in subsidiary companies			106	125
Obligation under capital leases			471	1,079
Long-term disability plans (note 10)			260	258
Early retirement incentive plans (note 10)			493	867
Supplemental pension obligations (note 10)			791	528
			59,937	60,451
Current portion of long-term liabilities			(35,113)	(3,652)
Balance, end of year			$24,824	$56,799

* Indicates payable to Alberta Capital Finance Authority which is a related party.

The debentures and mortgages are secured by land and buildings and are carried at their amortized value. The estimated fair market value for debentures and mortgages as at March 31, 2005 is $61,606 (2004 - $62,584). The fair market value of long-term debt is determined by discounting future cash flows using market rates representing rates that the University could obtain at March 31, 2005 for loans with similar terms, conditions and maturities.

During the year, interest on long-term debt amounting to $2,943 (2004 - $3,128) has been charged to expense.

Principal payments on the debentures and mortgages during the next five fiscal years are as follows: 2006 - $34,555; 2007 - $4,320; 2008 - $1,445; 2009 - $1,076; 2010 - $1,108.

Payments on the early retirement incentive plans during the next five fiscal years are as follows: 2006 - $279; 2007 - $162; 2008 - $58; 2009 -$10; 2010 - $0.

The future minimum lease payments under capital leases are as follows:

2006	$	137
2007		129
2008		129
2009		97
2010		-
Total minimum lease payments		492
Less imputed interest at an average interest rate of 4.4%		(21)
Balance of capital lease obligation	$	471

Note 10 Future Employee Benefits

The University has defined benefit plans that provide future employment benefits, which include long-term disability leave plans, retirement incentive plans and supplemental pension obligations. The early retirement plans were available to employees from 1992 to 1998. Information about the University's defined benefit plans is as follows:

	2005			2004		
	Long-term Disability	Early Retirement Incentive	Supplemental Pension Obligation	Long-term Disability	Early Retirement Incentive	Supplemental Pension Obligation
Development of Expense						
Current service cost	$ -	$ -	$ 118	$ -	$ -	$ 94
Interest cost	23	32	41	25	50	35
Amortization of transitional obligation	-	-	1	-	-	1
Amortization of net actuarial losses (gains)	29	(35)	4	29	-	1
Curtailment	-	-	110	-	-	-
Expense	$ 52	$ (3)	$ 274	$ 54	$ 50	$ 131
Financial Status						
Plan assets	$ -	$ -	$ -	$ -	$ -	$ -
Accrued Benefit Obligation	914	493	844	518	867	626
Funded status - plan deficit	(914)	(493)	(844)	(518)	(867)	(626)
Unamortized net actuarial (gains) losses	(218)	-	50	260	-	94
Unamortized past service costs	872	-	-	-	-	-
Unamortized transitional obligation	-	-	3	-	-	4
Accrued benefit liability (note 9)	$ (260)	$ (493)	$ (791)	$ (258)	$ (867)	$ (528)
Reconciliation of Accrued Benefit Obligation						
Accrued Benefit Obligation, beginning of year	$ 518	$ 867	$ 626	$ 544	$ 1,299	$ 439
Current service cost	-	-	118	-	-	94
Interest cost	23	32	41	25	50	35
Benefits paid	(50)	(371)	(12)	(51)	(482)	(5)
Actuarial (gain) loss	(449)	(35)	(35)	-	-	63
Past service cost	872	-	-	-	-	-
Curtailment loss	-	-	106	-	-	-
Accrued Benefit Obligation, end of year	$ 914	$ 493	$ 844	$ 518	$ 867	$ 626

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	Long-term Disability		Early Retirement Incentive		Supplemental Pension Obligation	
	2005	2004	2005	2004	2005	2004
Accrued benefit obligation as of March 31						
Discount Rate	4.75%	4.75%	4.75%	4.75%	5.5%	5.5%
Average compensation increase	n/a	n/a	n/a	n/a	4%	4%
Benefit costs for years ended March 31						
Discount rate	4.75%	4.75%	4.75%	4.75%	5.5%	6.5%
Average compensation increase	n/a	n/a	n/a	n/a	4%	4%

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Assumed health care cost trend rates at March 31	2005	2004
Dental costs	3%	3%
Extended health care costs	6.5%	7%
Alberta health care costs	3%	3%
Extended health care trend rate declines by 2008 to	5%	5%

Sensitivity Analysis

A one-percentage point change in the assumed extended health care cost trend rates would have the following effect for fiscal 2005 (000's):

	Increase	Decrease
Service and interest cost	$ 1	$ (1)
Accrued benefit obligation	$ 38	$ (34)

The University participates with other employers in the Universities Academic Pension Plan (UAPP) and the Public Service Pension Plan (PSPP). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings. The pension expense recorded in these financial statements is equivalent to an actuarially determined contributions payable of $19,120 for the year ended March 31, 2005 (2004 - $15,478).

The PSPP is a contributory defined benefit pension plan for support staff members. At December 31, 2004, the PSPP reported an actuarial deficiency of $450,068 (2003 - $584,213 restated). An actuarial valuation of the PSPP was carried out as at December 31, 2002 and was then extrapolated to December 31, 2004.

The UAPP is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. At December 31, 2004, the UAPP reported an actuarial deficiency of $643,979 (2003 - $538,352) consisting of a pre-1992 deficiency ($517,900) and a post 1991-deficiency ($126,079). The plan's unfunded liability, for service prior to January 1, 1992 is being financed by additional contributions of 1.25% (2003 – 1.25%) of salaries by the Province of Alberta with employers and employees equally sharing the balance of the contributions of 1.76% (2003 – 1.76%) of salaries required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows that the present value at December 31, 2004 of the Province of Alberta's obligation for future additional contributions is $183,400. Effective January 1, 2004, the Plan's unfunded liability for service after December 31, 1991, as determined by an actuarial valuation at December 31, 2002 is financed by special payments of 1.26% of salaries shared equally between employees and employers over 15 years from the date of valuation until December 31, 2017.

Note 11 Net Assets Restricted for Endowment Purposes

Endowments consist of restricted contributions where the principal donation is required to be maintained in perpetuity (externally restricted) as well as internal allocations by the Board of Governors (internally restricted). The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. The economic value of the endowments are protected by limiting the amount of investment income that may be spent to 5% of the 4 year rolling market average of the principal donation, except as otherwise stipulated by the donor. Investment income earned in excess of this amount is added to the endowment principal. Under section 76(2) (c) of *The Post-Secondary Learning Act*, the University has the authority to alter the terms and

conditions of an endowment 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.

In any particular year, should net investment income be insufficient to fund the spending allocation or should the investment return be negative, the spending allocation is funded from the cumulative capitalized earnings. However, for individual endowment funds without sufficient cumulative capitalized earnings, endowment capital is used to fund the current year endowment spending allocation. This amount is expected to be recovered by future investment income.

			2005			2004
	External	**Internal**	**Total**	**External**	**Internal**	**Total**
Contributions received during the year	**$ 9,388**	**$ 182**	**$ 9,570**	$ 7,622	$ 286	$ 7,908
Board approved transfers	**62**	**1,947**	**2,009**	400	(743)	(343)
Endowment spending allocation including fees	**(9,860)**	**(444)**	**(10,304)**	(9,723)	(2,214)	(11,937)
Investment income (1)	**18,458**	**1,521**	**19,979**	51,207	9,933	61,140
Increase during the year	**18,048**	**3,206**	**21,254**	49,506	7,262	56,768
Balance, beginning of year	**225,738**	**48,727**	**274,465**	176,232	41,465	217,697
Balance, end of year	**$ 243,786**	**$ 51,933**	**$ 295,719**	$ 225,738	$ 48,727	$ 274,465
Cumulative contributions	**$ 148,779**	**$ 26,792**	**$ 175,571**	$ 139,329	$ 26,610	$ 165,939
Cumulative capitalized earnings	**95,007**	**25,141**	**120,148**	86,409	22,117	108,526
Balance, end of year	**$ 243,786**	**$ 51,933**	**$ 295,719**	$ 225,738	$ 48,727	$ 274,465

(1) Investment income does not include realized investment income that is used to offset expenditures in the consolidated statement of revenue and expense.

Note 12 Net Assets Investment in Capital Assets and Collections

	2005	2004
Capital assets and collections, at cost	**$ 1,441,764**	$ 1,304,228
Accumulated amortization	**(776,251)**	(705,465)
Other assets, at cost	**2,183**	1,925
Accumulated amortization other assets	**(1,201)**	(861)
Net book value	**666,495**	599,827
Less amounts financed by:		
Unamortized deferred capital contributions (note 8)	**(442,658)**	(373,828)
Long-term debt	**(23,261)**	(37,422)
Balance, end of year	**$ 200,576**	$ 188,577

Note 13 Net Assets Internally Restricted

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. These amounts are not available for other purposes without the approval of the Board. At March 31, 2005, net assets have been set aside for the following purposes:

	2005	2004
Administrative Systems Renewal	**$ -**	$ 5,200
Subsidiaries	**4,743**	4,870
Indirect Research Support	**2,411**	3,302
Internally Restricted for Future Commitments	**10,091**	-
Strategic Reinvestments	**4,694**	3,000
Faculty and Departmental	**2,089**	2,845
Balance, end of year	**$ 24,028**	$ 19,217

Note 14 Investment Income

	2005	2004
Gain on externally restricted endowments	**$ 18,468**	$ 51,229
Gain on internally restricted endowments	**3,801**	11,065
Gain on non endowed investments	**9,432**	11,269
	31,701	73,563
Amounts previously deferred and recognized in year	**(243)**	1,740
Amounts credited directly to capital contributions (note 7)	**(76)**	(124)
Income capitalized to externally restricted endowments	**(6,757)**	(45,491)
Excess of revenue over expenditures capitalized to endowments	**(3,487)**	-
Total Investment income recognized as revenue	**$ 21,138**	$ 29,688

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Note 15 Salaries and Benefits

In accordance with Province of Alberta Treasury Board Directive 12/98, amended on July 6, 2004, the salaries and benefits of the University's senior decision management group are disclosed as follows:

	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	2005 Total	2004 Total
Governance (4)					
Chair of the Board of Governors	$ -	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President	287	-	131	418	391
Vice-Presidents:					
Provost and Academic	209	20	62	291	277
Finance and Services	209	-	50	259	204
Research and International	170	-	41	211	202
External Relations	183	-	54	237	224
Total	$ 1,058	$ 20	$ 338	$ 1,416	$ 1,298

(1) *Base Salary*
Base salary includes regular base pay.

(2) *Other Cash Benefits*
Other cash benefits include honorariums.

(3) Other Non-cash Benefits
Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, workers compensation, supplemental pension plans and professional expense allowance. Benefits reported for the President include a housing allowance. Benefits reported for the President and Vice-Presidents include car allowances or the taxable benefit for the use of University leased vehicles.

(4) *Governance*
The Board of Governors governs the University. Members are either appointed or serve in an ex-officio capacity. Members may be employed by the University. Members do not receive remuneration for their participation on the Board.

Note 16 Budget Comparison

The University's 2004-05 budget was approved by the Board of Governors on April 2, 2004.

	2005 Budget	2005 Actual	2004 Budget	2004 Actual
REVENUE				
Government of Alberta grants & Other government grants	$ 384,869	$ 378,912	$ 321,817	$ 345,797
Donations and other grants	68,529	66,714	60,328	63,068
Credit tuition and related fees	117,982	116,485	109,492	113,562
Non-credit tuition and related fees	16,649	13,328	15,163	13,326
Sales of services and products	80,451	72,211	64,394	68,425
Amortization of deferred capital contributions	60,348	59,843	53,607	57,861
Investment income	17,820	21,138	20,825	29,688
	746,648	728,631	645,626	691,727
EXPENSE				
Salaries & Benefits	424,061	412,948	386,814	395,106
Materials, supplies & services, travel, cost of goods sold, maintenance & repairs	195,392	158,776	147,852	149,260
Amortization of capital assets	78,897	79,277	69,514	78,151
Utilities	23,718	21,280	26,777	24,517
Scholarships, grants and awards	30,152	33,640	18,961	22,945
Financing	2,676	3,704	3,769	3,665
	754,896	709,625	653,687	673,644
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	$ (8,248)	$ 19,006	$ (8,061)	$ 18,083

Note 17 Pledges

Outstanding pledges at March 31, 2005 are $23,870 (2004 - $4,997) and have not been recorded as accounts receivable. These pledges are expected to be honored over the next several years.

Note 18 Commitments and Contingencies

(a) As at March 31, 2005 the University has contractual commitments of $56,032 (2004 - $122,372) for capital projects.

(b) The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings have not been reflected in these financial statements. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of the University and its legal counsel that the resolution of these claims will not have a material effect on the financial position of the University. Any loss that may result from these proceedings will be accounted for in the period in which the settlement occurs.

(c) The University is one of the members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risk of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through the members' premiums. As at December 31, 2004 CURIE had a surplus of $5,995 (2003 - $100) of which the University's pro rata share is approximately 6.86% (2003 – 7.07%) on an ongoing basis.

(d) The University's commitments for operating leases for the next five years are as follows: 2006 – $961; 2007 – $747; 2008 – $520; 2009 – $501; 2010 – $397.

(e) In order to manage its exposure to the volatility in the electrical industry, the Board of Governors entered into a three year contract (91.9% fixed, 8.1% floating) to fix its electrical cost at an average of approximately $0.085 per kilowatt hour, expiring on December 31, 2006. Using best estimates of future consumption levels, the annual costs for the year ending March 31, 2006 are expected to be approximately $10 million.

Note 19 Related Party Transactions

(a) The University is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education. Transactions between the University and the Province of Alberta are summarized as follows:

	2005	2004
Alberta Advanced Education:		
Operating grant	**$ 210,440**	$ 185,250
Access grants	**14,010**	26,524
Miscellaneous grants	**7,030**	4,165
Performance funding	**2,593**	2,000
Capital grant	**15,959**	-
Total Alberta Advanced Education grants	**250,032**	217,939
Other provincial departments and agencies	**108,871**	87,771
Total Government of Alberta grants received	**358,903**	305,710
Provincial grants deferred	**(55,804)**	(37,018)
Earned Government of Alberta grants	**$ 303,099**	$ 268,692

At March 31, 2005 the University had a receivable from the Province of Alberta of $5,064 (2004 - $43,000) and long-term liabilities of $229 (2004 – $232).

(b) The Calgary Health Region and the Province of Alberta are related parties as the Region's board is appointed by the Minister of Health and Wellness. As the University and the Province of Alberta are related parties, the Calgary Health Region is a related party to the University. Transactions between the University and the Calgary Health Region are summarized as follows.

	2005	2004
The University of Calgary pays to the Calgary Health Region in the normal course of operations amounts related to physicians, research projects, studies and grants, programs, and support services.	**$ 10,093**	$ 9,681
The University of Calgary receives from the Calgary Health Region in the normal course of operations amounts related to salaries & benefits, utilities, materials, supplies, and overheads.	**$ 20,953**	17,532
Net receivable to the University of Calgary by the Calgary Health Region:	**$ 3,422**	$ 2,471

The University has entered into a lease agreement with the Region to lease 32 acres of land to the Region for the site of the new Alberta Children's Hospital. The book value of the leased land is $2,562.

Effective September 2003 the University and the Calgary Health Region entered into a 25-year agreement for the Region to lease space in the University Research Centre Building. This lease has been accounted for as a capital lease. At March 31, 2005, the carrying value of the lease receivable is $15,739 (2004 – $15,881). During the year the University received $1,318 in lease payments (2004 – $769), $1,176 of which was recognized as interest income (2004 – $691).

(c) The University of Calgary Foundation (1999) is a private foundation, which operates to receive gifts and donations and to periodically provide grants to the University. During the year, the University received grants from the Foundation totaling $118 (2004 - $152). At March 31, 2005 the University was holding $681 on behalf of the Foundation (2004 - $257).

(d) The University of Calgary Medical Group (UCMG) is a not-for-profit organization that provides billing services to the members of UCMG in accordance with an Agency Agreement and a Member Agreement. These agreements govern the activities of the group such as billings, collections and accounting services. Effective January 1, 2001, a clinical service levy, based on percentages of individual member's medical revenue is paid to the University of Calgary.

(e) The McMahon Stadium Society is incorporated under the Societies Act as a not-for-profit organization. It operates to improve and manage the McMahon Stadium together with its facilities for sports, recreation and other useful purposes. The University of Calgary owns the stadium land and facilities and leases it to the society for one dollar a year. The current lease agreement expires April 30, 2005. During the year, the University of Calgary paid $87 (2004 - $149) to the McMahon Stadium Society for utilities and supplemental costs incurred as a result of the University's use of the facilities.

(f) The University has a one-third joint venture interest in the Campus Alberta: Graduate Program in Counseling. The University, along with Athabasca University and the University of Lethbridge formed the joint venture to develop and deliver a collaborative Alberta Graduate Counseling Program. These transactions are entered into on the same business terms as with non-related parties and are recorded at these fair value amounts. The University's share of revenue and expenses has been recorded using the equity method of accounting. The University's share of joint venture earning for the year is $74 (2004 - $94). The University's equity in the joint venture at March 31, 2005 is $291 (2004 - $217).

(g) In 2005 and 2004, the University participated in offering certain courses with other public colleges, universities, and institutes. The revenues and expenses incurred for these courses have been included in the consolidated statement of revenue, expenses and unrestricted net assets, but have not been separately quantified.

(h) The University of Calgary has leased, for one dollar, 4.81 acres of land for a period of 50 years to the Calgary Health Region (CHR) for the sole purpose of constructing a parkade. In exchange, University employees have access to a minimum of 500 stalls and thereafter, access on an equal basis with CHR employees. The book value of the leased land is $196. The exchange has not been recorded in the financial statements.

Note 20 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Note 21 Subsequent Events

On April 1, 2005, the University of Calgary changed the structure of its ownership interest in University Technologies International Inc. (UTI) to a limited partnership held in trust. This does not result in any change in beneficial ownership of UTI.

Note 22 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

STATISTICAL SUMMARY

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Students										
Full-Time	19 287	19 714	19 832	20 018	21 106	21 700	22 273	23 380	23 837	23 414
Percent Annual Change	7.3	2.2	0.6	0.9	5.4	2.8	2.6	5.0	2.0	-1.8
Percent Frosh	16.4	15.6	14.1	14.2	14.3	13.9	13.9	13.4	13.0	11.7
Percent Graduate	11.4	11.5	12.4	12.2	12.3	12.4	13.1	13.9	15.0	16.3
Percent Female	52.7	53.1	53.0	53.5	54.0	54.1	53.8	54.1	54.0	53.2
Percent Visa	3.4	3.7	3.8	3.8	4.1	4.0	4.6	5.0	6.0	7.2
Percent from Outside Alberta	11.4	12.7	13.2	14.3	16.6	16.9	15.7	17.3	18.6	20.3
Part-Time										
Spring Session	5 966	6 430	6 583	6 940	6 969	7 326	7 725	8 261	8 903	9 013
Summer Session	3 449	3 585	3 927	3 962	4 118	4 102	4 196	4 900	5 547	5 435
Fall Session	3 755	4 023	4 011	4 291	4 261	4 542	4 672	5 039	4 798	4 514
Full-Time Equivalent (a)	22 729	23 387	23 638	24 020	25 167	25 929	26 654	28 196	28 869	28 306
Average Age										
Undergraduate Full-Time	22.5	22.4	22.4	22.4	22.6	22.8	22.5	22.6	22.4	22.5
Undergraduate Part-Time	30.5	30.2	29.7	29.3	30.0	29.8	29.8	29.6	29.8	29.5
Graduate Full-Time	31.0	31.2	31.6	31.6	31.5	31.5	31.7	31.7	32.0	32.3
Graduate Part-Time	36.5	36.4	36.8	36.8	37.1	37.3	37.2	36.6	36.7	36.9
Degrees Granted	4 291	4 447	4 340	4 873	5 016	5 005	5 330	5 994	6 415	6 455
Courses										
Number of Sections:										
-Lecture	2 209.5	2 358.4	2 061.6	2 101.7	2 170.9	2 222.7	2 269.8	2 261.8	2 125.5	2 169.3
-Laboratory	1 838.9	1 848.3	1 629.0	1 691.8	1 660.0	1 686.5	1 621.2	1 749.8	1 797.7	1 764.3
-Tutorial	636.2	673.6	569.7	611.8	606.4	653.4	717.6	685.0	707.6	645.5
Average Section Size	27.0	26.8	28.9	28.7	29.5	29.2	29.3	30.0	30.1	28.9
-Junior Lecture	74.5	77.5	78.6	78.2	77.2	77.1	77.9	79.4	87.9	80.6
-Senior Lecture	33.7	32.9	33.1	34.2	33.1	32.9	33.5	36.1	38.7	37.5
Staff (Full-Time Equivalent)										
Faculty	1 713	1 683	1 754	1 828	1 876	1 917	2 019	2 107	2 080	2 209
Support	2 096	2 127	2 323	2 415	2 485	2 551	2 694	2 711	2 678	2 800
Space (b)										
Non Residential Buildings (NSM '000)										627.5
Residential Buildings (NSM '000)										93.1
Total Campus Buildings (NSM '000)										720.6

(a) Beginning in 2003-04, the full-time equivalent figure is adjusted to exclude Master of Counselling enrolments for the University of Lethbridge and Athabasca University. The Master of Counselling is a conjoint degree, developed and delivered through a partnership between the University of Calgary, Lethbridge and Athabasca University.

(b) Due to implementation of new facilities management system comparative space data for prior years are not available.

UNIVERSITY OF CALGARY

Governance Information
March 31, 2005

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Mr. Bob Boyden	Mr. Jack Perraton	Mr. Bill Warren,
Ms. Irene Enyedy	Ms. Leslie Potter	Dr. Harvey Weingarten
Mrs. Stephanie Felesky	Dr. Anthony Russell	Mr. Bryan West
Mr. Charlie Fischer	Mr. Calvin Seaman	

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Mr. Charlie Fischer
Mr. Allen Hagerman, Vice-Chair

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Mr. Harry Roberts
Community Member

Mr. Bill Robertson
Community Member

UNIVERSITY OF CALGARY

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Auditor General of Alberta

Mr. Ken Hoffman
Assistant Auditor General

Mr. Ram Rajoo
Principal of Audits

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Mrs. Stephanie Felesky, Chair

Mr. Dick McKinnon
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Mr. Tom Milne
Community Member

Mr. Gordon Ritchie
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Investment Counsel

Barclays Global Investors, Toronto and San Francisco
Mr. Mark Doyle, Mr. Gerri Rocchi, and Ms. Kathleen Taylor

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