



Athabasca  
University

# Annual Report

to Alberta Advanced Education

For the year ended March 31, 2016



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## ACCOUNTABILITY STATEMENT

Athabasca University's Annual Report for the year ended March 31, 2016, was prepared under the direction of the Governors of Athabasca University in accordance with the *Fiscal Planning and Transparency Act* and ministerial guidelines established pursuant to the *Post-Secondary Learning Act*. All material economic, environmental or fiscal implications of which we are aware have been considered in the preparation of this report.

*Original signed by Margaret Mrazek*

Margaret Mrazek, QC  
Interim Chair  
The Governors of Athabasca University

September 20, 2016

## MANAGEMENT'S RESPONSIBILITY FOR REPORTING

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

The Annual Report has been developed under the oversight of the Audit Committee of the Board of Governors and approved by the Board of Governors and prepared in accordance with the *Fiscal Planning and Transparency Act* and the *Post-secondary Learning Act*.

The Auditor General of the Province of Alberta, Athabasca University's external auditor, appointed under the *Auditor General Act*, performs an annual independent audit of the consolidated financial statements, which are prepared in accordance with Canadian public sector accounting standards.

*Original signed by Peter MacKinnon*

Peter MacKinnon, OC  
Interim President

September 20, 2016

*Original signed by Estelle Lo*

Estelle Lo, B.Comm., MBA, CPA, CMA  
Vice-President (Finance and Administration)

## MESSAGE FROM THE INTERIM PRESIDENT

Today marks a milestone in the evolution of Athabasca University with the announcement of a new president, Dr. Neil Fassina, who will bring the vitality of new and stable leadership to our university. Dr. Fassina possesses all of the qualities—intellectual, experiential and temperamental—necessary for success in the office, and I join the entire AU community in welcoming him to his new duties.

Just over two years ago, I arrived at our university. In addition to a mandate letter from the Board of Governors, I had two particular goals in mind. One was to do all I could to assist in creating the enabling conditions for a full-term president to take office, so today's announcement is as satisfying to me as it is to everyone at AU.

My second goal was to focus the attention of the parties that must be engaged in addressing them—the university itself and the Government of Alberta—on AU's sustainability issues. There are real and present dangers to the university's viability and vitality, even if they are not fully on the radar screens of our colleagues within and our friends beyond, so I asked our Board of Governors to appoint a presidential task force to put our circumstances on the record and to take them to our communities including the government. The task force reported on June 1, 2015, and its work has since been reinforced by two follow-up studies. These reports will be material and important to the independent third-party review announced by Minister Schmidt and soon to be underway. I welcome this review, and I am confident that it will point to the reforms and engagement necessary to ensure the future of AU.

Our attention to the future should not obscure our appreciation of the achievements of the present, and it is the purpose of this report to accurately present a picture of AU in 2015-16. I am sure readers will be as impressed as I am by the vitality of our open, online mission and by the many achievements of faculty, staff and students this year.

As I prepare to leave the president's office weeks from now, I am conscious of my good fortune in working for the past two years with an able and dedicated board and executive team, and with many fine colleagues in the university and in government. I thank them all most warmly.

Sincerely,

*Original signed by Peter MacKinnon*

Peter MacKinnon, OC

# OPERATIONAL OVERVIEW

## Mission

Athabasca University, Canada's Open University, is dedicated to the removal of barriers that restrict access to and success in university-level study and to increasing equality of educational opportunity for adult learners worldwide. We are committed to excellence in teaching, research and scholarship and to being of service to the general public.

## Strategic University Plan

The *Strategic University Plan: 2011-16* sets the direction for AU in realizing its vision of being recognized for research, teaching and service and as a leader in removing barriers to post-secondary learning. The university is guided by five strategic goals for realizing this vision:

- to be the leader in quality open and distance education
- to ensure sustainability and foster adaptability
- to recruit and retain excellent people
- to promote excellence in research
- to build communities

Each goal is supported by a list of associated strategic objectives and measurable key outcomes. *The Strategic University Plan: 2011-16* is supported by faculty, divisional and departmental planning documents which articulate unit objectives in relation to institutional goals. Outcomes related to strategic goals and objectives are monitored and reported annually to ensure that progress is clear to all stakeholders and that AU can adjust to new challenges and opportunities as they arise. This Annual Report forms part of the cycle of assessment and accountability, and the reported performance measures and outcomes will inform future business and budget planning cycles as expressed in annual Comprehensive Institutional Plans.

## Governance

AU operates with a bicameral governance system. The Government of Alberta appoints members of the Board of Governors, which consists of the chair, up to 10 public members, two academic staff members, one tutor, one non-academic staff member, one graduate student, two undergraduate students and one alumni member. The president of the university is an *ex officio* member of the Board.

As of March 31, 2016, the membership of the Board was as follows:

- Public Members: Margaret Mrazek (Interim Chair), Robert Balay, Rai Batra, Diane Davies, Heather Kennedy, Colette Miller, Peter Thiveos
- Executive Officer: Peter MacKinnon
- Academic Staff Members: Travis Burwash, Dr. Michael Mauws
- Tutor Member: Dr. Grant Grams
- Non-academic Staff Member: Paulette Patry
- Graduate Student Member: Cynthia Gordon
- Undergraduate Student Members: Shawna Wasylyshyn, Brandon Simmons
- Alumni Member: Douglas Schindel

A comprehensive review of the General Faculties Council by-laws and the GFC standing committees terms of reference was completed in 2015 by the GFC Governance Review Working Group. Recommended changes were directed to providing clarity, consistency, more principled governance and greater efficiency for committees and to eliminating redundancy. The amendments to its by-laws (renamed *rules*) and standing committees terms of reference were approved by the GFC on July 9, 2015.

## Human Resources

As of March 31, 2016, AU employed 1,163 faculty and staff members (Table 1). Year-to-year variations within employee categories reflect continued restructuring within departments, responses to service demand and project priorities, and temporary coverage of or permanent recruitment to vacancies.

**Table 1: Employee Complement (2014- 16)**

Employee Category	2013-14	2014-15	2015-16	Change from 2014-15
Academic, full-time	181	170	186	9.4%
Academic, part-time	37	41	29	(29.3%)
Tutors	358	354	358	1.1%
Professional	221	225	243	8%
Management and executive	20	27	24	(11.1%)
Support and temporary	232	242	260	7.4%
Casual	56	82	63	(23.2%)
<b>Total</b>	<b>1,105</b>	<b>1,141</b>	<b>1,163</b>	<b>1.9%</b>

AU's workforce is widely distributed across Alberta (Table 2), its employees depending on the university's ICT infrastructure to interact with one another and with students. AU employees work on the main Athabasca campus (35.7%), at AU satellite locations in Edmonton (9.7%) and Calgary (1.8%), in home offices (52.2%) or in other off-site locations (0.6%).

**Table 2: Employee Distribution (2014- 16)**

Employee Category	2013-14	2014-15	2015-16	Change from 2014-15
Athabasca	372	393	415	5.6%
Edmonton	104	103	113	9.7%
Calgary	20	22	21	(4.5%)
Home Office	598	616	607	(1.5%)
Other Off-site Locations <sup>1</sup>	11	7	7	0%

<sup>1</sup> Collaborations or internships at other institutions

### *Public Interest Disclosure (Whistleblower Protection) Act Activity*

In 2013, the Government of Alberta enacted the *Public Interest Disclosure (Whistleblower Protection) Act* and associated regulations. The legislation protects employees making disclosures of wrongdoing that they have observed in the workplace for the purpose of facilitating the disclosure of wrongdoing, resolving problems revealed through investigation and promoting public confidence in the public sector. In compliance with legislated reporting requirements, an investigation of a disclosure made in the previous fiscal year was completed. As a result of the review, enhancements were made to institutional procurement processes. One report was received in the 2015-16 fiscal year. The designated officer concluded, after a formal preliminary assessment, that there was insufficient support to complete a review, and that decision was communicated to the individual who raised the concern.

## Core Programs

As one of four Alberta Comprehensive Academic Research Institutions, AU is committed to excellence in teaching, research and scholarship. The integration of research and creative activity with teaching informs curriculum planning and development and provides opportunities for highly qualified graduates to promote innovation and to participate more fully in society. A vibrant research community, informed teaching and a supportive learning environment are reflected in quality programs and courses.

## Graduate Programs

AU offers the following nine graduate degrees and 15 graduate-level diplomas and certificates:

- Doctor of Education (Distance Education)
- Doctor of Business Administration
- Master of Arts (Integrated Studies)
- Master of Business Administration
- Master of Counselling
- Master of Education (Distance Education)
- Master of Health Studies
- Master of Nursing
- Master of Science (Information Systems)

## Undergraduate Programs

In addition to 23 undergraduate certificate and diploma programs, AU offers the following undergraduate degrees, many of which are available as both regular and post-diploma programs:

- Bachelor of Arts, four-year (majors in anthropology, Canadian studies, English, French, history, humanities, information systems, labour studies, political economy, political science, psychology, sociology, women's and gender studies or a combined major)
- Bachelor of Arts, three-year (general or with a concentration in English, French, history, humanities, information systems, labour studies, political economy, political science, psychology, sociology or women's and gender studies)
- Bachelor of Commerce (general or with a major in accounting, e-commerce or financial services)
- Bachelor of General Studies (in arts and science or applied studies)
- Bachelor of Health Administration
- Bachelor of Human Resources and Labour Relations
- Bachelor of Management, four-year (general or with a major in human resource management, marketing or Indigenous nations and organizations)
- Bachelor of Management, three-year
- Bachelor of Nursing (post LPN or post RN)
- Bachelor of Professional Arts (with a major in communication studies, criminal justice, human services or governance, law and justice)
- Bachelor of Science (general or with majors in applied mathematics, architecture, computing and information systems or human science)

## Program Completion

AU awarded 1,874 academic credentials in 2015-16, 901 at the graduate level and 973 at the undergraduate level, as shown in Table 3.



**Table 3: Academic Credentials Awarded (2014-16)**

	2013-14	2014-15	2015-16
Bachelor of Administration <sup>1</sup>	12	15	10
Bachelor of Arts	105	101	85
Bachelor of Commerce	82	73	70
Bachelor of General Studies	100	98	130
Bachelor of Health Administration	8	9	7
Bachelor of Human Res. Labor Rel.	36	58	66
Bachelor of Management	113	109	102
Bachelor of Nursing	188	183	234
Bachelor of Professional Arts	93	96	123
Bachelor of Science	31	26	27
<b>Total Bachelor Degrees</b>	<b>768</b>	<b>768</b>	<b>854</b>
Undergraduate Certificates and Diplomas	119	116	119
<b>Total Undergraduate Credentials</b>	<b>887</b>	<b>884</b>	<b>973</b>
Doctor of Business Administration	4	4	6
Doctor of Education (Distance Education)	3	4	3
Master of Arts	104	92	86
Master of Business Administration	167	177	175
Master of Counselling	71	70	66
Master of Education (Distance Education)	37	56	57
Master of Health Studies	74	61	84
Master of Nursing	148	182	218
Master of Science (Information Systems)	20	23	19
<b>Total Graduate Degrees</b>	<b>628</b>	<b>669</b>	<b>714</b>
Graduate Certificates and Diplomas	208	207	187
<b>Total Graduate Credentials</b>	<b>836</b>	<b>876</b>	<b>901</b>
<b>Total Credentials Awarded</b>	<b>1,723</b>	<b>1,760</b>	<b>1,874</b>

<sup>1</sup>Program closed December 31, 2004.

## Student Demographics

AU's flexible learning model provides access to university-level studies for those who choose not to enrol in full-time, campus-based programs and those whose employment, family or commitments prevent them from doing so. In 2015-16, the average undergraduate program student was 30 years old, the average graduate student 38. Most program students come to AU with some prior post-secondary experience and are likely to be employed full-time while pursuing their studies. Career advancement is a significant motivator for AU students.

Flexible learning opportunities also attract students from other post-secondary institutions seeking individual courses to fulfill program requirements. The size of this visiting student cohort has fluctuated in recent years as other institutions provide more online options for their campus-based students. The University of Calgary, the University of Alberta, Mount Royal University and MacEwan University are among the top 10 sending institutions of these students. This learner pathway helps to relieve capacity pressures at other Campus Alberta institutions and to improve time-to-degree outcomes for their students. Availability of a full range of courses for continuous entry is a unique feature of AU's flexible learning model, but it is only possible through economies of scale created by out-of-province registration.

For the second year in a row, the total number of students attending AU declined slightly (one per cent), from 39,921 in 2014-15 to 39,513 in 2015-16. In contrast, the number of Alberta students has grown at an average rate of 1.7 per cent per year since 2011-12 (Table 4).

**Table 4: Alberta Student Enrolment<sup>1</sup>**

	2011-12	2012-13	2013-14	2014-15	2015-16
Undergraduate	13,441	13,734	14,339	14,086	14,340
Graduate	1,156	1,217	1,123	1,161	1,295
<b>Total</b>	<b>14,597</b>	<b>14,951</b>	<b>15,462</b>	<b>15,247</b>	<b>15,635</b>

<sup>1</sup> Numbers for past years have been restated. Does not include undergraduates taking graduate courses.

## Key Changes in the Operating Environment

Economic dislocations caused by the recent precipitous drop in the price of oil have had mixed effects on AU enrolment. In times of rising unemployment, earning a credential takes on additional importance for individuals in a competitive labour market. At the same time, the number of companies willing to sponsor employee education has dropped, and fewer individuals have personal disposable income to cover tuition costs.

Regardless of the macro-economic shifts, the environment for delivery of online post-secondary education remains fiercely competitive, with various consortia and public institutions cross-subsidizing a narrow band of course and program offerings. The cumulative impact of regulatory assumptions making undergraduate students from other provinces cost-recovery rather than core to the university has led to increasing out-of-province fee differentials and non-competitive price points for AU courses. Although the cost per course may be comparable in some cases, student support services and funding initiatives in other provinces are creating wider differentials in total student costs.

Wider availability of free learning materials in the form of MOOCs (massive open online courses) and open educational resources has also had mixed effects. Online delivery has become much more common,<sup>1</sup> and issues related to quality, lack of student supports and attrition rates are being managed, resulting in improvements to the overall reputation of the sector.

Provincial rules governing allocation of operating and capital grants place AU at a disadvantage since, as an online university, its information and communication technology network serves, for the most part, in place of physical infrastructure. Prospective AU students expect the university to offer technical capabilities consistent with those of the larger online community and with those of AU's distance education competitors in particular. The risks associated with not maintaining the university's core ICT infrastructure within supported generations of hardware and software are such that AU has increased its internal capital investments even though it does not receive compensating provincial grants. Through provincial consortia and open source communities, AU has tried to ameliorate some of the costs of its core ICT infrastructure, but the structural issues related to funding remain.

Public acknowledgement of the fiscal challenges facing AU contributed to reputational concerns during the course of the past year.

<sup>1</sup> According to *Online and Distance Education Capacity of Canadian Universities* (Produced by EduConsillium for Global Affairs Canada, December 2015) 93 per cent of Canadian universities now offer online courses and programs.

## GOALS, PRIORITY INITIATIVES, PERFORMANCE MEASURES AND OUTCOMES

AU's strategic goal "to be the leader in quality open and distance education"<sup>2</sup> concisely expresses its aspirations with respect to access and quality. This goal also supports Alberta Advanced Education's stated goal of creating "an accessible, affordable, quality and stable post-secondary system [that] ensures Albertans reach their full potential"<sup>3</sup> and its priority to reduce learning barriers for adults.

### Access

AU's *Comprehensive Institutional Plan: 2015-18* identified six priority initiatives, a number of them having medium-term rather than single-year implementation plans, to support Campus Alberta access goals. A number of the past year's activities in support of these priority initiatives are presented below.

#### **1. Develop and implement domestic and international recruitment plans, including a collaboration and partnership strategic plan, and identify potential new markets for AU programs and courses:**

A new AU student recruitment strategy is in development. A background report *Developing a Recruitment Strategy for Canadian Students* was prepared based on consultations with more than 20 internal and external stakeholder groups. A second background study, focused on international recruitment, will be completed in 2016. The new recruitment strategies will identify target markets and areas of concentration and guide implementation of a student relationship management system to aid in prospect management and in moving prospective students through the *discover, inquire* and *apply* stages of the student lifecycle.

Stakeholder consultations were conducted and an inventory of existing partnerships was drawn up in preparation for development of a new partnerships policy and a strategic partnership plan.

Building on the 2014 review of AU's institutional website and the follow-up Web Optimization Project, improvements to website design, content, functionality and information architecture were launched in March 2016. Early results are promising, reflecting increased prospective student engagement. Additional website improvements will be launched in the coming year. The online student orientation website was also updated to provide a new layout, improved functionality and clearer navigation. The next step in the redevelopment of the site is a full review of its content for currency and clarity.

Outreach to prospective students was increased through a number of other new activities including automated email messaging, online recruitment webinars (AU Open House) and subscription to online search portals designed to help would-be learners identify colleges and universities that serve their specific educational needs. AU also shared a booth with the Canadian Football League Player's Association at the Grey Cup festivities in Winnipeg in November. The booth provided a platform to raise awareness of AU's partnership with the CFLP and of opportunities for players and fans to advance their education.

During the recent Educational Review process (See Quality Priority Initiative 1, page 14), each AU faculty explored potential new target markets through an assessment of current programs, partners and the expressed needs of students, graduates, business and society. New programs and new partnerships with the greatest potential for revenue generation were identified, and the faculties have positioned themselves to respond to these opportunities when the government moratorium on new program development is lifted.

<sup>2</sup> *Strategic University Plan: 2011-16*, 15.

<sup>3</sup> *Advanced Education Annual Report 2015-2016*, 6.

**2. Informed by Government of Alberta strategic planning, explore broadly based, market-driven courses in leadership, management development and productivity improvement and new programs of interest to northern Albertans to address Alberta's skills needs and to ensure open learner pathways in support of the provincial economy:**

A number of new partnerships in support of professional skills development and economic growth were completed with Alberta and national organizations in 2015-16 including an agreement to develop a Certificate of Completion in Manufacturing Management, including development of customized online courses for the manufacturing sector, and an agreement to provide supply chain management and leadership education.

In collaboration with the Alberta Distance Learning Centre, the Centre for Distance Education designed Blended and Online Learning and Teaching Professional Learning Modules for K-12 teaching professionals. This unique collaboration offers well-designed professional learning that updates the pedagogy required for teaching in the digital age. BOLT modules are delivered exclusively online to allow students to study where they live and work. As a result of this collaboration, discussions and presentations have occurred and are planned with other interested stakeholders.

**3. Continue to participate in articulation committees in Alberta, British Columbia, Ontario, New Brunswick and beyond as appropriate:**

This ongoing initiative involves representatives of various AU academic and administrative units in exploration and negotiation of course and credit transfer agreements.

As of the time of this report, AU maintains 6,127 articulation agreements with Canadian universities and colleges, 1,457 of them with Alberta institutions. In 2015-16, 291 new agreements were completed, 61 of them with Alberta institutions. As a result of these agreements, in 2015-16, 1,841 Canadian students, including 667 Albertans, received block transfer credit toward degree completion programs at AU.

**4. Further develop the AU Library's role as a manager of collections, digitizer, contributor to course and program development processes, source of information literacy approaches and programs, community builder and collaborator with the copyright office and AU archives:**

Webinar library orientation sessions were launched in the summer of 2015 and are now delivered regularly, both live and through video-recordings. Based on questions and feedback generated during the sessions, the library hosted follow-up sessions on two citation management tools, Zotero and RefWorks, in September 2015. Library and Scholarly Resources launched an online schedule of orientation sessions and other webinars (<http://library.athabascau.ca/orientations.html>) available anywhere, any time to students and faculty and staff members.

**5. Develop an Open Library website that will list open and free resources and be available to learners using MOOCs and anyone interested in open access:**

Library and Scholarly Resources developed Open Access Resources, an Open Library website that collocates, curates and collects open resources to make them more easily discoverable by students and faculty and staff members. The Open Library (<http://library.athabascau.ca/OpenAccessResources.html>) is available to students of MOOCs and to members of the broader open access community.

**6. Continue to enhance courses through the use of open educational resources, offering AU students current, relevant and engaging course content and supporting Campus Alberta's OER initiative (ABOER) to reduce costs for post-secondary students:**

The Open Education Consortium Global Conference 2015, hosted by AU's Technology Enhanced Knowledge Research Institute at the Banff Park Lodge in April 2015, attracted about 250 participants from 37 countries. Under the theme Entrepreneurship and Innovation, the conference featured nearly 100 presentations in five tracks: pedagogy and design, innovation, evidence of impact, strategy and implementation.

AU Press continued to support access to educational materials. All publications are distributed through a worldwide network of print book distributors, e-book distributors and the AU Press website. Since the founding of the press in 2007, more than 640,000 free copies of AU Press books have been downloaded from the website.

An ABOER funded open access textbook on clinical teaching in the health professions was completed in 2015-16 and two other AU Press published textbooks by AU faculty members, one in legal studies the other in occupational health and safety, were mounted as open access courseware.

## Other Access Initiatives

### MOOCs

In support of AU's mission to increase access to learning, a free MOOC, Learning to Learn Online (<http://ltlo.ca/>), was developed for people interested in furthering their education through online courses and programs. Offered twice and formally evaluated, the MOOC generated national and international interest in opportunities for its adaptation. A second new MOOC, Media, Information Literacy and Intercultural Dialogue, designed for teachers, policy makers and professionals, was offered twice and attracted several thousand participants.

### Student Awards

New student awards established in 2015-16 included the Lorraine Robertson (Wright 1947) Memorial Scholarship in Nursing, to a fourth-year Calgary or Southern Alberta Bachelor of Nursing student who demonstrates academic excellence; the Wayne Blair Memorial Scholarship, to the student achieving the highest mark in the Communication Studies course Understanding Media Literacy; the Albert and Pirkko Karvonen Environment Award, to an outstanding Alberta Bachelor of Science student who has excelled in an environmental project or course; and the Albert and Pirkko Karvonen Environment Bursary, to provide tuition assistance to an outstanding Alberta Bachelor of Science student.

## Access Results

Outcomes for access related performance measures and targets identified in the *Comprehensive Institutional Plan: 2015-18* are shown in Table 5.

The enrolment targets in the *Comprehensive Institutional Plan: 2015-18* were set before the government decided to exclude prior-learning assessment and recognition credits from the full-load equivalent count. Although enrolment has remained steady over the past year, it has not recovered to the peak level experienced in 2013-14, when capacity pressures were being experienced across the system.

The number of Indigenous students has also remained steady. In 2015, AU had the third highest Aboriginal student population of all Alberta public post-secondary institutions.<sup>4</sup>

<sup>4</sup> 2015 Campus Alberta Planning Resource, 86.

**Table 5: Access Performance Measures and Results**

Performance Measure	Three-Year Average 2013-15	Target 2014-16	Actual 2014-16
Number of full-load equivalent students	8,379	8,615	8,446
Number of Aboriginal students (self-identified)	1,189	1,194	1,218
Number of students using services for students with disabilities	2,539	1,583	3,120
Number of rural and northern students (based on postal code)	5,659	5,877	5,573
Value of student awards	\$1,032,667	\$1,158,245	\$1,030,667
Number of students from Alberta colleges and technical institutes enrolled in AU post-diploma programs <sup>1</sup>	262	260	256
Number of active students with addresses outside of Canada	852	918	831

<sup>1</sup> Includes Bachelor of Professional Arts, Post-RN and Post-LPN Bachelor of Nursing and post-diploma streams in arts, science and business.

Capacity pressures continue to affect services for students with disabilities as demand has grown very rapidly in recent years. The number of active students registered with Access to Students with Disabilities increased more than 25 per cent in 2015-16 alone. The *2015 Campus Alberta Planning Resource* figures indicate that AU provided services for 1,300 more students with disabilities than the University of Alberta, yet received significantly less funding in support of these services.<sup>5</sup>

Demographic and economic pressures contributed to AU's failure to meet performance targets for number of rural students and value of student awards. Extension of degree granting authority to colleges and technical institutions has affected demand for post-diploma programs.

## Quality

In support of Campus Alberta and *Strategic University Plan: 2011-16* goals, the *Comprehensive Institutional Plan: 2015-18* identified five priority initiatives for enhancing quality.

### 1. Continue curriculum renewal in all faculties:

The Focused on the Future of Learning: Educational Review 2015-16, a comprehensive evaluation of programs, courses, academic services and academic structure, with a focus on quality and academic integrity as key features of the future of AU, was carried out in 2015-16 in response to the June 2015 *Report of the Presidential Task Force on Sustainability*. The goal was to provide a strategic review of the academy, thereby contributing to an overall university-wide academic sustainability plan. The review process was informed by consultations with 300 individuals in 100 sessions over the course of the year. A report, including immediate, medium and long-term recommendations, was scheduled for publication early in 2016-17.

<sup>5</sup> Ibid, 90.

One of the most important and pervasive efforts in updating the curriculum is to improve its overall accessibility by applying the principles of Universal Design for Learning. AU opened the Year of UDL in 2016 by hosting the Impact UDL and Accessibility Conference in Edmonton in January. This successful conference, which attracted 150 participants and 45 presenters, highlighted AU's commitment to awareness, training and implementation of UDL and accessibility principles in online and blended learning environments. Keynote speakers included experts in UDL and web accessibility from across North America. Vendors showcased products and services, including 3D printing, virtual reality projects and robots. The Access Challenge Lab allowed conference attendees to test web content for accessibility and perform basic tasks through the lens of reduced perception or function. A 60-minute documentary with conference highlights aired on AMI TV in March 2016. Following the conference, the Year of UDL continued with a series of well attended webinars on implementing UDL and improving learner accessibility.

The Faculty of Humanities and Social Sciences redirected resources to key priorities after closing low enrolment courses. Faculty members are in the process of renewing common core courses that fulfill general educational requirements in a number of different programs.

The Master of Arts (Integrated Studies) Program developed a new focus area (Canada, the North, and the Globe) that examines the north and the near-north as it pertains to Indigenous Peoples, northern ecologies and Canada. In collaboration with the Centre for World Indigenous Knowledge and Research, the Faculty of Humanities and Social Sciences will develop a marketing plan for this focus area and hopes to develop new courses, including a newly defined foundational course.

The Faculty of Health Disciplines continued to focus on revisions related to licensure requirements, accreditation and professional development options for core competencies for nurse practitioners.

In addition to continuously improving its curriculum in keeping with AACSB International accreditation requirements, the Faculty of Business focused on developing a new business of hockey management specialization within the MBA and on developing new client relationships for delivery of leadership and management development modules within the Post Baccalaureate Diploma in Leadership and Management Program. This flexible new program provides groups of employees with relevant business knowledge and skill building modules within their organizations. Employers select from a menu of options to bring this educational opportunity in house. This approach directly impacts employee development and learning and provides succession planning opportunities for employers.

The Faculty of Science and Technology continues to develop curriculum in its new programs (architecture and applied mathematics). It is also responding to professionals seeking to upgrade their skills and certifications in areas such as information security.

## **2. Complete the six projects funded by the Campus Alberta Open Educational Resources Initiative and continue integration of open educational resources into AU courses:**

Four funded Phase 1 projects were completed in 2015-16: an OER textbook on occupational health and safety (\$50,000), redesign of a health and community development course (\$60,000), the Intermediate Financial Accounting I and II OER tutorial project (\$20,000) and the open access textbook Creative Clinical Teaching in the Health Professions (\$15,000). Two Phase 1 projects, a beginner Spanish OER initiative (\$121,000) and an open, mobile, self-guided physical geography field course (\$164,264), were in progress at year's end. One Phase 2 project, a peer review of an open textbook in biochemistry, was also completed.

Additional projects approved for Open Educational Resource Initiative funding during 2015-16 included Adoption of Open-Source Material in Redesigning Online Algebra-Based Physics Course (\$10,000), Multiplying OER Impact: Building In-service Teacher OER Capacity for Graduate Credit (\$74,000), Athabasca University Write Site and English 255 OERs (\$10,000), Open-Access ChemWiki

Resource as a Replacement for Conventional Organic Chemistry Textbook (\$9,800), Championing OERs with Educators in the Health Professions: A Model Online Graduate Course (\$10,000), Adoption of an Open Educational Textbook for Teaching Biochemistry at Athabasca University (\$10,000), Rocket Scientists' Guide to Money and the Economy (\$64,000), MATH 265 OER Adoption Pilot (\$10,000) and BIOL 235: Human Anatomy and Physiology OER Adoption (\$10,000)

**3. Continue internal and external relationship building and maintenance, with a view to increasing the number and quality of collaboration and partnership agreements with corporations, government departments and other post-secondary institutions:**

The Focused on the Future of Learning: Educational Review 2015-16 (See Quality Priority Initiative 1, page 14) was a collaborative, consultative activity that generated new relationships and understandings across the university, including innovative cross-faculty programs and inventive processes.

AU continues to develop and renew partnerships with corporations and associations in need of education and professional development for their employees or members. Besides providing value to the organizations involved, such partnerships increase enrolment at AU and provide access to learning opportunities for working professionals (See Access Priority Initiative 2, page 12 and Community Priority Initiative 3, page 25).

A March 2016 agreement with the Government of Alberta extended to 2021 the Historical Resources Internship Program, which provides training and work experience for Heritage Resources Management Program students.

AU's Information Technology Services Unit continues to participate actively in various ICT-related communities such as the Alberta Association in Higher Education for Information Technology and the Canadian University Council of Chief Information Officers. In an effort to streamline procurement processes and reduce sustainability costs, Information Technology Services is also participating in pilots to explore the feasibility of creating a governance model for sharing ICT services among Alberta post-secondary institutions.

AU is a participating member of the Western Canadian Deans of Graduate Studies Agreement. The purpose of the agreement is to promote the effective pursuit of graduate studies at western Canadian universities. Under the agreement, graduate students are able to take required courses that are not available at their home university at another western Canadian university and receive credit at their home university.

**4. Continue university-wide implementation of administrative systems renewal to improve system and service efficiencies, reduce inconsistencies and enable staff to provide more effective and timely service to students:**

The finance and human resources modules of the Administrative Systems Renewal Program are complete. Upgrades to the student module were delayed due to resource constraints but are scheduled to be fully implemented in 2016-17. A post-implementation internal audit of the accounts payable system processes was completed with no concerns identified.

One recommendation of the June 2015 *Report of the Presidential Task Force on Sustainability* was that AU immediately review its business and student service practices in terms of long-term sustainability. In October 2015, Executive Group approved the appointment of Grant Thornton LLP to carry out the Business and Student Services Administrative Practices Process Review. The objectives of the review were to identify

- opportunities to enhance alignment between AU practices and processes and the university's strategic direction, priorities and goals



- the operational strengths, weaknesses and challenges of business and student service administrative practices, processes, resources and organizational structures
- opportunities to reduce costs or to improve service delivery
- opportunities with respect to partnerships or sharing of services with other Campus Alberta institutions or publicly funded entities
- opportunities to benefit from the experience, expertise and investment of other post-secondary institutions in the sector

The consultants conducted over 50 interviews with students and members of management, faculty and staff and with faculty and student associations and employee groups and reviewed over 300 documents. Delivery of a final report, which will be shared with Board of Governors, the General Faculties Council and the wider AU community, was scheduled for June 2016. The report's findings and recommendations will be a starting point for a series of internal and external consultations that will help shape the future of AU.

**5. Continue to review and update policies and procedures in all divisions of the university to guarantee compliance with applicable provincial legislation and to assure effective governance practices:**

The review and updating of policies and procedures continued in all divisions of the university, supporting the Board approved process for the development and maintenance of policies. The process provides for a consistent and balanced approach to ensure effective governance practices including compliance with applicable legislation.

In 2013, the Office of the Auditor General of Alberta issued a sector-wide recommendation calling upon post-secondary institutions, including AU, to improve systems to ensure compliance with legislation. A legislative compliance framework was developed and approved by the Board of Governors in June 2015. Compliance activities up to March 31, 2016, included evaluation and ranking, based on potential risk to the university, of 164 pieces of legislation and key guidelines and standards. These assessments also included a determination as to whether the university was in compliance with the regulatory requirements as reported by the areas of administrative responsibility. No areas of non-compliance were identified. Through Field Law, AU will continue to monitor upcoming legislative changes that are likely to affect the university and inform those with primary legislative responsibility. Each office of administrative responsibility will be asked to provide a status report on actions being taken to address upcoming legislative changes and to identify any compliance issues. A summary of this information will be reported quarterly to the Audit Committee of the Board of Governors.

## **Other Quality Initiatives**

### **Strategic Planning**

Faculty-level strategic planning activities carried out in 2015-16 will inform development of AU's *Strategic University Plan: 2016-20* in the coming year.

The Faculty of Humanities and Social Sciences worked collaboratively in a strategic planning process guided by appreciative inquiry to identify the strengths and accomplishments of the faculty and to chart a course for a bold and transformative future. Its strategic plan, *Envisioning the Future of FHSS*, launched in September 2015, presents strategies, goals and objectives to create, over the next five years, a re-energized faculty focused on excellence in online humanities and social sciences education in Canada.

The new Faculty of Business strategic plan, also launched in the fall of 2015, highlights the need to compete in an increasingly demanding, complex business education market with courage, imagination, focus and

commitment and to deliver relevant, excellent and valued programs. The full faculty community participated in the creation of the plan, which sets goals in accreditation, recognition, workplace excellence and financial security and outlines strategies for delivering an outstanding student experience, for expanding and leveraging relationships and for enhancing reputation.

*Vital and Healthy*, the Faculty of Health Disciplines strategic plan identifies four goals: to support an exemplary student experience, robust and relevant research and scholarship, strategic professional and community service and a strengthened culture of collegiality. A detailed action plan outlines intended outcomes.

The new Faculty of Science and Technology Strategic Plan, developed in early 2016, identifies 10 commitments that build on its leadership strength in education and research. The vision for the future reminds FST members that their work is meaningful to individual learners, to the scientific community and to the world. Over the next five years, the strategy will advance research, scholarship, teaching and processes to the next level, harness creativity and challenge others to think differently in preparing global leaders of the future. The faculty prides itself on a diverse and integrated work environment and on the special relationships it fosters.

The Faculty of Graduate Studies is committed to starting its strategic planning process in 2016, based on priorities identified in the report of the Focused on the Future of Learning: Educational Review 2015-16 (See Quality Priority Initiative 1, page 14).

### Responsibility Centre Management

Academic deans met regularly with AU's budget team in 2015-16 to begin the design of a Responsibility Centre Management approach to budgeting. The goal of the proposed new budgeting model is to empower and increase self-reliance in faculties and administrative units and strengthen the link between resource allocation and academic goals. Phase 1 activity over the past year focused on aligning costs with revenues.

### Review Processes

AU is continuing to review and restructure its academic and student support services based on sound pedagogical principles and to broaden its reach in fulfillment of its *Strategic Enrolment Management Plan*, which has been selected for internal audit in the coming year.

Average transfer credit evaluation wait times were significantly reduced over the past year, from nine weeks at the end of 2014-15, with periodic highs of 13 weeks, to two weeks in at the end of 2015-16, as a result of a process review and implementation of changes. This shorter wait time allows students to start their program much more quickly.

The AU Post Licensed Practical Nurse to Bachelor of Nursing Program recently completed the mandatory Nursing Education Program Approval Board review. The program received a five-year approval, the longest available, with no conditions.

### Quality Results

Outcomes for quality related performance measures and targets identified in the *Comprehensive Institutional Plan: 2015-18* are shown in Table 6.

**Table 6: Quality Performance Measures and Results**

Performance Measure	Most Recent Actual	Target 2016	Result 2016
Graduate satisfaction with educational experience as shown on the Alberta Graduate Student Outcomes Survey	96.9% (Class of 2012)	95%+ (Class of 2014)	Data collection in progress
Undergraduate student rating of AU education on the National Survey on Student Engagement	83.4% good or excellent (2014)	85% good or excellent	82.7%
	Three-Year Average 2013-15	Target 2014-16	Actual 2014-16
Number of graduate program students completing six credits in one year (based on enrolled and net started within the year)	60%	60%	63%
Number of undergraduate program students completing six credits in one year (based on enrolled and net started within the year)	24%	26%	25%
Undergraduate course completion rate (excluding non-starts)	84%	85%+	83%
Number of credentials awarded	1,754	1,764	1,874

Quality student experiences are measured in terms of satisfaction, retention and completion. Historically, AU has performed well in overall satisfaction ratings. Benchmarking surveys are administered biennially and data are not yet finalized for the 2016 cycle of the Alberta Graduate Outcomes Survey. The National Survey on Student Engagement rating is below target and slightly lower than that of the previous survey. AU participated in the Canadian Graduate and Professional Student Survey for the first time this past year, and 85.6 per cent of respondents indicated that they would definitely or probably recommend AU to someone considering the same program. Results in the remaining indicators were on track. It will take some time to realize the effects of additional retention efforts that are one focus of the *Strategic Enrolment Management Plan*.

As reported above, academic quality and integrity were the focus of university-wide educational and student services review consultations in 2015-16. Together with efficiency, effectiveness and innovation, the quality of programs, courses and services were identified as the key elements in the sustainability of AU's educational systems. The levels of engagement and enthusiasm stimulated by university-wide confirmation of AU's mission and vision generated enhanced awareness of student-focused features and benefits, plans for renewal initiatives and positive working relationships across university divisions.

## Enrolment Plan

As a result of AU's undergraduate delivery model, which separates learner supports from curriculum management and employs open admission practices, undergraduate enrolment is unaffected by entry grade requirements, so enrolment is closely aligned with student demand in the various academic areas.

The targets set in the *Comprehensive Institutional Plan: 2015-18* did not take into account the restatement of the 2014-15 full-load equivalent counts which excluded prior-learning assessment and recognition credits and lower than estimated counts in all areas other than health disciplines. Enrolment is recovering from a drop experienced in 2014-15 but has not yet returned to the peak levels of 2013-14.

**Table 7: Full-load Equivalent Enrolment by Program Band**

Program Band	Actual 2013-14	Actual 2014-15	Target 2015-16	Unofficial 2015-16
Business	1,115	1,097	1,232	1,134
Education	180	161	170	169
Health Sciences	1,481	1,619	1,640	1,761
Language, Social Sciences Arts and Humanities <sup>1</sup>	5,207	4,985	5,114	4,921
Legal and Security	77	72	80	70
Physical Natural and Applied Sciences	444	434	465	414
<b>Total<sup>2</sup></b>	<b>8,504</b>	<b>8,368</b>	<b>8,701</b>	<b>8,469</b>
<b>Growth Rate</b>	<b>2.8%</b>	<b>-1.6%</b>		<b>1.2%</b>

<sup>1</sup> Previous years' totals restated to reflect current classifications and include open studies.

<sup>2</sup> PLAR Credits were counted in 2013 -14.

## Research, Applied Research and Scholarly Activities

Cultivation of research excellence is the primary goal that underpins AU's research enterprise and informs the research-related endeavours of its faculty, staff and students. AU's *Comprehensive Institutional Plan: 2015-18* identified three priority initiatives in support of the university's and Campus Alberta's research goals.

### 1. Foster research partnerships within and beyond Alberta:

Recruitment of research chairs, who provide intentional leadership in cultivating research excellence and in fostering high-quality skilled personnel training, is key to bolstering research capacity. Fierce competition, coupled with international recruitment challenges, has, however, made the timely recruitment of research chairs difficult. AU's newly appointed Campus Alberta Innovation Program Chair in Hydroecology and Environmental Health will be an asset in advancing the work of the Athabasca River Basin Research Institute. Recruitment to several other research chairs, including three Canada Research Chairs (Community, Identity and Digital Media; Environmental Sustainability; Digital Disruptions and Organizational Transformations) is in progress. Recruitment to these positions will substantially increase AU's research capacity and create synergies within and beyond the academy, including with industry.

A comprehensive review of AU's three research institutes (the Athabasca River Basin Research Institute, the Technology Enhanced Knowledge Research Institute and the Project Management Research Institute) was carried out in the fall of 2015. The institutes' strong national and international research partnerships and commitment to knowledge dissemination in their respective fields were noteworthy among their achievements. The review recommended closure of PMRI and provided suggestions for continued improvements to ARBRI and TEKRI.

## **2. Increase opportunities for training of high-quality skilled personnel:**

Emphasis on support for student research endeavours increased in the past year, including providing funding to help defray the costs of data management and data analysis software and to foster dissemination of student research via the annual 3MT competition, the AU Graduate Student Conference and presentations at national and international conferences. Funds available to support student research were fully expended this past year, and work is in progress to secure additional resources. In addition to these initiatives, the redesign of the Research Centre website will enhance students' ability to identify potential opportunities to work as a research assistant under the direct supervision of a seasoned academic researcher who is committed to fostering development of their research skills.

The Business and Student Services Administrative Process Review (See Quality Priority Initiative 4, page 16) afforded an opportunity to examine, refine and enhance the support provided to researchers, including students, throughout the lifecycle of their grants. Growth in the number of grant applications, together with the increasing complexity of grant application and administration processes, made this an important and timely initiative. In concert with implementation of the review recommendations, the use of the AU's Research Portal (an online database-driven system launched in 2013-14 for submitting, processing and tracking applications for certifications such as ethics approval and including an awards module and a grants module for tracking internal and external funding applications) was extended to assist both researchers and grant administrators to track and manage key reporting milestones in the lifecycle of a grant more effectively and efficiently. Several research-related policies and procedures have also been developed or revised in the past year to provide additional guidance to researchers.

The success of researchers, including student researchers, in securing competitive research grants and awards is crucial to building a strong, sustainable research enterprise. To increase capacity in this regard, grants mentorship for academics and students has been enhanced to include both group and one-on-one mentorship in an effort to increase the quality and competitiveness of grant applications. Modest increases in success rates have been noted to date; however, this initiative is still in its early stages.

## **3. Increase the profile of AU's researchers and students nationally and internationally using diverse electronic means:**

Showcasing research outputs and making them accessible to others is a crucial aspect of cultivating a strong research enterprise. An AU researcher and a cadre of graduate students worked together in 2015-16 to design a database to capture information about the research and scholarly outputs of AU researchers, including those of AU students. Refinements to this database are still in progress. Ongoing revision to AU Space, a digital content repository that allows researchers to self-archive their research outputs and make them more accessible to other researchers in Alberta and beyond, complements this initiative. Work on these projects will continue over the next several months. Both increase not only the visibility but also the accessibility of the scholarly works of AU academics and students.

In 2015-16, AU Press continued to pursue collaborative opportunities with two other Comprehensive Academic Research Institutions' university presses that publish research in book and journal form in both print and electronic formats. This collaboration among the University of Alberta Press, the University of Calgary Press and AU Press has increased the profile of all three Alberta institutions at major trade shows and conferences over the past year. Each of the three presses produced one book in the Campus Alberta Collection, which showcases Alberta research.

## **Synergies with Provincial Outcomes**

Strong synergies exist between the work of AU's researchers and current provincial outcomes: a strong economy, effective resource management, environmental stewardship and supporting Albertans in all communities.

## Strong Economy

Successful recruitment of an industry liaison officer has increased AU's capacity to systematically pursue robust academic-industry partnerships that afford opportunities for small and medium enterprises in Alberta to engage with the university's researchers and incorporate cutting-edge research in their innovations. This initiative has been instrumental in providing high quality, real-life, industry-based training opportunities for students and in fostering the future commercialization of research outputs. A grant from the Alberta Innovates – Technology Futures Applied Research and Innovation Activities Program was instrumental in establishing this position, and additional sources of support are being sought to sustain it. The goal of this position is to help bring innovative products to market, thereby strengthening Alberta's economy.

AU researchers, including those associated with the Technology Enhanced Knowledge Research Institute, are exploring questions about the use of social networking, cloud computing, data analytics, and personalization and adaptivity in creating virtual learning environments for students and employees in industry. Several other researchers have been successful in securing funding to support the development of open educational resources to help reduce the costs of providing education to working Albertans. The development of a number of short, research-informed leadership courses that not only meet immediate training needs of industry but also ladder into a graduate degree program in business is also noteworthy.

AU Press, through its open access digital monographs and journals, provides avenues for the dissemination of knowledge on a broad range of topics. Initiatives such as these have the potential to foster economic growth by providing access to emerging technologies and open access educational resources that enable lifelong learning.

## Effective Resource Management and Environmental Stewardship

The Athabasca River Basin, within which AU is located, is ecologically significant, rich in resources and home to diverse communities. AU researchers, including its two Campus Alberta Innovation Program research chairs and other researchers associated with the Athabasca River Basin Research Institute, were actively engaged in research that will support evidence-based management of the cumulative effects of land and water use in the area. Other researchers were focused on the basin's inhabitants, including its Indigenous communities, and the impact of land and water use and other factors on their lives. Maintenance of the Athabasca River Basin Repository, created by the Athabasca River Basin Research Institute to provide free online access to hundreds of publications and reports, interactive maps and audio-visual resources about the basin, complements the work of these researchers. These endeavours have the potential to contribute significantly to resource management and environmental stewardship in the region.

## Supporting Albertans in All Communities

AU researchers continued to make a substantive contribution to evidence-informed policy development in relation to health promotion and the management of chronic diseases, such as cancer and diabetes. Other emerging research foci include patient engagement, dementia and pain management, and relationship-based parenting. Foremost in each of these endeavours is a commitment by the respective researchers to enable individuals and families to enhance their own health and wellness regardless of their place of residence.

A number of AU researchers are enmeshed in community-engaged scholarship, exploring a broad range of questions about sustainability, and still others are concerned with issues facing vulnerable groups, including the homeless. These examples provide but a glimpse into the breadth and depth of the humanities and social sciences research capacity at AU and its potential to make a strong contribution to supporting Albertans in the communities in which they reside.

Recruitment of a Canada Research Chair with a focus on how digital media shape individual and collective identities and their effects on public and civic life will add a new dimension to the research being conducted at AU. Strong links are expected between this chair and several other AU researchers, including those whose work centres on health and well-being in Aboriginal communities and the preservation of Aboriginal cultures.

## Research, Applied Research and Scholarly Activities Results

Outcomes for research, applied research and scholarly activities related performance measures and targets identified in the *Comprehensive Institutional Plan: 2015-18* are shown in Table 8.

**Table 8: Research Performance Measures and Results**

Performance Measure	Three-Year Average 2013-15	Target 2014-16	Actual 2014-16
Number of Alberta graduate students enrolled in priority research areas	32%	30%	33%
Number of peer reviewed publications	378	388	Unavailable
Value of sponsored research income per faculty member with research responsibilities	\$27,200	\$27,250	\$26,870
Council grant success rate	27%	30%	26%
Research revenues from tri-council, industry and community sources	\$4,875,000	\$4,750,000	\$4,756,000

Although the council grant success rate did not meet the established target, total research revenue slightly exceeded the target. Concerns about sustainability and the lack of a full range of graduate programs, especially in the sciences, have affected AU's ability to recruit and retain high profile researchers. In addition, the retirement of senior scholars has affected results as it takes time for junior scholars to establish their research programs and secure grant funding. The number of peer reviewed publications is not available due to the ongoing development of the research and scholarly outputs database.

## Community

AU strives to extend its outreach to diverse communities, providing opportunities for college students to ladder their diplomas into degrees, high-school students to earn university credits and professionals to acquire degrees while working full time. To strengthen Alberta's economy, AU partners with employers, professional associations and not-for-profit organizations to provide professional development and other learning opportunities for individuals and groups. The university's engagement with Aboriginal communities continues to grow with support from industry and individual donors.

In support of Campus Alberta community engagement goals the *Comprehensive Institutional Plan: 2015-18* identified five priority initiatives.

### **1. Strengthen relationships with Campus Alberta partners by building on opportunities for college students to ladder to degree programs, facilitating transfer credit opportunities for university students, and fostering opportunities for student success in local communities:**

AU has maintained collaborative grouped-study partnership arrangements with a number of post-secondary institutions, primarily Alberta colleges, for many years. These partnerships have enabled students in rural and urban areas to access university courses in a face-to-face grouped study environment at partner sites. However, enrolment in grouped study courses has declined over the years, resulting in more frequent cancellation of under-enrolled classes and fewer choices for AU

students who are completing degrees through grouped study. Administrative and financial pressures associated with running geographically dispersed grouped study courses have also increased. By the end of 2015-16, most agreements for the provision of grouped study courses had expired or were about to expire. AU continues to value its special relationship with its grouped study partners, a relationship developed through longstanding collaboration. The university hopes, over the 2016-17 academic year, to renew partnerships in a form adapted to the academic and business processes of the participating institutions so that it can continue to provide students studying at partner institutions with pathways to degree completion through online individualized study.

In collaboration with Aspen View School Division, the Centre for Distance Education developed Inclusive Leadership and Practice in Education, a new course in the Master of Education Program. Twenty-eight Aspen View employees registered for the two pilot offerings of the course in fall 2015 and winter 2016. Based on feedback from the students, an Inclusive Education Digital Toolbox, a repository through which teachers can share practical lessons learned in the course, is being developed to promote, enhance and assist with inclusive practices. The online toolbox will allow teachers to quickly preview lessons and materials that worked for other teachers, saving them hours of research and development work and enhancing their own practice. Completion of the site is projected for fall 2016.

Key objectives of the Government of Alberta's dual-credit strategy include engaging more high-school students in dual-credit programming, investing in student success in dual-credit programming at the local level and expanding pathways for high-school students. AU has expanded its dual-credit partnerships, building on the success of its pilot project with Aspen View Public School Division No. 78. New dual-credit partnership agreements were signed in 2015-16 with Aspen View Public School Division No. 78 and the Saskatoon Catholic Cyber School (St. Paul's Roman Catholic Separate School Division No. 20). About 25 dual-credit courses are now available to high-school students in the Aspen View system. Registration is expected to grow over time through this collaborative relationship. Through the Saskatoon Catholic Cyber School partnership, AU will provide science and technology courses for high-school students. Additional dual-credit initiatives are being negotiated with other Alberta high schools and school divisions.

## **2. Maintain, strengthen and expand relationships with Indigenous communities through the Learning Communities Project and other initiatives designed to encourage Indigenous youth and adults to continue their education:**

With support from the Government of Alberta's Access to the Future Fund and corporate and individual donors, the Learning Communities Project continued in 2015-16, in partnership with 12 northern Alberta First Nations and Métis communities, advancing Alberta's goal of creating learning opportunities for Indigenous learners in their home communities. Through the project, Learning Resource Centres, public spaces equipped with computers and a reliable Internet connection, have been established in these remote communities. By the end of the fiscal year, the number of learners referred to programming by Learning Communities Project community co-ordinators had grown to 3,500.

The Learning Communities Project hosted a two-day gathering, Supporting Indigenous Communities for Intercultural Relationships and Communication, in Edmonton in the spring of 2016. Over 150 attendees heard presentations by Dr. Martin Brokenleg (intergenerational trauma, reclaiming youth resiliency, defining culture, culture and helping, reaching deeper); Lionel Laroch and Winston MacLean (bridging cultural diversity for competitive advantage); Holly Fortier (historical implications); Dr. Maria Campbell (collecting and translating oral histories) and Dr. Tracey Lindberg (advocacy and the arts).



### **3. Continue to build partnerships with industry, professional groups and other associations:**

A number of new partnerships with industry and professional associations were formed in 2015-16, including the following (See also Access Priority Initiative 2, page 12 and Quality Priority Initiative 3, page 16):

- After more than a decade of discussion and debate, the Alberta Association of Architects recognized the Royal Architectural Institute of Canada Syllabus Program as a means for qualified candidates to become registered architects in Alberta. This recognition is due, in no small part, to the renewal of the RAIC program through its partnership with AU. The RAIC Centre for Architecture at AU delivers updated and revised courses that form the academic component of the syllabus.
- AU's Faculty of Business and the Supply Chain Management Association have formed a joint-strategic partnership that will allow members to continue to work while they cultivate their executive management and leadership skills for future successes. The partnership will support transfer credit toward both the Executive MBA Program and the SCMP Program.
- An agreement with the Chartered Professional Accountants of Canada will recognize the CPA's Applied Certificate of Accounting and Finance for credit in AU's Bachelor of Commerce Program. CPA Education Foundation funding has also provided AU students with opportunities to compete in the Board Governance Case Competition and to learn from experienced professionals through the CPA Speaker Series.
- An agreement with the Canadian College of Health Leaders will allow AU MBA students to simultaneously earn CCHL's Certified Health Executive designation

### **4. Continue to connect with various communities through a range of outreach initiatives of interest to their members:**

Science Outreach – Athabasca, dedicated to the promotion of scientific knowledge and environmental awareness in the Greater Athabasca Area, celebrated its fifteenth anniversary in 2015-16. Since its founding, the group has organized over 800 activities involving more than 100,000 participants: public and school talks, field trips (e.g. annual butterfly counts, nature walks), travelling displays, robotics camps, photography workshops, film festivals, interpretive brochures and signs, chemistry magic shows and conferences. Science Outreach – Athabasca contributes significantly to AU's community relationships and informal public education. The group maintains a website (<http://scienceoutreach.ab.ca>) and has contributed 25,000 scientific references to the Bibliography of the Athabasca River Basin (now a part of the Athabasca River Basin Research Institute).

With funding from ZoomerMedia Inc., AU's Writer in Residence Program, now in its seventh year, hosted novelist Esi Edugyan in 2015-16. The program offers a virtual residency. The writer in residence works from a home office and engages students, faculty and staff members and members of the broader community electronically through AU's online media lab. He or she also participates in readings, workshops and lectures.

### **5. Strengthen connections with the AU alumni community to support and encourage alumni engagement with the university:**

Alumni events provide opportunities to develop long-term relationships that benefit AU. These events, many of which also include students, are part of a long-term, strategic relationship-building process, an essential step in growing AU's development program. Alumni members serve as ambassadors for the university, formally and informally promoting AU and helping to strengthen its profile in Alberta and around the world. Thirty-two well attended AU alumni events were held across Canada in 2015-16.

A new quarterly AU alumni newsletter, distributed to about 11,000 readers, was introduced in 2015. A reader survey conducted near the end of the fiscal year showed that the digital publication has been well received.

## Community Results

Outcomes for community related performance measures and targets identified in the *Comprehensive Institutional Plan: 2015-18* are shown in Table 9.

**Table 9: Community Performance Measures and Results<sup>1</sup>**

Performance Measure	2013-14	2014-15	Target 2015-16	Actual 2015-16
Number of AU students enrolled through Campus Alberta partnerships	354	374	340	295
Number of new courses offered through Campus Alberta partnerships	13	14	14	10
Number of Indigenous communities served by the Learning Communities Project	15	12	16	12
Number of participants in workshops held in Indigenous communities	503	663	700	1,140
Number of Science Outreach – Athabasca activities and events <sup>2</sup>	74	102	100	103
Number of alumni activities and events <sup>3</sup>	29	31	30	32

<sup>1</sup> Previous years' data have been restated as annual totals rather than as averages.

<sup>2</sup> Data have been expanded to include activities not previously tracked, and the target has been adjusted accordingly.

<sup>3</sup> Data have been expanded to include alumni events university-wide rather than only those organized by Alumni Relations, and the target has been adjusted accordingly.

As explained above (Community Priority Initiative 1, page 23), participation in grouped study courses at Campus Alberta partner sites has been declining in recent years, resulting in decreased course offerings. AU is committed to renewing these partnerships in a form that will better serve the academic and future professional needs of students at partner institutions.

Though the number of First Nations and Métis communities involved in the Learning Communities Project dropped in the past year (for a variety of reasons related to individual community circumstances), overall participation by community members in project activities increased significantly. Project activities may have to be curtailed in the coming year, however, unless new funding sources can be identified.

Science Outreach - Athabasca, a longstanding community initiative, continues to succeed in promoting awareness of science and environmental sustainability to people of all ages.

Increasing engagement of alumni as lifelong learners, supporters and advocates of the university continues to be an AU community priority. At over 24,000 members, dispersed across Canada and around the world, the alumni community is AU's largest and most influential stakeholder group. The number of alumni events offered increased in the 2015-16, but more importantly, the rate of participation was significantly higher than in the previous year (participation in university-wide alumni events, for example, increased by more than 20 per cent). Alumni involvement in fundraising and student recruitment activities and as AU ambassadors also continued to grow.

## INTERNATIONALIZATION

Internationalization has different dimensions at AU than at campus-based institutions. International students studying online do not need visas, but programs with residential components, including those offered in collaboration with other institutions, do attract a few traditional international students. Routinely about two per cent of undergraduates and three per cent of graduate students take advantage of cross-border delivery opportunities. It should be noted, however, that this count includes a number of Canadians working overseas.

A number of institutional partnerships for research and graduate studies are underway. The Master of Education (Distance Education) Program administered by AU in collaboration with the Eastern Macedonia and Thrace Institute of Technology has received full accreditation by the National Academic Recognition Information Centre, opening the way for graduates to work in the education sector in Greece and Europe without further accreditation. New international partnerships in 2015-16 included agreements with Chung-Yuan Christian University in Taiwan, for integration of Chung-Yuan graduate students into AU's Master of Science (Information Systems) and other computer science and learning technologies courses; with Universidad EAN in Columbia, to establish ways to share academic content, identify collaborative research opportunities and promote offerings to students; and with Universidad de Piura in Peru, to develop collaborative opportunities that will advance the two universities' respective missions and mandates.

With researchers from South Africa, the United Kingdom and Mexico, AU has also entered into collaborative online delivery through an i@home project (Sustainable Building Science, a virtual studio workshop).

AU Press published its first co-publication with the University of South Africa (UNISA) Press: *Community Nutrition in Developing Countries*. As the first open-access publication offered by UNISA Press, the book represented a landmark in its publishing history. This collaboration will better position the book to reach its target audience, those working in nutrition in developing African nations and on the Indian sub-continent.

The Faculty of Science and Technology received Mitacs awards for undergraduate research interns from China, Mexico and Brazil. These interns work with researchers on a range of projects in learning analytics, biology, computing science and geography. AU students were also hosted at overseas institutions on Mitacs awards. Science without Borders funded a PhD student exchange for AU to host Brazilian computing students studying adaptive tutoring in learning management systems.

# FINANCIAL AND BUDGET INFORMATION

## Management's Discussion and Analysis

The following discussion and analysis is a supplement to the information contained in the university's annual audited financial statements (Appendix A) and, as such, should be read in conjunction with the audited financial statements and their accompanying notes. This narrative provides management's analysis of AU's financial performance and other relevant information for the fiscal year ended March 31, 2016.

## Change in Financial Statement Presentation

As a result of a revision to the *Public Sector Accounting Standards Handbook*, the provincial controller has determined that, within the government reporting entity, the net debt model is applicable to all entities that use PSAS. AU has therefore changed its financial statement presentation to reflect the net debt model. The significant changes affecting AU's 2016 financial statements are as follows:

1. Statement of Financial Position
  - Net debt equals liabilities minus financial assets.
  - Net financial assets equals financial assets minus liabilities.
  - Endowments are included in financial assets.
  - Endowments are no longer classified on their own under net assets but are instead included as part of accumulate surplus.
2. Statement of Operations
  - Endowment contributions and capitalized investment income are now reported as revenue.
3. New
  - Statement of change in net debt.

## Statement of Financial Position

Over the year, AU saw a \$2 million increase in net debt and a \$1.9 million decrease in net assets. Table 10 details changes to AU's financial position over the past two fiscal years.

**Table 10: Fiscal 2016 Compared to Fiscal 2015** (millions of dollars)

	2016	2015	Change
<b>Financial Assets</b>			
Cash and cash equivalents	\$ 2.7	3.9	(1.2)
Portfolio investments	39.3	39.0	0.3
Accounts receivable	1.9	3.0	(1.1)
Inventories for resale	1.7	2.0	(0.3)
	<b>\$ 45.6</b>	<b>47.9</b>	<b>(2.3)</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 10.0	9.8	0.2
Employee future benefit liabilities	21.1	21.1	-
Deferred revenue	23.5	24.0	(0.5)
	<b>\$ 54.6</b>	<b>54.9</b>	<b>(0.3)</b>
	<b>\$ (9.0)</b>	<b>(7.0)</b>	<b>(2.0)</b>
<b>Net debt</b>			
Non financial assets			
Tangible capital assets	56.9	58.8	(1.9)
Prepaid expenses	2.1	1.7	0.4
	<b>\$ 59.0</b>	<b>60.5</b>	<b>(1.5)</b>
<b>Net assets before deferred capital contributions</b>	<b>\$ 50.0</b>	<b>53.5</b>	<b>(3.5)</b>
<b>Spent deferred capital contributions</b>	<b>43.2</b>	<b>44.8</b>	<b>(1.6)</b>
<b>Net assets</b>	<b>\$ 6.8</b>	<b>8.7</b>	<b>(1.9)</b>
<b>Net assets is comprised of:</b>			
Accumulated surplus	6.4	7.0	(0.6)
Accumulated remeasurement gains	0.4	1.7	(1.3)
	<b>\$ 6.8</b>	<b>8.7</b>	<b>(1.9)</b>

### Financial Assets

The \$2.3 million decrease in financial assets was primarily attributable to decreases in cash and cash equivalents and accounts receivable.

The \$1.2 million decrease in cash and cash equivalents was due to a \$600,000 year-end deficit, a \$400,000 increase in prepaid expenses and \$200,000 decrease in non-endowed deferred revenue.

The \$1.1 million decrease in accounts receivable was due to a \$700,000 reduction in student receivables and \$400,000 reduction in employee pay advances. These receivables were artificially high at the end of the previous fiscal year because a significant number of students had registered and were awaiting receipt of student loans, and a number of temporary pay advances had been issued to employees to assist in the transition to a bi-weekly pay schedule that took effect in January 2015.

### Liabilities

Liabilities overall decreased by \$300,000, mainly attributable to a \$500,000 decrease in deferred revenue offset by a \$200,000 increase in accounts payable and accrued liabilities.

Deferred revenue includes student fees received in advance, unexpended external grants for research and special projects, and unamortized capital grants. Deferred revenue decreased by \$500,000 due to a \$300,000 reduction in deferred student fees and a \$200,000 reduction in unrealized gain on restricted (endowment) portfolio investments.

## Non Financial Assets

Non financial assets decreased by \$1.5 million due to a \$1.9 million decrease in tangible capital assets offset by a \$400,000 increase in prepaid expenses. The decrease in tangible capital assets was due to amortization of capital assets expense (\$6.1 million) exceeding capital asset acquisitions (\$4.2 million).

## Net Assets

Net assets decreased by \$1.9 million due to a \$600,000 decrease in accumulated surplus and a \$1.3 million decrease in accumulated remeasurement gains.

Accumulated surplus (Table 11) includes the accumulated deficit from operations, investment in tangible capital assets and endowments. It decreased by \$600,000 as a result of a year-end deficit.

**Table 11: Accumulated Surplus** (millions of dollars)

	2016	2015	\$ Change
Accumulated deficit from operations	\$ (10.5)	(10.2)	(0.3)
Investment in tangible capital assets	13.7	14.0	(0.3)
Endowments	3.2	3.2	-
	<b>\$ 6.4</b>	<b>7.0</b>	<b>(.06)</b>

The \$300,000 change in the accumulated deficit from operations was due to the \$600,000 year-end operating deficit being offset by a transfer of \$300,000 from investment in tangible capital assets.

Accumulated remeasurement gains decreased by \$1.3 million in 2015-16 as a result of investment market activity. It represents unrealized gains from unrestricted investments which, under Public Sector Accounting Standards, are disclosed within net assets but are not yet reported as revenue in the statement of operations. When gains or losses are ultimately realized, they are transferred to revenue.

## Statement of Operations

AU's 2016 financial result was a \$600,000 deficit, compared to a \$2.9 million surplus in 2015.

In comparing the statement of operations for 2016 to that of 2015, revenue increased by \$1.6 million, expenses increased by \$4.7 million and endowment contributions and capitalized investment income decreased by \$400,000 resulting in the change in annual surplus (deficit) of \$3.5 million.

The following table and notes highlight the changes and the primary contributors to the change in either revenue or expenses (by category) between the two years.

**Table 12: Fiscal 2016 Actual Compared to Fiscal 2015 Actual** (millions of dollars)

	2016	2015	Change
<b>Revenue</b>			
Government of Alberta grants <sup>1</sup>	\$ 46.4	45.0	1.4
Student tuition and fees <sup>2</sup>	66.0	64.9	1.1
Sales of services and products	15.6	15.3	0.3
Federal and other government grants <sup>3</sup>	1.9	2.5	(0.6)
Investment income	1.5	1.5	0.0
Donations and other grants <sup>4</sup>	1.2	1.8	(0.6)
	<b>\$ 132.6</b>	<b>131.0</b>	<b>1.6</b>
<b>Expenses</b>			
Salaries <sup>5</sup>	\$ 75.6	71.8	3.8
Employee benefits <sup>6</sup>	15.5	13.7	1.8
Fees and purchased services <sup>7</sup>	17.7	18.8	(1.1)
Materials and supplies <sup>8</sup>	11.5	12.3	(0.8)
Communications and travel	3.3	3.3	0.0
Rental, insurance and utilities	2.4	2.4	0.0
Amortization of capital assets <sup>9</sup>	6.1	5.2	0.9
Scholarships and bursaries	1.1	1.0	0.1
<b>Total expense (by object)</b>	<b>\$ 133.2</b>	<b>128.5</b>	<b>4.7</b>
Annual operating surplus (deficit)	(0.6)	2.5	(3.1)
Endowment contributions and capitalized investment income	-	0.4	(0.4)
<b>Annual surplus (deficit)</b>	<b>(\$0.6)</b>	<b>2.9</b>	<b>(3.5)</b>

<sup>1</sup> Government of Alberta grants: Of the total \$1.4 million increase, \$1.2 million was due to an increase to the base operating grant (two per cent operating grant increase combined with tuition freeze funding) offset by a reduction in Infrastructure Maintenance Program revenues and other special purpose grants. The remaining \$200,000 was due to increased amortization of deferred capital contributions.

<sup>2</sup> Student tuition and fees: Undergraduate registration growth was virtually flat at 0.8 per cent, and there were no fee increases during 2016 due to a freeze mandated by the provincial government. The \$1.1 million increase is primarily due to \$700,000 in graduate tuition and program fees (2.1 per cent graduate registration growth) and \$400,000 in various other fees.

<sup>3</sup> Federal and other government grants: The \$600,000 decrease was due to a reduction in federal grant funded activity.

<sup>4</sup> Donations and other grants: The \$600,000 decrease was due to a reduction in non-government (industry, non-profit or other) grant funded activity.

<sup>5</sup> Salaries: The \$3.8 million increase was due to \$1.3 million in COLA settlements, \$1.6 million in merit increases, \$500,000 in increased vacation liability and \$400,000 in tutorial and other.

<sup>6</sup> Employee benefits: Of the \$1.8 million increase, \$900,000 was directly tied to the above increase in salaries. The 2016 reduction in the Universities Academic Pension Plan liability was less than it was in 2015 which contributed \$700,000 in additional expense for 2016. Employer contribution rate increases to various benefit plans contributed another \$200,000. The UAPP liability decreased by only \$100,000 in 2016 while it had decreased by \$800,000 in 2015.

<sup>7</sup> Fees and purchased services: The \$1.1 million decrease was due to less spending; \$700,000 on Infrastructure Maintenance Program funded projects, \$200,000 on copier lease payments, \$100,000 on merchant discounts and \$100,000 on miscellaneous other.

<sup>8</sup> Materials and supplies: The \$800,000 decrease is due to savings in learning resources associated with the conversion from paper to e-texts.

<sup>9</sup> Amortization of capital assets: The \$900,000 increase was attributable to the completion and operationalization of capital software projects.

# CAPITAL PLAN UPDATE

## Information and Communication Technology Infrastructure

Information and communication technology is fundamentally of a different scale and magnitude of importance for a university at which the learning management systems and institutional websites are essentially *the campus* for nearly all of AU's 40,000 students. There is no alternate channel through which the university can deliver its programs and support services. The risks presented by failures in ICT infrastructure have potentially far greater consequences when it is possible for rapidly cascading effects to cause the institution to *go dark* in an instant. To guide the evaluation and selection of ICT investments and ensure their alignment with the institution's strategic goals, the ICT Investment Governance Framework was approved and implemented.

Beginning in 2015-16, AU restructured its ICT investment programs with enterprise architectural principles to better align business processes with technology to improve efficiencies, rationalize functional redundancies among existing systems, optimize the quality and exchange of data across systems, and create a more agile and interoperable enterprise so that the university can be more responsive to future change. ICT projects are now organized into a series of investment programs based on enterprise architectural layers, an approach in keeping with AU's approved Summary Capital and ICT Infrastructure Plan. In light of those revisions the status of the core projects identified for preserving systems in the *Comprehensive Institutional Plan: 2015-18* are summarized in Table 13.

**Table 13: Priority ICT Preservation Project Investments**

2015-16 Programs	Status
Interfaces Program	No funded projects in 2015-16
Application Suite: Pedagogy and Research Program	Gradebook Project is in the execution, monitoring and controlling phase.
Application Suite: Student Service and Administrative Program	Student Relationship Management Project is in the execution, monitoring and controlling phase. Staff E-mail and Calendar Replacement Project in in the closing phase. Digitization Platform for Student Records Project is in the execution, monitoring and controlling phase.
Application Suite: Enterprise Resource Planning Program	Upgrade to the Student Information System is in the execution, monitoring and controlling phase.
Analytics Platform Program	No funded projects in 2015-16.
Infrastructure Operations Support Program	No funded projects for 2015-16.
Infrastructure Renewal Program	Enterprise Storage, Enterprise Server and Enterprise Firewall infrastructure-related investments completed.
Enterprise Architecture Planning Program	No funded projects fin 2015-16.



## Facilities and Other Physical Infrastructure

Although AU's pedagogical platform is based on open and distance education, delivered largely through the Internet to students dispersed across Canada and around the world, the university still requires physical facilities for the operation of its faculties and administrative and support services.


In 2015-16, AU continued to focus on upgrading existing aging infrastructure to ensure it meets the health and safety needs of employees and academic, research and physical and space requirements. Table 14 summarizes the progress on the priority projects identified in the *Comprehensive Institutional Plan: 2015-18*.

**Table 14: Priority Capital Projects for Preservation of Existing Facilities and Systems**

Project	Fiscal Period	Expected Cost	Status
Equipment Renewal	2015-16 to 2019-20	\$735,000	A security audit confirmed the need for some remediation (cameras, signage, lighting, etc.).
Main Campus Building Major Systems Upgrade	2015-16 to 2019-20	\$4,500,000	Contractors are engaged in upgrading the main distribution panel for electrical power distribution in the building.
Academic Research Centre Building Deficiencies	2015-16 to 2019-20	\$2,000,000	A building audit on deficiencies in the ARC has identified necessary remediation to electrical and mechanical components. This work is scheduled to start in 2016-17.
Library Collection	2015-16 to 2019-20	\$350,000	Incremental improvements in digital repository configuration.
Campus Internal Roads, Parking Lots and Trail Systems	2015-16 to 2019-20	\$2,500,000	Work continues as required to maintain this infrastructure. Line painting and sealing are required annually.

During 2015-16, the university continued to work closely with the Aspen View School District No.78 in relation to the construction of a new high school in the Town of Athabasca. The Board of Governors approved a land transfer agreement and a lease agreement to facilitate the transfer of university lands to the school district and the Town of Athabasca, such that construction can begin on the new school in 2016-17. As part of the land transfer agreement, ownership of the lands on which the Edwin Parr High School now sits will transfer to the university in exchange for the lands that are being transferred to the school district and the town. The parties are awaiting approval of Orders in Council.

AU executed a five-year lease agreement for 1,290 m<sup>2</sup> of space in the Trail Business Centre in Edmonton, enabling the Faculty of Business to relocate from the Grandin Centre in St. Albert in April 2015. In October 2015, the university leased an additional 350 m<sup>2</sup> on the same floor of the Trail Business Centre to accommodate



Information Technology Services operations previously located on the eighth floor of the Peace Hills Trust Tower in downtown Edmonton. After the tenant improvement period, this service group was relocated in February 2016. This move in turn freed up space at Peace Hills Trust Tower to accommodate expansion of various other centres and departments housed there.

At its main Athabasca campus, AU completed refurbishments and improvements to washrooms and upgrades to lighting and started a project to replace and upgrade the original electrical distribution panel. During the year, the university, together with Alberta Infrastructure and Advanced Education, engaged the services of the University of Alberta's Facilities and Operations Department to perform a building audit and report on deficiencies in the Academic Research Centre. This report identified the work required to repair the building's electrical and mechanical components and the associated costs. Alberta Infrastructure has approved the use of Infrastructure Maintenance Program funds to carry out the necessary upgrades in 2016-17.

APPENDIX A



Athabasca  
University

Financial Statements

March 31, 2016



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# Statement of Management Responsibility

Year ended March 31, 2016

The financial statements of Athabasca University have been prepared by management in accordance with Canadian Public Accounting Standards. The financial statements present fairly the financial position of the University as at March 31, 2016 and the results of its operations for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management 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 financial statements.

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

The Board of Governors carries out its responsibility for review of the financial statements principally through its Audit Committee. With the exception of the President, all members of the Audit Committee are not employees of the University. 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.

These financial statements for the year ended March 31, 2016 have been reported on by the Auditor General of Alberta, the auditor appointed under the *Post-secondary Learning Act*. The Independent Auditor's Report outlines the scope of the examination and provides the audit opinion on the fairness of presentation of the information in the financial statements.

*Original signed by Peter MacKinnon*

*Original signed by Estelle Lo*

Peter MacKinnon, OC  
Interim President

Estelle Lo, B.Comm., MBA, CPA, CMA  
Vice-President Finance and Administration

# Auditor's Report

## Independent Auditor's Report



To the Governors of Athabasca University

### Report on the Financial Statements

I have audited the accompanying financial statements of Athabasca University, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Athabasca University as at March 31, 2016, and the results of its operations, its remeasurement gains and losses, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*[Original signed by Merwan N. Saher, FCPA, FCA]*

Auditor General

May 27, 2016

Edmonton, Alberta

# Athabasca University

## Statement of Financial Position

As at March 31, 2016  
(thousands of dollars)

	2016	2015
		Restated (Note 3)
<b>Financial Assets</b>		
Cash and cash equivalents (Note 4)	\$ 2,729	\$ 3,877
Portfolio investments - non-endowment (Note 5)	35,833	35,391
Portfolio investments - restricted for endowments (Note 5)	3,417	3,658
Accounts receivable (Note 7)	1,859	2,983
Inventories for resale	1,710	1,986
	<u>45,548</u>	<u>47,895</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	10,030	9,794
Employee future benefit liabilities (Note 9)	21,095	21,124
Deferred revenue (Note 10)	23,441	24,024
	<u>54,566</u>	<u>54,942</u>
<b>Net debt</b>	<b>\$ (9,018)</b>	<b>\$ (7,047)</b>
<b>Non financial assets</b>		
Tangible capital assets (Note 8)	56,948	58,822
Prepaid expenses	2,118	1,669
	<u>59,066</u>	<u>60,491</u>
<b>Net assets before deferred capital contributions</b>	<b>\$ 50,048</b>	<b>\$ 53,444</b>
Spent deferred capital contributions (Note 11)	43,218	44,763
<b>Net assets</b>	<b>\$ 6,830</b>	<b>\$ 8,681</b>
<b>Net assets is comprised of:</b>		
Accumulated surplus (Note 12)	6,442	6,972
Accumulated remeasurement gains	388	1,709
	<u>\$ 6,830</u>	<u>\$ 8,681</u>

Contractual obligations (Note 13)

Approved by the Board of Governors: (Note 19)

*Original signed by Margaret Mrazek*

Margaret Mrazek, Q.C.  
Interim Chair, Board of Governors

*Original signed by Colette Miller*

Colette Miller, FCA, ICD.D  
Chair, Audit Committee

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

# Athabasca University

## Statement of Operations

Year ended March 31, 2016  
(thousands of dollars)

	Budget 2016	Actual 2016	Actual 2015
	(Note 14)		Restated (Note 3)
<b>Revenue</b>			
Government of Alberta grants (Note 16)	\$ 42,516	\$ 46,424	\$ 44,994
Student tuition and fees	67,375	65,952	64,989
Sales of services and products	15,362	15,531	15,277
Federal and other government grants	1,865	1,943	2,475
Investment income	1,060	1,545	1,481
Donations and other grants	1,116	1,245	1,809
	<u>129,294</u>	<u>132,640</u>	<u>131,025</u>
<b>Expense</b>			
Instruction and non-sponsored research	75,379	74,771	70,619
Academic and student support	14,779	16,168	12,295
Institutional support	14,197	11,750	13,918
Sponsored research and special purpose	3,671	9,096	6,199
Computing and communication	7,187	8,944	9,421
Ancillary services	9,330	7,279	8,627
Facility operations and maintenance	4,751	5,199	7,450
	<u>129,294</u>	<u>133,207</u>	<u>128,529</u>
<b>Annual operating (deficit) surplus</b>	-	(567)	2,496
Endowment contributions and capitalized investment income (Note 12)	-	37	387
<b>Annual surplus (deficit)</b>	-	(530)	2,883
<b>Accumulated surplus, beginning of year</b>	6,585	6,972	4,089
<b>Accumulated surplus, end of year</b>	<u>\$ 6,585</u>	<u>\$ 6,442</u>	<u>\$ 6,972</u>

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



# Athabasca University

## Statement of Change in Net Debt

Year ended March 31, 2016  
*(thousands of dollars)*

	Budget 2016	Actual 2016	Actual 2015
<b>Annual (deficit) surplus</b>	\$ -	\$ (530)	\$ 2,883
Acquisition of tangible capital assets	(5,763)	(4,274)	(6,284)
Proceeds from sale of tangible capital assets	-	3	15
Amortization of tangible capital assets	5,180	6,148	5,209
(Gain) loss on sale of tangible capital assets	-	(3)	100
Change in prepaid expenses	-	(449)	(132)
Change in spent deferred capital contributions	(1,993)	(1,545)	(1,027)
Net accumulated remeasurement (losses) gains	-	(1,321)	848
<b>(Decrease) increase in net debt</b>	(2,576)	(1,971)	1,612
<b>Net debt, beginning of year</b>	(12,224)	(7,047)	(8,659)
<b>Net debt, end of year</b>	\$ (14,800)	\$ (9,018)	\$ (7,047)

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

# Athabasca University

## Statement of Remeasurement Gains and Losses

Year ended March 31, 2016  
*(thousands of dollars)*

	2016	2015
Accumulated remeasurement gains, beginning of year	\$ 1,709	\$ 861
Unrealized (losses) gains attributable to:		
Portfolio investments - non endowment	(1,337)	1,039
Amounts reclassified to the statement of operations:		
Portfolio investments -non endowment	16	(191)
	(1,321)	848
Accumulated remeasurement gains, end of year	\$ 388	\$ 1,709
Accumulated remeasurement gains is comprised of:		
Portfolio investments - non endowment	\$ 388	\$ 1,709

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

# Athabasca University

## Statement of Cash Flows

Year ended March 31, 2016  
(thousands of dollars)

	2016	2015
		Restated (Note 3)
<b>Operating transactions</b>		
Annual (deficit) surplus	\$ (530)	\$ 2,883
Add (deduct) non-cash items:		
Amortization of tangible capital assets	6,148	5,209
Expended capital recognized as revenue	(3,607)	(3,394)
(Gain) loss on disposal of tangible capital assets, net	(3)	100
Decrease in employee future benefit liabilities	(29)	(1,297)
Change in non-cash items	2,509	618
Decrease (increase) in accounts receivable	1,124	(705)
Decrease in inventories for resale	276	587
Increase in accounts payable and accrued liabilities	235	767
Decrease in deferred revenue	(304)	(1,212)
Increase in spent deferred capital contribution, less expended capital recognized as revenue	2,062	2,002
Increase in prepaid expenses	(449)	(132)
Cash provided by operating transactions	4,923	4,808
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(4,274)	(6,284)
Proceeds on sale of tangible capital assets	3	15
Cash applied to capital transactions	(4,271)	(6,269)
<b>Investing transactions</b>		
Purchases of investments	(1,800)	(1,700)
Proceeds on sale of portfolio investments	-	3,029
Cash (used in) provided by investing transactions	(1,800)	1,329
Decrease in cash and cash equivalents	(1,148)	(132)
Cash and cash equivalents, beginning of year	3,877	4,009
Cash and cash equivalents, end of year	\$ 2,729	\$ 3,877

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

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 1 Authority and Purpose

The Governors of Athabasca University is a corporation which manages and operates Athabasca University (“the University”) under the *Post-secondary Learning Act* (Alberta), and the Athabasca University Regulation (Alberta Regulation 50/2004). All members of the Board of Governors are appointed by either the Lieutenant Governor in Council or the Minister of Innovation and Advanced Education, with the exception of the President, who is an ex officio member. Under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, the University is a comprehensive academic and research institution offering undergraduate and graduate degree programs through distance education. The University is a registered charity, and under section 149 of the Income Tax Act (Canada), is exempt from the payment of income tax.

### 2 Summary of Significant Accounting Policies and Reporting Practices

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

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. University administration uses judgment to determine such estimates. Employee future benefit liabilities, amortization of tangible capital assets, and the revenue recognition for expended capital are the most significant items based on estimates. In 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) Valuation of Financial Assets and Liabilities

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

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

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

When the restricted nature of a financial instrument and any related changes in fair value create a liability, unrealized gains and losses are recognized as deferred revenue.

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

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

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

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

#### (b) Valuation of Financial Assets and Liabilities (continued)

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

#### (c) Revenue Recognition

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

##### Government grants, non-government grants and donations

Government transfers are referred to as government grants.

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

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

In kind donations of services, materials and tangible capital assets are recorded at fair value when a fair value can reasonably be determined. Transfers of tangible capital assets from related parties are recorded at the carrying value. While volunteers as well as members of the staff of the University contribute a significant amount of time each year to assist the University in carrying out its mission, the value of their services is not recognized in the financial statements because fair value cannot be reasonably determined.

##### Grants and donations related to land

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

An in-kind contribution of land is recognized as revenue at the fair value of the land when a fair value can be reasonably determined. When the fair value cannot be reasonably determined the in-kind contribution is recorded at nominal value.

##### Endowments

Endowments consist of externally restricted donations received by the University, the principal of which is required to be maintained intact in perpetuity.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors. The primary investment objective is to ensure all funds are prudently invested in accordance with the investment policy, and that investments are selected to match the anticipated cash flow requirements and investment objectives of the University. These goals necessitate incurring generally accepted investment risks through ownership of financial securities.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

#### (c) Revenue Recognition (continued)

##### Endowments (continued)

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

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

Endowment contributions and associated investment income capitalized are recognized in the statement of operations in the period received.

The unrealized gains and losses attributable to restricted endowment portfolio investments are recognized as deferred revenue.

##### Investment Income

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

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

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

#### (d) Inventories

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

#### (e) Tangible Capital Assets

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

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

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

Buildings	40 years
Site improvements	10 - 25 years
Computer hardware and software	3 - 10 years
Furniture and equipment	5 - 20 years
Leasehold improvements	lesser of 5 years or lease term
Library resources	10 years

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

#### (e) Tangible Capital Assets (continued)

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

Works of art, cultural and historical properties, and archival materials are expensed when acquired and not recognized as tangible capital assets.

#### (f) Foreign Currency Translation

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

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

#### (g) Employee Future Benefits

##### Pension

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

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

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

##### Administrative Leave

For the Administrative Leave Plan, the cost of benefits earned by employees is actuarially determined using the projected benefit method, prorated on service and management's best estimate of salary escalation. Net actuarial gains (losses) are recognized immediately in the statement of operations.

##### Extended Health and Dental Care

For the Extended Health and Dental Care Plans, the costs of benefits earned by employees are the actual claims paid during the period, the insurer's cost of administration (net of interest), plus the year-over-year change in the estimate for any claims that may have occurred but have not been paid. The net change is recorded as an expense or recovery in the statement of operations.

##### Life Insurance, Short Term Disability, and Long Term Disability

For the Life and Dependent Life Insurance, Weekly Indemnity and Long Term Disability Plans, the cost of the employee future benefit, if any, is not reflected. Future premium rates are negotiated annually. Rate adjustments are determined based on a combination of the insurer's manual rate and the University's actual claims experience over the past five years. Any plan assets resulting from the surplus or deficit of the plans are attributed to the insurer.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

#### (h) Expense by function

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

##### Instruction and non-sponsored research

Expenses relating to the academic activities supporting innovative learning, programming, and teaching. This function also includes expenses incurred by faculty and within academic departments for their scholarly and non-sponsored research activities.

##### Academic and student support

Expenses relating to activities directly supporting the academic functions and support of the student body. Includes expenses incurred by the library and centralized administrative activities supporting students such as registry, counseling services and scholarship awards.

##### Institutional support

Expenses relating to administration, governance, public relations and marketing, alumni relations, fund development, finance, human resources and any other centralized university-wide administrative services.

##### Ancillary services

Expenses relating to the provision of course materials to students, including textbooks (print or electronic) and other learning resources, print production materials, shipping and handling.

##### Computing and communication

Expenses relating to the delivery and support of centralized core computing, networks, data communication, and other information technology activities. Includes operations, maintenance, and amortization of information technology systems.

##### Facility operations and maintenance

Expenses relating to the operation and maintenance of all University facilities (owned or leased) that house the teaching, research and administrative activities. Includes utilities, rental costs, facilities administration, building maintenance, custodial services, grounds keeping, major repairs and renovations, and amortization of building and facility related equipment.

##### Sponsored research and special purpose

Expenses specifically funded by externally restricted grants and donations; sponsored research activities and expenses for student scholarships, bursaries, and other initiatives involving teaching and learning, and community service.

#### (i) Future Accounting Changes

In March 2015 the Public Sector Accounting Board issued the following two accounting standards that are effective for fiscal years starting on or after April 1, 2017.

- PS2200 - Related Party Disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS3420 - Inter-entity Transactions establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

In June 2015 the Public Sector Accounting Board issued the following three accounting standards that are effective for fiscal years starting on or after April 1, 2017.

- PS3210 - Assets provides guidance for applying the definition of assets set out in PS1000, Financial statement concepts, and establishes general disclosure standards for assets.
- PS3320 - Contingent Assets defines and establishes disclosure standards for contingent assets.
- PS3380 - Contractual Rights defines and establishes disclosure standards on contractual rights.



# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

#### (i) Future Accounting Changes (continued)

In June 2015 the Public Sector Accounting Board issued the following accounting standard that is effective for fiscal years starting on or after April 1, 2018.

- PS3430 - Restructuring Transactions defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

University administration is currently assessing the impact of these new standards on the financial statements. The University discloses transactions and balances related to the Government of Alberta on Note 16.

### 3 Changes in Accounting Policies

#### (a) Adoption of the Net Debt Model

The net debt model (with reclassification of comparatives) has been adopted for the presentation of financial statements. Net financial assets or net debt is measured as the difference between the University's financial assets and liabilities.

The effect of this change results in changing the presentation of the statement of financial position and adding the statement of change in net debt.

#### (b) Endowment contributions and capitalized investment income

Effective April 1, 2015, endowment contributions and associated investment income capitalized are recognized in the statement of operations in the year in which they are received. In prior years, such transactions were recognized as direct increases to endowment net assets in the statement of financial position in the year received. This change in accounting policy is applied retroactively with restatement of comparatives.

These changes have been applied retrospectively with restatement of comparative numbers. The impact on the prior year's financial statements as a result of the change in accounting policy is as follows:

	2015			
	Previously Recorded	Change in accounting policy (a)	Change in accounting policy (b)	Restated
Increase (decrease) in:				
Statement of Financial Position				
Endowments	\$ 3,159	(2,772)	(387)	-
Accumulated surplus	\$ 3,813	2,772	387	6,972
Statement of Operations				
Endowment contributions and capitalized investment income	\$ -	-	387	387
Annual surplus	\$ 2,496	-	387	2,883

### 4 Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposit, money market funds, short term notes and treasury bills, with a maximum maturity of ninety days at date of purchase.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 5 Portfolio Investments

	2016	2015
Portfolio investments - non-endowment	\$ 35,833	\$ 35,391
Portfolio investments - restricted for endowments	3,417	3,658
	<u>\$ 39,250</u>	<u>\$ 39,049</u>

All of the University's investments are in units of pooled investment funds and are valued based upon quoted prices in active markets for identical investments. The composition and fair value are as follows:

	2016			
	Level 1	Level 2	Level 3	Total
Pooled Investment Funds				
Bonds listed in active market	\$ 30,355	-	-	\$ 30,355
Equities listed in active market	6,470	-	-	6,470
Money Market Funds	2,425	-	-	2,425
Total Investments	<u>\$ 39,250</u>	<u>-</u>	<u>-</u>	<u>\$ 39,250</u>
	2015			
	Level 1	Level 2	Level 3	Total
Pooled Investment Funds				
Bonds listed in active market	\$ 30,186	-	-	\$ 30,186
Equities listed in active market	6,072	-	-	6,072
Money Market Funds	2,791	-	-	2,791
Total Investments	<u>\$ 39,049</u>	<u>-</u>	<u>-</u>	<u>\$ 39,049</u>

The fair value measurements are derived from:

Level 1: Quoted prices in active markets for identical assets or liabilities.

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

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

The average effective yields and the terms to maturity are as follows:

- Money Market pooled funds: 1.71%; term to maturity: less than one year.
- Pooled funds of government and corporate bonds: 2.44%; terms to maturity: range from less than one year to more than 10 years.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 5 Portfolio Investments (continued)

In addition to unrealized gains and losses on unrestricted funds, as reported on the statement of remeasurement gains and losses, the accumulated unrealized gains and losses on restricted funds are as follows:

	2016	2015
Net unrealized gains, beginning of year	\$ 499	\$ 443
Unrealized (losses) gains attributable to:		
Portfolio investments - restricted for endowments	(278)	56
Net unrealized gains, end of year, recorded in deferred revenue	\$ 221	\$ 499

### 6 Financial Risk Management

The University is exposed to the following risks:

#### Market risk

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

The University's portfolio is sensitive to an increase or decrease in market prices. At March 31, 2016, if market prices had a 5% increase or decrease with all other variables held constant, the increase or decrease in remeasurement gains and losses and deferred revenue for the year would have been a total of \$1,963 (2015 - \$1,952).

#### Credit risk

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

The University has indirectly invested in debt securities with the following credit ratings and percentages of the total investment fund:

	2016	2015
Credit rating		
AAA	43%	44%
AA	5%	7%
A	27%	25%
BBB	9%	9%
	84%	85%

#### Liquidity risk

The University manages liquidity risk; the risk of encountering difficulty in meeting short-term financial obligations that require cash settlement, by maintaining a portfolio of short-term investments with rolling maturity dates.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 6 Financial Risk Management (continued)

#### Interest rate risk

The University invests in units of pooled investment funds. Indirectly the University is exposed to risks associated with interest rate fluctuation and volatility. Interest rate risk is the risk to the University's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates. This risk is managed by managing the term to maturity of certain fixed income securities that the University holds.

The maturity of the interest bearing investments held in pooled funds are as follows:

	Less than 1 year	1 to 5 years	Greater than 5 years
Money Market Funds	\$ 2,425	\$ -	\$ -
Bonds listed in active market	\$ 279	\$ 14,928	\$ 15,148

The impact on the statement of remeasurement gains and losses of a change in interest rates on those pooled investment funds which are primarily invested in fixed income debt instruments is as follows:

	0.50% decrease.	0.25% decrease	0.25% increase	0.50% increase
Dollar value change	\$ 775	\$ 387	\$ (387)	\$ (775)

#### Foreign currency risk

The University invests primarily in Canadian dollar denominated securities and therefore has minimal exposure to currency risk.

### 7 Accounts Receivable

	2016	2015
Accounts receivable	\$ 1,788	\$ 2,891
Other receivable	71	92
Less provision for doubtful accounts	-	-
	<u>\$ 1,859</u>	<u>\$ 2,983</u>

Accounts receivable are unsecured and non-interest bearing. Other receivables are secured and interest bearing.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 8 Tangible Capital Assets

	2016					2015	
	Land	Buildings and site improvements	Computer hardware and software	Furniture and equipment	Leasehold improvements and library resources	Total	Total
<b>Cost</b>							
Beginning of year	\$ 1,565	61,946	35,517	7,607	7,915	\$ 114,550	\$ 109,899
Acquisitions	-	12	3,812	386	64	4,274	6,284
Disposals, including write-downs	-	-	-	-	(363)	(363)	(1,633)
	<u>\$ 1,565</u>	<u>61,958</u>	<u>39,329</u>	<u>7,993</u>	<u>7,616</u>	<u>118,461</u>	<u>114,550</u>
<b>Accumulated amortization</b>							
Beginning of year	\$ -	23,838	19,866	5,245	6,779	\$ 55,728	\$ 52,037
Amortization expense	-	1,608	3,750	545	245	6,148	5,209
Effects on disposals, including write-downs	-	-	-	-	(363)	(363)	(1,518)
	<u>\$ -</u>	<u>25,446</u>	<u>23,616</u>	<u>5,790</u>	<u>6,661</u>	<u>61,513</u>	<u>55,728</u>
<b>Net book value at March 31, 2016</b>	<u>\$ 1,565</u>	<u>36,512</u>	<u>15,713</u>	<u>2,203</u>	<u>955</u>	<u>\$ 56,948</u>	
<b>Net book value at March 31, 2015</b>	<u>\$ 1,565</u>	<u>38,108</u>	<u>15,651</u>	<u>2,362</u>	<u>1,136</u>		<u>\$ 58,822</u>

Included in computer hardware and software is \$6,801 (2015 - \$4,471) and in furniture and equipment is \$0 (2015 - \$274) recorded as work in progress, that is not amortized as the assets are not yet available for use.

The University holds a number of works of art, cultural and historical properties, and archival materials. These items are expensed when acquired and therefore not included in tangible capital assets.

No interest was capitalized by the University in 2015-2016. Write-downs in the amount of \$0 (2015 - \$115) are included within disposals for 2015-2016.

### 9 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2016	2015
Universities Academic Pension Plan (UAPP)	\$ 19,110	\$ 19,179
Administrative leave plan	1,985	1,945
	<u>\$ 21,095</u>	<u>\$ 21,124</u>

#### (a) Defined Benefit Plans accounted for on a defined benefit basis

##### Universities Academic Pension Plan (UAPP)

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic and professional staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2014. This was then extrapolated to the plan's year end of December 31, 2015 and further extrapolated to the University's year end of March 31, 2016. The University's portion of the UAPP deficit has been allocated based on its percentage of the plan's total employer contributions for the year.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 9 Employee Future Benefit Liabilities (continued)

#### (a) Defined Benefit Plans accounted for on a defined benefit basis (continued)

##### Universities Academic Pension Plan (UAPP) (continued)

The UAPP unfunded deficit for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2015 - 1.25%) of total salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 3.54% (2015 - 2.87%) of total salaries required to eliminate the unfunded deficit by December 31, 2043. The Government of Alberta's obligation for the future additional contributions was \$280,477 at March 31, 2016 (2015 - \$313,536). The unfunded deficit for service after December 31, 1991 is financed by special payments of 4.93% (2015 - 5.79%) of pensionable earnings until December 31, 2021 then 1.71% (2015 - 1.71%) for 2022 and 2023, and 0.70% (2015 - 0.70%) for 2024 and 2025, and 0.25% (2015 - 0.25%) for 2026 and 2027, all shared equally between employees and employers.

The University's expense and financial position of the UAPP defined benefit plan is as follows:

	2016	2015
Financial Operations		
Expense		
Current service cost	\$ 4,469	\$ 3,951
Interest cost	1,401	1,362
Amortization of net actuarial gain (loss)	223	(26)
Total expense	<u>\$ 6,093</u>	<u>\$ 5,287</u>
Financial Position		
Accrued benefit obligation:		
Balance, beginning of year	\$ 115,147	\$ 102,050
Current service cost	4,469	3,951
Interest cost	7,138	6,843
Benefits paid	(5,184)	(4,638)
Actuarial (gain) loss	(6,234)	6,941
Balance, end of year	<u>115,336</u>	<u>115,147</u>
Plan assets	<u>(100,005)</u>	<u>(93,560)</u>
Plan deficit	15,331	21,587
Unamortized net actuarial gain (loss)	3,779	(2,408)
Accrued benefit liability	<u>\$ 19,110</u>	<u>\$ 19,179</u>

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 9 Employee Future Benefit Liabilities (continued)

#### (a) Defined Benefit Plans accounted for on a defined benefit basis (continued)

##### Universities Academic Pension Plan (UAPP) (continued)

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

	2016	2015
Accrued benefit obligation:		
Discount rate	6.00%	6.10%
Average compensation increase	3.00%	3.50%
Benefit cost:		
Discount rate	6.00%	6.10%
Average compensation increase	3.00%	3.50%
Alberta inflation:		
Year 1;	2.00%	2.25%
Years 2 and thereafter	2.00%	2.25%
Estimated average remaining service life:	10.8 years	8.6 years

##### Administrative Leave Plan

The University's Administrative Leave Plan has no plan assets. The University has provided for the plan by accruing a benefit obligation of \$1,985 (2015 - \$1,945) in employee future benefit liabilities. An actuarial valuation of these benefits was carried out as at March 31, 2016. The University plans to use its working capital to finance these future obligations.

The expense and financial position of the Administrative Leave Plan is as follows:

	2016	2015
Financial Operations		
Expense		
Current service cost	\$ 384	\$ 403
Interest cost	82	51
Amortization of net actuarial losses	(54)	(181)
Total expense	\$ 412	\$ 273
Financial Position		
Accrued benefit liability:		
Balance, beginning of year	\$ 1,945	\$ 2,446
Current service cost	384	403
Interest cost	82	51
Benefits paid	(372)	(774)
Actuarial gain	(54)	(181)
Balance, end of year	\$ 1,985	\$ 1,945

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 9 Employee Future Benefit Liabilities (continued)

#### (a) Defined Benefit Plans accounted for on a defined benefit basis (continued)

##### Administrative Leave Plan (continued)

The significant actuarial assumptions adopted in measuring the University's Administrative Leave Plan are as follows:

	2016	2015
Discount rate	2.11%	3.84%
Rate of compensation increase		
First year	2.00%	2.00%
Subsequent years	2.00%	2.00%
Average remaining service period of active employees	6 years	5 years
Retirement age	65	62

#### (b) Defined Benefit Plan accounted for on a defined contribution basis

##### Public Service Pension Plan (PSPP)

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members. As the University does not have sufficient information to follow the accounting standards for defined benefit plans, it is accounted for on a defined contribution basis. The pension expense recorded in these financial statements is \$1,505 (2015 - \$1,371).

An actuarial valuation of the PSPP was carried out as at December 31, 2014 and was then extrapolated to December 31, 2015. At December 31, 2015, the PSPP financial statements reported an actuarial deficit of \$133,188 (2014 - \$803,299). For the year ended December 31, 2015, PSPP reported employer contributions of \$347,759 (2014 - \$326,134). For the 2015 calendar year, the University's employer contributions were \$1,401 (2014 - calendar year - \$1,436). The PSPP's deficit is being discharged through additional contributions from both employees and employers until 2026. Other than the requirement to make all additional contributions, the University does not bear any risks related to the PSPP deficit.

### 10 Deferred Revenue

Deferred revenue is comprised of unspent externally restricted grants and donations, unearned tuition and other fees. Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement.

	2016			2015	
	Research and special purpose	Unspent deferred capital contributions	Tuition and other fees	Total	Total
Balance, beginning of year	\$ 9,098	\$ -	\$ 14,926	\$ 24,024	\$ 25,545
Grants, tuition, donations received	6,587	-	50,461	57,048	56,183
Restricted investment income	147	-	-	147	96
Unrealized (loss) gain (Note 5)	(278)	-	-	(278)	56
Transfers to spent deferred capital contributions (Note 11)	(2,062)	-	-	(2,062)	(2,367)
Recognized as revenue	(4,967)	-	(50,471)	(55,438)	(55,479)
Other	-	-	-	-	(10)
Balance, end of year	\$ 8,525	\$ -	\$ 14,916	\$ 23,441	\$ 24,024



# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 11 Spent Deferred Capital Contributions

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

	2016	2015
Spent deferred capital contributions, beginning of year	\$ 44,763	\$ 45,790
Transfers from unspent deferred capital contributions	-	365
Transfers from deferred research and special purpose	2,062	2,002
Expended capital recognized as revenue	(3,607)	(3,394)
Spent deferred capital contributions, end of year	<u>\$ 43,218</u>	<u>\$ 44,763</u>

### 12 Accumulated Surplus

Accumulated surplus is comprised of the following:

	Accumulated deficit from operations	Investment in tangible capital assets <sup>(1)</sup>	Endowments	Total accumulated surplus
Balance as at March 31, 2014	\$ (10,755)	\$ 12,072	\$ 2,772	\$ 4,089
Annual surplus	2,883	-	-	2,883
Transfer to (from) endowments	(387)	-	387	-
Amortization of internally funded tangible capital assets	1,815	(1,815)	-	-
Net book value of tangible capital assets disposals	115	(115)	-	-
Internally funded acquisition of tangible capital assets	(3,918)	3,918	-	-
Balance as at March 31, 2015	<u>(10,247)</u>	<u>14,060</u>	<u>3,159</u>	<u>6,972</u>
Annual deficit	(530)	-	-	(530)
Transfer to (from) endowments	(37)	-	37	-
Amortization of internally funded tangible capital assets	2,541	(2,541)	-	-
Net book value of tangible capital assets disposals	-	-	-	-
Internally funded acquisition of tangible capital assets	(2,212)	2,212	-	-
Balance as at March 31, 2016	<u>\$ (10,485)</u>	<u>\$ 13,731</u>	<u>\$ 3,196</u>	<u>\$ 6,442</u>

<sup>(1)</sup> Investment in tangible capital assets represents the amount of the University's accumulated operating surplus that has been invested in the University's capital assets.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 13 Contractual Obligations

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

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

	Service Contracts	Capital Projects	Information Systems and Technology	Long-term Leases	Total
2017	\$ 8,871	\$ -	\$ 1,610	\$ 1,090	\$ 11,571
2018	605	-	86	737	1,428
2019	716	-	2	746	1,464
2020	-	-	-	743	743
2021	-	-	-	61	61
Thereafter	-	-	-	-	-
	<u>\$ 10,192</u>	<u>\$ -</u>	<u>\$ 1,698</u>	<u>\$ 3,377</u>	<u>\$ 15,267</u>

### 14 Budget Figures

The University's 2015-2016 budget figures have been provided for comparison purposes. The amounts have been approved by the Board of Governors and were presented to the Minister of Advanced Education as part of the University's 2015-2018 Comprehensive Institutional Plan.

The following table provides the amounts derived from the 2015-2016 budget, expense by object, reconciled to expense by function:

Function	Instruction and non- sponsored research	Academic and student support	Institutional support	Ancillary services	Computing and communication	Facility operations and maintenance	Sponsored research and special purpose	Total
Salaries	\$ 50,664	9,330	4,538	534	4,089	1,100	1,499	\$ 71,754
Employee benefits	10,261	2,316	1,028	137	931	254	255	15,182
Fees and purchased services	8,421	1,959	2,630	369	1,725	1,246	329	16,679
Cost of goods sold	1,260	-	-	8,246	-	-	-	9,506
Materials and supplies	1,692	786	374	16	408	71	224	3,571
Communications and travel	2,644	251	415	28	34	19	151	3,542
Rental, insurance, and utilities	432	137	30	-	-	2,061	-	2,660
Amortize capital assets	-	-	5,180	-	-	-	-	5,180
Scholarships	5	-	2	-	-	-	1,213	1,220
Expense Budget Total	<u>\$ 75,379</u>	<u>14,779</u>	<u>14,197</u>	<u>9,330</u>	<u>7,187</u>	<u>4,751</u>	<u>3,671</u>	<u>\$ 129,294</u>

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 15 Expense by Object

The following is a summary of expense by object.

	2016		2015
	Budget (Note 14)	Actual	Actual
Salaries <sup>(1)</sup>	\$ 71,754	\$ 75,625	\$ 71,808
Employee benefits	15,182	15,443	13,685
Fees and purchased services	16,679	17,692	18,797
Cost of goods sold	9,506	7,718	8,482
Materials and supplies	3,571	3,839	3,833
Communications and travel	3,542	3,238	3,281
Rental, insurance and utilities	2,660	2,387	2,406
Amortization of tangible capital assets	5,180	6,148	5,209
Scholarships and bursaries	1,220	1,117	1,028
	<u>\$ 129,294</u>	<u>\$ 133,207</u>	<u>\$ 128,529</u>

<sup>(1)</sup> Includes \$310 (2015 - \$534) termination benefits as defined under PSA Handbook section 3255.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 16 Government of Alberta Transactions and Balances

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

	2016	2015
Grants from Government of Alberta		
Advanced Education:		
Operating	\$ 40,525	\$ 39,432
Infrastructure Maintenance Program	1,793	1,340
Access to the Future Fund	-	1,120
Other	551	70
Total Advanced Education	42,869	41,962
Other Government of Alberta departments and agencies:		
Health	846	329
Economic Development and Trade	665	705
Treasury Board and Finance	404	416
Culture and Tourism	75	94
Education	-	50
Total other Government of Alberta departments and agencies	1,990	1,594
Total grants received	44,859	43,556
Add deferred revenue	1,565	1,438
Total grants from Government of Alberta	\$ 46,424	\$ 44,994
Accounts receivable		
Advanced Education	\$ -	\$ -
Other Government of Alberta departments and agencies	36	220
Other post-secondary institutions	-	-
	\$ 36	\$ 220
Accounts payable		
Advanced Education	\$ 5	\$ 5
Other Government of Alberta departments and agencies	15	-
Other post-secondary institutions	93	70
	\$ 113	\$ 75

The GOA has provided \$0 (2015 - \$250) in matching grants for externally restricted endowment contributions during the year.

In addition to the grants listed above, the University received \$248 (2015 - \$340) from the Ministry of Culture and Tourism, included in sales of services and products, for a service agreement to assist with the delivery of a specific program.

The University has \$12 (2015 - \$187) of contractual obligations with other post-secondary institutions for service and lease agreements that will become liabilities in the future when the terms of the agreements are met.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(thousands of dollars)

### 17 Salary and Employee Benefits

	2016				2015
	Base Salary <sup>(2)</sup>	Cash Benefits <sup>(3)</sup>	Non-cash Benefits <sup>(4)</sup>	Total	Total
<b>Governance</b> <sup>(1)</sup>					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	-	-	-
<b>Executive Officers</b>					
President	360	-	17	377	394
Vice-Presidents:					
Vice-President Academic	250	1	86	337	352
Vice-President Advancement	214	32	65	311	344
Vice-President Finance and Administration	248	18	85	351	372
Vice-President Information Technology and CIO	203	13	37	253	258

<sup>(1)</sup> The Chair and the 14 members (2015 – 14) of the Board of Governors receive no remuneration for participation on the Board.

<sup>(2)</sup> Base salary is pensionable and includes pay for vacation time taken.

<sup>(3)</sup> Cash benefits include, if applicable, earnings such as vacation payouts, amounts to compensate for the UAPP salary cap, and other nonpensionable direct cash payments including severance.

<sup>(4)</sup> Non-cash benefits include the employer's share of all employee benefits and contribution payments made on behalf of employees for pension, extended health care, dental, vision, group life insurance, accidental death and dismemberment insurance, and long and short-term disability plans. Non-cash benefits for the President include a taxable benefit for a rent allowance. Non-cash benefits for some of the executive include memberships and the employer's current year expense (current service cost, the related net actuarial gains or losses and adjustments for past service accrued at current salary rates) of Administrative Leave Plan.

The current service cost and accrued obligation for each executive officer under the Administrative Leave Plan as of March 31, 2016 is outlined in the following table:

	Accrued Obligation March 31, 2015	Service Costs	Interest and other costs	Payments	Actuarial loss (gain)	Accrued Obligation <sup>(5)</sup> March 31, 2016
President	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vice-Presidents:						
Vice-President Academic	172	46	8	-	(4)	222
Vice-President Advancement	225	42	10	(18)	(4)	255
Vice-President Finance and Administration	182	48	9	-	(4)	235
Vice-President Information Technology and CIO	26	11	2	-	(8)	31

<sup>(5)</sup> The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 9.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31, 2016  
(*thousands of dollars*)

### **18 Comparative Figures**

Certain 2015 figures have been reclassified to conform to the presentation in the 2016 financial statements.

### **19 Approval of Financial Statements**

The financial statements were approved by the Board of Governors of Athabasca University.



# Athabasca University

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