



Athabasca  
University

**ANNUAL REPORT**

to Alberta Enterprise  
and Advanced Education

For the year ended March 31, 2013

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## ACCOUNTABILITY STATEMENT

Athabasca University's Annual Report for the year ended March 31, 2013, was prepared under the direction of the Governors of Athabasca University in accordance with the *Government Accountability Act* and ministerial guidelines established pursuant to the *Government Accountability Act*. All material economic, environmental or fiscal implications of which we are aware have been considered in the preparation of this report.

*Original signed by Barry Walker*

Barry Walker, FCA  
Chair  
The Governors of Athabasca University

September 13, 2013

## 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, reliable financial records are maintained and assets are properly accounted for and safeguarded.

The Annual Report has been developed under the oversight of the Board of Governors' Audit Committee and approved by the Board and is prepared in accordance with the *Government Accountability 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 in accordance with generally accepted accounting principles.

*Original signed by Frits Pannekoek*

Frits Pannekoek, PhD  
President

September 13, 2013

*Original signed by Estelle Lo*

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

## MESSAGE FROM THE CHAIR AND PRESIDENT

Athabasca University's international reputation for providing high-quality, flexible learning opportunities when and where learners need them remains strong. In 2012-13, the university continued the transitional process of the past decade, that of evolving from a print-based open learning environment to an innovative digital open e-learning environment, one that personalizes learning to an even higher degree.

AU continues to restructure its courses and programs to meet the needs of contemporary learners, who are accustomed to finding information online and who seek learning that addresses their immediate professional needs. The university has undertaken a major review of courses and programs to ensure that both are evolving to align with learners' expectations, and it is retooling its operations through the innovative use of open educational resources, e-textbooks and digital learning tools. Such initiatives will also further enable participation by students from northern, rural and remote areas, indigenous and immigrant students, and students with disabilities.

Development of the Open Learning Environment, an integrated software platform that includes learning management, content management, exam harmonization, learning analytics and relationship management systems, is ongoing and remains AU's highest capital priority. All student services, including access to courses and digital resources, will eventually be linked through the OLE to help students manage their own learning paths more effectively.

Mission critical research continued over the past year, in areas such as personalization and adaptivity, digital technology innovation, learning analytics and social software applications, and the use of mobile devices. AU researchers in environmental management and chronic disease management have also contributed significantly to Alberta's research goals.

Working with online learning and knowledge-management (educational technology) companies to extend opportunities for knowledge dissemination and transfer has become the focus of innovation activities at AU. Initiatives involving Alberta Innovates corporations, TEC Edmonton and the National Research Council are promoting co-operation and leveraging faculty and graduate student expertise in a variety of areas, including pilot research in application development and deployment with small- and medium-sized enterprises.

Over the past 10 years, AU has transformed itself from an electronically enhanced, print-based university-level distance education provider to an online university offering innovative pre-professional and graduate programs. This transition continues, and AU looks forward with confidence to enhancing its role in Alberta's post-secondary education system to the benefit of Campus Alberta, the provincial economy and lifelong

*Original signed by Barry Walker*

Barry Walker, FCA  
Chair  
The Governors of Athabasca University

*Original signed by Frits Pannekoek*

Frits Pannekoek, PhD  
President  
Athabasca University

# OPERATIONAL OVERVIEW

## Mission<sup>1</sup>

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.

## Mandate<sup>2</sup>

Founded in 1970 and operating as a comprehensive academic and research institution under the authority of the Alberta *Post-secondary Learning Act*, Athabasca University is a public, board-governed, open and distance education university which serves students throughout Alberta, across Canada and around the world.

Working as a partner within Campus Alberta, Athabasca University is committed to collaborating with other key stakeholders to ensure a seamless and responsive advanced education system that provides high-quality learning opportunities in support of lifelong learning.

The university offers a range of courses and programs leading to graduate and undergraduate degrees, certificates and diplomas in the humanities, the social sciences, the sciences, technology, business and the health disciplines.

As an open university, Athabasca University seeks to remove barriers to undergraduate and graduate education. It offers flexible enrolment opportunities for learners, regardless of age, gender, culture, income, disability, career and family obligations, geographic location or educational background. As a distance education university, Athabasca University provides flexibility for lifelong learners who cannot or choose not to undertake residential post-secondary education. The university offers learners the opportunity to interact with students across Canada and around the world through programs in established and emerging areas as it seeks to meet the needs of career professionals, develop research expertise and create knowledge that fosters a global outlook among its graduates.

Athabasca University provides high-quality, interactive learning environments that include a variety of online and other media technologies for individualized and cohort learning. The university's library and tutorial services and extensive student support services that facilitate access and increase learner success are integral aspects of a quality open and distance education system. Similarly, its course designs and technology applications are based on current research in open and distance education, pedagogical advances in lifelong learning and contemporary developments in online learning technologies. The university actively pursues technological innovations that can enhance its teaching, research and administrative functions.

The university provides undergraduate degree completion opportunities for university transfer students and college diploma graduates through credit co-ordination, credit transfer, prior learning assessment and associated forms of learning accreditation. It supports collaborations such as its degree completion agreements with colleges and partnership with Alberta-North. These collaborations, together with its participation in initiatives such as the Canadian Virtual University, reflect Athabasca University's long-standing commitment to adult and lifelong learners, to aboriginal communities, to learners in remote, rural and northern areas, to under-served urban populations and to program students at other universities who seek courses to accelerate degree completion. The university also acquires and maintains accreditation in other Canadian provinces and in appropriate international jurisdictions.

<sup>1</sup> May 1985. Reconfirmed October 2011

<sup>2</sup> Approved by the Minister of Advanced Education and Technology, November 17, 2009

Athabasca University pursues and demonstrates excellence in research and scholarship, viewing research as central to the creation and mobilization of knowledge, the enhancement of its programs, the education of its students, the betterment of its community and the development of its faculty and future scholars. Besides its international reputation for research in all aspects of open and distance education and learning technologies innovation, the university is developing notable strength in interdisciplinary research in several areas such as Canadian studies, globalization and cultural studies, indigenous education, space and environmental sciences, project management, and nursing and health management. Aspects of technological change are integral to many of these theme areas. By supporting and conducting research activity in all program areas, Athabasca University makes significant contributions to cultural, scientific and professional development in Alberta and beyond.

Athabasca University's academic, professional and support staff engage in professional service within the education system at local, provincial, national and international levels. The university encourages its members to serve a wide range of communities through activities such as volunteerism, community based research, involvement in local community organizations and participation in virtual learning communities.

## Governance

AU operates with a bicameral governance system. Members of the Board of Governors are appointed by the Government of Alberta. The Board consists of the chairperson, 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, 2013, the membership of the Board was as follows:

Chair	Barry Walker
Public Members	Rai Batra Dr. William Byrne Diane Davies Heather Kennedy Jill Matthew Andy Neigel Robert Splane 3 vacancies
Executive Officer	Dr. Frits Pannekoek, President
Academic Staff	Dr. Michael Mauws (AU General Faculties Council) 1 vacancy (AU Faculty Association)
Tutor	Dr. Douglas Knight
Non-academic Staff	1 vacancy
Graduate Student	Amanda Nielsen, President, Athabasca University Graduate Students' Association
Undergraduate Students	Bethany Tynes, President, Athabasca University Students' Union Toni Fox, Vice-President External and Student Affairs, Athabasca University Students' Union
Alumni	1 vacancy

## Strategic University Plan

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

- 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 (high-level objectives that will contribute to the achievement of the goal) and measurable key outcomes. Monitoring of these outcomes over the term of the strategic plan will ensure that progress is clear to all stakeholders and that AU can adjust to new challenges and opportunities that may arise during the planning period.

## Core Programs

AU is committed to excellence in teaching, research and scholarship. The integration of research and creative activity with teaching informs its curriculum 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 courses and programs.

During 2012-13, AU offered 816 courses in a broad range of undergraduate and graduate degree, diploma and certificate programs. The university focuses on providing flexibility of access and effective student support.

## Graduate Programs

AU offers the following nine graduate degrees as well as 13 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 22 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 (with a major in anthropology, Canadian studies, English, French, history, humanities, information systems, labour studies, political economy, political science, psychology, sociology or women's 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 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 a major in human science)
- Bachelor of Science in Computing and Information Systems

## Program Completion

AU awarded 1,787 academic credentials, 880 at the graduate level and 907 at the undergraduate level, during 2012-13, a 3.5 per cent increase over the previous year.

	2010-11	2011-12	2012-13
<b>Undergraduate Degrees</b>			
Bachelor of Administration <sup>1</sup>	34	27	27
Bachelor of Arts	127	141	110
Bachelor of Commerce	67	66	67
Bachelor of General Studies	124	109	90
Bachelor of Health Administration	4	8	4
Bachelor of Human Resources and Labour Relations	42	26	50
Bachelor of Management	121	129	111
Bachelor of Nursing	338	190	202
Bachelor of Professional Arts	88	109	107
Bachelor of Science	8	16	21
Bachelor of Science in Computing and Information Systems	9	9	10
<b>Total Undergraduate Degrees</b>	<b>962</b>	<b>830</b>	<b>799</b>
<b>Undergraduate Certificates and Diplomas</b>	<b>65</b>	<b>111</b>	<b>108</b>
<b>Graduate Degrees</b>			
Doctor of Education (Distance Education)	-	-	5
Master of Arts (Integrated Studies)	84	70	103
Master of Business Administration	160	179	174
Master of Counselling	35	59	82
Master of Education (Distance Education)	33	31	34
Master of Health Studies	77	69	78
Master of Nursing	134	138	144
Master of Science (Information Systems)	23	23	38
<b>Total Graduate Degrees</b>	<b>546</b>	<b>569</b>	<b>658</b>
<b>Graduate Certificates and Diplomas</b>	<b>237</b>	<b>216</b>	<b>222</b>
<b>Total Credentials Awarded</b>	<b>1,810</b>	<b>1,726</b>	<b>1,787</b>

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

## Enrolment

Total enrolment at AU increased from 40,403 (7,874 full-load equivalents) in 2011-12 to 40,722 (8,268 full-load equivalents) in 2012-13, an increase of 0.8 per cent. Graduate enrolment grew by 3.8 per cent during the period, undergraduate enrolment by 0.5 per cent. Comparative enrolment figures for the past three years are shown in the following table.

	2010-11	2011-12	2012-13
Undergraduate	35,071	36,451	36,622
Graduate	3,791	3,949	4,100
<b>Total</b>	<b>38,862</b>	<b>40,400</b>	<b>40,722</b>
Growth Rate	1.8%	3.9%	0.8%

Enrolment by undergraduate degree, certificate and diploma program students rose by 6.2 per cent, as shown in the following table.

	2010-11	2011-12	2012-13	Change
Bachelor of Administration <sup>1</sup>	153	121	86	(28.9%)
Bachelor of Arts (4-Year)	847	849	814	(4.1%)
Bachelor of Arts (3-Year)	506	513	550	7.2%
Bachelor of Commerce	898	1,000	1,082	8.2%
Bachelor of General Studies	348	315	349	10.8%
Bachelor of Health Administration	154	166	169	1.8%
Bachelor of Human Resources and Labour Relations	304	353	399	13%
Bachelor of Management (4-Year)	267	300	347	15.7%
Bachelor of Management (3-Year)	684	687	760	10.6%
Bachelor of Nursing (Post-RN)	680	677	685	1.2%
Bachelor of Nursing (Post-LPN)	442	536	634	18.3%
Bachelor of Professional Arts	595	673	688	2.2%
Bachelor of Science	330	306	340	11.1%
Bachelor of Science in Computing and Information Systems	222	256	278	8.6%
Certificate and diploma programs	567	632	662	4.9%
<b>Total</b>	<b>6,997</b>	<b>7,384</b>	<b>7,843</b>	<b>6.2%</b>

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

Enrolment by graduate degree, certificate and diploma program students rose by 2.1 per cent, as shown below.

	2010-11	2011-12	2012-13	Change
Doctor of Business Administration	25	33	30	(9.1%)
Doctor of Education (Distance Education)	35	33	35	6.1%
Master of Arts (Integrated Studies)	504	521	533	2.3%
Master of Business Administration	647	690	673	(2.5%)
Master of Counselling	245	248	299	20.6%
Master of Education (Distance Education)	200	203	228	12.3%
Master of Health Studies	371	366	359	(1.9%)
Master of Nursing	724	812	851	4.8%
Master of Science (Information Systems)	201	197	176	(10.7%)
Certificate and diploma programs	350	317	307	(3.2%)
<b>Total</b>	<b>3,302</b>	<b>3,420</b>	<b>3,491</b>	<b>2.1%</b>

Total course registration by both undergraduate and graduate students also rose as shown in the following table.

	2010-11	2011-12	2012-13
Undergraduate	63,736	66,041	66,441
Graduate	9,472	9,625	9,930
<b>Total</b>	<b>73,208</b>	<b>75,666</b>	<b>76,371</b>
Growth Rate	1%	3.4%	0.9%

Enrolment by Alberta students increased by 2.6 per cent during the reporting period as shown below.

	2010-11	2011-12	2012-13
Undergraduate	12,855	13,570	13,863
Graduate	1,098	1,139	1,224
<b>Total</b>	<b>13,953</b>	<b>14,709</b>	<b>15,087</b>
Growth Rate	4.5%	5.4%	2.6%

International enrolment declined at both the undergraduate and graduate levels in 2012-13.

	2010-11	2011-12	2012-13
Undergraduate	779	803	756
Graduate	128	130	122
<b>Total</b>	<b>907</b>	<b>933</b>	<b>878</b>
Growth Rate	(10.2%)	2.9%	(5.9%)

## Staffing

AU's staff complement increased by 1.6 per cent in the past year. Growth in the work force continued to be restricted by a hiring freeze introduced in 2010 in response to the economic downturn and the resulting freeze in operating grants. At the end of the 2012-13 fiscal year, the university initiated further staffing reductions involving 44 termination notices and 35 resignations through a voluntary Career Transition Program. The following table presents a comparison of staffing complements (full-time equivalents) for the past three years.

	2010-11	2011-12	Change from 2010-11	2012-13	Change from 2011-12
Academic, full-time	183	181	(1.1%)	186	2.8%
Academic, part-time	35	39	11.4%	39	0%
Professional	264	260	(1.5%)	262	0.8%
Management and executive	18	23	27.8%	17	(26.1%)
Support and temporary	286	271	(5.2%)	276	1.8%
Casual	53	68	28.3%	93	36.8%
Tutors	384	371	(3.4%)	360	(3%)
<b>Total</b>	<b>1,223</b>	<b>1,213</b>	<b>(0.8%)</b>	<b>1,233</b>	<b>1.6%</b>

Note: Figures from previous years have been restated to reflect the definition and classification of staff as outlined in *Publicly Funded Post-secondary Accountability Reporting: Overview of Reporting Systems Common Terminology, Definitions and Classifications* (Alberta Advanced Education and Technology, July 2007).

## Facilities

As it is an online and distance education university, AU's physical footprint is considerably smaller than that of Alberta's other Comprehensive Academic Research Institutions; however, its buildings and associated facilities form the nucleus from which core administrative, student support and research functions are conducted. The university operates out of its main campus in Athabasca and three satellite locations in Edmonton, St. Albert and Calgary.

The AU Athabasca campus is home to the Main Campus Building, constructed in 1983, the Academic and Research Centre, completed in 2012, and the Portable Office Complex, a now-vacant temporary structure which housed several departments during building renovations over the past several years. The nearby Tim Byrne Centre (course materials production centre) and the Athabasca University Geophysical Observatory, located 35 km west of Athabasca at Narrow Lake, complete the university's inventory of owned buildings. AU leases all of its facilities in the Greater Edmonton Area and in Calgary.

AU's main Data Centre, containing the central storage, processing and network hubs, is located on the Athabasca campus.

## Collaborations and Partnerships

The diversity of Alberta's educational institutions provides learners with flexibility of choice, and AU plays a particularly strong role in guaranteeing that flexibility. Because of its open admission policies, its flexible learning methods and its long-standing practice of working collaboratively with other institutions, AU continues to play a vital role in the province's post-secondary learning system.

Students registered at other Alberta post-secondary institutions make extensive use of AU's courses and educational services to help them complete their degrees. In the past year, for example, 4,329 students from other Alberta post-secondary institutions, including 2,062 from other CARI universities, took AU courses for degree completion at their home institution. To create pathways to degree completion for students who hold college diplomas, AU has entered into more than 350 agreements and partnerships with colleges and technical institutes in Alberta, across Canada and abroad. Last year, for example, 3,170 college graduates were enrolled in AU degree completion programs.

AU has long-standing collaborative arrangements for providing post-secondary learning in rural and aboriginal communities. The university is a member of eCampusAlberta, a partnership of 16 Alberta post-secondary institutions bringing courses and programs to students provincially. Through this partnership, AU helps to provide facilities, learning technologies and support services at over 80 online CAP sites through which students can receive courses and programs offered by many different post-secondary institutions. AU also collaborates with tribal councils and Alberta aboriginal institutions (e.g., Yellowhead Tribal College, Blue Quills College) to ensure access to university-level study.

AU is a founding member of the Canadian Virtual University, a consortium of 11 Canadian universities with an interest in e-learning. The university also maintains formal collaborative ties with a number of major employers and professional associations.

AU administrators and faculty and staff members engage in discussions with colleagues at other Alberta post-secondary institutions, particularly provincial colleges, as part of their ongoing collaborative work. Through a series of long-established relationships, AU offers its courses and programs, including post-diploma degree completion opportunities, through grouped study (classroom-based courses) at a variety of partner institutions, enabling students to remain in their home communities while pursuing university-level study. In addition to offering courses, AU has liaison staff on site at Medicine Hat College, Grande Prairie Regional College and Lethbridge College and another staff member working with four central Alberta institutions. These liaison offices provide services to students taking AU courses and programs and initiate opportunities for dialogue and relationship building with both college partners and the larger community.

During 2013, AU will relocate its Calgary offices to Bow Valley College's new South Campus Building in downtown Calgary. This partnership will showcase Campus Alberta and provide an example of positive collaboration among Alberta post-secondary institutions. It will benefit students by providing learning experiences at a variety of academic levels in one convenient location accessible by public transportation and by providing options for students to transfer or ladder into university-level programs in both classroom and distance learning environments.

Developing partnerships with corporate Canada is another long-standing focus of AU's collaborative strategy. The university works with a number of Alberta and national corporations and professional organizations on a wide variety of educational and research ventures. Forging new corporate partnership opportunities remains a major focus of AU's Comprehensive Institutional Plan.

## **Major Accomplishments of 2012-13**

The following significant individual and collective achievements were among the highlights of 2012-13 for the AU community.

### **Teaching and Learning**

#### **Graduate Student Conference**

Eighty-nine participants registered for AU's first Graduate Student Conference, held in Edmonton from September 14 to 16, 2012. Participants attended and presented both in person and virtually, through Adobe Connect. Students from all master's and doctoral programs at AU presented either papers or posters.

The conference, on the theme Research and the Knowledge Frontier in an Online Environment, grew out of research that showed that graduate students studying through distance education sometimes felt isolated. An extension of an education series organized by the Faculty of Graduate Studies, it expanded opportunities for AU graduate students to meet each other, to learn about research dissemination and writing for publication and to build a sense of community.

Emphasizing online education, the conference focused on how research can be conducted in a distributed environment and showcased AU graduate student research in progress. Fifty-seven abstracts were submitted by AU students, and all submissions were peer reviewed. Since the conference, some students have successfully submitted abstracts to other conferences. In addition to the student presentations, the conference featured keynote speakers and two panels.

Fifteen international students attended, 11 in-person from as far away as Taiwan, Japan, Belgium, Mexico, India and Brazil, and four virtually. Students presented virtually from Singapore, Nigeria, Australia and Qatar. Owing to the success of the event, a second AU Graduate Student Conference has been scheduled for 2013.

#### **First Chair in Architecture**

Dr. Douglas MacLeod, MRAIC, was selected to serve as the first chair of the Royal Architectural Institute of Canada Centre for Architecture at AU, his appointment taking effect on October 1, 2012. Dr. MacLeod, whose University of Calgary PhD in environmental design included a specialty in computational design, is a visionary leader of architecture and design research and teaching. He is internationally known for his expertise in computational media and regenerative design and has led a number of significant enterprises, including the Canadian Design Research Network, a collaborative initiative involving over 20 Canadian architectural and design schools working with industry, government and academia to raise awareness of architectural design and research.

## Graduate Certificate in IT Management

The Faculty of Science and Technology introduced a new graduate certificate program, the Post-Baccalaureate Certificate in Information Technology Management, in 2012-13. This unique and specialized professional development program is intended for IT professionals who can benefit from a management-oriented curriculum to broaden their understanding of the IT context. Professionals who hold an undergraduate degree in computing science, information systems or related degrees will benefit from this program.

## E-Lab

AU's new e-lab represents one vision of what a virtual university lab might be. It serves many of the practical functions that physical labs have served in the past but also anticipates the future in providing an online environment that encourages new forms of learning and professional growth.

Designed to develop and enhance AU's capacity as an online institution and assist in the transition from a print-based university to one that functions primarily online, the e-lab will supply open access, online tools and services for teaching, learning and research. It will include

- Virtual Tool Cupboard: an open access space in which users can find educational and research software (mostly open source)
- self-guided workshops: hour-long sessions to assist users to develop or enhance research and study skills (e.g., essay writing, digital research, interviewing in academic disciplines, avoiding plagiarism, digital humanities tools, editing digital images, webpage building)
- e-portfolios: electronic storage for information or files
- research projects: making AU research results available to the Centre for Learning Design and Development and the community as a whole
- exhibitions: a public display area for multimedia projects and products resulting from teaching at AU and faculty and student research
- social media on the Landing: providing social media and educational opportunities

Funding for the e-lab was provided by both the Government of Canada and the Government of Alberta.

## Student Services and Support

### DegreeWorks

DegreeWorks, a new planning and audit program was implemented by the Office of the Registrar in September 2012. DegreeWorks is a comprehensive academic advising and degree audit solution that works with Banner, AU's student information system. The program automatically retrieves a student's academic record from Banner and organizes it into an online educational plan in which the student can review program requirements and easily see which courses have been completed and which remain to be completed. This new self-serve information system allows academic advisers to spend more time with students who need in-depth program advising. Student feedback about the new program has been strongly positive.

### Undergraduate Student Orientation

AU students, like those in traditional universities, need information and guidance to make the transition to becoming a post-secondary student, a process which can be overwhelming. To help beginning students navigate through information presented on the AU website, in the AU Calendar and in other sources, an online service, similar in effect to the on-site orientation that traditional students receive, was needed for AU.

The new online service, launched in February 2013, provides students with

- easily accessible summaries of up-to-date information
- assistance in accessing a variety of more detailed services such as course selection and registration, program planning, prior learning assessment and educational counselling

- help in developing realistic service expectations, contributing to academic success
- a place for connecting with the AU brand

For staff, the service provides an aid to better understanding student behaviour and student service needs and a place to promote and enhance the AU brand.

Feedback from students and staff has been very positive. Further refinement of the service and implementation of recommendations received since the launch date will proceed through normal AU business case development channels.

### Online Exam Delivery

The Online Exam Delivery System Project was successfully completed in September 2012. The project was initiated in March 2011 in collaboration with MuchLearning of Edmonton with the goal of providing AU with a robust online exam delivery system. Funding was provided by Alberta Enterprise and Advanced Education

Conducting exams in an online learning environment poses many challenges, including maintaining the security of the interchange, guaranteeing the identity of the person taking the exam and ensuring that the format used to conduct an assessment is optimum for all users of the system, including learners, teachers and administrators. One course from each of AU's four faculties was piloted to test the system's ability to develop and deliver assessments for a broad range of disciplinary areas.

The system developed through the project has now been used to create and deliver over 3,000 exams and is being prepared for full implementation in the coming year. The new system will benefit AU learners, instructors, invigilators and the network of staff members in course-related or administrative roles associated with the assessment process. It is also of great potential value to other institutions or organizations that require online assessment capabilities.

## Research

### Legal Services for Rural Albertans

A joint AU/Alberta Law Foundation initiative explored the potential of using e-learning to meet the legal services delivery needs of residents of rural, remote and aboriginal communities in northern Alberta. Focusing on community members and leaders as consumers of legal services, the study provided 13 recommendations for raising legal awareness and empowering the public, developing a one-stop public advice network, employing a range of mobile communication technologies to link legal service providers, facilitating peer-to-peer education and cross-professional support and training using the Internet, expanding clinical law programs and continuing professional development programs.

### Canadian Film Online

Canadian Film Online is an interactive website devoted to the history of full-length feature filmmaking in Canada. The website contains records for over 1,500 feature films produced since 1960 and interviews with people who have made significant contributions to the Canadian film industry. The website aims to illuminate the connections between government policies and programs and the actual financing, production and distribution of films. Visitors can browse timelines, maps and charts to better understand how such factors influenced the Canadian film industry. The development of this website was funded in part by the Canada Interactive Fund, which is sponsored by Canadian Heritage.

### Mobile Communication

Through their study *Using Mobile Communication Devices to Support Online Learning Communities*, Dr. Mohammed Ally and Dr. Martha Cleveland Innes of the Centre for Distance Education found that

a majority of the graduate students sampled use mobile devices in their day-to-day lives and in their coursework. Insights such as these help educators understand how mobile devices can be used to foster student engagement in online learning communities. The Social Sciences and Humanities Research Council funded this three-year project.

### OERs for ESL Training

Information and communication technology industry workers whose native language is not English can now receive the English language training they need in an interactive modular format accessible on fixed and mobile devices, including tablets. This development is one outcome of a project led by Tony Tin of Library Services and Dr. Rory McGreal, UNESCO Chair in Open Educational Resources, and funded by the Commonwealth of Learning. The materials were developed as open educational resources and are available for others to use under a Creative Commons license.

### Managerial Innovation

Project management as a specific type of managerial innovation was the focus of a study partially funded by the Project Management Institute and led by Dr. Janice Thomas of the Faculty of Business. Practical insights gained regarding the pace and focus of change will make a valuable contribution to understanding how to improve both project management and management in general. The findings of this study have been broadly disseminated in a book chapter, peer-reviewed articles and presentations to academics, practitioners and organizations, and they will be included in an upcoming book.

### Fostering Technology Transfer

In collaboration with TEC Edmonton, AU engaged in a detailed examination of potential research and development, commercialization and technology transfer opportunities. This initiative was funded through Alberta Innovates – Technology Futures, as part of the Technology Commercialization Plan, and has resulted in a number of positive outcomes, including several formal partnership agreements between industry and AU academics.

## Conferences

### Analytics, Big Data and the Cloud

AU's Technology Enhanced Knowledge Research Institute co-sponsored the Analytics, Big Data and the Cloud Conference in Edmonton April 23 to 25, 2012. Over 400 delegates from five countries attended, and an additional 350 from 32 countries participated online. Learning analytics is concerned with the collection, analysis and reporting of data about learning in a range of contexts, including informal situations, academic institutions and the workplace.

Major conference outcomes included

- establishment of analytics-related relationships with corporate leaders worldwide
- establishment of new networks spanning the academy, industry, professions and government
- recognition of the capacity of Alberta-based analytics enterprises to contribute to the provincial economy
- approval of five resolutions (addressing marketing, human resources, purchasing, privacy and creation of an analytics services applications centre) for advancing Alberta's analytics industry

### LAK 2012

The Technology Enhanced Knowledge Research Institute also co-sponsored the Second International Learning Analytics and Knowledge Conference, LAK 2012, a multidisciplinary conference for learning scientists, computer scientists and data/knowledge engineers, educators and education researchers, social

science researchers, institutional and organizational data analysts, training and development professionals, business leaders and course management system developers and leaders in Vancouver, April 30 to May 2, 2012. The conference explored the state of learning analytics, knowledge modelling and representation, knowledge work and analytics and planned for needed research, technologies and processes to advance the field.

## Rural Linkages

AU hosted Rural Linkages: Inter-collaborative Practice for Safe and Healthy Communities, a conference exploring human services in rural Alberta and how they relate to safe and healthy communities, in Edmonton on September 28, 2012. The conference focused on creating opportunities to collaborate on rural development across the human services and on integrating research, practice, education and community needs. Human services include community development, health care, education, mental health, social services, wellness and recreation. Presentations showcased rural human service projects, community programs, research, training and service delivery for community development. Funding for the conference was provided by Alberta Rural Development Network.

## Publishing

### AU Press

AU Press continued to promote its open access initiative worldwide through the release of 12 new books during 2012-13. The press maintained its focus on research in education, western history, labour studies, and aboriginal studies while also developing new strengths in communication and cultural studies.

One new labour studies title, *Hard Time: Reforming the Penitentiary in Nineteenth-Century Canada* by Ted McCoy, won the Association of American University Presses' Award for Typographic Design at the association's 2013 Book, Jacket and Journal Show in New York. With other award winners, the book will be displayed at various university and college campuses across the United States and Canada from September 2013 to May 2014. Another labour studies title, *Working People in Alberta: A History*, published on the one-hundredth anniversary of the Alberta Federation of Labour, received widespread attention both inside and outside the university community.

Last year, AU Press began a collaboration with the Centre for Learning Design and Development to develop a textbook initiative. To advance this initiative, it has since added a new series, OPEL (Open Paths to Enriched Learning), to its catalogue and populated the series with two new titles, one in computer science and the other in cognitive science. AU Press continues to actively seek and acquire quality publications for this series.

### MarCom Award

AU's bi-weekly faculty and staff newsletter, *The Insider*, won a 2012 gold MarCom Award in the employee publication/internal newsletter category. The international MarCom Awards competition is sponsored by the Association of Marketing and Communication Professionals and recognizes outstanding creative achievement by marketing and communication professionals worldwide.

## Faculty and Staff Achievement

### Queen Elizabeth II Diamond Jubilee Medal

Dr. Pamela Hawranik, dean of the Faculty of Graduate Studies, was cited for her extensive work in advancing issues of hospice palliative care when she was awarded the Queen Elizabeth II Diamond Jubilee Medal in Montreal in October 2012. The commemorative medal marking the sixtieth anniversary of the coronation of Queen Elizabeth II honours significant contributions and achievements by Canadians. Hawranik was nominated for the award by the Canadian Hospice Palliative Care Association.

## Western Legacy Award

AU president Dr. Frits Pannekoek was one of 100 outstanding Albertans to receive the Western Legacy Award, a special honour bestowed by the Calgary Stampede as part of its Centennial celebrations in 2012. Western Legacy Awards judges considered nominees from all walks of life who had made a major contribution to Alberta by preserving western heritage and promoting and demonstrating western values, including hospitality, commitment to community, pride of place and integrity. Pannekoek was recognized for his work as a historian, an educator and a communications innovator.

## Chemical Education Award

Dr. Dietmar Kennepohl of the Faculty of Science received the Chemical Institute of Canada's 2012 Award for Chemical Education. The annual award recognizes a person who has made an outstanding contribution in Canada to education at the post-secondary level in the field of chemistry or chemical engineering.

## Pierre Savard Award

Dr. Donica Belisle, assistant professor of women's studies in the Centre for Interdisciplinary Studies, received a 2012 Pierre Savard Award from the International Council for Canadian Studies for her book *Retail Nation: Department Stores and the Making of Modern Canada*, published by UBC Press. The award recognizes outstanding scholarly works which contribute to a better understanding of Canada.

## Best Paper Award

Dr. Helen Lam, Dr. Deborah Hurst and Dr. Anshuman Khare of the Faculty of Business received the Administrative Sciences Association of Canada Best Paper Awards in the Management Education and the Organizational Theory Divisions at the association's annual conference in St. John's, N.L., in June 2012.

## Student Achievement

### Technology Futures Awards

Master of Science (Information Systems) students Shu Han (William) Chang, Irete Falinlede and Steeve Laberge were the first AU students to receive the Alberta Innovates – Technology Futures Award. Each has been awarded \$10,000 a year for two years. Chang is doing research in ubiquitous learning with a mobile augmented reality system that delivers on-demand instructional services. Fakinlede works with anthropomorphic pedagogical agents that can easily be adapted by educational practitioners to create rich interactive learning environments catering to the social and motivational needs of students. Laberge is working with intelligent games in an educational context to motivate learners and enhance learning. AU was given the opportunity to offer this award for the first time in 2012.

### CME Challenge

Bachelor of Commerce students Bryce Schultz, Alexander Poulton and Scott Beaton, calling themselves the Calgary Traders, placed twenty-second out of 326 teams from 26 countries around the world in the 2013 Chicago Mercantile Exchange Group Commodity Trading Challenge. It is the first year that AU entered a team in the event, a four-week electronic trading competition in which teams of undergraduate and graduate students trade crude oil, gold and corn futures in a simulated trading environment on a real-time professional trading platform. As a result of their top-tier performance (top 10 per cent), the members of the group were invited to participate in an education and networking day, hosted in Chicago by the CME Group and a number of their largest corporate partners. The invitation provided the team members with an opportunity to interact with and learn from some important industry players in the field of financial markets and financial analysis at the Chicago Mercantile Exchange and their associate exchanges, some of the most important exchanges in the world.

## Graduate Student Research Award

Master of Nursing student Brenda Enns was awarded the Western and Northwestern Region Canadian Association of Schools of Nursing Graduate Student Research Award. Enns presented her paper “Identity Development in Baccalaureate Nursing Education: A Study in Progress” at the WNRCSN’s annual Nurse Educators’ Conference in Edmonton in February 2013.

## CMA/CGA Alberta Board Governance Case Competition

AU business students Adam Chappell, Charles Gallucci, Aaron Jones and Sonja Vandermeer placed second at the Certified Management Accountants and Certified General Accountants Alberta Board Governance Case Competition held March 13 to 15 in Calgary. The team, which was led by Dr. Aris Solomon, an associate professor of accounting in the Faculty of Business, received a \$5,000 prize. The team’s success marks the second year in a row in which AU teams have been successful at the competition. In 2012, AU teams won both the first and second prize.

## Distance Training for Nurses

Two AU Master of Distance Education program students, Mariea Spray and Sue Erdman-Burton, developed and successfully launched the Rural and Remote Maternity Education Program, a distance education program in maternity care for nurses. Based at the Meno Ya Win Health Centre in Sioux Lookout, Ont., where Spray is the staff education and professional practice manager, the program uses distance education to deliver training in high-risk and specialized obstetrical care to registered nurses serving rural and remote communities in northern Ontario. These nurses have trouble accessing best-practice education because of their isolated location: travel, accommodation and course costs to attend a two-day training program in Toronto can total \$2,500. In contrast, the entire six-month Remote Maternity Education Program, delivered almost entirely online, costs \$2,000.

The catalyst for the program was an independent consultant’s report identifying the need for First Nations’ maternity care that was holistic in approach and culturally sensitive. The students developed the proposal for their program as an assignment in their AU course MDDE 605, Planning and Management in Distance Education and Training. Success indicators requested by Health Canada were subsequently added. The project received funding in May 2012, and the first cohort of 16 students started in February 2013.

## Alumni Achievement

AU honoured three outstanding members of its alumni in 2012-13 through its annual Alumni Awards.

### Advocating Distance Education

A pioneer in higher education, Dr. Jeff Zabudsky (MDE 1999) was awarded the 2012 Distinguished Alumni Award. Zabudsky was one of the first students to enrol in AU’s Master of Distance Education Program and is a dedicated proponent of distance education in Canada. Now president and CEO of the Sheridan College Institute of Technology and Advanced Learning in Oakville, Ont., Zabudsky previously served as dean of technology and curriculum innovation at the Northern Alberta Institute of Technology in Edmonton, vice-president academic at Sault College of Applied Arts and Technology in Sault Ste. Marie, Ont., and president and CEO of Red River College in Winnipeg. He has also served as president of the Canadian Association for Distance Education.

### So Kids Can See

Lindsay Hampton (BPA, communication studies, 2008), winner of the Volunteer Service Award, left her career as a photojournalist to join Toronto’s Hospital for Sick Kids as an imaging specialist in 2004 and, soon after, launched Art for Eyes, an innovative paint-day fundraiser to support children with retinoblastoma and their families.

While participating in medical missions to Peru and the Philippines and teaching ophthalmic imaging in Egypt, India and Africa, she saw the power that education and building local capacity can have on promoting eye health and preventing avoidable blindness. In 2011, drawing again upon her passion and professional interests, she created So Kids Can See, a foundation dedicated to preventing childhood vision loss and blindness due to late diagnosis.

## Leadership Development

AU's Rising Star Alumni Award celebrates potential. Recipient Denise Blair (MBA, 2010) is founder and executive director of the Calgary Youth Justice Society. Through her AU studies, Blair was inspired to create In the Lead, an innovative leadership development program for youth. The program charts a new path for recognizing the potential of young people and for helping them to realize that potential, largely by focusing on what is strong rather than on what is wrong.

## Infrastructure

### AUGO II

The Athabasca University Geophysical Observatory II, located at Narrow Lake, about 35 km west of Athabasca, was officially opened on May 22, 2012.

The new facility, which will be one of 16 ground-based observatories assisting with the research and collection of data for NASA's THEMIS Mission, replaces an older facility on the AU Athabasca campus. Operation of the original AUGO, built in 2003, had become increasingly compromised by light interference as a result of nearby development. The larger new observatory can accommodate more instruments and more researchers and is equipped with basic living quarters, allowing researchers to work for extended periods.

The project was funded by the Alberta Science and Research Investments Program as part of the concurrent Canada Foundation for Innovation and Alberta Science and Research Investments competitions. It received \$1,227,454 in funding: \$712,261 from Alberta Science and Research Investments Program and \$515,193 from the Canada Foundation for Innovation. A donation from CANARIE covered the cost of installing high speed Internet service at the facility.

## Governance

### Study of Provostial Model

In February and March 2013, the Board of Governors led an institution-wide consultation to explore the viability of a provostial model for AU. As the university will be making the transition to new academic and institutional leadership in the near future, this discussion focused on the benefits of and issues associated with the provostial model. The Board appointed a steering committee to oversee this process and engaged the services of a consultant to facilitate the consultation, which included open forums in Athabasca, Edmonton, St. Albert and Calgary. The Steering Committee will make its recommendations to the Board in 2013.

### Innovators Award

AU's groundbreaking Open Knowledge Environment Project won one of *Campus Technology* magazine's 2012 Innovators Awards, in the Leadership, Governance and Policy category.

In 2009, AU committed to becoming an online virtual institution and developed the visionary concept of the Open Learning Environment, an information and communication technology capital plan designed to realize that commitment. The goal was to create a flexible, rich and collaborative working and learning environment with innovative tools based in a fully digital online infrastructure. The Open Knowledge Environment Project,

which ran from June 2009 to October 2011, was a first step in the realization of that plan. It included more than 30 sub-projects geared to enhancing the university's technology infrastructure and upgrading skill sets and ICT processes across the institution.

The project greatly speeded the development of the university's ICT infrastructure, including desktop virtualization, synchronous web conferencing, research collaboration, tutor portal, VOIP communications, course content management, online assessment, student program planning and course evaluation. These developments are now enabling advances in new learning tools.

## Community Relations

### ChooseWell Award

The annual Community Wellness Expo, organized by AU in collaboration with other Athabasca community organizations, received a Communities ChooseWell award for reducing barriers to healthy living. Communities ChooseWell is a healthy eating and active living initiative, supported by Alberta Health and Wellness and managed by the Alberta Parks and Recreation Association, that seeks to recognize and empower Alberta communities to offer innovative programming, promotion, participation and community partnerships toward achieving a healthier Alberta. The Community Wellness Expo provides participants with information on a wide variety of wellness related topics and includes fitness and cooking demonstrations and opportunities to buy wellness products from local artisans.

## Development

### Open Our World

AU launched the public phase of Open Our World, the university's first formal fundraising campaign, at events in Athabasca, Edmonton and Calgary in May and June 2012. Approved by the Board of Governors and initiated in 2008, the campaign had achieved 75 per cent of its \$30-million fundraising goal by the public launch date. During its final, public phase, expected to run to the end of 2014, the campaign will emphasize four priority areas: student awards, research, community service and learning innovation.

As of March 31, 2013, donations and special purpose grants equal to nearly 87 per cent of the campaign goal had been received or pledged. About 80 per cent of the funds raised had already been put to use, including significant investments in the Open Learning Environment, course conversions (for online delivery), research and student awards.

### Student Awards

Nine new donor-funded student awards were established at AU in the past fiscal year. The Premier and Marie Stelmach First-in-Family Scholarship, funded for five years by ATB Financial, supports an AU student who is the first in his or her family to attend university. The Edmonton Oilers Community Foundation created eight new awards in the Faculty of Health Disciplines for students who are pursuing a Bachelor of Nursing degree.

## Significant Changes

### Copyright

Since opting out of the Access Copyright Model License in 2011, AU has provided national leadership in copyright practices. Over the past year, the university co-ordinated national discussions among opt-out universities and enacted a Fair Dealing Policy to guide the use of third-party material in AU courses.

A meeting organized by AU and held at York University in Toronto in September 2012, attracted 50 representatives of 20 universities, including senior academic leaders, legal counsel and copyright officers. Discussions focused on areas of collaboration in ensuring full compliance with all copyright laws. The participants continue to work together to plan strategies and responses to the challenges of the changing Canadian copyright landscape.

At the university level, associated strategies, such as greater reliance on open educational resources and readings from library-subscribed databases, are not only compatible with online learning but have also reduced costs.

## Learning Management Cloud

AU partnered with Cybera, the University of Alberta and the Northern Alberta Institute of Technology in the creation of a shared, high-availability Learning Management Cloud running the Moodle Learning Management System. Cybera operates the hardware and networking infrastructure and provides system services, while each of the partner post-secondary institutions operates its own Moodle system. Infrastructure and governance structures have been created, and other Campus Alberta members continue to join this partnership.

## Environmental Factors Affecting Performance

### Opportunities and Challenges

#### Information and Communication Technology

Technological developments continue to transform the contemporary learning environment and workplace, creating both opportunities and challenges for AU and other adult educators. In response, AU has crafted its visionary Open Learning Environment, a 10-year capital investment plan to create a virtual campus through which course delivery can be tailored to meet students' individual needs and learning styles.

Development of the Open Learning Environment was initiated in 2009 through the Course Digitization Project and the Open Knowledge Environment Project, which were successfully completed in 2010-11 and 2011-12 respectively. These projects allowed AU to develop the most urgently needed elements of the virtual campus and included many improvements to student services, organizational efficiency and the online learning environment. They provided a solid foundation for the 10-year plan, which will require capital support from the Government of Alberta if the university is to continue to provide services at levels needed by students, faculty and staff members, and the larger learning community.

AU faces the challenge of consistently renewing its virtual campus to meet increasing student expectations. These expectations are fuelled by technological innovation itself and by the growing number of institutions competing in the post-secondary online learning market.

#### Economic Factors

Alberta universities continued to experience significant fiscal challenges during 2012-13, including a freeze on the provincial general operating grant, a cap on tuition fee increases, renewal of collective agreements and modest returns on investments in a volatile market. Fiscal challenges particular to AU included the following:

- provincial base operations funding at a substantially lower level per full-load equivalent than the average for comprehensive academic and research institutions
- increasing competition in online education from other Canadian post-secondary providers
- pressures for new information and communication technology capital, essential for development of the university's Open Learning Environment

In the past year, AU implemented or extended various measures to address these funding challenges, including improvements in business practices (aided by technology), increased restraint in discretionary spending, a freeze on external hiring to vacant positions and a Career Transition Program. Higher than expected growth in undergraduate course registration yielded both increased revenues and cost pressures.

Limited program funding, especially for new programs, represents a particularly significant challenge for AU since its delivery model demands front-end course and program investments that are difficult to achieve in the present economic climate.

## Research

AU's mandate enjoins the university to support and conduct research in all program areas. In line with Alberta's Research and Innovation Plan, the challenge is to implement AU's Institutional Research Plan with its emphasis on knowledge transfer through industrial partnerships and commercialization. Building research capacity through flexible networks and alliances is one important aspect of that plan. Areas of strength in environment, health, information technology, knowledge media, community sustainability and project management are being expanded. While the recently developed research institutes are providing impetus for some research networks and initiatives, they have not yet achieved sustainable grant levels.

## How Challenges and Risks Identified in the Business Plan Have Affected Institutional Performance

As emphasized in previous business plans, ensuring the university's ability to meet its post-secondary mandate requires an increase in funding to cover its growing indirect costs. As a number of analyses have revealed, AU has had ongoing unfunded indirect costs of \$15 million per year (2006 dollars). While the recent freeze on university operating grants and the province's fiscal position have been deterrents to a ready resolution to this issue, the university will continue to reinforce its position with government. In the meantime AU will continue to meet these fiscal realities through a continuing hiring freeze, by increasing efficiencies and by slowing or deferring a number of planned activities.

## Effectiveness with which Challenges Were Approached

Both in terms of institutional operations and program delivery to students, AU has a unique and critical dependency on information and communication technology. ICT is integral to the university's learning delivery, student support systems and administrative operations. Technology increases access and removes barriers, making AU more accessible, particularly to those in rural and remote areas and those unable to attend residential programs because of work, disability, or community or family commitments. It enables their full participation in the knowledge economy. As mentioned above, AU continued to advance some of its planned initiatives, including the development of the Open Learning Environment, through the external funding secured in 2009.

AU has focused its efforts on becoming more entrepreneurial, seeking partnerships with business and increasing its capacity and productivity through information and communication technology and e-learning solutions. The university's innovative initiative to enhance its contribution to Alberta's and Canada's digital economy, has three strategic areas:

- commercializing AU's intellectual property
- assisting small and medium enterprises in Alberta and across Canada by providing e-learning expertise
- assisting organizations to improve their organizational performance through the use of e-learning and e-knowledge

To date, this initiative has received federal and provincial funding, and AU is actively pursuing a number of commercial opportunities. The university has also received provincial funding to jointly develop an

assessment security system. Completion of that project will allow AU to securely provide online exams to students in any location, substantially improving operational efficiencies, providing greater flexibility to students and enhancing exam security.

## **Major Operating and Capital Initiatives**

### **Athabasca University Geophysical Observatory Project**

The Athabasca University Geophysical Observatory II was officially opened on May 22, 2012 (See page 20).

### **AU Calgary Relocation**

The Campus Alberta development of the Bow Valley College South Campus was completed in January 2013, and AU will relocate its Calgary operations to the new building early in the 2013-14 fiscal year, occupying 970 m<sup>2</sup> of space (half of the sixth floor).

This Campus Alberta partnership, involving AU and Bow Valley College as well as Olds College and the University of Lethbridge, will see the four institutions sharing facilities on Bow Valley's downtown Calgary campus, an arrangement that will provide Calgary area learners with access to a range of post-secondary options and learning services in a single convenient location.

### **Integrated Learning Centre – Edmonton**

The Strategic University Plan calls for the development of a Greater Edmonton facility that will accommodate the activities of the Centre for Innovative Management, now located in St. Albert, and the downtown AU Edmonton centre. The expected benefits of this project include administrative efficiencies in registration, financial and support processes, including support for those working from home offices in the St. Albert and Edmonton areas. The university continues to explore options for a suitable AU owned facility, and initial discussions of a Campus Alberta solution, similar to Bow Valley College initiative in Calgary, are underway.

### **Edmonton Co-Location Project**

Renovation of the AU Edmonton centre in the Peace Hills Trust Building was undertaken during the summer of 2012, the work being funded through a tenant improvement allowance. AU staff previously housed in the nearby Focus Building were relocated to the renovated space.

### **Main Campus Building Renovations and Infrastructure Renewal – Athabasca**

During February 2013, all remaining staff members in the Portable Office Complex at AU Athabasca were relocated to the newly renovated second floor of the Main Campus Building. The university is evaluating long-term strategies for asset disposition or effective re-use of the now vacant Portable Office Complex.

The focus for renovations of the Main Campus Building has now shifted to upgrading work space on the first floor, particularly areas used by Finance, Human Resources, Computing Services and the Library. Work will be carried out during 2013 and 2014, pending availability of provincial funding.

### **Academic and Research Centre**

The Academic and Research Centre is now fully operational and in active use. All required submissions for LEED Gold Accreditation from the Canada Green Building Council have been completed, and the university is expecting a final ruling from the council in 2013.

## Recapitalization and Asset Preservation Plan

AU has initiated a long-range planning process for development of physical assets and infrastructure and review of maintenance programs and general conditions of buildings and infrastructure. Through a process of professional evaluations, the university will be developing a three-to-five-year recapitalization program for owned and qualifying campus buildings to ensure that maintenance needs are monitored annually and that critical systems are prioritized for upgrade and renewal as required, given their life expectancy.

## Real Property Asset Management Plan

A number of possible collaborations involving construction of future public facilities on AU lands are under discussion. Development of a master plan, which may pave the way for construction a municipal pool, a fitness centre, a twenty-first century learning centre (secondary school) and possibly a consolidated public library, is underway. Such initiatives could leverage a broader land development and facilities plan including complimentary developments by public institutions and private developers, all contributing to a revenue generating endowment program for the university.

## Financial Highlights

The 2012-13 financial statements reflect a change in accounting standards: AU previously reported under the Not-For-Profit Standards, but effective April 1, 2012, the university adopted Public Sector Accounting Standards. The March 31, 2013, financial statements are the first to which PSAS apply.

As of March 31, 2013, AU's net assets as restated under PSAS were \$967,000, compared to (\$555,000) reported the previous year. Detailed financial analysis is presented in the "Management's Discussion and Analysis" section on pages 37-41. Audited financial statements are presented in Appendix A.

# GOALS, OUTCOMES AND PERFORMANCE MEASURES

The goals of AU's *Comprehensive Institutional Plan: 2012-15* align with those of *Strategic University Plan: 2011-16*. Progress made in 2012-13 toward achievement of those goals is outlined below in terms of the performance measures identified in *CIP: 2012-15*.

## Access

AU is committed to increasing participation rates and to ensuring that the university is accessible to students from diverse regions and backgrounds. It continues its efforts to maintain its visiting student market and to increase the number of program students from both urban and rural areas, particularly in its graduate programs. Ensuring flexibility of access through improved information and communication technology infrastructure remains the university's top priority.

### CIP Goals

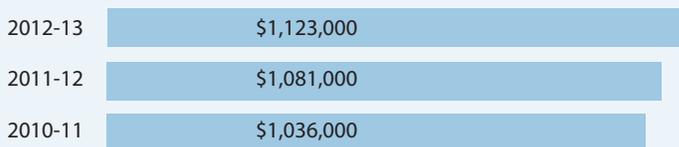
1. Recruit and retain students from diverse regions and backgrounds and provide necessary aid.
2. Further AU's contributions to Campus Alberta institutions and to eCampusAlberta.
3. Strengthen student scholarship and bursary programs.
4. Expand student access through the development and adoption of learning technologies that enhance open knowledge environments.

### Performance Measures

*CIP: 2012-15* identified seven performance measures related to access goals. Progress in meeting them is outlined below.

1. The number and value of undergraduate and graduate student awards:

Figure 1 shows the total value of the awards distributed over the last three academic years. The number of student awards granted rose from 469 in 2011-12 to 510 in 2012-13.



**Figure 1: Value of Scholarships and Bursaries (Source: Audited Financial Statements)**

2. Use of digital and other library resources:

Access and use of digital library materials, as measured by Web Access Management statistics, grew by 24.9 per cent in 2012-13, the total number of connections to library resources by all users increasing from 18,157,604 in 2011-12 to 22,672,265 in 2012-13. Growth in student use is shown in the following table.

	2010-2011	2011-2012	2012-2013
Undergraduate student use	5,572,387	7,191,185	9,295,089
Graduate student use	7,296,900	9,471,885	12,027,315
<b>Total student use</b>	<b>12,869,287</b>	<b>16,663,070</b>	<b>21,322,404</b>

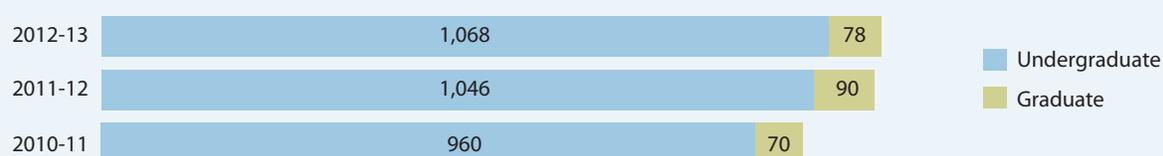
3. The number of students accessing online student services:

Student use of most student services grew significantly during the period as shown below (Note: Changes to service procedures prevents longer historical tracking).

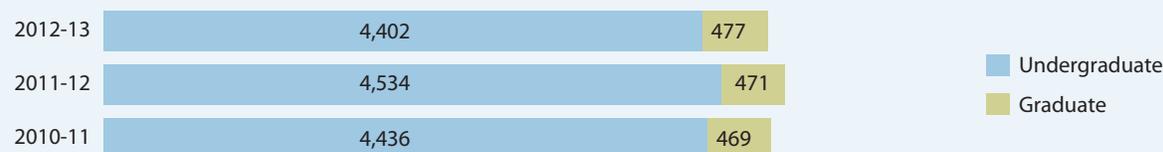
Online Service	Total Visits		Monthly Average	
	2011-12	2012-13	2011-12	2012-13
Access to Students with Disabilities	11,274	12,101	940	1,008
Counselling	280,458	271,510	23,372	22,626
Academic Advising	160,968	183,001	13,414	15,250
Write Site	73,944	96,599	6,162	8,050
Math Site	5,162	7,081	430	590

4. Enrolment by aboriginal learners, students from northern, rural and remote communities and members of other designated groups in terms of Enrolment Plan targets:

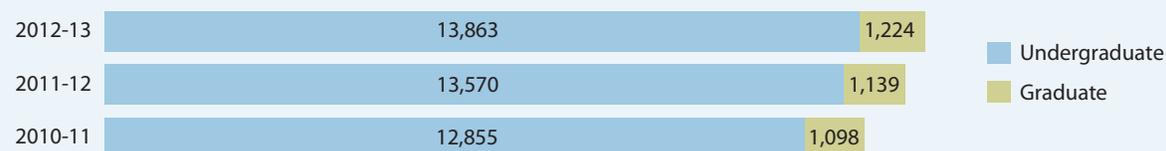
Total enrolment by aboriginal students increased by 0.9 per cent in 2012-13 (Figure 2), while enrolment by rural students declined by 2.5 per cent (Figure 3), and enrolment by Alberta students rose by 2.6 per cent (Figure 4).



**Figure 2: Enrolment by Aboriginal Students (Self-declared at time of application)**



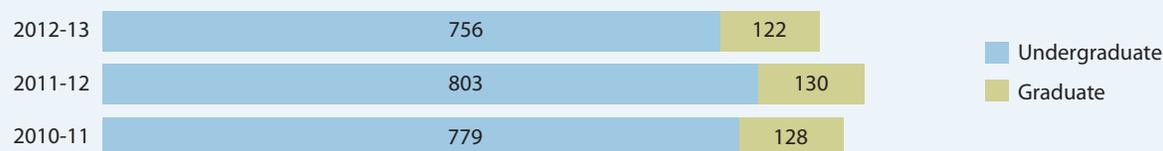
**Figure 3: Enrolment by Rural Canadian Students (Based on postal code data)**



**Figure 4: Enrolment by Alberta Students**

5. International student enrolment in terms of Enrolment Plan targets:

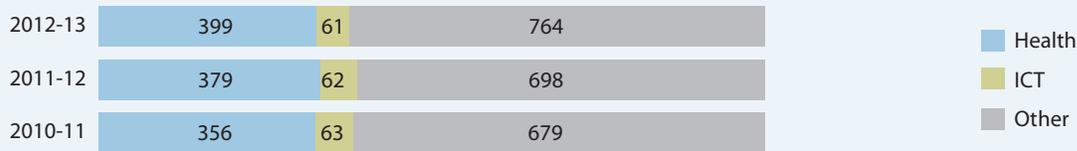
The Enrolment Plan projected an increase in international enrolment in 2012-13, but international enrolment at both the undergraduate and graduate level declined during the period as shown in Figure 5.



**Figure 5: Enrolment by International Students**

6. The percentage of Alberta graduate students enrolled in key graduate program areas:

While the number of Alberta graduate students enrolled in ICT and health related graduate programs rose in 2012-13, total enrolment in those programs as a percentage of all Alberta graduate students remained largely unchanged (Figure 6).



**Figure 6: Alberta Graduate Students in High Priority and Other Programs**

7. Implementation of access related components of the Open Learning Environment:

- Student Relationship Management software was successfully piloted in the Faculty of Business. Formulation of a strategy for institution-wide implementation is in progress.
- Self-serve tools to assist with program planning (DegreeWorks) were implemented for undergraduate students (See page 14). Graduate student access is in the planning stages.
- The Online Undergraduate Student Orientation modules were launched in February (See page 14).
- Enhancement of online exam capabilities continued. Much Learning’s online exam system moved from the pilot testing stage to implementation in high enrolment classes at the end of this fiscal year. The system improves remote access and timeliness to exams and marking and includes enhanced access for students with disabilities.

## Quality

AU continues to focus on delivering a wide range of high-quality online and distance education courses and programs at the undergraduate and graduate level and on enhancing course development processes, student services and the information and communication technology on which its operations are based.

### CIP Goals

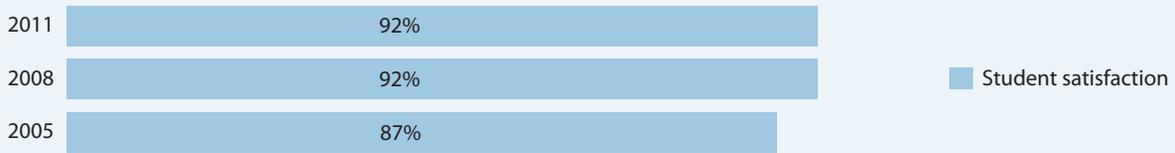
1. Strengthen the quality and responsiveness of courses and programs.
2. Strengthen national and international market awareness of the quality of AU programs, particularly among key stakeholder groups.
3. Provide a superior, interactive and engaging student experience.
4. Lead in the adoption of learning technologies that set the standard for technology enhanced learning.

### Performance Measures

*CIP: 2012-15* included five performance measures related to quality goals, as follows:

1. Student satisfaction ratings:

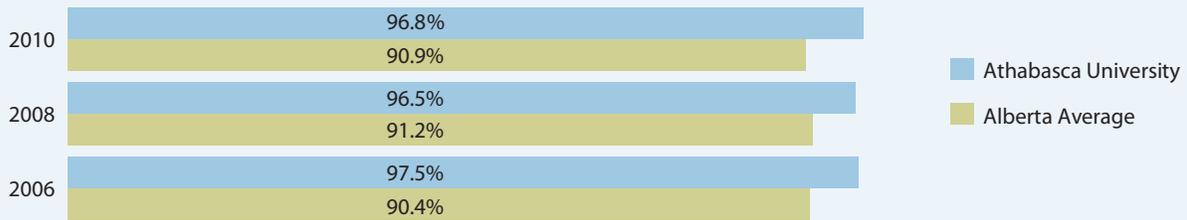
As demonstrated by survey data from the Canadian University Survey Consortium, All Student Survey, AU undergraduate students remain highly satisfied with their student experience (Figure 7).



**Figure 7: Student Satisfaction with Educational Experience**

2. Graduate satisfaction with the overall educational experience:

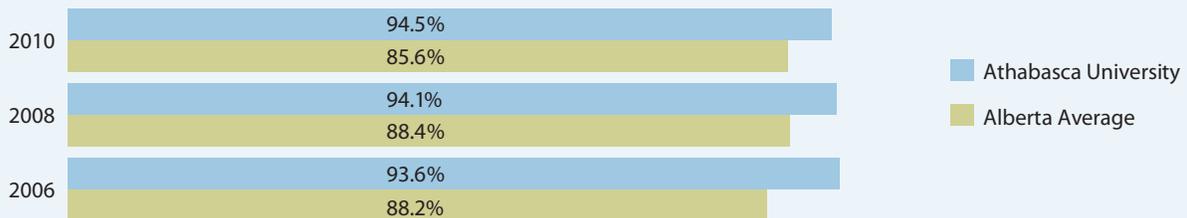
AU consistently exceeds the provincial average level of satisfaction on the Government of Alberta’s Alberta Post-secondary Graduate Outcomes Survey. Figure 8 shows the percentage of graduates who indicated that they were satisfied with their overall educational experience.



**Figure 8: Graduate Satisfaction with Overall Educational Experience**

3. The graduate employment rate is maintained or improved.

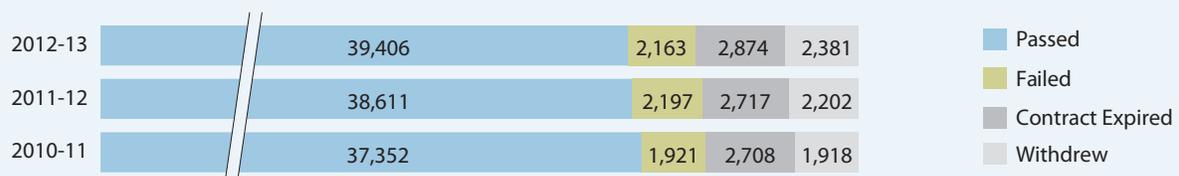
That AU’s graduates consistently enjoy a very high rate of participation in the labour force is an indirect measure of the high quality of the university’s programs. Figure 9 shows employment rates for AU graduates as revealed through the Alberta Post-secondary Graduate Outcomes Survey.



**Figure 9: Graduate Employment Rate**

4. Pass rate in undergraduate courses:

The pass rate in undergraduate courses, excluding non-starts (students who register for a course but withdraw within 30 days without completing any assignments) has remained fairly consistent over the past three years, at about 85 per cent, as shown in Figure 10. The pass rate dropped slightly, from 84.4 per cent to 84.2 per cent, during the past year.



**Figure 10: Undergraduate Course Completion**

5. Key undergraduate and graduate programs operating at capacity:

Full-load equivalent enrolment for key programs is shown below. Programs which include clinical placements are facing capacity constraints which are increasingly difficult to address.

	2009-10	2010-11	2011-12
Master of Counselling	200	185	210
Master of Nursing (Advanced Nursing Practice)	104	119	154
Bachelor of Nursing	330	328	361
Bachelor Health Administration	32	30	33

## Research

AU is committed to maintaining a robust and supportive research culture that effectively balances disciplinary and mission-critical research, ensures that research is conducted and disseminated in a climate of academic freedom and informs teaching and learning.

The *Strategic University Plan: 2011-16* sets out three strategic research objectives:

- Provide appropriate support for faculty, staff and student research and scholarship.
- Enhance AU's international reputation in key research disciplines, including technology enhanced online and distance education.
- Promote and expand the transfer of research findings for the benefit of students, society and the economy.

Fostering and expanding research and scholarship activities remain important goals for AU, as do strengthening the financial support for research initiatives and increasing the breadth of research activities undertaken. The university remains dedicated to maintaining its leadership role in the open access movement by encouraging researchers to publish their findings in open access venues.

## CIP Goals

1. Encourage and deepen involvement in research university-wide.
2. Build research capacity in four strategic areas: environmental sciences and studies, educational technologies and information and communication technology, business change management and health disciplines.

## Performance Measures

AU's success at meeting the five research and scholarship related performance measures presented in *CIP: 2012-15* is outlined below:

1. Number of national research grant applications:

Results of applications to the granting councils for the past three fiscal years are summarized in the table below. The success rate of AU applicants is increasing steadily and is consistent with the overall percentage of grant applicants funded by each of the federal granting councils.

Granting Councils <sup>1</sup>	2010-11	2011-12	2012-13	Three-Year Average 2010-12	Three-Year Average 2011-13
Number of applications	31	39	43	39	38
Number of awards	6	13	17	11	12
Total value of awards (in thousands of dollars)	\$1,293	\$1,348	\$1,229	\$1,155	\$1,290

<sup>1</sup> Includes Social Sciences and Humanities Research Council of Canada and Natural Sciences and Engineering Research Council of Canada, including graduate scholarships, and Canadian Institutes of Health Research. Also includes Canada Research Chairs and indirect costs (federal), but not Canada Foundation for Innovation grants.

A number of initiatives, including several workshops and forums on grantsmanship and knowledge transfer, have been implemented to increase the number, quality and competitiveness of grant applications submitted by faculty and students.

## 2. Research funding and the number of funding sources:

As the following table shows, support from federal council sources has grown modestly while the proportion of research revenue derived from non-council sources has increased significantly over the past three years. This change reflects the highly competitive nature of the federal councils' granting processes as well as the increasing diversity of the funding sources that academics are accessing to support their research. A similar phenomenon is apparent in the support obtained by AU researchers from industry and community sources in the past three years.

Types of Research Support	2010-11	2011-12	2012-13	Three-Year Average 2010-12	Three-Year Average 2011-13
Total sponsored research revenues <sup>1</sup>	\$3,905	\$5,209	\$4,348	\$4,659	\$4,487
Support from council sources <sup>2</sup>	\$1,293	\$1,348	\$1,229	\$1,155	\$1,290
Council support ratio (council sources/total sponsored research revenue)	33.1%	25.9%	28.3%	24.8%	28.7%
Support from non-council sources <sup>3</sup>	\$2,612	\$3,861	\$3,119	\$3,504	\$3,197
Non-council support ratio (non council sources/total sponsored research revenue)	66.9%	74.1%	71.7%	75.2%	71.3%

<sup>1</sup> Figures include cash as well as in-kind contributions.

<sup>2</sup> Council sources include Social Sciences and Humanities Research Council of Canada and Natural Sciences and Engineering Research Council of Canada, including Canadian Graduate Scholarships, Canadian Institutes of Health Research, Canada Research Chairs and indirect costs (federal).

<sup>3</sup> Includes other federal, provincial and industry funding sources such as Alberta Innovates, Alberta Law Foundation, Alberta Rural Development Network, Alberta Women's Science Network, Campus Alberta Innovates Program, Canadian Foundation for Innovation, City of Edmonton, Commonwealth of Learning, Department of Foreign Affairs and International Trade, Edmonton Mennonite Centre for Newcomers, Hewlett Foundation, MITACS, Project Management Institute, Rural Alberta Development Fund, Shastri Indo-Canadian Institute and WorkSafe BC. Does not include research-related funding generated through AU's Open Our World Campaign.

## 3. The number of research chairs:

Research chairs play a vital role in enhancing research and research training and in attracting and retaining other exceptional researchers. These benefits, in turn, lead to the development of new areas of research excellence and enhance students' learning experiences.

AU has four Canada Research Chairs, each with a distinct focus, as shown below:

Research Focus	Granting Pool
Semantic technologies	NSERC (appointed January 2009, renewal in progress)
Indigenous traditional knowledge, legal orders and laws	SSHRC (appointed July 2010)
Health promotion and chronic disease management	SSHRC-CIHR (appointed June 2013)
Space science, instrumentation and networking	NSERC (term expired in February 2013, recruitment to start in fall 2013)

In addition, Athabasca University holds a UNESCO/ Commonwealth of Learning Chair in Open Educational Resources and the NSERC/iCORE/Xerox/Markin Industrial Research Chair in Adaptivity and Personalization.

The number of research chairs has remained stable over the past three years; however, AU is now recruiting to three new externally funded chairs: two Campus Alberta Innovates Program Chairs, one in hydroecology and environmental health the other in computational sustainability and environmental analytics, and an Alberta Innovates – Health Solutions Chair with a focus on consumer health informatics. Applicants to these positions, as well as to the vacant Canada Research Chair, must be nationally and internationally recognized leaders in their respective fields.

AU remains committed to increasing the number of research chairs and hopes to be in a position to establish one or more endowed chairs in the near future. To that end, the university will continue to engage with government, research sponsors, philanthropists and the private sector on research agendas and partnership opportunities.

4. The number of knowledge transfer and research and development partnerships:

As this performance measure was first introduced in *CIP: 2012-15*, knowledge transfer statistics (beyond publication data) and research and development partnership statistics have not been previously reported. The data below will serve as a baseline for measuring progress in the coming years.

To date, knowledge transfer and research and development partnerships have centred on the educational technology sector, with a view to bridging the gap between academe and industry and fostering economic growth in the technology sector. They include development of several applications, some designed for use on mobile devices, and a series of online modules to enhance workplace productivity. Training high-quality personnel (e.g., graduate students, postdoctoral fellows) has been a concurrent goal in many of these initiatives. Some products have been developed with commercialization in mind, others as open educational resources to be shared freely. Both types of product are important, given AU’s dual interest in relation to knowledge transfer.

The table below shows the number of knowledge transfer and research and development partnerships for which external funds were received or for which formal external partnerships were established during the 2012-13 fiscal year. Funding for these partnerships has come from a variety of sources including federal and provincial governments, industry (including small and medium-sized enterprises), not-for-profit agencies and other innovators in the educational technology sector. Expert advice has been provided by organizations such as TEC Edmonton, StartUp Edmonton and Innovate Calgary.

Types of Knowledge Transfer/Research and Development Partnerships	2012-13
Open educational resource development	2
Product development/validation in conjunction with SMEs	5
Workplace productivity	1

5. Sponsored research as a percentage of provincial grants:

Sponsored research revenue (in thousands of dollars) as a percentage of provincial operating grants is summarized in the following table. Growth has been modest over the past three years; however, it is an important indicator of the increasing diversity of the university’s research revenue stream. Faculty interest in pursuing research partnerships with industry could further increase the percentage of sponsored research revenues over time. Such endeavors do, however, often depend on the availability of internal or in-kind funding, which is exceedingly limited in the existing fiscal situation, restricting research opportunities for researchers as well as training opportunities for students.

Types of Research Support	2010-11	2011-12	2012-13	Three-Year Average 2010-12	Three-Year Average 2011-13
Total sponsored research revenues	\$3,905	\$5,209	\$4,348	\$4,659	\$4,487
Total Province of Alberta operating grants	\$45,203	\$44,125	\$47,866	\$44,128	\$45,731
Sponsored research revenues as a percentage of provincial operating grants	8.6%	11.8%	9.1%	10.6%	9.8%

## Sustainability

AU continues its efforts to secure and steward the resources needed to allow its faculty, staff and students to achieve their full potential. Broadening, leveraging and expanding funding in support of the university's core mission, removing barriers to post-secondary study and providing a high-quality learning experience, remains the focus of this effort, which will be supported by renewed internal and governance structures.

### CIP Goals

1. Develop a new budget model aligned with the recently adopted decanal structure.
2. Develop financial and operating systems and infrastructure to enhance responsiveness, efficiency and adaptability and to encourage flexibility and versatility.
3. Develop funding models for sustainable growth.
4. Enhance the university's policy and procedural framework.
5. Ensure that AU's virtual and physical campus infrastructure enable the university to meet its mandate.
6. Foster and maintain an interactive and collaborative workforce within a healthy, effective and efficient environment.

### Performance Measures

*CIP: 2012-15*, stipulated 10 sustainability related performance measures:

1. Approval and implementation of a new budget model:

A new budget model is under development.

2. Seventy-five per cent completion of the Administrative Systems Renewal Project:

The ASRP is underway and about one-third complete. The project scope and schedule have been adjusted to reflect staff and resource constraints. Phase 1 of the project is now scheduled for completion by 2015. Business process reviews have been undertaken as part of the enhancements to Finance and Human Resources modules.

3. Revenue increases at or above those indicated in the annual budget:

Revenue for the fiscal year exceeded the budget forecast as shown below (in thousands of dollars).

Revenue Source	Budget 2012-13	Actual 2012-13
Government of Alberta grants	\$ 46,698	\$ 47,866
Student tuition and fees	63,731	63,207
Sales of services and products	15,921	15,805
Federal and other government grants	1,846	1,740
Investment income	1,161	1,364
Donations and other grants	2,454	2,570
<b>Total</b>	<b>\$ 131,811</b>	<b>\$ 132,552</b>

4. Achievement of Open Our World Campaign fundraising target:

The Open Our World Campaign reached almost 87 per cent of the overall campaign fundraising goal as of fiscal year end, with \$3,945,632 left to raise (See page 21).

5. Implementation of the Information and Communication Technology Capital Plan budget (as funded):

Progress was made with eight items included in the 2012-13 ICT Capital Plan as follows:

- Learning Management System: The migration to Moodle 2.2 continues. Faculty of Business, Faculty of Health Disciplines and School of Computing and Information Systems upgrades are complete. The Gradebook project to integrate and enhance student grading functions continues with completion expected in June 2014.
- Content Management System Phase 1: Five sub-projects aimed at implementing the Alfresco document management system are underway. Hardware systems and Alfresco version upgrades were completed this year. Alfresco web content management is being used by the Advancement Office in a university rebranding project which will include a relaunch of the university's main web pages, and several departments are using Alfresco to manage their web pages. Introduction of Alfresco for document capture and workflow, to replace an aging microfilm system, is nearing completion. An Alfresco to Moodle publishing project is in the early development stages. The use of Alfresco for document control is underway in Finance as part of the Administrative Systems Renewal Project. Alfresco is also being used for records and document management and storage in several departments.
- Assessment and Exam System: The Much Learning online exam system has moved from the pilot stage to implementation, and 1,600 exams will be available online by September 2015. Enhancements were made to AU's Banner and OROS systems to facilitate self-service student exam booking.
- Acadametrics System: Some academic research activities continue.
- Administrative Systems Renewal Project: The ASRP is the major ICT focus for 2012 -14. The Finance subsystem is scheduled to go live on April 1, 2014, the Student subsystem in November 2014 and Human Resources subsystem on January 1, 2015. Planning activities and implementation related activities continue.
- ICT Disaster Recovery and Risk Mitigation: Updates to the ICT risk assessments and risk registry are ongoing. This year, AU received approval in principle from the University of Alberta to use server room space for a proof of concept and small implementation of a second site. Design work has begun with the U of A. The proof of concept will inform a business case for pilot implementation of a second server site.
- Equipment Hardware Upgrade: This is an ongoing, evergreening activity, currently funded through the Infrastructure Maintenance Program. Many servers were replaced this year, involving renewal of AU's firewall architecture, the Alfresco project and e-mail upgrades.

- **Operating System:** This ongoing activity is partially funded through the Infrastructure Maintenance Program. Numerous patching activities to keep systems current and in response to PCI compliance reports and a Telus security assessment were completed this year.

Phase 1 of the planned student information system upgrade is delayed until the completion of ASRP, and resource requirements for the ASRP have delayed the planned implementation of the articulations and advising system. Other planned developments remain unfunded.

6. Securing AU Edmonton and AU Calgary locations:

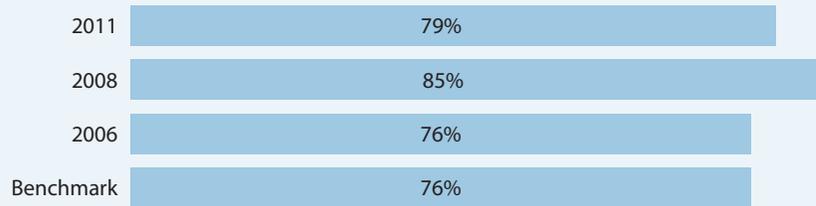
AU will occupy its new Calgary location in the Bow Valley College South Campus Building in 2013. The AU Edmonton centre in the Peace Hills Trust Building was renovated during 2012, but the university continues to explore options for a suitable AU owned facility in the Capital Region. (See page 24.)

7. Implementation of the redevelopment plan for the Main Campus Building at AU Athabasca:

Renovations have been completed on the second floor of the building. Work on the main floor will be carried out during 2013 and 2014, pending availability of provincial funding. (See page 24.)

8. AU employees proud to tell others that they work for AU:

In the most recent Employee Engagement Survey (2011), 76 per cent of employees indicated that they were proud to tell others that they worked for AU. This result forms a benchmark for future surveys (Figure 11).



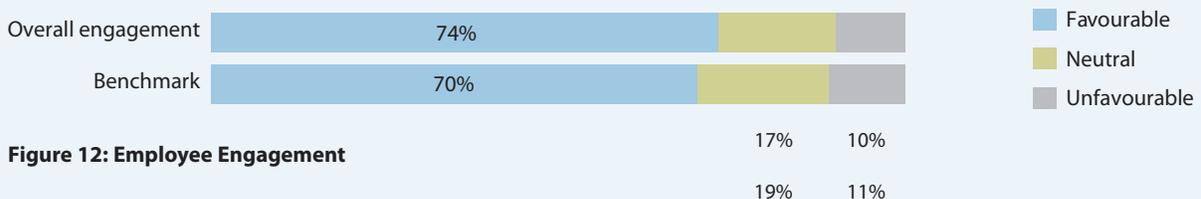
**Figure 11: Employees Proud to Work for AU**

9. AU employees with active development plans:

For technical and staffing reasons, the data required to address this performance measure are unavailable at this time.

10. AU employees indicating favourable engagement levels:

Figure 12 shows benchmarks that have been established for employee engagement levels, based on data collected in the 2011 Employee Engagement Survey.



**Figure 12: Employee Engagement**

## Community

AU continues to promote collaboration and to foster leadership in the communities it serves. Building mutually beneficial partnerships with a variety of groups and communities across the country, particularly in rural, remote and aboriginal communities, remains a priority.

### CIP Goal

1. Work with communities, including rural, remote, indigenous and immigrant communities, to identify community needs, find solutions to local problems and enhance community development.

### Performance Measures

*CIP: 2011-14* included the following community related performance measures:

1. Partnerships and collaborative projects:
  - AU joined an international consortium of partners in POERUP (Policies for OER Uptake), a European Union-funded project focused on increasing the uptake of open educational resources by governments and educational institutions. Other partners include Open Universiteit, the Netherlands; the University of Leicester, England; Université Nancy 2, France; SERO, an education, skills and economic development company specializing in IT and digital policy and programs; SCIENTER, a non-profit organization specializing in educational research and innovation; and the European Distance and E-learning Network, an international non-profit educational association dedicated to sharing knowledge and improving understanding among distance and e-learning professionals.
  - AU is a partner in Unleashing Local Capital, a project designed to empower communities to invest locally, direct their own economic development and reduce dependency on government supports. The project is largely funded by Rural Alberta Development Fund and co-ordinated by the Alberta Community and Co-operative Association. Other strategic partners include the Alberta Business Family Institute, Community Futures Network of Alberta, the Centre de Développement Économique and the Alberta Rural Development Network.
2. Collaborations with other Campus Alberta institutions and the K-12 system:
  - A collaborative dual credit project with Aspen View School Division will support the provincial Dual Credit Strategy. Planning is ongoing, and implementation is scheduled for January 2014.
  - Through a new agreement, graduates of Olds College Bachelor of Applied Science in Agribusiness Program will be eligible for admission to AU's MBA Program.

## 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 and, as such, should be read in conjunction with the audited financial statements. This narrative provides management's analysis of AU's financial performance and other relevant information for the fiscal year ending March 31, 2013.

### Financial Statement Presentation

The 2012-13 (fiscal 2013) financial statements, as presented, reflect a change in accounting standards. Effective April 1, 2011, AU adopted Public Sector Accounting Standards; it had previously reported under Not-For-Profit Standards. The university's March 31, 2013, financial statements are the first to which PSAS apply. The impact of the conversion to PSAS is presented in detail in Schedule 1 of the notes to the financial statements. The major differences under PSAS include the following:

- Artwork is no longer considered an asset.
- Assets and liabilities are no longer classified as short- and long-term.
- Deferred capital contributions are no longer reported separately and are now included in deferred revenue when a liability exists as a result of restricted contributions and agreements with the funder.
- Net assets now consists of endowments and accumulated surplus (deficit).
- Universities Academic Pension Plan liability is restated as a result of a first-time conversion to the PSAS retirement and post-employment benefits election.
- Intangible assets other than software are no longer included in capital assets.

### Fiscal 2013 Overview

AU ended the 2013 fiscal year with a \$752,000 excess of revenue over expense. This compares well to the planned deficiency of \$1 million. The university's net assets position increased by \$1.5 million, mainly due to the \$752,000 excess of revenue over expense and an accumulated remeasurement gain of \$742,000.

### Statement of Financial Position

Fiscal 2013 Compared to Fiscal 2012  
(millions of dollars)

	2013	2012	\$ Change
<b>Assets</b>			
Cash and cash equivalents	\$ 2.9	5.1	(2.2)
Portfolio investments	37.6	35.4	2.2
Accounts receivable	1.8	1.6	0.2
Inventories and prepaid expenses	5.3	5.1	0.2
Tangible capital assets	58.2	58.1	0.1
	<b>\$ 105.8</b>	<b>105.3</b>	<b>0.5</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 11.7	9.1	2.6
Employee future benefit liabilities	21.6	22.4	(0.8)
Deferred revenue	71.6	74.4	(2.8)
	<b>\$ 104.9</b>	<b>105.9</b>	<b>(1.0)</b>
<b>Net Assets</b>			
Endowments	\$ 2.5	2.5	-
Accumulated surplus (deficit)			
Accumulated operating deficit	(2.3)	(3.1)	0.8
Accumulated remeasurement gains	0.7	-	0.7
	<b>\$ 0.9</b>	<b>(0.6)</b>	<b>1.5</b>
	<b>\$ 105.8</b>	<b>105.3</b>	<b>0.5</b>

The \$511,000 increase in assets is made up of modest increases in accounts receivable, inventories and prepaid expenses and tangible capital assets. Overall, there was no net change in cash and cash equivalents and portfolio investments.

The \$2.6 million increase in accounts payable and accrued liabilities is attributable to \$3.8 million in termination benefits payable offset by a \$1.2 million reduction in vacation payable and other accrued liabilities.

The \$828,000 decrease in employee future benefit liabilities is due to a \$336,000 reduction in the administrative leave accrual and flexible benefit plan and a \$492,000 reduction in the Universities Academic Pension Plan liability. The reduction for the administrative leave accrual was due to a recent departure of members of the executive group. The reduction in the UAPP liability is the result of the annual actuarial valuation.

Deferred revenue under PSAS includes student fees received in advance, external research and special project funds, and unspent capital deferred revenue. This liability had decreased by \$2.8 million due to net usage of externally restricted funds for projects and for expended capital grants recognized as revenue.

Accumulated surplus (deficit) under PSAS has two sub components:

1. Accumulated operating deficit: It is made up of the accumulated deficit from operations (comprising of internally restricted funds) and the university's investment in tangible capital assets amount.

	2013	2012	\$ Change
Accumulated deficit from operations	\$ (13.2)	(12.9)	(0.3)
Investment in tangible capital assets	10.9	9.8	1.1
	<b>\$ (2.3)</b>	<b>3.1</b>	<b>0.8</b>

The \$342,000 increase in the accumulated deficit from operations is due to a transfer of \$1.1 million to investment in tangible capital assets offset by excess revenue over expense for the year of \$752,000.

Internally restricted funds included in accumulated deficit from operations are

	2013	2012	\$ Change
System development	\$ 2.5	3.8	(1.3)
Future student awards	1.9	1.8	0.1
New program development	1.4	0.9	0.5
Research and academic project	-	0.1	(0.1)
UAPP deficiency	(19.0)	(19.5)	0.5
	<b>\$ (13.2)</b>	<b>(12.9)</b>	<b>(0.3)</b>

AU elected to adopt the exemption available under PSAS to retroactively recognize all cumulative unamortized actuarial gains and losses on post-employment benefit liabilities as at April 1, 2011. For the university, the applicable benefit liability is the UAPP. By accepting this exemption, the university has recognized a \$12.7 cumulative actuarial loss to April 1, 2011, directly to accumulated surplus (deficit) from operations. This restatement is reflected in Schedule 1 of the notes to the financial statements.

2. Accumulated remeasurement gains: This account reports unrealized gains or losses from unrestricted investments that do not flow through to the Statement of Operations (under PSAS). Upon realizing the gain or loss the amounts will be transferred to revenue.

At the end of fiscal 2012, AU's statements did not reflect any unrealized gains or losses from unrestricted investments while, at the end of fiscal 2013 (under PSAS), there was a \$742,000 unrealized gain.

## Statement of Operations

In comparing the Statement of Operations for 2013 to that of 2012, revenue increased by \$7.5 million and total expenses increased by \$7.1 million, resulting in a net increase in excess of revenue over expense.

The following table and notes highlight the changes and the primary contributors to the change in either revenue or expenses (by object) from one year to the next.

### Fiscal 2013 Actual Compared to Fiscal 2012 Actual (millions of dollars)

	2013	2012	\$ Change
<b>Revenue</b>			
Government of Alberta grants <sup>1</sup>	\$ 47.9	44.1	3.8
Student tuition and fees <sup>2</sup>	63.2	61.9	1.3
Sales of services and products <sup>3</sup>	15.8	14.2	1.6
Donations and other grants <sup>4</sup>	2.6	1.5	1.1
Federal and other government grants	1.7	1.7	0.0
Investment income <sup>5</sup>	1.4	1.7	(0.3)
	<b>\$ 132.6</b>	<b>125.1</b>	<b>7.5</b>
<b>Expenses</b>			
Salaries <sup>6</sup>	\$ 75.6	70.5	5.1
Employee benefits	14.7	14.7	0.0
Fees and purchased services <sup>7</sup>	16.0	15.1	0.9
Materials and supplies <sup>8</sup>	11.2	10.6	0.6
Communications and travel	5.5	5.7	(0.2)
Rental, insurance and utilities	2.9	3.0	(0.1)
Amortization of capital assets <sup>9</sup>	4.8	4.0	0.8
Scholarships and bursaries	1.1	1.1	0.0
	<b>\$ 131.8</b>	<b>124.7</b>	<b>7.1</b>
<b>Total expense (by object)</b>	<b>\$ 131.8</b>	<b>124.7</b>	<b>7.1</b>
<b>Excess revenue over expense</b>	<b>\$ 0.8</b>	<b>0.4</b>	<b>0.4</b>

<sup>1</sup> **Government of Alberta grants:** The \$3.8 million increase is attributable to a net \$1.5 million increased usage of deferred capital grants (under PSAS amortization of spent external capital grant reported in the source of grant revenue category), a \$1 million increase to the base operating grant and a \$1.3 million increase in recognition of one-time special purpose grants.

<sup>2</sup> **Student tuition and fees:** The \$1.3 million increase is attributable to volume and price increments over the previous year.

<sup>3</sup> **Sales of services and products:** The \$1.6 million increase relates mainly to learning resource revenue for both the graduate and undergraduate programs. The revenue increase was a result of increases in fee price and enrolment volume.

<sup>4</sup> **Donations and other grants:** The \$1.1 million increase is due to a \$600,000 increase in donation revenue recognized as well as a \$500,000 increase in non-government grant revenue recognized for research activities.

<sup>5</sup> **Investment income:** The decrease is a result of two offsetting changes. There was \$742,000 unrealized gain which, under PSAS, is not reported on the Statement of Operations; instead, it is reported on the Statement of Financial Position. The investment return in 2013 was also \$382,000 higher than in 2012.

<sup>6</sup> **Salaries:** The \$5.1 million increase is due to a combination of termination benefits payable of \$3.8 million and incremental increases for cost-of-living and merit of \$3.5 million offset by a reduction of vacation liability of \$1.1 million and vacancy savings of \$1.1 million.

<sup>7</sup> **Fees and purchased services:** The \$918,000 increase is due to increased spending on externally funded project activities.

<sup>8</sup> **Materials and supplies:** The \$574,000 increase is due to volume and price increases on course materials.

<sup>9</sup> **Amortization of capital assets:** The \$835,000 increase is due to amortizing ICT related capital asset additions.

### Fiscal 2013 Actual Compared to Fiscal 2013 Budget

At the end of the year, the university's net operating position was a \$752,000 excess of revenue over expense compared to an approved budgeted deficiency of \$1 million, resulting in a net positive variance of \$1.8 million. The variance is comprised mainly of the following:

- Salaries: Less than budget due to capitalization of staff costs related to the Administrative Systems Renewal Project (\$525,000)

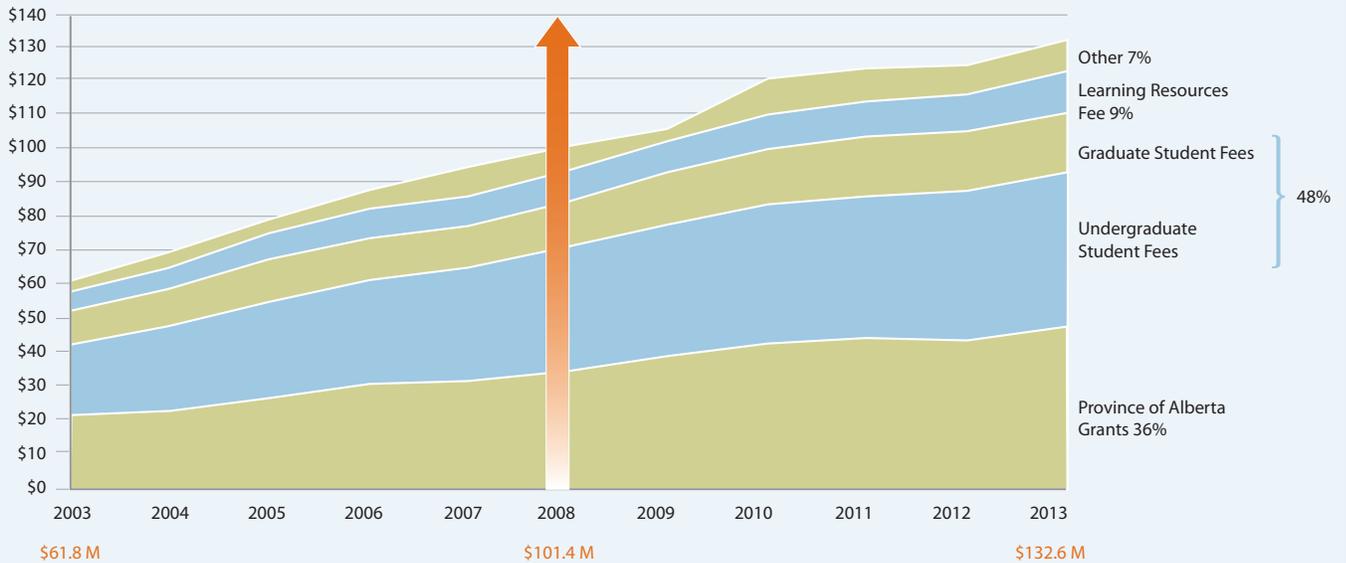
- Employee benefits: Less than budget due to reductions in the Universities Academic Pension Plan liability (\$492,000) and the Alberta Blue Cross liability (\$251,000)
- Other expenses: Less than budget due to a reduction in planned spending, which resulted in net efficiencies in various areas (\$514,000)

In 2008-09, all Alberta universities and Alberta Advanced Education and Technology agreed that the appropriate share of the unfunded liability for the Universities Academic Pension Plan would be recorded on universities' financial statements. This liability is adjusted each year based on actuarial valuations and extrapolations.

The budget included a \$100,000 provision for a year-end increase to the Universities Academic Pension Plan liability. Due to a retirement and post-employment benefits election being made in the conversion to Public Sector Accounting Standards, the actual year end results reflected a \$492,000 decrease in the liability. If the election had not been applied, there would have been a \$751,000 increase in this liability.

### Revenue and Expense: A Historical Overview

Revenue increased by 114 per cent between 2003 and 2013. In 1993, the Government of Alberta grant represented 75 per cent of AU's revenue, but by 1997, it represented only 45 per cent and, by 2013, 36 per cent. Increases in revenue over the past 10 years have been derived, for the most part, from student fees, which now provide 48 per cent of the university's revenue.



**Figure 13: Revenue by Source: 2003–04 to 2012–13 Actual** (in millions of dollars)

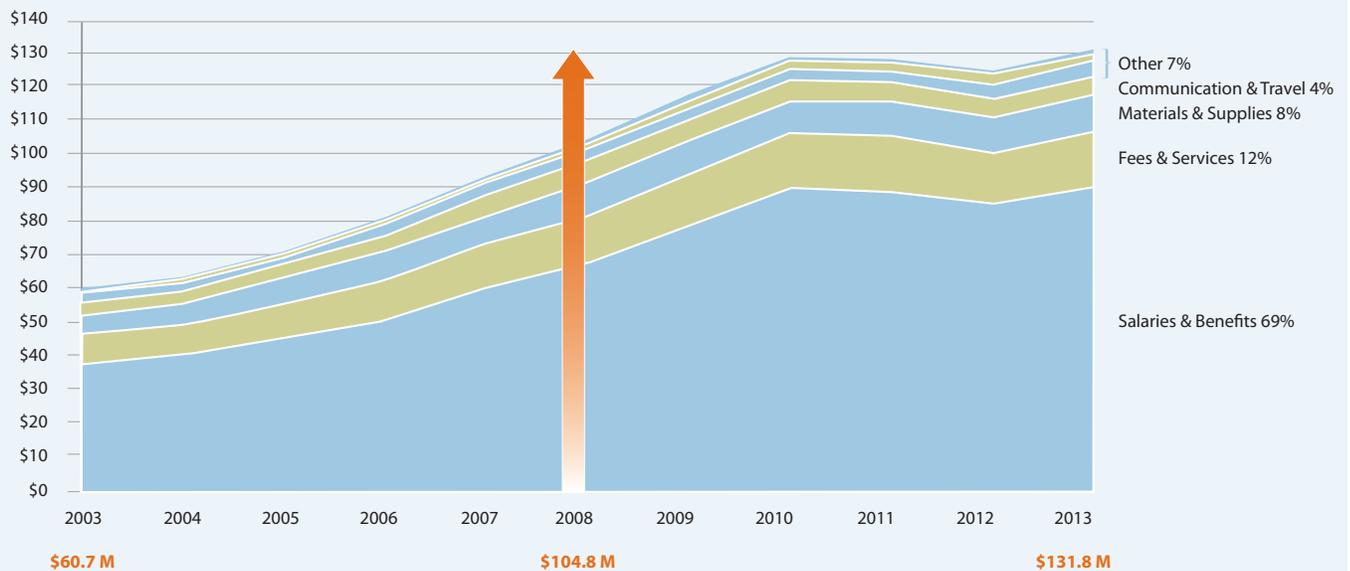
Over the last 10 years, course registration at AU has increased by 49 per cent and student fee revenue by 103 per cent.



**Figure 14: Student Fee Revenue and Registration Growth from 2003-04 to 2012-13**

Total expenses have increased every year over the past decade except 2011 and 2012, during which externally funded project activity (Knowledge Infrastructure Program and Community Adjustment Fund) was curtailed.

Salaries and benefits represent, by far, the largest expenditures. Over the past 10 years, salaries and benefits expenses as a percentage of total expenses have increased from 62 to 69 per cent, a common ratio in the post-secondary sector.



**Figure 15: 2003-04 to 2012-13 Actual (in millions of dollars)**

APPENDIX A

# Athabasca University

## **FINANCIAL STATEMENTS**

For the Year Ended March 31, 2013



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# Auditor's Report



Independent Auditor's Report

To the Board of Governors of Athabasca University

## Report on the Financial Statements

I have audited the accompanying financial statements of Athabasca University, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and cash flows for the years ended March 31, 2013 and March 31, 2012, and the statement of remeasurement gains and losses for the year ended March 31, 2013, 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 audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the 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 in my audits 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, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012, and its remeasurement gains and losses for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

*Original signed by Merwan N. Saher, FCA*

Auditor General

June 7, 2013

Edmonton, Alberta

# Athabasca University

## Statement of Financial Position

As at  
(thousands of dollars)

	March 31, 2013	March 31, 2012	April 1, 2011
<b>Assets</b>			
Cash and cash equivalents (Note 5)	\$ 2,915	\$ 5,142	\$ 7,518
Portfolio investments (Note 6)	37,569	35,434	38,760
Accounts receivable (Note 8)	1,796	1,583	3,616
Inventories and prepaid expenses	5,355	5,106	5,607
Tangible capital assets (Note 9)	58,206	58,065	52,300
	<u>\$ 105,841</u>	<u>\$ 105,330</u>	<u>\$ 107,801</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 11,682	\$ 9,122	\$ 14,452
Employee future benefit liabilities (Note 10)	21,554	22,382	22,322
Deferred revenue (Note 11)	71,638	74,381	72,202
	<u>104,874</u>	<u>105,885</u>	<u>108,976</u>
<b>Net Assets</b>			
Endowments (Note 12)	2,536	2,508	2,297
Accumulated surplus (deficit)			
Accumulated operating deficit (Note 13)	(2,311)	(3,063)	(3,472)
Accumulated remeasurement gains	742	-	-
	<u>967</u>	<u>(555)</u>	<u>(1,175)</u>
	<u>\$ 105,841</u>	<u>\$ 105,330</u>	<u>\$ 107,801</u>

Contractual obligations (Note 14)

Approved by the Board of Governors:

*Original signed by Barry Walker*

Barry J. Walker, FCA  
Chair, Governors of Athabasca University

*Original signed by Frits Pannekoek*

Dr. Frits Pannekoek, PhD  
President

The accompanying notes are part of these financial statements

# Athabasca University

## Statement of Operations

Year ended March 31  
(thousands of dollars)

	Budget 2013	2013	2012
<b>Revenue</b>			
Government of Alberta grants (Note 17)	\$ 46,698	\$ 47,866	\$ 44,125
Student tuition and fees	63,731	63,207	61,871
Sales of services and products	15,921	15,805	14,243
Donations and other grants	2,454	2,570	1,477
Federal and other government grants	1,846	1,740	1,679
Investment income (Note 15)	1,161	1,364	1,746
	<u>131,811</u>	<u>132,552</u>	<u>125,141</u>
<b>Expense</b>			
Instruction and non-sponsored research	71,850	72,033	68,694
Academic and student support	16,284	15,805	16,016
Institutional support	12,491	12,508	12,067
Ancillary services	9,268	9,736	9,047
Computing and communication	8,757	7,799	7,561
Facility operations and maintenance	7,874	7,610	6,329
Sponsored research and special purpose	6,317	6,309	5,018
	<u>132,841</u>	<u>131,800</u>	<u>124,732</u>
Excess (deficiency) of revenue over expense	<u>(1,030)</u>	<u>752</u>	<u>409</u>
Accumulated operating surplus (deficit), beginning of year (Note 13)	<u>9,169</u>	<u>(3,063)</u>	<u>(3,472)</u>
Accumulated operating surplus (deficit), end of year (Note 13)	<u>\$ 8,139</u>	<u>\$ (2,311)</u>	<u>\$ (3,063)</u>

The accompanying notes are part of these financial statements

# Athabasca University

## Statement of Cash Flows

Year ended March 31  
(thousands of dollars)

	2013	2012
<b>Operating transactions</b>		
Excess of revenue over expense	\$ 752	\$ 409
Add (deduct) non-cash items:		
Amortization of tangible capital assets	4,808	3,973
Expended capital recognized as revenue	(3,380)	(1,877)
Loss on disposal of tangible capital assets, net	230	26
Unrealized gains on investments	-	(1,141)
Change in employee future benefit liabilities	(828)	60
Total non-cash items	830	1,041
(Increase) decrease in accounts receivable	(213)	2,033
(Increase) decrease in inventories and prepaid expenses	(249)	501
Increase (decrease) in accounts payable and accrued liabilities	2,560	(5,330)
(Decrease) increase in deferred revenue	(1,558)	1,381
Cash provided by operating transactions	2,122	35
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(5,188)	(9,837)
Proceeds on sale of tangible capital assets	9	73
Cash applied to capital transactions	(5,179)	(9,764)
<b>Investing transactions</b>		
Purchases of investments	(1,226)	(35,635)
Proceeds on sale of portfolio investments	-	40,113
Cash provided by investing transactions	(1,226)	4,478
<b>Financing transactions</b>		
Endowment contributions	-	152
Endowment transfers	28	59
Capital contributions	2,028	2,664
Cash provided by financing transactions	2,056	2,875
(Decrease) in cash and cash equivalents	(2,227)	(2,376)
Cash and cash equivalents, beginning of year	5,142	7,518
Cash and cash equivalents, end of year (Note 5)	\$ 2,915	\$ 5,142

The accompanying notes are part of these financial statements

# Athabasca University

## Statement of Remeasurement Gains and Losses

Year ended March 31, 2013  
(thousands of dollars)

	<u>2013</u>
Accumulated remeasurement gains at beginning of year	\$ -
Net unrealized gains attributable to:	
Portfolio investments	<u>742</u>
Accumulated remeasurement gains at end of year	<u>\$ 742</u>

The accompanying notes are part of these financial statements

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(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 Enterprise and Advanced Education, with the exception of the President, who is an ex officio member. Under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, the University is a 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. Conversion to Public Sector Accounting Standards

Commencing with the 2012-2013 fiscal year, the University has adopted Canadian Public Sector Accounting Standards ("PSAS") as issued by the Public Sector Accounting Board. These financial statements are the first financial statements for which the University has applied Canadian PSAS. The adoption of PSAS is accounted for by retroactive application with a restatement of prior years.

The impact of the conversion to Canadian PSAS on the accumulated deficit at the date of transition and the comparative annual surplus is presented in Schedule 1. These accounting changes have been applied retroactively with restatement of prior periods. The changes that have been implemented to comply with PSAS are presented in Schedule 1.

The University has made the following elections on first time adoption of PSAS;

- Retirement and post-employment benefits: To retroactively recognize all cumulative unrecognized actuarial gains and losses on post-employment benefit liability as at April 1, 2011. By accepting this exemption the University has recognized these amounts directly to accumulated surplus (deficit).
- Tangible capital asset impairment: To prospectively apply the conditions for accounting for a write-down of a tangible capital asset. By accepting this exemption the University has not revisited any prior year write-downs relative to PSAS.

### 3. Adoption of New Accounting Standards

#### (a) Portfolio Investments

As at April 1, 2012, the University adopted PSA Handbook Section 3041, Portfolio Investments. This section establishes standards on how to account for and report portfolio investment. This standard is applicable to the fiscal year in which PSA Handbook Sections 2601, Foreign Currency Translation, 3450, Financial Instruments and 1201 Financial Statement Presentation are adopted. The standard refers to 3450, Financial Instruments for recognition and measurement of investments held by the University.

#### (b) Financial Instruments

As at April 1, 2012, the University adopted PSA Handbook Section 3450, Financial Instruments. This new standard provides guidance for recognition, measurement and disclosure of financial instruments. The transitional provisions in the standard state that when an organization applies this standard in the same year it adopts PSAS for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the University immediately preceding its adoption of PSAS.

#### (c) Foreign currency

As of April 1, 2012, the University adopted PSA Handbook Section 2601, Foreign Currency Translation. This revised standard establishes standards on how to account for and report transactions that are denominated in a foreign currency. The transitional provisions in the standard state that when a government organization applies this standard in the same year it adopts PSAS for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the University immediately preceding its adoption of PSAS.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 3. Adoption of New Accounting Standards (continued)

#### (d) Financial statement presentation

As of April 1, 2012, the University adopted PSA Handbook Section 1201 Financial Statement Presentation. This section establishes general reporting principles and standards for the disclosure of information in financial statements. This standard is applicable to fiscal years that PSA Handbook Sections 2601, Foreign Currency Translation and 3450 Financial Instruments are adopted.

#### (e) Government transfers

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

### 4. Summary of Significant Accounting Policies and Reporting Practices

#### (a) General - PSAS and Use of Estimates

These financial statements have been prepared in accordance with Canadian PSAS. 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 capital assets, and the revenue recognition for externally funded tangible capital assets 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) Non-use of Net debt model format

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

#### (c) Valuation of Financial Assets and Liabilities

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

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

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses, except for the restricted portion that is recognized as a liability under deferred revenues, or as endowments. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to unrestricted financial instruments are reported in the statement of operations.

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 for a subsequent increase in value in the statement of operations.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

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

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

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 that are measured using cost or amortized cost and are expensed when measured at fair value.

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.

#### (d) Revenue Recognition

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue. The University recognizes government grants, donations, and other contributions as follows:

##### Government transfers

Government transfers and associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the University's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the University complies with its communicated use of the transfer.

Government transfers, without terms for the use of the transfer, are recorded as revenue when the University is eligible to receive the funds.

##### Donations and non-government contributions

Donations and non-government contributions are received from individuals, corporations, and private sector not-for-profit organizations. Donations and non-government contributions may be unrestricted or restricted for operating or capital purposes or research purposes.

Unrestricted donations and non-government contributions are recorded as revenue in the year received or in the year the funds are committed to the University if the amount can be reasonably estimated and collection is reasonably assured.

Restricted donations, non-government contributions, and realized and unrealized gains and losses for the associated externally restricted investment income are recorded as deferred revenue if the terms for their use, or the terms along with the University's actions and communications as to the use, create a liability. These resources are recognized as revenue as the terms are met and when applicable, the University complies with its communicated use.

In kind donations of services and materials are recorded at fair value when such value can reasonably be determined. While volunteers, as well as members of the staff of the University, contribute a significant amount of hours each year to assist the University in carrying out its mission, the value of their contributed services is not recognized as revenue and expenses in these financial statements because fair value cannot be reasonably determined.

##### Grants and donations related to land

The University recognizes transfers and donations to buy land as a liability when received, and as revenue when the University buys the land. The University recognizes in-kind contributions of land as revenue at the fair value of the land when a fair value can be reasonably determined. When the University cannot determine the fair value, it records such in-kind contributions at nominal value.

##### Endowments

Donations, government transfers, and non-government contributions that must be maintained in perpetuity are recognized as a direct increase in endowment net assets when received or receivable. Realized and unrealized gains and losses attributable to portfolio investments of these endowments that also must be maintained in perpetuity are also recognized as a direct increase in endowment net assets when received or receivable.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

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

#### (d) Revenue Recognition (continued)

##### 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 that are not from restricted transfers, donations, or contributions are recognized in the statement of remeasurement gains and losses until the related investments are sold. Once realized, these gains or losses are recognized in the statement of operations.

#### (e) 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 held for consumption are valued at cost.

#### (f) Tangible Capital Assets

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

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

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

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

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

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

Works of art, cultural and historical properties, and treasures are not recognized in the financial statements.

#### (g) Foreign Currency Translation

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year end exchange rate. Revenues and expenses are translated based upon an estimate of the actual exchange rate on the date of the transaction. In the period of settlement realized gains or losses from these translations are included in investment income. Unrealized gains and losses are recognized in the statement of remeasurement gains and losses.

#### (h) Employee Future Benefits

##### Pension

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

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

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

#### (h) Employee Future Benefits (continued)

##### Pension (continued)

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.

##### Other Employee Benefit Plans

The University's other defined benefit plans include the following: Administrative Leave, Flexible Benefits, Extended Health and Dental Care, Life and Dependant Life Insurance, Weekly Indemnity, and Long-term Disability.

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.

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.

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.

#### (i) Internally Restricted Funds

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

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 5. 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.

### 6. Portfolio Investments

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 assets or liabilities.

The pooled investment funds are segregated into asset classes for which the fair-value, and annual market yields are as follows:

	2013		2012	
	Annual Market Yield	Market Value	Annual Market Yield	Market Value
Money market funds, short-term notes, and treasury bills	1.1%	\$ 2,199	1.0%	\$ 2,689
Bonds	4.9%	29,231	8.2%	30,035
Canadian equities	12.0%	3,088	-9.2%	1,815
US equities	16.0%	1,855	5.5%	616
International equities	14.6%	1,196	-8.1%	279
		<u>\$ 37,569</u>		<u>\$ 35,434</u>

The terms to maturity of investments indirectly invested through pooled funds in money market funds are less than one year. The terms to maturity of investments indirectly invested through pooled funds in bonds range from less than one year to more than five years.

All portfolio investments are invested in pooled funds for which the composition and fair value are as follows:

		2013	2012	2011
Equities listed in active market;				
	Level 1	\$ 37,569	\$ 35,434	\$ 38,760
	Level 2	-	-	-
	Level 3	-	-	-
Total investments		<u>\$ 37,569</u>	<u>35,434</u>	<u>38,760</u>

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

Level 2: Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 6. Portfolio Investments (continued)

Unrealized gains and losses on restricted funds

	2013
Net unrealized gains, beginning of year	\$ -
Unrealized gains attributable to: Portfolio investments	167
Net unrealized gains, end of year, recorded in deferred revenue (Note 11)	<u>\$ 167</u>

### 7. 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 following details the University's portfolio sensitivity to an increase or decrease in market prices. At March 31, 2013, 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 endowment net assets, and externally restricted deferred contributions for the year would have been a total of \$1,877 (2012 - \$1,772; 2011-\$1,938).

#### 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 is indirectly invested in debt securities with the following credit ratings and percentages of the total investment fund

	2013	2012
Credit rating		
AAA	48%	55%
AA	9%	7%
A	24%	24%
BBB	3%	6%
Total percent of portfolio at risk	<u>84%</u>	<u>92%</u>

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 7. Financial Risk Management (continued)

#### Interest rate risk

The University invests in equity 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 impact of a change in interest rates on those pooled investment funds which are primarily invested in fixed income debt instruments is as follows in thousands:

	<u>.50% decrease</u>	<u>.25% decrease</u>	<u>.25% increase</u>	<u>.50% increase</u>
Dollar value change	\$ 600	\$ 300	\$ (300)	\$ (600)

#### Foreign currency risk

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

### 8. Accounts Receivable

	<u>2013</u>	<u>2012</u>
Accounts receivable	\$ 1,623	\$ 1,253
Other receivable	173	330
Less provision for doubtful accounts	-	-
	<u>\$ 1,796</u>	<u>\$ 1,583</u>

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

### 9. Tangible Capital Assets

	<u>2013</u>					
	<u>Land</u>	<u>Buildings and site improvements</u>	<u>Computer hardware and software</u>	<u>Furniture and equipment <sup>(4)</sup></u>	<u>Other <sup>(5)</sup></u>	<u>Total</u>
<b>Cost <sup>(1) (2)</sup></b>						
Beginning of year	\$ 1,565	61,632	26,353	6,707	9,170	105,427
Additions	-	247	4,527	258	156	5,188
Disposals, including write-downs <sup>(3)</sup>	-	-	(3,898)	(93)	(10)	(4,001)
	<u>\$ 1,565</u>	<u>61,879</u>	<u>26,982</u>	<u>6,872</u>	<u>9,316</u>	<u>106,614</u>
<b>Accumulated amortization</b>						
Beginning of year	\$ -	18,991	15,503	4,682	8,186	47,362
Amortization expense	-	1,647	2,433	460	268	4,808
Effects on disposals, including write-downs	-	-	(3,659)	(93)	(10)	(3,762)
	<u>\$ -</u>	<u>20,638</u>	<u>14,277</u>	<u>5,049</u>	<u>8,444</u>	<u>48,408</u>
<b>Net book value at March 31, 2013</b>	<u>\$ 1,565</u>	<u>41,241</u>	<u>12,705</u>	<u>1,823</u>	<u>872</u>	<u>58,206</u>

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 9. Tangible Capital Assets (continued)

	2012					
	Land	Buildings and site improvements	Computer hardware and software	Furniture and equipment <sup>(4)</sup>	Other <sup>(5)</sup>	Total
<b>Cost<sup>(1) (2)</sup></b>						
Beginning of year	\$ 1,565	57,013	21,986	6,221	9,115	95,900
Additions	-	4,757	4,528	494	58	9,837
Disposals, including write-downs	-	(138)	(162)	(8)	(3)	(311)
	<u>\$ 1,565</u>	<u>61,632</u>	<u>26,352</u>	<u>6,707</u>	<u>9,170</u>	<u>105,426</u>
<b>Accumulated amortization</b>						
Beginning of year	\$ -	17,997	13,716	4,259	7,628	43,600
Amortization expense	-	1,033	1,949	431	560	3,973
Effects on disposals, including write-downs	-	(39)	(163)	(8)	(2)	(212)
	<u>\$ -</u>	<u>18,991</u>	<u>15,502</u>	<u>4,682</u>	<u>8,186</u>	<u>47,361</u>
<b>Net book value at March 31, 2012</b>	<u>\$ 1,565</u>	<u>42,641</u>	<u>10,850</u>	<u>2,025</u>	<u>984</u>	<u>58,065</u>
	2011					
	Land	Buildings and site improvements	Computer hardware and software	Furniture and equipment <sup>(4)</sup>	Other <sup>(5)</sup>	Total
<b>Cost<sup>(1) (2)</sup></b>						
Beginning of year	\$ 1,565	41,041	18,461	5,469	9,043	75,579
Additions	-	15,972	3,775	782	83	20,612
Disposals, including write-downs	-	-	(250)	(30)	(11)	(291)
	<u>\$ 1,565</u>	<u>57,013</u>	<u>21,986</u>	<u>6,221</u>	<u>9,115</u>	<u>95,900</u>
<b>Accumulated amortization</b>						
Beginning of year	\$ -	17,409	12,599	3,923	7,007	40,938
Amortization expense	-	588	1,367	366	632	2,953
Effects on disposals, including write-downs	-	-	(250)	(30)	(11)	(291)
	<u>\$ -</u>	<u>17,997</u>	<u>13,716</u>	<u>4,259</u>	<u>7,628</u>	<u>43,600</u>
<b>Net book value at March 31, 2011</b>	<u>\$ 1,565</u>	<u>39,016</u>	<u>8,270</u>	<u>1,962</u>	<u>1,487</u>	<u>52,300</u>

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

1. Historic cost includes work-in-progress at March 31, 2013 totaling \$ 6,366 comprised of leasehold improvements \$144, (2012 - \$0, 2011 - \$0), buildings \$0 (2012 - \$571, 2011 \$30,305), equipment \$213 (2012 - \$0, 2011 - \$0), and computer hardware and software \$6,009 (2012 - \$3,216, 2011 - \$5,300).
2. The University holds a number of works of art, cultural and historical properties, and treasures; under public sector accounting standards their values are not included in these statements.
3. There are no write-downs within disposals for 2012-2013.
4. Equipment includes vehicles, office equipment and furniture, and other equipment.
5. Other tangible capital assets include leasehold improvements and library.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 10. Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2013	2012
Universities Academic Pension Plan (UAPP)	\$ 19,019	\$ 19,511
Administrative leave plan	2,463	2,810
Flexible benefits plan	72	61
	<u>\$ 21,554</u>	<u>\$ 22,382</u>

#### (a) Defined Benefit 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, 2010. This was then extrapolated to March 31, 2013. The University's portion of the UAPP deficiency has been allocated based on its percentage of the plan's total employer contributions for the year.

The UAPP unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2012 - 1.25%) of total earnings by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.34% (2012 - 2.34%) of total earnings required to eliminate the unfunded deficiency by December 31, 2043. The actuarial valuation shows that the present value of the Government of Alberta's obligation for the future additional contributions was \$308,904 at March 31, 2013. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 5.54% (2012 - 5.54%) of pensionable earnings until December 31, 2021, 1.46% (2012 - 1.46%) of salaries for 2022 and 2023, and 0.45% (2012 - 0.45%) of salaries for 2024 and 2025, all shared equally between employees and employers.

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

	2013	2012
Financial Operations		
Expense		
Current service cost	\$ 3,769	\$ 3,932
Interest cost	1,531	1,357
Amortization of net actuarial losses	327	-
Total expense	<u>\$ 5,627</u>	<u>\$ 5,289</u>
Financial Position		
Accrued benefit obligation:		
Balance, beginning of year	\$ 86,595	\$ 83,364
Current service cost	3,769	3,932
Interest cost	5,747	5,552
Benefits paid	(3,894)	(3,757)
Actuarial (gain) loss	8,811	(2,496)
Balance, end of year	101,028	86,595
Plan assets	<u>(77,177)</u>	<u>(63,746)</u>
Funded status - plan deficit	23,851	22,849
Unamortized net actuarial loss	(4,832)	(3,338)
Accrued benefit liability	<u>\$ 19,019</u>	<u>\$ 19,511</u>

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 10. Employee Future Benefit Liabilities (continued)

#### (a) Defined Benefit Accounted for on a Defined Benefit Basis (continued)

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

	2013	2012
Accrued benefit obligation:		
Discount rate	6.20%	6.50%
Average compensation increase	3.50%	3.50%
Benefit cost:		
Discount rate	6.20%	6.50%
Average compensation increase	3.50%	3.50%
Alberta inflation:		
Year 1:	2.25%	2.25%
Year 2 and thereafter	2.25%	2.25%
Estimated average remaining service life:	10.2 years	10.2 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 \$2,463 (2012 - \$2,810) in employee future benefit liabilities. 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:

	2013	2012
Financial Operations		
Expense		
Current service cost	\$ 495	\$ 481
Interest cost	62	79
Amortization of net actuarial losses	(215)	(32)
Total expense	<u>\$ 342</u>	<u>\$ 528</u>
Financial Position		
Accrued benefit liability:		
Balance, beginning of year	\$ 2,810	\$ 2,590
Current service cost	495	481
Interest cost	62	79
Benefits paid	(689)	(308)
Actuarial (gain)	(215)	(32)
Balance, end of year	<u>\$ 2,463</u>	<u>\$ 2,810</u>

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 10. Employee Future Benefit Liabilities (continued)

#### (a) Defined Benefit 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:

	2013	2012
Discount rate	2.00%	2.10%
Rate of compensation increase		
First year	2.00%	3.00%
Subsequent years	2.00%	3.00%
Average remaining service period of active employees	6 years	6 years
Retirement age	63	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 \$1,358 (2012 - \$1,245).

An actuarial valuation of the PSPP was carried out as at December 31, 2011 and was then extrapolated to December 31, 2012. At December 31, 2012, the PSPP reported an actuarial deficiency of \$ 1,645,141 (2011 - \$1,790,383). This deficiency 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 deficiency.

### 11. Deferred Revenue

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

	2013				
	Deferred research and other restricted	Unspent capital	Spent capital	Student and other fees	Total
Balance, beginning of year	\$ 11,228	\$ 923	\$ 48,275	\$ 13,955	\$ 74,381
Grants, tuition, donations received	7,469	-	-	47,969	55,438
Investment income (Note 15)	54	-	-	-	54
Unearned capital acquisition transfers	(2,028)	(399)	2,427	-	-
Recognized as revenue	(7,202)	-	(3,380)	(47,820)	(58,402)
Other (Note 6)	167	-	-	-	167
Balance, end of year	<u>\$ 9,688</u>	<u>\$ 524</u>	<u>\$ 47,322</u>	<u>\$ 14,104</u>	<u>\$ 71,638</u>

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 11. Deferred Revenue (continued)

	2012				
	Deferred research and other restricted	Unspent capital	Spent capital	Student and other fees	Total
Balance, beginning of year	\$ 10,133	\$ 5,090	\$ 43,310	\$ 13,669	\$ 72,202
Grants, tuition, donations received	10,125	-	-	47,579	57,704
Investment income (Note 15)	6	11	-	-	17
Unearned capital acquisition transfers	(2,664)	(4,178)	6,842	-	-
Recognized as revenue	(6,372)	-	(1,877)	(47,293)	(55,542)
Balance, end of year	<u>\$ 11,228</u>	<u>\$ 923</u>	<u>\$ 48,275</u>	<u>\$ 13,955</u>	<u>\$ 74,381</u>

### 12. 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.

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.

The composition of endowments is as follows:

	2013	2012
Balance, beginning of year	\$ 2,508	\$ 2,297
Endowment contributions	-	152
Investment gain realized (Note 15)	28	59
Balance, end of year	<u>\$ 2,536</u>	<u>\$ 2,508</u>
Cumulative contributions	\$ 2,221	\$ 2,221
Cumulative capitalized income	315	287
	<u>\$ 2,536</u>	<u>\$ 2,508</u>

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 13. Accumulated Operating Deficit

Certain amounts, as approved by the Board of Governors, are set aside in accumulated surplus (deficit) for future operating and capital purposes. Those amounts are not available for other purposes without the approval of the Board of Governors.

Accumulated operating deficit is comprised of the following:

	2013	2012
Accumulated deficit from operations	\$ (13,195)	\$ (12,853)
Investment in tangible capital assets <sup>(1)</sup>	10,884	9,790
	<u>\$ (2,311)</u>	<u>\$ (3,063)</u>
The changes during the year are as follows:		
Accumulated deficit from operations, beginning of year	\$ (12,853)	\$ (12,462)
Excess of revenue over expense	752	409
Net change in investment in tangible capital assets	(1,094)	(800)
Net change in accumulated operating deficit	(342)	(391)
Accumulated deficit from operations, end of year	<u>\$ (13,195)</u>	<u>\$ (12,853)</u>
Investment in tangible capital assets, beginning of year	\$ 9,790	\$ 8,990
Acquisition of internally funded tangible capital assets	2,761	2,995
Net book value of internally funded tangible capital assets	-	(99)
Amortization of investment in tangible capital assets	(1,667)	(2,096)
Net change in investment in tangible capital assets	1,094	800
Investment in tangible capital assets, end of year	<u>\$ 10,884</u>	<u>\$ 9,790</u>

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

### 14. Contractual Obligations

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

	2013	2012
Service contracts	\$ 4,469	\$ 3,582
Capital projects	88	154
Information systems and technology	2,843	3,181
Long-term leases	2,422	2,746
	<u>\$ 9,822</u>	<u>\$ 9,663</u>

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 14. Contractual Obligations (continued)

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

	2013				
	Service Contracts	Capital Projects	Information Systems and Technology	Long-term Leases	Total
2014	\$ 3,725	\$ 88	\$ 2,361	\$ 655	\$ 6,829
2015	223	-	320	566	1,109
2016	160	-	52	573	785
2017	93	-	29	451	573
2018	89	-	27	177	293
Thereafter	179	-	54	-	233
	<u>\$ 4,469</u>	<u>\$ 88</u>	<u>\$ 2,843</u>	<u>\$ 2,422</u>	<u>\$ 9,822</u>

	2012				
	Service Contracts	Capital Projects	Information Systems and Technology	Long-term Leases	Total
2013	\$ 3,480	\$ 154	\$ 2,500	\$ 715	\$ 6,849
2014	93	-	618	558	1,269
2015	2	-	14	440	456
2016	2	-	14	428	444
2017	2	-	13	428	443
Thereafter	3	-	22	177	202
	<u>\$ 3,582</u>	<u>\$ 154</u>	<u>\$ 3,181</u>	<u>\$ 2,746</u>	<u>\$ 9,663</u>

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 15. Investment Income

	2013	2012
Income on investments held for endowments	\$ 82	\$ 65
Income on other investments	1,209	1,727
	<u>1,291</u>	<u>1,792</u>
Transfers to endowment net assets (Note 12)	(28)	(59)
Transfers to deferred revenue (Note 11)	(54)	(17)
Other transfers	155	30
Total investment income recognized	<u>\$ 1,364</u>	<u>\$ 1,746</u>

### 16. Expense by Object

The following is a summary of expense by object.

	2013		2012
	Budget (Note 19)	Actual <sup>(1)</sup>	Actual
Salaries	\$ 70,253	\$ 75,635	\$ 70,480
Employee benefits	16,604	14,680	14,754
Materials, supplies and services:			
Fees and purchased services	18,812	16,009	15,091
Materials and supplies	10,884	11,188	10,614
Communications and travel	6,884	5,468	5,754
Rental, insurance and utilities	3,068	2,889	2,985
Amortization of capital assets	5,287	4,808	3,973
Scholarships and bursaries	1,049	1,123	1,081
	<u>\$ 132,841</u>	<u>\$ 131,800</u>	<u>\$ 124,732</u>

(1) Includes \$3,829 termination benefits as defined under PSA Handbook section 3255.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 17. Related Party Transactions and Balances

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

	2013	2012
Grants from GOA		
Enterprise and Advanced Education:		
Operating	\$ 40,778	\$ 38,900
Infrastructure Maintenance Program	3,024	5,020
Research	625	750
Alberta Innovates - Technology Futures	230	573
Alberta Innovates - Health Solutions	127	188
Other	31	49
Total Enterprise and Advanced Education	<u>44,815</u>	<u>45,480</u>
Other GOA departments and agencies:		
Treasury Board and Finance	436	394
Culture	96	98
Human Services	-	37
Total other GOA departments and agencies	<u>532</u>	<u>529</u>
Total grants received	45,347	46,009
Add (less): deferred revenue	2,519	(1,884)
Total grants from GOA	<u>\$ 47,866</u>	<u>\$ 44,125</u>
Accounts receivable		
Enterprise and Advanced Education	\$ 180	\$ 200
Other GOA departments and agencies	78	71
Other post-secondary institutions	-	32
	<u>\$ 258</u>	<u>\$ 303</u>
Accounts payable		
Enterprise and Advanced Education	\$ -	\$ 3
Other GOA departments and agencies	4	5
Other post-secondary institutions	108	95
	<u>\$ 112</u>	<u>\$ 103</u>

In addition to the grants listed above, the University received \$567 (2012 - \$533) from the Ministry of Culture, included in sales of services and products, for a service agreement to assist with the delivery of a specific program.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 18. Salary and Employee Benefits

Treasury Board Directive 12-98 under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2013			
	Base Salary <sup>(1)</sup>	Cash Benefits <sup>(2)</sup>	Non cash Benefits <sup>(3)</sup>	Total
Governance <sup>(4)</sup>				
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	-	-
Executive Officers				
President	390	38	129	557
Vice-Presidents:				
Academic <sup>(5)</sup>	246	17	80	343
Advancement	210	13	81	304
Finance and Administration	225	20	72	317
Information Technology and CIO <sup>(5)</sup>	208	103	10	321

	2012			
	Base Salary <sup>(1)</sup>	Cash Benefits <sup>(2)</sup>	Non cash Benefits <sup>(3)</sup>	Total
Governance <sup>(4)</sup>				
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	-	-
Executive Officers				
President	360	44	136	540
Vice-Presidents:				
Academic	236	17	86	339
Advancement	204	9	75	288
Finance and Administration <sup>(5)</sup>	211	9	61	281
Information Technology and CIO	217	12	33	262

- (1) Base salary is pensionable and includes pay for vacation time taken.
- (2) Cash benefits include amounts to compensate for the UAPP salary cap, lump sum payments and any other nonpensionable direct cash remuneration.
- (3) Noncash 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. Noncash benefits for the President include a taxable benefit for a rent allowance of University House. Noncash 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.
- (4) The chair and the 17 members (2012 – 17) of the Board of Governors receive no remuneration for participation on the Board.
- (5) The position was occupied by two individuals at different times during the year.

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### 18. Salary and Employee Benefits (continued)

The current service cost and accrued obligation for each executive officer under the Administrative Leave Plan is outlined in the following table:

	Accrued Obligation March 31, 2012	Service costs	Interest and other costs	Actuarial loss (gain)	Accrued Obligation <sup>(6)</sup> March 31, 2013
President	\$ 449	\$ 104	\$ 12	\$ (31)	\$ 534
Vice-Presidents:					
Academic	286	59	7	(30)	322
Advancement	75	41	2	1	119
Finance and Administration	25	43	1	(1)	68
Information Technology and CIO	248	(222)	5	(31)	-

(6) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 10.

### 19. Budget Figures

The University's 2012-2013 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 Enterprise and Advanced Education as part of the University's 2012-2015 Comprehensive Institutional Plan.

Certain budget figures from the University's 2012-2015 Comprehensive Institutional Plan have been reclassified to conform to the presentation adopted in the 2013 financial statements. The following table provides amounts as originally presented in the 2012-2013 budget, expense by object, reconciled to expense by function:

Function	Salaries	Employee benefits	Fees and purchased services	Materials and supplies	Communi- cations and travel	Rental, insurance, and utilities	Amortize capital assets	Scholar- ships	Expense Total
Instruction and non-sponsored research	\$ 44,814	10,575	10,295	1,912	3,635	593	20	6	\$ 71,850
Academic and student support	10,536	2,487	1,697	269	753	56	139	347	16,284
Institutional support	8,339	1,849	1,101	454	667	79	-	2	12,491
Ancillary services	625	164	456	7,263	697	24	39	-	9,268
Computing and communication	2,992	928	1,126	670	122	-	2,919	-	8,757
Facility operations and maintenance	1,087	262	1,972	71	27	2,285	2,170	-	7,874
Sponsored research and special purpose	1,860	339	2,165	245	983	31	-	694	6,317
	<u>\$ 70,253</u>	<u>16,604</u>	<u>18,812</u>	<u>10,884</u>	<u>6,884</u>	<u>3,068</u>	<u>5,287</u>	<u>1,049</u>	<u>\$ 132,841</u>

### 20. Comparative Figures

Certain 2012 figures have been reclassified to conform to the presentation adopted in the 2013 financial statements.

### 21. Approval of Financial Statements

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

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### Schedule to the Financial Statements For the year ended March 31, 2013 Schedule 1 - Transition to Public Sector Accounting Standards

a) Reconciliation of April 1, 2011 Statement of Financial Position

	April 1, 2011		April 1, 2011		April 1, 2011		April 1, 2011		April 1, 2011	
	GAAP (1)		Tangible capital assets	Employee future benefits	Short-term investments	Investment in capital assets	Deferred revenue	Total adjustments	PSAS	
<b>Assets</b>										
Cash and cash equivalents	\$ 7,518	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,518	
Short-term investments	(2) 6,701	-	-	-	(6,701)	-	-	(6,701)	-	
Portfolio investments	(2) 32,059	-	-	-	6,701	-	-	6,701	38,760	
Accounts receivable	3,616	-	-	-	-	-	-	-	3,616	
Inventories and prepaid expenses	5,607	-	-	-	-	-	-	-	5,607	
Tangible capital assets	(3) 53,036	(736)	(736)	-	-	-	-	(736)	52,300	
	\$ 108,537	\$ (736)	\$ (736)	\$ -	\$ -	\$ -	\$ -	\$ (736)	\$ 107,801	
<b>Liabilities and Net Assets</b>										
Accounts payable and accrued liabilities	\$ 14,452	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,452	
Employee future benefit liabilities	(4) 9,643	-	-	12,679	-	-	-	12,679	22,322	
Deferred revenue	(5) 13,669	-	-	-	-	-	58,533	58,533	72,202	
Deferred contributions, research and capital	(5) 15,223	-	-	-	-	-	(15,223)	(15,223)	-	
Unamortized deferred capital contributions	(5) 43,310	-	-	-	-	-	(43,310)	(43,310)	-	
	96,297	-	-	12,679	-	-	-	12,679	108,976	
<b>Net Assets</b>										
Endowments	2,297	-	-	-	-	-	-	-	2,297	
Investment in capital assets	(6) 9,726	(736)	(736)	-	-	(8,990)	-	(9,726)	-	
Accumulated surplus (deficit)	(7) 217	-	-	(12,679)	-	8,990	-	(3,689)	(3,472)	
Accumulated operating surplus (deficit)	-	-	-	-	-	-	-	-	-	
Remeasurement gains and losses	-	-	-	(12,679)	-	-	-	-	-	
	12,240	(736)	(736)	(12,679)	-	-	-	(13,415)	(1,175)	
	\$ 108,537	\$ (736)	\$ (736)	\$ -	\$ -	\$ -	\$ -	\$ (736)	\$ 107,801	

(1) Canadian Generally Accepted Accounting Principles.

(2) Reclassify short-term investments to portfolio investments.

(3) Remove works of art and collections from tangible capital assets.

(4) Adjustment in Universities Academic Pension Plan liability. First time adoption of PSAS election for post-employment recognized all cumulative unamortized actuarial gains and losses directly to accumulated surplus (deficit).

(5) Reclassify deferred contributions and unamortized deferred capital contributions to deferred revenue.

(6) Remove works of art and collections from tangible capital assets. Close investment in capital assets to accumulated surplus (deficit).

(7) Adjustment in pension plan liabilities direct to accumulated surplus (deficit). Close investment in capital assets to accumulated surplus (deficit).

# Athabasca University

## Notes to the Financial Statements

### Schedule to the Financial Statements For the year ended March 31, 2013

Year ended March 31  
(thousands of dollars)

#### b) Reconciliation of March 31, 2012 Statement of Financial Position

	March 31, 2012	March 31, 2012						
	GAAP (1)	Tangible capital assets	Employee future benefits	Short-term investments	Investment in capital assets	Deferred revenue	Total adjustments	PSAS
<b>Assets</b>								
Cash and cash equivalents	\$ 5,142	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ 5,142
Short-term investments	(2) 2,037	-	-	(2,037)	-	-	(2,037)	-
Portfolio investments	(2) 33,397	-	-	2,037	-	-	2,037	35,434
Accounts receivable	1,583	-	-	-	-	-	-	1,583
Inventories and prepaid expenses	5,106	-	-	-	-	-	-	5,106
Tangible capital assets	(3) 58,861	(796)	-	-	-	-	(796)	58,065
	<u>\$ 106,126</u>	<u>\$ (796)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (796)</u>	<u>\$ 105,330</u>
<b>Liabilities and Net Assets</b>								
Accounts payable and accrued liabilities	\$ 9,122	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ 9,122
Employee future benefit liabilities	(4) 10,946	-	11,436	-	-	-	11,436	22,382
Deferred revenue	(5) 13,955	-	-	-	-	60,426	60,426	74,381
Deferred contributions, research and capital	(5) 12,151	-	-	-	-	(12,151)	(12,151)	-
Unamortized deferred capital contributions	(5) 48,275	-	-	-	-	(48,275)	(48,275)	-
	<u>94,449</u>	<u>-</u>	<u>11,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,436</u>	<u>105,885</u>
<b>Net Assets</b>								
Endowments	2,508	-	-	-	-	-	-	2,508
Investment in capital assets	(6) 10,586	(796)	-	-	(9,790)	-	(10,586)	-
Accumulated surplus (deficit)	-	-	-	-	-	-	-	-
Accumulated operating deficit	(7) (1,417)	-	(11,436)	-	9,790	-	(1,646)	(3,063)
Remeasurement gains and losses	-	-	-	-	-	-	-	-
	<u>11,677</u>	<u>(796)</u>	<u>(11,436)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,232)</u>	<u>(555)</u>
	<u>\$ 106,126</u>	<u>\$ (796)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (796)</u>	<u>\$ 105,330</u>

(1) Canadian Generally Accepted Accounting Principles.

(2) Reclassify short-term investments to portfolio investments.

(3) Remove works of art and collections from tangible capital assets.

(4) Adjustment in Universities Academic Pension Plan liability. First time adoption of PSAS election for post-employment recognized all cumulative unamortized actuarial gains and losses directly to accumulated surplus (deficit).

(5) Reclassify deferred contributions and unamortized deferred capital contributions to deferred revenue.

(6) Remove works of art and collections from tangible capital assets. Close investment in capital assets to accumulated surplus (deficit).

(7) Adjustment in pension plan liabilities direct to accumulated surplus (deficit). Close investment in capital assets to accumulated surplus (deficit).

# Athabasca University

## Notes to the Financial Statements

Year ended March 31  
(thousands of dollars)

### Schedule to the Financial Statement For the year ended March 31, 2013

c) Reconciliation of the March 31, 2012 Statement of Operation

	March 31, 2012		March 31, 2012		
	GAAP <sup>(1)</sup>	Amortize DCC <sup>(2)</sup>	Employee future benefits	Investment in capital assets	Total adjustments
					PSAS
<b>Revenue</b>					
Government of Alberta grants	\$ 42,341	\$ 1,784	\$ -	\$ -	\$ 44,125
Student tuition and fees	61,871	-	-	-	61,871
Sales of services and products	14,243	-	-	-	14,243
Federal and other government grants	1,608	71	-	-	1,679
Donations and other grants	1,455	22	-	-	1,477
Investment income	1,746	-	-	-	1,746
Amortization of deferred capital contributions	1,877	(1,877)	-	-	-
	<u>\$ 125,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,141</u>
<b>Expense</b>					
Instruction and non-sponsored research	<sup>(3)</sup> \$ 69,538	\$ -	\$ (844)	\$ -	\$ (844)
Academic and student support	<sup>(3)</sup> 16,139	-	(123)	-	(123)
Institutional support	<sup>(3)</sup> 12,222	-	(155)	-	(155)
Ancillary services	9,047	-	-	-	-
Computing and communication	<sup>(3)</sup> 7,655	-	(94)	-	(94)
Facility operations and maintenance	<sup>(3)</sup> 6,333	-	(4)	-	(4)
Sponsored research and special purpose	<sup>(3)</sup> 5,041	-	(23)	-	(23)
	<u>\$ 125,975</u>	<u>\$ -</u>	<u>\$ (1,243)</u>	<u>\$ -</u>	<u>\$ (1,243)</u>
Operating surplus (deficit)	(834)	-	-	-	409
Change in investment in capital assets	<sup>(4)</sup> (800)	-	-	800	-
Change in accumulated surplus for the year	(1,634)	-	-	-	409
Accumulated operating surplus (deficit), beginning of year <sup>(5)</sup>	217	-	(12,679)	8,990	(3,689)
Accumulated operating deficit, end of year	<u><sup>(6)</sup> \$ (1,417)</u>				<u>\$ (3,063)</u>

<sup>(1)</sup> Canadian Generally Accepted Accounting Principles.

<sup>(2)</sup> Reclassify amortization of deferred capital contributions (DCC) to respective funding source.

<sup>(3)</sup> Adjustment to pension liability; recognize current year amortization of actuarial gain.

<sup>(4)</sup> Change in investment in capital assets now part of accumulated surplus (deficit).

<sup>(5)</sup> Adjustment in pension plan liabilities direct to accumulated surplus (deficit). Close investment in capital assets to accumulated surplus (deficit).

	Beginning	Ending
<sup>(6)</sup> Internally Restricted Funds	\$ 7,224	\$ 6,658
Unrestricted - UAPP Deficiency	<u>(7,007)</u>	<u>(8,075)</u>
Accumulated operating surplus (deficit)	<u>\$ 217</u>	<u>\$ (1,417)</u>

**Schedule to the Financial Statements  
For the year ended March 31, 2013**

d) Reconciliation of the March 31, 2012 Schedule of Expenses by Object

	March 31, 2012	Adjustment	March 31, 2012
	GAAP <sup>(1)</sup>	PSAS	PSAS
Salaries	\$ 70,480	\$ -	\$ 70,480
Employee benefits	(2) 15,997	(1,243)	14,754
Materials, supplies and services:			
Fees and purchased services	15,091	-	15,091
Materials and supplies	10,614	-	10,614
Communications and travel	5,754	-	5,754
Rental, insurance, and utilities	2,985	-	2,985
Amortization of capital assets	3,973	-	3,973
Scholarships and bursaries	1,081	-	1,081
	<u>\$ 125,975</u>	<u>\$ (1,243)</u>	<u>\$ 124,732</u>

<sup>(1)</sup> Canadian Generally Accepted Accounting Principles.

<sup>(2)</sup> Adjustment to pension liability; recognize current year amortization of actuarial gain.



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