



Athabasca  
University

**ANNUAL REPORT**  
to Alberta Innovation  
and Advanced Education

For the year ended March 31, 2014



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University

# Annual Report

to Alberta Innovation and Advanced Education

For the year ended March 31, 2014

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## MESSAGE FROM THE CHAIR AND PRESIDENT

Despite facing a number of significant challenges in fiscal 2013-14, including diminished resources resulting from cuts to Government of Alberta operating and capital grants, Athabasca University achieved a balanced budget for the year without closing programs or turning away students.

The university embarked on a number of major initiatives during the year to improve online services to students and to contain delivery costs. These included extending the enterprise relationship management system and implementing an e-text initiative to relieve students of the financial burden attributable to increasingly costly printed textbooks.

The ongoing curriculum review and renewal process allowed for internal reallocation of resources to promote alignment with emerging fields. Other projects were put on hold. Although the university achieved a small surplus in 2013-14, it did so at the cost of deferring significant needed maintenance of its core information and communication technology infrastructure.

AU continued to explore opportunities for shared service options with its Campus Alberta partners and actively participated on provincial committees established in support of the results based budgeting initiative. University representatives were also very active in eCampusAlberta, leading committees on open educational resources and universal design and advising on copyright issues and the use of e-texts.

The development of the *Letter of Expectation between the Minister of Alberta Enterprise and Advanced Education and the Board of Governors of Athabasca University* during the fall of 2013 provided the AU community with an opportunity to reflect on the university's unique role in Alberta's (and Canada's) post-secondary landscape and to recommit to its core values. AU continues to champion innovation in higher education delivery, particularly with respect to promoting learner access and mobility and providing opportunities for those who are traditionally underserved by campus-based institutions.

AU's highly qualified graduates are participating fully in their communities and in the Alberta economy. Research and creative activities being carried out at AU, in both pure and applied fields, epitomize Alberta's innovative and entrepreneurial spirit.

Dr. Frits Pannekoek completed his term as president of AU at the end of May 2014. Peter MacKinnon assumed the presidency on July 1, 2014.

*Original signed by Barry Walker*

Barry Walker, FCA  
Chair  
The Governors of Athabasca University

September 18, 2014

*Original signed by Peter MacKinnon*

Peter MacKinnon, QC  
President  
Athabasca University

## ACCOUNTABILITY STATEMENT

Athabasca University's Annual Report for the year ended March 31, 2014, was prepared under the direction of the Governors of Athabasca University in accordance with the *Fiscal Management Act*, the *Post-secondary Learning Act* and associated ministerial guidelines. 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 18, 2014

## 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. A system of internal controls is 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 *Fiscal Management 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 Peter MacKinnon*

Peter MacKinnon, QC  
President

September 18, 2014

*Original signed by Estelle Lo*

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

# 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, 2014, the membership of the Board was as follows:

Chair	Barry Walker
Public Members	Robert Balay, Rai Batra, Diane Davies, Stephen Diotte, Heather Kennedy, Colette Miller, Margaret Mrazek, Peter Thiveos
Executive Officer	Dr. Frits Pannekoek, President
Academic Staff Members	Travis Burwash, Dr. Michael Mauws
Tutor	Dr. Douglas Knight
Non-academic Staff Member	Paulette Patry
Graduate Student	Vacant
Undergraduate Students	Toni Fox, Jason Nixon
Alumni Member	Douglas Schindel

## 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 a leader in removing barriers to post-secondary learning. The university is guided by five strategic goals for realizing this vision:

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

Each goal is supported by a list of associated strategic objectives (high-level objectives that will contribute to the achievement of the goal) and measurable key outcomes. Monitoring these outcomes over the term of the strategic plan ensures that progress is clear to all stakeholders and that AU can adjust to new challenges and opportunities as they arise.

## 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 2013-14, AU offered 879 courses (647 undergraduate, 232 graduate) in a broad range of 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 15 graduate-level diplomas and certificates:

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

## Undergraduate Programs

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

- Bachelor of Arts, four-year (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

## Enrolment and Course Registration

Total enrolment at AU increased from 40,722 in 2012-13 to 40,822 in 2013-14, an increase of 0.2 per cent. The number of full-load equivalents rose from 8,268 to 8,504. Graduate enrolment declined by 0.7 per cent during the period, while undergraduate enrolment grew by 0.4 per cent. Comparative enrolment figures for the past three years are shown in Table 1.

**Table 1: Enrolment Growth**

	2011-12	2012-13	2013-14
Undergraduate	36,451	36,622	36,751
Graduate	3,949	4,100	4,071
<b>Total</b>	<b>40,400</b>	<b>40,722</b>	<b>40,822</b>
Growth Rate	3.9%	0.8%	0.2%

Enrolment by undergraduate degree, certificate and diploma program students rose by 4.3 per cent, as shown in Table 2.

**Table 2: Undergraduate Enrolment: Degree, Certificate and Diploma Programs**

	2011-12	2012-13	2013-14	Change
Bachelor of Administration <sup>1</sup>	121	86	68	(20.9%)
Bachelor of Arts (4-Year)	849	814	811	(0.4%)
Bachelor of Arts (3-Year)	513	550	483	(12.2%)
Bachelor of Commerce	1,000	1,082	1,163	7.5%
Bachelor of General Studies	315	349	359	2.9%
Bachelor of Health Administration	166	169	198	17.2%
Bachelor of Human Resources and Labour Relations	353	399	485	21.6%
Bachelor of Management (4-Year)	300	347	372	7.2%
Bachelor of Management (3-Year)	687	760	760	0%
Bachelor of Nursing (Post-RN)	677	685	662	(3.4%)
Bachelor of Nursing (Post-LPN)	536	634	747	17.8%
Bachelor of Professional Arts	673	688	722	4.9%
Bachelor of Science	306	340	348	2.4%
Bachelor of Science in Computing and Information Systems	256	278	273	(1.8%)
Certificate and diploma programs	632	662	726	9.7%
<b>Total</b>	<b>7,384</b>	<b>7,843</b>	<b>8,177</b>	<b>4.3%</b>

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

Enrolment by graduate degree, certificate and diploma program students (Table 3) rose by 1.5 per cent.

Enrolment by Alberta students (Table 4) increased for the third consecutive year. However, enrolment by out-of-province students (Table 5) declined overall, despite continued growth in the number of out-of-province graduate students. International student enrolment (Table 6) continued to decline.

Total course registration by both undergraduate and graduate students rose as shown in Table 7.

**Table 3: Graduate Enrolment: Degree, Certificate and Diploma Programs**

	2011-12	2012-13	2013-14	Change
Doctor of Business Administration	33	30	28	(6.7%)
Doctor of Education (Distance Education)	33	35	32	(8.6%)
Master of Arts (Integrated Studies)	521	533	487	(8.6%)
Master of Business Administration	690	673	630	(6.4%)
Master of Counselling	248	299	322	7.7%
Master of Education (Distance Education)	203	228	247	8.3%
Master of Health Studies	366	359	339	(5.6%)
Master of Nursing	812	851	938	10.2%
Master of Science (Information Systems)	197	176	179	1.7%
Certificate and diploma programs	317	307	341	11.1%
<b>Total</b>	<b>3,420</b>	<b>3,491</b>	<b>3,543</b>	<b>1.5%</b>

**Table 4: Enrolment by Alberta Students**

	2011-12	2012-13	2013-14
Undergraduate	13,570	13,863	14,413
Graduate	1,139	1,224	1,130
<b>Total</b>	<b>14,709</b>	<b>15,087</b>	<b>15,543</b>
Growth Rate	5.4%	2.6%	3%

**Table 5: Enrolment by Out-of-Province Students**

	2011-12	2012-13	2013-14
Undergraduate	22,078	22,002	21,612
Graduate	2,680	2,754	2,810
<b>Total</b>	<b>24,758</b>	<b>24,756</b>	<b>24,422</b>
Growth Rate	3.4%	0%	(1.3%)

**Table 6: Enrolment by International Students**

	2011-12	2012-13	2013-14
Undergraduate	803	756	726
Graduate	130	122	131
<b>Total</b>	<b>933</b>	<b>878</b>	<b>857</b>
Growth Rate	2.9%	(5.9%)	(2.4%)

**Table 7: Course Registration**

	2011-12	2012-13	2013-14
Undergraduate	66,041	66,441	66,630
Graduate	9,625	9,930	9,975
<b>Total</b>	<b>75,666</b>	<b>76,371</b>	<b>76,605</b>
Growth Rate	3.4%	0.9%	0.3%

## Program Completion

AU awarded 1,720 academic credentials, 836 at the graduate level and 884 at the undergraduate level, during 2013-14, as shown in Table 8.

**Table 8: Academic Credentials Awarded**

	2011-12	2012-13	2013-14
<b>Undergraduate Degrees</b>			
Bachelor of Administration <sup>1</sup>	27	27	12
Bachelor of Arts	141	110	105
Bachelor of Commerce	66	67	82
Bachelor of General Studies	109	90	100
Bachelor of Health Administration	8	4	8
Bachelor of Human Resources and Labour Relations	26	50	36
Bachelor of Management	129	111	113
Bachelor of Nursing	190	202	188
Bachelor of Professional Arts	109	107	93
Bachelor of Science	16	21	22
Bachelor of Science in Computing and Information Systems	9	10	9
<b>Total Undergraduate Degrees</b>	<b>830</b>	<b>799</b>	<b>768</b>
<b>Undergraduate Certificates and Diplomas</b>	<b>111</b>	<b>108</b>	<b>116</b>
<b>Graduate Degrees</b>			
Doctor of Business Administration	-	-	4
Doctor of Education (Distance Education)	-	5	3
Master of Arts (Integrated Studies)	70	103	104
Master of Business Administration	179	174	167
Master of Counselling	59	82	71
Master of Education (Distance Education)	31	34	37
Master of Health Studies	69	78	74
Master of Nursing	138	144	148
<b>Master of Science (Information Systems)</b>	<b>23</b>	<b>38</b>	<b>20</b>
<b>Total Graduate Degrees</b>	<b>569</b>	<b>658</b>	<b>628</b>
<b>Graduate Certificates and Diplomas</b>	<b>216</b>	<b>222</b>	<b>208</b>
<b>Total Credentials Awarded</b>	<b>1,726</b>	<b>1,787</b>	<b>1,720</b>

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

## Staffing

The size of the AU work force continued to be restricted by a hiring freeze introduced in 2010-11 in response to the economic downturn and the resulting freeze in operating grants. During the 2012-13 fiscal year, the university made plans to reduce the size of its workforce in response to continuing operating pressures. The reduction in the provincial operating grant, announced on March 7, 2013, further compounded those financial pressures. Ultimately, 35 employees participated in a voluntary Career Transition Program and 44 received lay-off notices. With subsequent restructuring, the net staff reduction was 10.4 per cent. Table 9 presents a comparison of staffing complements (full-time equivalents) for the past three years.

**Table 9: Staffing Levels**

	2011-12	2012-13	2013-14	Change from 2012-13
Academic, full-time	181	186	181	(2.7%)
Academic, part-time	39	39	37	(5.1%)
Tutors	371	360	358	(0.6%)
Professional	260	262	221	(15.6%)
Management and executive	23	17	20	17.7%
Support and temporary	271	276	232	(15.9%)
Casual	68	93	56	(39.8%)
<b>Total</b>	<b>1,213</b>	<b>1,233</b>	<b>1,105</b>	<b>(10.4%)</b>

## Facilities

Though it is physically smaller than other Comprehensive Academic and Research Institutions, as an online and distance education university, AU has a broad and inclusive reach, opening post-secondary educational opportunities to all Albertans and representing a strong return on investment for the province. The university operates out of its main campus in Athabasca and three satellite locations in Edmonton, St. Albert and Calgary.

The 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 temporary structure which currently houses the Administrative Systems Renewal Project team. The nearby Tim Byrne Centre (course materials production centre) and the Athabasca University Geophysical Observatory, located (on leased land) 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

Given its open admission policy, its flexible learning methods and its long-standing practice of working collaboratively with other institutions, AU plays a particularly strong role in guaranteeing Alberta post-secondary learners flexibility of choice.

Students registered at other Campus Alberta institutions make extensive use of AU courses and educational services. In the past year, for example, 4,500 students from other Alberta post-secondary institutions, including 2,008 from other Comprehensive Academic and Research Institutions, 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. Last year, 2,052 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. As a member of eCampusAlberta, AU collaborates with other members in provincewide planning and advisory committees related to post-secondary education initiatives (e.g., open educational resources, universal design, copyright, e-texts). AU also collaborates with tribal councils and Alberta aboriginal institutions (e.g., Yellowhead Tribal College, Blue Quills First Nations College) to ensure access to university-level study.

During 2013, AU relocated its Calgary offices to Bow Valley College's new South Campus Building in downtown Calgary. This partnership showcases Campus Alberta and provides an example of positive collaboration among Alberta post-secondary institutions.

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, AU has a liaison officer on site at Grande Prairie Regional College and at Lethbridge College and another who works on collaborations in Calgary and Edmonton. These liaison officers provide services to students taking AU grouped-study courses and programs and initiate opportunities for dialogue and relationship building with college partners and members of the community at large.

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 2013-14**

The following significant individual and collective achievements were among the highlights of 2013-14 for the AU community.

### **Teaching and Learning**

AU launched four new programs designed to respond to professional development needs in 2013-14: one undergraduate and two graduate programs in the School of Computing and Information Systems in the Faculty of Science and Technology, and one undergraduate program in the Faculty of Arts and Science:

- The Post-Baccalaureate Certificate in Information Technology Management is intended for information and communication technology professionals who can benefit from a management-oriented curriculum that will broaden their understanding of the ICT context. Its focus on operations, organizational behaviour and ethical, legal and social issues complements students' technical acumen and helps prepare them for managerial and consultancy roles.
- The Post-Baccalaureate Certificate in Data Analytics is intended to provide professional development for those already working in the ICT field. It focuses on data analytic teams and on the technical skills and tools required to analyze data.
- The University Certificate in Game Development and Programming is designed to meet the needs of the gaming industry by providing students with a solid technical base in game development and programming. The program is open to students with varying levels of ICT experience and will prepare graduates to work in the industry or to transition to more advanced studies.
- The University Diploma in Health Administration is designed to provide future health services managers with critical skills and competencies, as identified by the Canadian College of Health Service Executives.

Three additional new programs, the Master of Science in Environmental Science, the Post-Baccalaureate Diploma in Leadership and Management, and the Bachelor of Science in Architecture, received targeted

enrolment expansion funding. The proposed PhD in Health Disciplines did not receive funding, but it remains a high priority for program development as it is designed to address the looming shortage of post-secondary instructors in this field.

Collaboration and Mentoring in Educational Environments, a Master of Education Program course, received the Commonwealth of Learning Award of Excellence for Distance Education Materials at the seventh Pan-Commonwealth Forum on Open Learning in Aduja, Nigeria, in December 2013. The course exemplifies a classic approach to simple and systematic use of integrated media (audio and video online) in support of structured learning for adult learners.

Two AU learning designers, Hongxin Yan and Dr. Sandra Law, were recognized by the International Council for Open and Distance Education (ICDE) at the organization's twenty-fifth World Conference in Tianjin, China, in October 2013, for their achievements in the development of open educational resources to support student learning in introductory calculus.

The ICDE also awarded AU an ICDE Chair in Open Educational Resources in recognition of the university's contribution to the OER movement in policy development, advocacy and sharing of resources through AU's Open Courseware website (<http://ocw.athabasca.ca>), the OER Knowledge Cloud (<http://oerknowledgecloud.org> – a repository of more than 700 scholarly articles and reports relating to OER), and the open access textbook project at AU Press.

Two new titles in the AU Press Open Paths to Enriched Learning series provide cost-effective and accessible introductory materials in the fields of cognitive science (*Mind, Body, World* by Michael R.W. Dawson) and computation (*Open Data Structures* by Pat Morin). AU Press is collaborating with other Alberta university presses to explore opportunities for shared functions.

AU's three-year E-Text Initiative, launched in the summer of 2013, is intended to enhance the online learning environment, to provide a single student access point for all course materials and to advance the university's strategic goal of being a fully online university. Through the initiative, which offers students extended access to their learning resources through special arrangements with publishers, AU provides e-texts, when they are available, for all required course textbooks. Phase 1 of the initiative, implemented between October 2013 and May 2014, included 133 courses in four faculties.

Faculty of Business undergraduate students excelled at the annual Alberta Accountants Unification Agency Board Governance Case Competition in March 2014. AU teams placed first and third among the 15 teams representing business schools at post-secondary institutions across the province.

In January 2014, AU Doctor of Education student Susan Bainbridge won the first Great International Online Three-Minute Thesis Contest with a presentation on pedagogical models for open online learning in Nepal. Graduate students specializing in online learning from four of the world's leading online universities competed in the research communication competition. Three-minute thesis competitions, which originated in 2008, have become popular in many countries, but this was the first online version of the event. The goal of the contests is to develop students' academic, presentation and research communication skills and their capacity to explain their research in language appropriate to a non-specialist audience. The first AU Three-Minute Thesis Competition was held in March 2014. Prize money was awarded to the top three presenters, and the competition winner received funding to participate in a national three-minute thesis event.

## Promoting Excellence in Research

Two significant rural community capacity-building research projects, the Learning Communities Project (Phase 2): Indigenous Communities and Unleashing Local Capital, concluded during the past fiscal year.

Phase 2 of the Learning Communities Project, funded in part by a \$3.1 million grant from the Rural Alberta Development Fund, was designed to increase capacity, share knowledge and nurture sustainability by increasing learning opportunities and post-secondary success for residents of 23 northern Alberta First Nations and Métis communities. Supported by co-ordinators selected by their local communities, more than 1,200 learners gained access to a single point of reference and support through the project. Important outcomes included a demonstrable change in attitude to learner engagement and participation and an increase in work-related skills. The Learning Communities Project is a multi-stakeholder initiative involving participants from several AU departments as well as northern Alberta colleges, aboriginal advisory councils, industry and community representatives.

Unleashing Local Capital, an Alberta Community and Co-operative Association initiative, sought to empower rural Alberta communities to invest locally, direct their own economic development and reduce their dependency on government support. Through the purchase of equity shares or bonds, local capital was retained in the participating communities to invest in local business infrastructure. Supported by a \$1.26 million grant from the Rural Alberta Development Fund, this project provided educational materials about the community investment model and established community investment funds in seven rural communities: Fahler/Smoky River, Crowsnest, Vulcan, Three Hills, Didsbury, Drumheller and Athabasca. Funding is now being sought to extend this project to rural British Columbia and Saskatchewan.

Two National Research Council - Industry Research Assistance Program funded research projects, designed with capacity building in mind, were completed during 2013-14. The first focused on the development of a series of online modules for business managers to support improved leadership, management and productivity in Canadian businesses. The second, Innovation Assistance in Support of the EdTech SME Cluster, aimed to build academic-industry relationships between AU researchers and small and medium sized enterprises in Alberta and beyond to foster the development, validation and commercialization of educational technology innovations.

A third technology-focused study, The Use of Social Software and Web Conferencing to Support Social Learning in Self-paced Distance Education, funded by the Social Sciences and Humanities Research Council, examined the use of social software and web conferences and their impact on students' persistence in completing self-paced undergraduate courses.

AU partnered with the Bill and Melinda Gates Foundation to explore the potential of massive open online courses and how they affect teaching, learning and education in general. The goal of the MOOC Research Initiative is to generate peer-reviewed research into the effectiveness of this method of education. Over 400 researchers representing 37 countries worldwide submitted research proposals to the initiative.

Two research chairs were appointed in the past year. The work of Dr. Junye Wang, a Campus Alberta Innovation Program Chair in Computational Sustainability and Environmental Analytics, centres on the aquatic and terrestrial systems that comprise the Athabasca River Basin and the use of bioremediation to remove pollutants and contamination from soils. Dr. Jeff Vallance, the newly appointed Canada Research Chair in Health Promotion and Chronic Disease Management, will focus on distance-based health promotion strategies to improve health outcomes. He will also continue his investigation into the effects of physical activity and sedentary behaviour on the health outcomes of cancer patients. In addition, Dr. Dragan Gasevic, Canada Research Chair in Semantic Technologies, was renewed for a second term. His research aims to enhance student learning and motivation through the design and development of novel technologies that support information seeking, sense making and learning. The work of these three research chairs complements that of other researchers in the university and provides opportunities for the development of national and international collaborative research partnerships and for training research personnel, including students and post-doctoral fellows.

Dr. Mohamed Ally of the Centre for Distance Education received an International E-Learning Association Award (Academic Division) for his research project Using Mobile Technology for English Training in the Qatar Workplace.

AU hosted several unique forums in the past year:

- The Identity, Agency and the Digital Nexus Symposium (Edmonton, April 5 to 7, 2013) explored ways in which digital communication technologies influence every sector of public and private life.
- EdInnovation 2013 (Edmonton, May 1 to 3, 2013) showcased innovative experiences and solutions of the most successful, disruptive and creative educational technology startups, SMEs and entrepreneurs in Canada and worldwide.
- The EdTech Forum: Practices, Ideas and Experiences (Edmonton, March 21 to 22, 2014) and Building a Research Agenda for Next Generation Green Building (Vancouver, March 25, 2014), both of which were partly funded by the Natural Sciences and Engineering Research Council, aimed to highlight research being conducted and to foster networking among the universities, industry and government.

With funding from Alberta Innovates - Technology Futures, the 2013 Graduate Student Conference, AU Ingenuity, was co-hosted by the Faculty of Graduate Studies and the AU Graduate Students' Association. Eighty-nine graduate students, including several from foreign countries, participated. All conference abstracts were peer reviewed, and a number of participants have since presented at national and international conferences. Eleven graduate students received support from the Profiling Alberta's Graduate Students Award Program, and another 12 received student travel awards to support conference attendance.

The AU Research Portal, designed to streamline the process of submitting, reviewing, approving and tracking applications for ethical approval of research involving humans, was implemented in March 2014. The portal will be expanded to include applications for internal research funds in the fall of this year. Users, including faculty members, students, committee members and administrative staff, will be able to enter data directly, track the status of an application and, in some cases, compile individual or aggregate reports and archive files in the system. The portal eliminates much of the labour-intensive manipulation of files previously required to submit and process applications, prepare for committee meetings and generate reports for various purposes.

A new library search tool, Discover, which allows students and other researchers to simultaneously search a substantial portion of the library's collection, including journal articles, books, media sources and selected open access resources, was launched in the AU Library in November 2013. The launch was the culmination of a year-long process to test several products and to customize the chosen tool to meet the needs of AU students.

## Building Communities

In addition to the extensive community outreach carried out through several of the research projects outlined above, AU engaged various communities and communities of interest through a number of partnership, development and engagement initiatives in 2013-14.

A new AU brand strategy and a new-look design for the university's online and printed materials were launched in September 2013. The new brand, which was the result of more than two years of research and consultation with a wide range of internal and external stakeholders, was designed to highlight AU's position as Canada's leading provider of open and online post-secondary education. Central themes associated with the new brand are that AU represents the future of learning and that the university provides open and accessible university education for everyone, everywhere. An open shield, the central element of the design, symbolizes open, accessible learning balanced with academic excellence and history.

AU renewed collaboration agreements with Grande Prairie Regional College and Lakeland College in 2013, demonstrating the university's continued commitment to working with Campus Alberta partners on improving accessibility to university-level education. These collaborative partnerships offer learners unique on-site degree completion opportunities and support the vision of the Campus Alberta framework. In addition, AU and six other Campus Alberta institutions (Grande Prairie Regional College, Keyano College, Lakeland College, Northern Alberta Institute of Technology, Northern Lakes College and Portage College)

entered into an agreement to support seamless credit transfer opportunities to enhance student access and mobility. The agreement also provides opportunities to share information, programming and applied research for the benefit of learners and their communities in northern Alberta.

Implementation of an agreement between AU and the Métis Nation of Alberta will support access to university studies and employment opportunities for Métis residents of the province. Through the agreement, an endowment fund has been created to provide financial support for prospective Métis students, and the university and the Métis Nation have committed to work together with industry to enhance linkages between post-secondary academic and training programs and employment outcomes for Métis graduates.

A 2013 agreement with the Ontario Region Nursing Division of Health Canada - First Nations and Inuit Health Branch reaffirmed AU's interest in forming an educational partnership to provide access to core primary care nurse practitioner courses to nurses employed by the First Nations and Inuit Health Branch or a First Nations health authority in Ontario.

Forging new corporate partnerships is a major focus of AU's Comprehensive Institutional Plan, and a 2013 agreement with Loblaw has advanced that goal. The agreement, which commits AU to participating in the creation of a flexible post-secondary learning environment and a foundation for lifelong learning for Loblaw staff members, was announced to the company's 130,000 employees in November 2013.

On the international level, AU entered into six new collaborative agreements that will benefit students and researchers worldwide:

- with Arab Open University to offer AU courses and programs at AOU campuses in Kuwait, Bahrain, Egypt, Jordan, Lebanon, Oman, Saudi Arabia and Sudan, beginning with the Bachelor of Professional Arts Program (communication studies major)
- with the Eastern Macedonia and Thrace Institute of Technology in Kavala, Greece, to deliver of AU's Master of Education (Distance Education) degree program through EMATH
- with Universidade Federal De Santa Catarina, Santa Catarina, Brazil, to establish a foundation for academic exchange and co-operation in areas of mutual benefit and interest, particularly in relation to the co-supervision of doctoral students
- with Instituto Tecnológico y de Estudios Superiores de Monterrey, Monterrey, Mexico, (through the Universidad Tecvirtual) to pursue joint activities in scholarship and research and graduate level student exchange, primarily in the areas of computer science, information systems and learning technologies
- with National Kaohsiung Marine University, Taiwan, to provide pathways for NKMU students to enrol in the Master of Science (Information Systems) degree program at AU
- with Anadolu University, Eskişehir, Turkey, to create faculty and staff linkages for teaching, research and discussion and to encourage the mutual exchange of ideas and expertise

## Significant Changes

### Financial Stringency

Prior to the Government of Alberta's March 2013 announcement of a 7.3 per cent cut to AU's provincial operating grant, the university had already been rigorously monitoring expenses and planning to reduce the size of its workforce. The significant reduction in provincial funding that was communicated in the March 7, 2013, provincial budget further compounded the financial situation, ultimately leading to 35 employees participating in a voluntary Career Transition Program and 44 receiving lay-off notices. Additional labour cost reductions were achieved through unpaid leave. A second round of career transition incentives was offered to senior faculty members before the close of fiscal 2014.

Course and program closures at other institutions resulted in higher than anticipated growth in the number of Alberta students seeking admission to AU courses and programs (See Table 4, p. 11).

Service continuity issues have emerged in some areas, and resources are being internally reallocated.

Planned projects have had to be re-prioritized in order to reduce costs and manage workloads.

## Enterprise Risk Management

During 2013-14, a structured and consultative enterprise risk management process was implemented. The new ERM framework incorporates best practices, a governance structure, risk management policies and procedures, a risk tolerance statement and quarterly risk management reports, which identify key risks facing AU and elevate risk awareness within the university community.

## Environmental Factors Affecting Performance

### Opportunities and Challenges

#### Economic Factors

In 2012, the Ministry of Innovation and Advanced Education indicated that annual grants to Alberta post-secondary institutions would increase by two per cent per year over three years, beginning in 2012-13. AU's initial budget assumption for 2013-14 was therefore based on the expected two per cent increase to the base operating grant.

As a result of the 2013 provincial budget, AU's base operating grant was reduced by 7.3 per cent, or \$2.9 million. On November 18, 2013, \$971,000 was restored to the university's base operating grant, resulting in a net 4.8 per cent decrease in 2013-14, or a loss of \$1.9 million. AU's Infrastructure Maintenance Program funding for 2013-14 was also reduced by 56 per cent, or \$1.7 million.

Even before the release of the 2013 provincial budget, AU had contemplated a number of deficit mitigation strategies to manage ongoing cost pressures and balance its budget. Those strategies were revisited following the budget announcement. The most significant initiatives included unpaid leave for staff, vacancy management, layoffs, voluntary severance, conversion to e-texts and reduced discretionary spending. As a result of those measures, AU was not only able to avoid a deficit but to achieve a modest surplus in 2013-14.

#### Working Climate

Implementation of the cost-saving strategies outlined above and subsequent restructuring precipitated significant climate challenges for the AU community during 2013-14, including increased workloads, adaptation to changes in workplace routines and practices, increased workplace stress and diminished employee morale. Many employees also sacrificed earnings through their participation in voluntary or mandated unpaid furlough programs or through equivalent financial contributions to the university.

#### Information and Communication Technology

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.

The university continues to pursue its visionary Open Learning Environment, a 10-year capital investment plan to create a virtual campus through which course delivery and support services can be tailored to meet

students' individual needs and learning styles. At the same time, urgently needed upgrades to administrative systems must be accommodated. The latter were the primary focus in 2013-14, culminating in the implementation of a new finance system on April 1, 2014. Design and requirements activities have also been undertaken for replacement human resources, payroll and student services systems.

While AU continues to explore external service delivery models that are less dependent on capital funding, continued growth and the need for a technology infrastructure that provides uninterrupted student services require capital support from the Government of Alberta.

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

### Public Funding Levels

Previous business plans have emphasized the challenges that AU faces in attempting to cover not only its direct operating costs but particularly its indirect costs.

The decline in public investment in the university is striking. In 1985-86, the provincial operating grant accounted for 82 per cent of the university's revenue; in 2013-14, it accounted for only 33 per cent. Based on the most up-to-date available system data (FIRS 2011-12), the proportion of AU's revenue that is derived from its operating grant is lower than that of any other public degree granting institution in Alberta. It is even lower than that of two private institutions.

### Competitive and Regulatory Environment

Alberta's 2013 tuition freeze was accompanied by compensatory grants to universities, but they applied only to resident students. As a result, AU had to increase the out-of-province fee differential that it charges on undergraduate courses. As competition in the online and distance education market grows in all jurisdictions, this fee differential is becoming a barrier to recruitment. The emergence of consortia to offer online courses in individual provinces and public investments to support development of curriculums that mirror AU's offerings point to longer term competitive challenges.

Several well known universities have launched free online courses (MOOCs) in the past year. The quality of the materials and student support services available with these offerings have been variable, and the business model of relying on private foundations to cover curriculum development costs is dubious. Nevertheless, these activities can exert a negative reputational pressure on universities offering open online courses.

Copyright issues are a continuing concern, and AU is closely monitoring issues arising from cases now before the courts.

The implementation of the designation framework for serving international students in compliance with Bill C-35 will constrain some of the university's activities facilitated through partnership agreements and will need to be monitored over the coming year.

### Technology Trends

As online and mobile delivery mechanisms are increasingly ubiquitous, student expectations for visually appealing and highly interactive course design elements are increasing. Providing seamless navigation to relevant resources through e-texts, open educational resources, library connections and other types of resources is both pedagogically and technologically challenging. Deferred maintenance of the virtual campus poses a significant reputational risk for the university.

## Effectiveness with which Challenges Were Approached

The *Comprehensive Institutional Plan: 2013-16* identified a number of key risks to AU's financial health. Attempts to mitigate those risks are outlined below.

### 1. Failure to develop new revenue sources

AU has made concerted efforts to secure additional government and corporate support. A fundraising campaign (Open Our World) is in progress and on track to meet its \$30 million goal by the end of 2014.

### 2. Staff compensation costs outpacing revenue increases

The settlements reached during the past year between the Government of Alberta and its public sector unions set a different bar than the one proposed by the Minister of Innovation and Advanced Education in his 2013 letter to the AU Board of Governors. Efforts to restrain compensation costs are further complicated by Alberta's inflation rate, which is higher than that of other parts of Canada.

### 3. Slowing enrolment growth

AU's institutional rebranding initiative and development of a Strategic Enrolment Management Plan (See page 23) are directed to mitigating this risk. Implementation of the SEM Plan will address enrolment and student services related issues.

### 4. Frozen or reduced provincial funding

Although the university has been able to restructure its finances without having to close programs or turn away students, capacity and service issues continue to grow.

### 5. Low investment returns

Portfolio management has been successful in mitigating this risk.

## Major Operating and Capital Initiatives

### AU Calgary

As part of a Campus Alberta initiative, AU relocated its Calgary operations from the Parallel Centre to the sixth floor of Bow Valley College's new, downtown South Campus Building in April 2013. The building was officially opened by the premier on May 10, 2013.

### Main Campus Space Reconfiguration

The Main Campus Space Reconfiguration Project, aimed at upgrading the Main Campus Building at AU Athabasca, was successfully tendered. Construction will be carried out in two phases. The first phase, involving renovation of the first floor of the building, is underway with completion scheduled for March 2015.

### Academic and Research Centre

Ducting, electrical and mechanical work for the archive space in the Academic and Research Centre began in February 2014 in anticipation of the installation of a specialized HVAC system required to meet archival standards for air temperature and quality and humidity.

### Greater Edmonton Area Co-location

Consolidating AU's Greater Edmonton Area operations in a single location has been a strategic priority since 2006. As recommended by government, the university has been pursuing various partnership possibilities within Campus Alberta.

## Electricity Contract

In anticipation of the completion of its four-year electricity contract in September 2013, AU undertook an analysis of various available electricity purchase and contracting plans and options and concluded that a four-year Load Following Plan (guaranteed price) compared favourably to the monthly and annual prices paid for electricity in the past four years (as long as consumption remains within a +/- 20 per cent consumption variation). The potential savings amount to over \$130,000 per year. By choosing the secure, fully hedged plan, the university also avoids the risk of potential short- or long-term increases in the spot market price of electricity until 2017.

## Recapitalization and Asset Preservation Plan

In fall of 2013, AU completed the five-year *Recapitalization and Asset Preservation Plan (2014-15 to 2018-19)* to identify deferred maintenance, upkeep and renewal items that need to be addressed to ensure that the university's physical plant continues to support AU's educational operations and mandate. Deferred maintenance tasks and projects will become the focus of a maintenance program to be carried out over the next five years.

## Real Property Asset Management Plan

In September 2013, AU sought the expertise of a consulting firm to develop a 25-year asset management plan, comprising a feasibility plan, a financial plan and a business plan, for the university's 500 acre land holdings. The combined team brings extensive expertise and experience in real estate and development analysis, including successful work with post-secondary educational institutions, market and financial analysis for land development projects, market and financial feasibility analysis in the creation of development plans, securing private sector participation, governance structures for the management of large land development projects, integration of real estate initiatives with broader institutional objectives and engineering, environmental science and urban design.

## Land Agreement

Following negotiations involving the Town of Athabasca, the County of Athabasca, Aspen View Public School Division No. 78, and representatives of Alberta Infrastructure and Alberta Innovation and Advanced Education, AU signed an agreement in early 2014 to transfer 26.6 acres of university land, containing the Athabasca Regional Multiplex and adjacent playing fields, to the town and county on a 99-year lease. The agreement also stipulates that an additional five acres will be transferred to the town and county as a site for a new municipal swimming pool and library, and that 20 acres west of the multiplex will be transferred to Aspen View as a site for a new high school. In return, upon construction of the new school, AU will receive title to the 15.5 acre site of the existing Edwin Parr Composite High School, with the building demolished and the land environmentally restored. In addition, the parties have agreed to jointly lobby the Government of Alberta for AU to receive title to the three acre parcel of land at Narrow Lake, now under a seven-year lease, that is the site of the Athabasca University Geophysical Observatory II.

## Financial Highlights

As of March 31, 2014, AU's net assets were \$5 million compared to \$967,000 reported the previous year. Detailed financial analysis is presented in the "Management's Discussion and Analysis" section on pages 33-36. Audited financial statements are presented in Appendix A.

## GOALS, OUTCOMES AND PERFORMANCE MEASURES

The goals of AU's *Comprehensive Institutional Plan: 2013-16* align with the five goals of the *Strategic University Plan: 2011-16* (See page 8). Specific achievements, measured in terms of the performance targets presented in the *CIP* and general outcomes related to the priority actions associated with the *CIP* goals are presented below, organized under the headings of Access, Quality, Research, Innovation, Community and Sustainability.

### Access

**Goal:** To reduce barriers to learning by providing access to innovative and efficient learner-centred online learning opportunities

#### Priority Initiatives and Outcomes

AU's first Strategic Enrolment Management Plan was approved by the Board of Governors in January 2014. The plan, the product of a two-year, university-wide consultative process co-chaired by the vice-president academic and the vice-president advancement, focused on issues related to student recruitment, enrolment and the quality of the AU student and alumni experience. It identified three central strategic enrolment management goals:

- to become the university of choice for a diverse student body
- to enhance the quality of the student experience
- to build community by engaging students and alumni throughout the student lifecycle

The plan identifies projects and initiatives supportive of each of these general goals and specifies objectives and performance measures for implementation over the next two years.

To assist with student readiness for post-secondary study, an assessment tool was jointly developed by Student Awards and Financial Aid and Counselling Services. The focus of the assessments, provided to students new to the post-secondary learning environment and those who have had limited success with previous AU studies, is on the preparation needed for successful full-time study as required for funding eligibility.

Dual credit opportunities have been explored with the Aspen View Public School Division No. 78, the Saskatoon Catholic Cyber School Division and Morinville Community High School. Twenty-three courses from across AU's four faculties are being reviewed for pilot delivery. The aim of the dual credit program is to help bridge the transition from high-school to post-secondary study.

A new Enterprise Student Relationship Management System is being rolled out for frontline and academic support services. The Faculty of Business and the Information Centre are using the new system, and it is being adopted by Learner Support Services (Advising, Counselling, and Access to Students with Disabilities), allowing students to directly book advising and counselling appointments. An automated exam booking calendaring system linked to the existing exam booking system will also be introduced. The Faculty of Science and Technology has implemented a Student Success Centre, using the ESRM technology, in some of its large enrolment courses and will be staging further implementation over the coming months.

#### Performance Measures

Results relative to the access performance measures established in the *CIP: 2013-16* are shown in Table 10.

**Table 10: Access Performance Measures**

Performance Measure	Three-Year Average 2010-12	Three-Year Average 2011-13	Three-Year Average 2012-14 Target	Three-Year Average 2012-14 Actual
Number of full-load equivalent students	7,943	8,012	8,204	8,215
Aboriginal student enrolment	1,054	1,104	1,149	1,154
Number of students using services for students with disabilities	1,643	1,554	1,560	1,928
Number of rural and northern students	5,804	5,850	5,887	5,799
Value of student awards	\$1,032,667	\$1,080,000	\$1,124,292	\$1,050,333
Use of library resources (number of connections to databases)	14,968,195	17,205,351	18,460,232	21,499,574

## Analysis of Results

AU served 8,504 full-load-equivalent students in 2013-14, up 2.9 per cent from the 8,268 served the previous year. Enrolment by program students (Table 2, p. 10) and Alberta students (Table 4, p. 11) grew significantly in 2013-14; however, enrolment by students in other categories declined. The number of visiting students, those taking courses on a letter of permission from another institution or planning to transfer credits earned to a program not offered by AU, dropped 0.8 per cent. Enrolment by out-of-province students (Table 5, p. 11) and international students (Table 6, p. 11) also decreased, 1.3 per cent and 2.4 per cent respectively. Overall course registration increased slightly (0.3 per cent).

The number of aboriginal students served at both the undergraduate and graduate levels continued to grow (up 1.6 per cent and 21.8 per cent respectively). Enrolment by rural and northern students, however, dropped by 1.1 per cent.

Service to students with disabilities increased by a remarkable 24 per cent on average over the past three years. AU served a total of 2,498 students with disabilities in 2013-14. While this increase reflects the degree to which the university is fulfilling its mission to make university education accessible to all, providing this service at this level without government support represents a continuing financial challenge.

AU has a number of different resources dedicated to helping facilitate learner pathways. The articulation unit completed reviews of 33 programs, and 1,898 courses for transfer credit eligibility. The evaluations unit issued 1,705 letters of permission to AU students seeking to take courses at other institutions and completed 6,593 transfer credit evaluations. An additional 49 students were awarded credits through assessment of prior learning portfolios.

The value and the number of student awards dispersed were down slightly from the previous year, but initiatives to improve general awareness of awards and bursaries through the use of social media and targeted email resulted in an increase in the pool of eligible applicants. Two new student awards were introduced: the Premier Ed and Marie Stelmach First in Family Award and the Métis Education Foundation's Métis Scholar Award.

The use of digital library resources, as tracked in the number of connections to library databases, increased markedly. This increase followed deployment of the new Discover search tool in the library (See page 17) and the launch of a new website (<http://medial.lib.athabascau.ca>) facilitating student access to media files within their courses. The library is also now responsible for streaming media services and has continued, where copyright allows, to convert materials from fixed media (VHS and DVD) to streaming video.

## Quality

**Goal:** To provide a quality online learning experience

### Priority Initiatives and Outcomes

To improve student engagement with the content of online courses and to address inflationary cost pressures associated with learning resources, AU initiated the E-Text Initiative in 2013. Negotiated agreements with four commercial textbook suppliers allowed for greater integration of e-texts with AU's learning management system and extended terms of use for AU students. The conversion of the courses began in October 2013 with 16 courses, and additional courses were added each month through Phase 1 of the project, ending in May 2014. The Phase 1 target of 122 courses was exceeded as 57 business, 37 humanities and social sciences, and 37 science and technology courses as well as two graduate courses in the Faculty of Health Disciplines were converted to e-texts. At the same time, through the regular course revision cycle, other courses (including five in the Faculty of Health Disciplines) have been moving toward adopting open educational resources which can be deployed through a single access point. Combined, courses that have moved away from the use of print materials represent about 40 per cent of the undergraduate courses offered during the year.

E-text and open educational resources initiatives have been facilitated by community consultations and revisions to course development policy and procedures. These revisions were accompanied by a reorganization of course production staff, resulting in a more engaged and immediate access to service for the faculties. Awards in course design have focused attention on AU's learning design approach to developing online courses that support student motivation and learning.

Through its enrolment review and course audit processes the Faculty of Humanities and Social Sciences identified 30 courses that could be closed without disrupting program students' progress toward their degrees. Other faculties are engaged in similar reviews as part of the regular course revision cycle.

External accreditation reviews, including the Nurse Education Program Approval Board approval of the nurse practitioner streams in the Master of Nursing and Post-Master's Diploma, confirmed the quality of AU programs. The Campus Alberta Quality Council has also completed a pilot audit of the university's program review processes. The Bachelor of Science and Bachelor of Arts program reviews were completed using updated processes which included elaboration of curriculum maps, aligning expected outcomes with national degree qualification standards.

Expanded professional learning opportunities were offered in the Faculty of Business and the Faculty of Health Disciplines. The Narcotic Prescribing Self-study Module, developed for nurse practitioner programs, was approved by regulatory bodies across the country. More than 300 nurse practitioners have completed the module to meet the requirements of federal legislation.

### Performance Measures

Performance on *CIP* quality performance measures are shown in Table 11.

**Table 11: Quality Performance Measures**

Performance Measure	Class of 2008	Class of 2010	Target 2014	Actual 2014
Graduate satisfaction with educational experience as shown on the Alberta Graduate Student Outcomes Survey (next data collection 2014)	95% satisfied or very satisfied	97% satisfied or very satisfied	95%+ satisfied or very satisfied	AGSOS results not released
	-	Class of 2012	Target 2014	Actual 2014
Student rating of AU education on the National Survey on Student Engagement (next data collection 2013)	-	85.7% good or excellent	85%+ good or excellent	83.4% good or excellent
	Three-Year Average 2009-11	Three-Year Average 2010-12	Three-Year Average 2012-14 Target	Three-Year Average 2012-14 Actual
Graduate program students completing six credits in one year (based on enrolled and net started within year)	57.8%	58.3%	60%	55.4%
Undergraduate program students completing six credits in one year (based on enrolled and net started within year)	22%	22%	24%	24.8%
Undergraduate course completion rate (excluding non-starts)	85%	84%	85%+	84.5%
Credentials awarded (baseline excludes BN at Mount Royal)	1,532	1,642	1,685	1,735
Number of keynote and invited presentations about online and distance learning by AU faculty	N/A	N/A	Confirm baseline data	Data not compiled

## Analysis of Results

Results from the Alberta Graduate Student Outcomes Survey are still pending. Of the undergraduate students responding to the National Survey on Student Engagement, 83.4 per cent rated the AU educational experience good or excellent, less than the target established in *CIP: 2013-16*.

The results of internal tracking mechanisms can be summarized as follows:

- Ninety-six per cent of undergraduate program students and 86 per cent of students visiting from other institutions surveyed in May 2013 would recommend AU to a friend or colleague
- In the same survey, 93 per cent of undergraduate program students and 80 per cent of visiting students rated AU services to students as excellent or good.

In addition, 86 per cent of students responding to the Canadian Undergraduate Survey Consortium's 2014 Middle Years University Student Survey were satisfied with the quality of teaching at AU.

The target for increasing the proportion of graduate students that complete at least six credits within one year was not met. The target for undergraduate students was met, and the target for course completions was substantially met.

The DegreeWorks program, which assists students and academic advisors to track progress against degree regulations, was extended to graduate programs this past year in the hope that more active tracking and program advising will help to reduce the time it takes students to complete programs.

The number of credentials awarded exceeded the target established in the *CIP: 2013-16*.

## Research

**Goal:** To support excellence in research

### Priority Initiatives and Outcomes

Focusing on the *CIP* goal of supporting excellence in research has resulted in a renewed commitment to building research capacity, including student research capacity, in both disciplinary and mission critical research.

Academics who hold a professorial rank (i.e., assistant, associate or full professor) at AU are expected to engage in research and scholarly endeavours. In contrast, the professional activities of academic co-ordinators and tutors focus primarily on teaching and course or program administration.

In fostering research excellence, the Research Centre provides assistance to researchers to facilitate the submission of research grant applications and the financial management of grants and awards. It also co-ordinates the internal research ethics approval process for faculty and students and provides administrative support to various committees that are charged with the adjudication of requests for internal research funding.

### Performance Measures

Results relative to *CIP* research performance measures appear in Table 12.

**Table 12: Research Performance Measures**

Performance Measure	Three-Year Average 2010-12	Three-Year Average 2011-13	Three-Year Average 2012-14 Target	Three-Year Average 2012-14 Actual
Alberta graduate students enrolled in priority research areas <sup>1</sup>	29%	28.6%	30%	30.9%
Value of sponsored research income per faculty member with research responsibilities	\$25,423	\$25,055	\$27,176	\$28,709
Council grant success rate <sup>2</sup>	27%	29%	29%	24%
Research revenues from tri-council, industry and community sources	\$4,659,000	\$4,487,000	\$4,700,000	\$5,238,000

<sup>1</sup> Includes bio solutions, energy and environment, health, technology.

<sup>2</sup> Includes Social Sciences and Humanities Research Council of Canada, Natural Sciences and Engineering Research Council of Canada (including graduate student scholarships) and Canadian Institutes of Health Research. Also includes Canada Research Chairs and indirect costs (federal) but not Canadian Foundation for Innovation (CFI) grants.

## Analysis of Results

The number of Alberta graduate students enrolled in priority research areas, including bio solutions, energy and environment and health technology, has continued to increase over the past several years.

The value of sponsored research income (total research revenue from external sources) per faculty member with research responsibilities, measured as a three-year average, has increased steadily, from \$25,423 in 2010-12 to \$28,709 in the 2012-14 period.

The number of applications submitted to the federal granting councils has continued to increase (from 43 in 2012-13 to 48 in 2013-14); however, the success rate has declined slightly. This decline can be attributed, at least in part, to changes in the funding priorities of the councils and the increasingly competitive nature of the granting process itself. In an effort to increase success rates, the Research Centre has renewed its focus on one-on-one and small group grantsmanship mentoring. Other funding support endeavours have also been initiated, including workshops and seminars on both quantitative and qualitative data management and data analysis techniques. These sessions have been open to both faculty and students and have been judged useful by members of both groups.

Over the past three years, a substantial increase in research revenue from non-council sources has counterbalanced the modest increases in support from federal council sources. This change reflects the increasingly diverse funding sources that academics are seeking out to support their research. Research income from non-council sources represented 80 per cent of total research revenue in 2013-14 compared to 72 per cent in 2012-13.

A number of internal research grants are awarded on a competitive basis each year to support, for example, small-scale or pilot projects that will lay the groundwork for grant applications to the federal granting councils or other funding agencies. In addition, funds are made available to support the dissemination of research at national and international conferences and to defray the costs of publication in open access journals. Seed funding is also available to assist researchers to host disciplinary-focused workshops or seminars or to take advantage of opportunities to engage in research partnerships that arise outside normal grant application cycles.

AU is committed to fostering a robust research culture that effectively balances disciplinary and mission-critical research among students, faculty members and its nine research chairs. Some of the research chairs (Table 13) are well established, others yet to be recruited.

**Table 13: Research Chairs**

Chair Sponsor	Research Area
Alberta Innovates – Health Solutions Translational Health Chair	E-health literacy (recruitment in progress)
Campus Alberta Innovation Program	Computational sustainability and environmental analytics
Campus Alberta Innovation Program	Hydroecology and environmental health (recruitment in progress)
Canada Research Chair	Semantic technologies
Canada Research Chair	Indigenous traditional knowledge, legal orders and laws
Canada Research Chair	Health promotion and chronic disease management
Canada Research Chair	Community, identity and digital media (recruitment in progress)
NSERC/iCORE/Xerox/Markin Industrial Research Chair	Adaptivity and personalization
UNESCO/Commonwealth of Learning/ICDE Chair	Open educational resources

Recruitment of faculty members has been affected during the past year by budgetary constraints, and some long-serving faculty members have retired; however, university-wide consultations on future directions, including enhancing research capacity, are ongoing. Offering a broad range of research-related services is essential to recruiting highly qualified research chairs, faculty members, graduate students and post-doctoral fellows. Likewise, helping recruits establish a program of funded research is essential to their success and their retention.

## Innovation

**Goal:** To encourage innovation to help sustain AU developments and foster entrepreneurship in Alberta

### Priority Initiatives and Outcomes

Considerable progress has been made over the past year in growing an industry-facing knowledge transfer culture at AU. Engaging in such endeavours has not only generated productive academic-industry partnerships but also facilitated the commercialization of some research outputs.

Funding to support 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 and Alberta Innovates-Technology Futures.

### Performance Measures

*CIP: 2013-16* established three innovation-related performance measures (Table 14).

**Table 14: Innovation Performance Measures**

Performance Measure	2012-13	2013-14 Target	2013-14 Actual
Number of faculty members engaged with small and medium enterprises	Under development	Establish baseline	5
Number of sponsored commercialization initiatives	Under development	Establish baseline	7
Number of graduate students involved in externally sponsored academic-industry initiatives with a commercialization focus	Under development	Establish baseline	6

### Analysis of Results

Although the number of faculty members and students engaged in externally funded commercialization initiatives is relatively small, other indicators of success in growing an industry-facing knowledge transfer culture at AU include the following:

- increased awareness among researchers of the opportunities and challenges associated with developing generative, academic-industry partnerships with a view to the commercialization of research
- increased understanding among potential industry partners of the nature and scope of research being conducted by AU researchers and their students
- increased external stakeholder interest in engaging with AU and exploring and developing academic-industry partnerships

- increased awareness of sources of funding to support academic-industry partnerships

Continued progress depends on securing funding to facilitate the development of such partnerships and to provide high-quality, hands-on student training opportunities in industrial settings.

## Community

**Goal:** To promote collaboration and foster leadership in the communities AU serves and to build mutually beneficial partnerships with a variety of groups and communities

### Priority Initiatives and Outcomes

AU is committed to community building through the development of partnerships. The university has entered into collaborations and partnerships affecting student access and enrolment, teaching and learning, research and innovation capacity, internationalization and community development.

As noted above (See pages 13-18), AU initiated a number of new initiatives with Campus Alberta and public sector partners and with community organizations over the past year.

The Learning Communities Project provides outreach services and supports, including learning resource centres equipped with computers and reliable Internet connections. The centres have filled the need for a safe local space within each community where members of the public can go for information, assistance or to pursue online learning opportunities. More than 3,000 learners have been referred to programming by aboriginal community co-ordinators. Local councils and administrators have committed to sustaining the learning resource centres.

Collaborations with corporate and institutional partners such as the Western Hockey League, Loblaw, Chartered Professional Accountants Canada and RAIC Architecture Canada provide learning and career advancement opportunities for working professionals while helping to assure that the labour market needs of employers are met.

Science Outreach – Athabasca continues to promote environmental and scientific awareness in the Greater Athabasca Area. In 2013-14, the program conducted over 100 events and activities including school presentations, workshops, speakers series and laboratory exercises.

The Virtual Writer in Residence Program hosted three events with the 2013-14 writer in residence, Tim Bowling. Canada Council for the Arts and Alberta Foundation for the Arts funding has been secured to continue the program.

AU worked with the Alberta Distance Learning Centre (a subsidiary of Pembina Hills Regional Division #7), eCampusAlberta, the College of School Superintendents, Alberta Education, Innovation and Advanced Education and Service Alberta to open dialogue on the future of digital learning in Alberta. A 2014 forum on the topic will be followed by analysis of the responses to the focus question: What does Alberta have to do to be a leader in digital learning by 2030?

### Performance Measures

*CIP: 2013-16* established one community related performance measure as shown in Table 15.

**Table 15: Community Performance Measure**

Performance Measure	Three-Year Average 2010-12	Three-Year Average 2011-13	Three-Year Average 2012-14 Target	Three-Year Average 2012-14 Actual
Number of students from Alberta colleges and technical institutes enrolled in AU post-diploma programs	263	260	258	257

## Analysis of Results

AU supports learner pathways with its post-diploma degree completion options. The data shown above reflects changes resulting from former partners becoming independent degree granting institutions. The university maintains delivery partnerships with a number of Campus Alberta institutions and, during the past year, had students studying on site at Grand Prairie Regional College, Lakeland College, Lethbridge College, Grant MacEwan University and Medicine Hat College. A new agreement was signed for the delivery of AU's Bachelor of Professional Arts Program at Bow Valley College beginning in the coming academic year.

## Sustainability

**Goal:** To promote collaboration and foster leadership in the communities AU serves and to build mutually beneficial partnerships with a variety of groups and communities

## Priority Initiatives and Outcomes

As noted above, restructuring following staff reductions and business reviews continued through the year. The change to Public Sector Accounting Standards and preparations for full implementation of the finance module of the Administrative Systems Renewal Project precluded implementing wide-scale revisions to the budgeting model.

The finance module of the ASRP was completed on schedule, and work on the human resources and student modules will continue, as scheduled, in the coming year.

A new budget model is under development. Implementation was planned for the 2015-16 budget process; however, a deferral to 2016-17 is being contemplated given recent organizational changes and implementation of the new finance system.

## Performance Measures

Results related to the sustainability performance measures established in *CIP: 2013-16* are shown in Table 16.

**Table 16: Sustainability Performance Measures**

Performance Measure	Target 2013-14	Actual 2013-14
Budget	No draw on reserves	No draw on net assets (formerly referred to as reserves)
Revenue from donations	Meet \$30 million campaign goal by December 31, 2013	On target
Implementation of capital infrastructure plans	Plans implemented, subject to funding	Infrastructure maintenance funding reduced by 56% (\$1.7 million)
Rate of employee satisfaction	More than 80% proud to work for AU	Employees not surveyed in 2013-14
Number of employees with active development plans	Establish baseline	Data not compiled

### Analysis of Results

AU ended 2013-14 with a \$3.6 million excess of revenue over expense (See page 33).

The Open Our World Campaign continues and is on track to meet its \$30 million fundraising goal by the December 31, 2014, campaign completion date. As of March 31, 2014, the campaign total stood at over \$29 million.

Results for other measures are unavailable due to staffing changes and system implementation delays. The methodology used for the staff climate analysis is under review.

## 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, 2014.

### Financial Statement Presentation

The 2013-14 (fiscal 2014) financial statements, as presented, conform to Generally Accepted Accounting Principles and Public Sector Accounting Standards.

### Fiscal 2014 Overview

AU ended the 2014 fiscal year with a \$3.6 million excess of revenue over expense, compared to a \$752,000 excess of revenue over expense the previous year. The university's net assets position increased by \$4 million, due to the \$3.6 million excess of revenue over expense, a \$236,000 increase in endowments and a \$119,000 increase in accumulated remeasurement gains.

### Statement of Financial Position

**Table 17: Fiscal 2014 Compared to Fiscal 2013** (millions of dollars)

	2014	2013	Change
<b>Assets</b>			
Cash and cash equivalents	\$ 4.0	2.9	1.1
Portfolio investments	39.5	37.6	1.9
Accounts receivable	2.3	1.8	0.5
Inventories and prepaid expenses	4.1	5.3	(1.2)
Tangible capital assets	57.8	58.2	(0.4)
	<b>\$ 107.7</b>	<b>105.8</b>	<b>1.9</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 9.0	11.7	(2.7)
Employee future benefit liabilities	22.4	21.6	0.8
Deferred revenue	71.3	71.6	(0.3)
	<b>\$ 102.7</b>	<b>104.9</b>	<b>(2.2)</b>
<b>Net Assets</b>			
Endowments	\$ 2.8	2.5	0.3
Accumulated operating surplus (deficit)	1.3	(2.3)	3.6
Accumulated remeasurement gains	0.9	0.7	0.2
	<b>\$ 5.0</b>	<b>0.9</b>	<b>4.1</b>
	<b>\$ 107.7</b>	<b>105.8</b>	<b>1.9</b>

The \$1.9 million increase in assets is made up of increases in cash and cash equivalents, portfolio investments and accounts receivable offset by decreases in inventories, prepaid expenses and tangible capital assets. The increase in cash and portfolio investments is due to an increase in accumulated operating surplus over the previous year as well as a decrease in inventories and prepaid expenses.

The \$2.7 million decrease in accounts payable and accrued liabilities is attributable to a \$2.3 million decrease in salaries payable and a \$400,000 decrease in employee benefits payable.

The \$867,000 increase in employee future benefit liabilities is primarily due to a \$926,000 increase in the Universities Academic Pension Plan liability offset by a \$59,000 decrease in the accruals for administrative leave and flexible benefit plans. The increase in the UAPP liability is the result of a recent actuarial valuation.

Deferred revenue includes student fees received in advance, external research and special project funds and unamortized capital grants. This liability had decreased by \$303,000 due to increased use of externally restricted funds for projects and expended capital grants recognized as revenue.

Endowments have increased by \$236,000 due to new contributions and investment income.

Accumulated operating surplus (deficit) (Table 18) is made up of the accumulated deficit from operations and the university's investment in tangible capital assets.

**Table 18: Accumulated Operating Surplus** (millions of dollars)

	2014	2013	Change
Accumulated deficit from operations	\$ (10.8)	(13.2)	2.4
Investment in tangible capital assets	12.1	10.9	1.2
	<b>\$ (1.3)</b>	<b>(2.3)</b>	<b>3.6</b>

The \$2.4 million increase in the accumulated deficit from operations is due to excess revenue over expense for the year of \$3.6 million offset by a transfer of \$1.2 million to investment in tangible capital assets.

## Statement of Operations

In comparing the Statement of Operations for 2014 to that of 2013, revenue decreased by \$2.3 million and expenses decreased by \$5.1 million resulting in an increase in operating surplus of \$2.8 million.

**Table 19: Fiscal 2014 Actual Compared to Fiscal 2013 Actual** (millions of dollars)

	2014	2013	Change
<b>Revenue</b>			
Government of Alberta grants <sup>1</sup>	\$ 43.1	46.9	(3.8)
Student tuition and fees <sup>2</sup>	64.8	63.2	1.6
Sales of services and products <sup>3</sup>	15.6	15.8	(0.2)
Donations and other grants	2.7	2.6	0.1
Federal and other government grants	2.6	2.7	(0.1)
Investment income	1.5	1.4	0.1
	<b>\$ 130.3</b>	<b>132.6</b>	<b>(2.3)</b>
<b>Expenses</b>			
Salaries <sup>4</sup>	\$ 70.6	75.6	(5.0)
Employee benefits <sup>5</sup>	15.8	14.7	1.1
Fees and purchased services <sup>6</sup>	16.9	16.0	0.9
Materials and supplies <sup>7</sup>	10.1	11.2	(1.1)
Communications and travel <sup>8</sup>	5.0	5.5	(0.5)
Rental, insurance and utilities	2.7	2.9	(0.2)
Amortization of capital assets	4.7	4.8	(0.1)
Scholarships and bursaries	0.9	1.1	(0.2)
	<b>\$ 126.7</b>	<b>131.8</b>	<b>(5.1)</b>
<b>Total expense (by object)</b>			
	<b>\$ 126.7</b>	<b>131.8</b>	<b>(5.1)</b>
<b>Operating surplus</b>	<b>\$3.6</b>	<b>0.8</b>	<b>2.8</b>

<sup>1</sup> **Government of Alberta grants:** The \$3.8 million decrease is attributable to a \$1.9 million reduction to the base operating grant and a \$1.9 million decrease in one-time special purpose grants: the components including Infrastructure Maintenance (\$800,000) Access to Future (\$600,000) and provincially-funded research (\$500,000). The Access to the Future Fund was suspended in 2012, and AU's AFF funded projects were completed in 2013.

<sup>2</sup> **Student tuition and fees:** The \$1.6 million increase is attributable to enrolment increases and inflationary adjustments (as per provincial guideline) over the previous year.

<sup>3</sup> **Sales of services and products:** The \$200,000 decrease relates to net decrease in external cost recoveries. In 2012-13 the university received one-time external cost recoveries from the landlord for renovations to leased premises in the Peace Hills Trust Building in Edmonton.

<sup>4</sup> **Salaries:** The \$5 million decrease is due to \$2.8 million in increased vacancy savings from staff restructuring, a \$1.7 million reduction in termination benefits and \$1.2 million in furlough (unpaid time) savings, all offset by accrued vacation and merit increases amounting to \$700,000.

<sup>5</sup> **Employee benefits:** The \$1.1 million increase is comprised of a \$1.4 million increase to the Universities Academic Pension Plan liability, offset by \$300,000 in vacancy-related savings. The UAPP liability increased by \$900,000 in 2014 and decreased by \$500,000 in 2013 resulting in the \$1.4 million year-over-year change.

<sup>6</sup> **Fees and purchased services:** The \$900,000 increase is mainly due to increased spending on student recruitment, marketing, legal fees and staff and executive recruitment.

<sup>7</sup> **Materials and supplies:** The \$1.1 million decrease is due to an \$800,000 reduction of textbook inventory due to conversions to e-texts and a \$300,000 reduction on disposal of capital assets.

<sup>8</sup> **Communications and travel:** The \$500,000 decrease is due to \$300,000 in reduced discretionary travel as well as \$200,000 in reduced professional development-related travel expenses that resulted from reduced staffing.

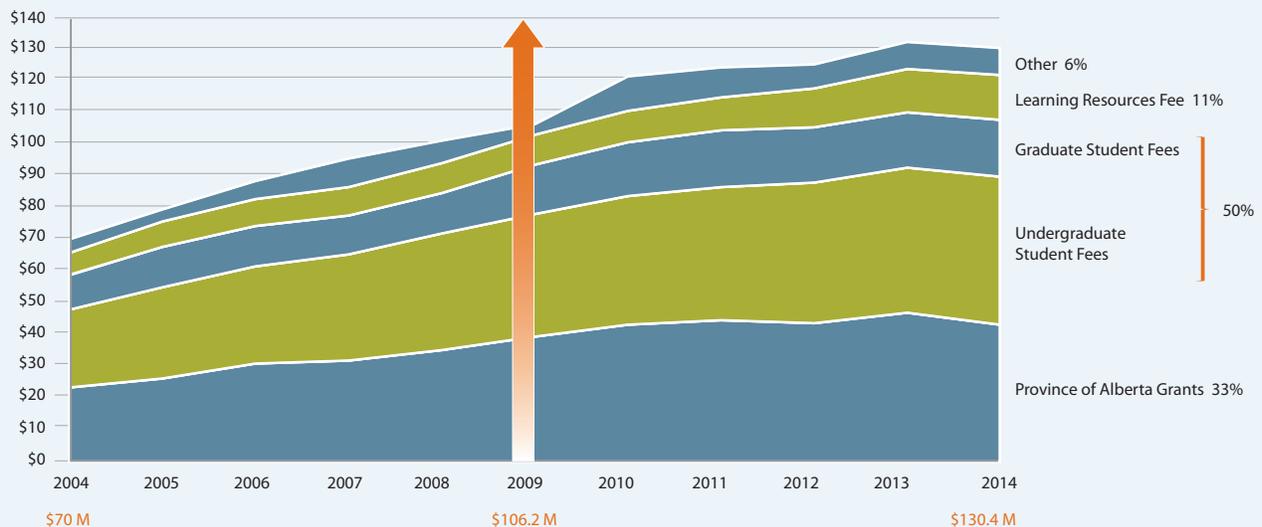
## Fiscal 2014 Actual Compared to Fiscal 2014 Budget

At the end of the year, the university's net operating position was a \$3.6 million excess of revenue over expense compared to an approved budgeted deficiency of \$782,000, resulting in a net positive variance of \$4.4 million. The variance is comprised mainly of the following:

- Campus Alberta grant increase: \$971,000
- Capitalization of internal staff costs: \$846,000
- Net amortization: \$650,000
- Investment income: \$248,000
- Enrolment: \$234,000
- Discretionary expense reductions: \$1.5 million

## Revenue and Expense: A Historical Overview

Revenue increased by 86 per cent between 2004 and 2014. 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 2014, 33 per cent. Increases in revenue over the past 10 years have been derived, for the most part, from student fees, which now provide 50 per cent of the university's revenue.



**Figure 1: Revenue by Source: 2003-04 to 2013-14 Actual** (in millions of dollars)

Total revenues decreased in 2014, primarily due to a decrease in the provincial operating grant.

Over the last 10 years, course registration at AU has increased by 38 per cent, and student fee revenue by 81 per cent.



**Figure 2: Student Fee Revenue and Registration Growth: 2003-04 to 2013-14**

Total expenses have generally increased over the past decade, except for a reduction during 2011 and 2012, when externally funded project activity (Knowledge Infrastructure Program and Community Adjustment Fund grants) was curtailed, and another in 2014 in response to the 7.3 per cent decrease in the provincial operating grant.

Salaries and benefits represent, by far, the largest expenditure. Over the past 10 years, salaries and benefits expenses as a percentage of total expenses have increased from 63 to 68 per cent, a common ratio in the post-secondary sector.



**Figure 3: Expense by Object Category: 2003-04 to 2013-14 Actual (in millions of dollars)**

APPENDIX A

# Athabasca University

## **Financial Statements**

For the Year Ended March 31, 2014



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# Auditor's Report

## Independent Auditor's Report

To the Board of Governors of the Athabasca University

### Report on the Financial Statements

I have audited the accompanying financial statements of Athabasca University, which comprise the statement of financial position as at March 31, 2014 and the statements of operations, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Athabasca University as at March 31, 2014 and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

Auditor General  
May 30, 2014  
Edmonton, Alberta

# Athabasca University

## Statement of Financial Position

As at March 31, 2014  
(in thousands)

	2014	2013
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 4,009	\$ 2,915
Portfolio investments (Note 4)	39,474	37,569
Accounts receivable (Note 6)	2,278	1,796
Inventories and prepaid expenses	4,110	5,355
Tangible capital assets (Note 7)	57,862	58,206
	<u>\$ 107,733</u>	<u>\$ 105,841</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 9,027	\$ 11,682
Employee future benefit liabilities (Note 8)	22,421	21,554
Deferred revenue (Note 9)	71,335	71,638
	<u>102,783</u>	<u>104,874</u>
<b>Net assets</b>		
Endowments (Note 10)	2,772	2,536
Accumulated operating surplus (deficit) (Note 11)	1,317	(2,311)
Accumulated remeasurement gains	861	742
	<u>4,950</u>	<u>967</u>
	<u>\$ 107,733</u>	<u>\$ 105,841</u>

Contractual obligations (Note 12)

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  
President

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

# Athabasca University

## Statement of Operations

Year ended March 31, 2014  
(in thousands)

	2014 Budget	2014 Actual	2013 Actual
	(Note 17)		
<b>Revenue</b>			
Government of Alberta grants (Note 15)	\$ 44,738	\$ 43,182	\$ 46,940
Student tuition and fees	64,523	64,757	63,207
Sales of services and products	15,785	15,579	15,805
Donations and other grants	886	2,728	2,570
Federal and other government grants	1,244	2,610	2,666
Investment income (Note 13)	1,250	1,498	1,364
	<u>128,426</u>	<u>130,354</u>	<u>132,552</u>
<b>Expense</b>			
Instruction and non-sponsored research	73,588	73,651	72,033
Academic and student support	14,910	14,181	15,805
Institutional support	11,967	11,545	12,508
Ancillary services	9,377	8,584	9,736
Computing and communication	7,822	7,078	7,799
Facility operations and maintenance	7,813	6,318	7,610
Sponsored research and special purpose	3,731	5,369	6,309
	<u>129,208</u>	<u>126,726</u>	<u>131,800</u>
Operating surplus (deficit)	(782)	3,628	752
Accumulated operating deficit, beginning of year (Note 11)	-	(2,311)	(3,063)
Accumulated operating surplus (deficit), end of year (Note 11)	<u>\$ (782)</u>	<u>\$ 1,317</u>	<u>\$ (2,311)</u>

The accompanying notes are part of these financial statements.

# Athabasca University

## Statement of Cash Flows

Year ended March 31, 2014  
(in thousands)

	2014	2013
<b>Operating transactions</b>		
Operating surplus	\$ 3,628	\$ 752
Add (deduct) non-cash items:		
Amortization of tangible capital assets	4,658	4,808
Expended capital recognized as revenue	(3,203)	(3,380)
(Gain) loss on disposal of tangible capital assets, net	(78)	230
Change in employee future benefit liabilities	867	(828)
Total non-cash items	2,244	830
Increase in accounts receivable	(482)	(213)
Decrease (increase) in inventories and prepaid expenses	1,245	(249)
(Decrease) increase in accounts payable and accrued liabilities	(2,655)	2,560
Increase (decrease) in deferred revenue	1,112	(1,558)
Cash provided by operating transactions	5,092	2,122
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(4,317)	(5,188)
Proceeds on sale of tangible capital assets	81	9
Cash applied to capital transactions	(4,236)	(5,179)
<b>Investing transactions</b>		
Purchases of investments	(6,510)	(1,226)
Proceeds on sale of portfolio investments	5,000	-
Cash provided by investing transactions	(1,510)	(1,226)
<b>Financing transactions</b>		
Endowment contributions	200	-
Endowment transfers	36	28
Capital contributions	1,512	2,028
Cash provided by financing transactions	1,748	2,056
Increase (decrease) in cash and cash equivalents	1,094	(2,227)
Cash and cash equivalents, beginning of year	2,915	5,142
Cash and cash equivalents, end of year (Note 3)	\$ 4,009	\$ 2,915

The accompanying notes are part of these financial statements.

# Athabasca University

## Statement of Remeasurement Gains and Losses

Year ended March 31, 2014  
(in thousands)

	2014	2013
Accumulated remeasurement gains at beginning of year	\$ 742	\$ -
Net unrealized gains attributable to:		
Portfolio investments	119	742
Accumulated remeasurement gains at end of year	\$ 861	\$ 742

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

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 1 Authority and Purpose

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

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

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

These financial statements have been prepared in accordance with Canadian public sector accounting standards. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. University administration uses judgment to determine such estimates. Employee future benefit liabilities, amortization of tangible capital assets, and the revenue recognition for expended capital are the most significant items based on estimates. In administration’s opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

#### (b) Non-use of Net debt model format

Canadian public sector accounting standards require a net debt presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as net debt or net financial assets as an indicator of 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. 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 in the statement of operations for a subsequent increase in value.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 2 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 measured using cost or amortized cost. Alternatively, transaction costs for financial instruments measured at fair value are expensed as incurred.

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

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

#### (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:

##### (i) Government transfers, donations and non-government contributions

Government transfers:

Government transfers are referred to as government grants. 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 time each year to assist the University in carrying out its mission, the value of their services is not recognized in the financial statements because fair value cannot be reasonably determined.

##### (ii) Grants and donations related to land

Grants and donations for the purchase of land are recognized as deferred revenue when received, and recognized as revenue when the land is purchased. The University recognizes in-kind contributions of land as revenue at the fair value of the land when a fair value can be reasonably determined. When the University cannot determine the fair value, it records such in-kind contributions at nominal value.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

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

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

##### (iii) 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. Investment income and realized gains and losses attributable to restricted portfolio investments that must be maintained in perpetuity are recognized as endowment net assets when received or receivable.

##### (iv) 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 from unrestricted grants, donations, or contributions are recognized in the statement of remeasurement gains and losses until the settlement. Once realized, these gains or losses are recognized as investment income in the statement of operations.

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

#### (e) Inventories

Inventories held for resale are valued at the lower of cost and expected net realizable value and are determined using the 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:

Buildings	40 years
Site improvements	10 - 25 years
Computer hardware and software	3 - 10 years
Furniture and equipment	5 - 20 years
Other – leasehold improvements	lesser of 5 years or lease term
Other – library holdings	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 an expense 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 expensed when acquired and not recognized as tangible capital assets.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

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

#### (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

##### (i) Pension

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

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

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

##### (ii) Other Employee Benefit Plans

The University's other benefit plans include the following: Administrative Leave, Flexible Benefits, Extended Health and Dental Care, Life and Dependent 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.

##### (j) Future Accounting Changes

###### PS 3260 Liability for Contaminated Sites

In June 2010 the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The University would recognize a liability related to the remediation of such contaminated sites subject to certain recognition criteria. University administration does not expect the implementation of this standard to have a significant impact on the financial statements in the next fiscal period.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 3 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.

### 4 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 composition and fair value are as follows:

	2014			
	Level 1	Level 2	Level 3	Total
Pooled Investment Funds				
Bonds listed in active market	\$ 30,921	-	-	30,921
Equities listed in active market	6,112	-	-	6,112
Money Market Funds	2,441	-	-	2,441
Total Investments	\$ 39,474	-	-	39,474
	2013			
	Level 1	Level 2	Level 3	Total
Pooled Investment Funds				
Bonds listed in active market	\$ 29,231	-	-	29,231
Equities listed in active market	6,139	-	-	6,139
Money Market Funds	2,199	-	-	2,199
Total Investments	\$ 37,569	-	-	37,569

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.

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

- Money Market pooled funds: 1.90%; term to maturity: less than one year.
- Pooled funds of government and corporate bonds: 2.80%; terms to maturity: range from less than one year to more than 10 years.

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

	2014	2013
	\$	\$
Net unrealized gains, beginning of year	167	-
Unrealized gains attributable to: Portfolio investments (Note 9)	276	167
Net unrealized gains, end of year, recorded in deferred revenue	\$ 443	\$ 167

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 5 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, 2014, 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 \$1,972 (2013 - \$1,877).

#### Credit risk

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

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

	2014	2013
Credit rating		
AAA	46%	48%
AA	9%	9%
A	25%	24%
BBB	5%	3%
Total percent of portfolio at risk	85%	84%

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

	Less than 1 year	1 to 5 years	Greater than 5 years
Money Market Funds	\$ 2,441	\$ -	\$ -
Bonds listed in active market	148	18,619	12,154

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 5 Financial Risk Management (continued)

#### Interest rate risk (continued)

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:

	.50% decrease.	.25% decrease	.25% increase	.50% increase
Dollar value change	\$ 766	\$ 383	\$ (383)	\$ (766)

#### Foreign currency risk

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

### 6 Accounts Receivable

	2014	2013
Accounts receivable	\$ 2,145	\$ 1,623
Other receivable	133	173
Less provision for doubtful accounts	-	-
	<u>\$ 2,278</u>	<u>\$ 1,796</u>

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

### 7 Tangible Capital Assets

	2014					2013	
	Land	Buildings and site improvements	Computer hardware and software	Furniture and equipment <sup>(4)</sup>	Other <sup>(5)</sup>	Total	Total
<b>Cost<sup>(1)(2)</sup></b>							
Beginning of year	\$ 1,565	61,879	26,982	6,872	9,316	106,614	\$ 105,427
Additions	-	67	3,971	259	20	4,317	5,188
Disposals, including write-downs <sup>(3)</sup>	-	-	(2)	(250)	(780)	(1,032)	(4,001)
	<u>\$ 1,565</u>	<u>61,946</u>	<u>30,951</u>	<u>6,881</u>	<u>8,556</u>	<u>109,899</u>	<u>106,614</u>
<b>Accumulated amortization</b>							
Beginning of year	\$ -	20,638	14,277	5,049	8,444	48,408	\$ 47,362
Amortization expense	-	1,598	2,463	441	156	4,658	4,808
Effects on disposals, including write-downs	-	-	(2)	(247)	(780)	(1,029)	(3,762)
	<u>\$ -</u>	<u>22,236</u>	<u>16,738</u>	<u>5,243</u>	<u>7,820</u>	<u>52,037</u>	<u>48,408</u>
Net book value at March 31, 2014	<u>\$ 1,565</u>	<u>39,710</u>	<u>14,213</u>	<u>1,638</u>	<u>736</u>	<u>57,862</u>	<u>\$ 58,206</u>
Net book value at March 31, 2013	<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

For the year ended March 31, 2014  
(thousands of dollars)

### 7 Tangible Capital Assets (continued)

No interest was capitalized by the University in 2013-2014.

- (1) Historic cost includes work-in-progress at March 31, 2014 totaling \$ 8,676 comprised of leasehold improvements \$0 (2013 - \$144), equipment \$298 (2013 - \$213), and computer hardware and software \$8,378 (2013 - \$6,009).
- (2) The University holds a number of works of art, cultural and historical properties, and treasures; under public sector accounting standards they are expensed when acquired and not recognized as tangible capital assets.
- (3) There are no write-downs within disposals for 2013-2014.
- (4) Equipment includes vehicles, office equipment and furniture, and other equipment.
- (5) Other tangible capital assets include leasehold improvements and library.

### 8 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2014	2013
Universities Academic Pension Plan (UAPP)	\$ 19,945	\$ 19,019
Administrative leave plan	2,446	2,463
Flexible benefits plan	30	72
	\$ 22,421	\$ 21,554

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

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

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic and professional staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2012. This was then extrapolated to the plan's year end of December 31, 2013 and further extrapolated to March 31, 2014. 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% (2013 - 1.25%) of total earnings by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.87% (2013 - 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 \$310,693 at March 31, 2014 (2013 - \$327,710). The unfunded deficiency for service after December 31, 1991 is financed by special payments of 5.54% (2013 - 5.54%) of pensionable earnings until December 31, 2021, 1.71% (2013 - 1.46%) of salaries for 2022 and 2023, and 0.70% (2013 - 0.45%) of salaries for 2024 and 2025, and 0.25% (2013 - 0.0%) for 2026 and 2027, all shared equally between employees and employers.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 8 Employee Future Benefit Liabilities (continued)

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

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

	2014	2013
Financial Operations		
Expense		
Current service cost	\$ 4,527	\$ 3,769
Interest cost	1,582	1,531
Amortization of net actuarial losses	562	327
Total expense	\$ 6,671	\$ 5,627
Financial Position		
Accrued benefit obligation:		
Balance, beginning of year	\$ 101,028	\$ 86,595
Current service cost	4,527	3,769
Interest cost	6,409	5,747
Benefits paid	(4,378)	(3,894)
Actuarial (gain) loss	(5,536)	8,811
Balance, end of year	102,050	101,028
Plan assets	(82,330)	(77,177)
Funded status - plan deficit	19,720	23,851
Unamortized net actuarial loss	225	(4,832)
Accrued benefit liability	\$ 19,945	\$ 19,019

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

	2014	2013
Accrued benefit obligation:		
Discount rate	6.60%	6.20%
Average compensation increase	3.50%	3.50%
Benefit cost:		
Discount rate	6.60%	6.20%
Average compensation increase	3.50%	3.50%
Alberta inflation:		
Year 1;	2.25%	2.25%
Years 2 and thereafter	2.25%	2.25%
Estimated average remaining service life:	8.6 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 \$2,446 (2013 - \$2,463) in employee future benefit liabilities. The University plans to use its working capital to finance these future obligations.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 8 Employee Future Benefit Liabilities (continued)

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

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

	2014	2013
Financial Operations		
Expense		
Current service cost	\$ 403	\$ 495
Interest cost	53	62
Amortization of net actuarial losses	(54)	(215)
Total expense	<u>\$ 402</u>	<u>\$ 342</u>
Financial Position		
Accrued benefit liability:		
Balance, beginning of year	\$ 2,463	\$ 2,810
Current service cost	404	495
Interest cost	53	62
Benefits paid	(420)	(689)
Actuarial (gain)	(54)	(215)
Balance, end of year	<u>\$ 2,446</u>	<u>\$ 2,463</u>

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

	2014	2013
Discount rate	2.10%	2.00%
Rate of compensation increase		
First year	2.00%	2.00%
Subsequent years	3.00%	2.00%
Average remaining service period of active employees	6 years	6 years
Retirement age	62	63

#### (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 \$1,487 (2013 - \$1,358).

An actuarial valuation of the PSPP was carried out as at December 31, 2012 and was then extrapolated to December 31, 2013. At December 31, 2013, the PSPP financial statements reported a deficiency of \$ 1,254,678 (2012 - \$1,645,141). 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.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 9 Deferred Revenue

Deferred revenue is comprised of unspent externally restricted grants and donations, restricted grants and donations spent on capital acquisitions (not yet recognized as revenue), unearned tuition and other revenue. Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement.

	2014			
	Research and special purpose	Capital	Student and other fees	Total
Balance, beginning of year	\$ 9,688	\$ 47,846	\$ 14,104	\$ 71,638
Grants, tuition, donations received	7,776	-	49,253	57,029
Restricted investment income (Note 13)	121	-	-	121
Unrealized gains (Note 4, Note 13)	276	-	-	276
Unearned capital acquisition transfers	(1,512)	1,512	-	-
Recognized as revenue	(5,613)	(3,203)	(48,913)	(57,729)
Balance, end of year	\$ 10,736	\$ 46,155	\$ 14,444	\$ 71,335

Capital is comprised of \$45,790 (2103 - \$47,322) restricted grants and donations spent on capital acquisitions and \$365 (2013 - \$524) of unspent restricted grants and donations. The expended capital is deferred and will be recognized as revenue when the terms are met.

	2013			
	Research and special purpose	Capital	Student and other fees	Total
Balance, beginning of year	\$ 11,228	\$ 49,198	\$ 13,955	\$ 74,381
Grants, tuition, donations received	7,469	-	47,969	55,438
Restricted investment income (Note 13)	54	-	-	54
Unrealized gains (Note 4, Note 13)	167	-	-	167
Unearned capital acquisition transfers	(2,028)	2,028	-	-
Recognized as revenue	(7,202)	(3,380)	(47,820)	(58,402)
Balance, end of year	\$ 9,688	\$ 47,846	\$ 14,104	\$ 71,638

### 10 Endowments

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

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

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 10 Endowments (continued)

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

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

The composition of endowments is as follows:

	2014	2013
Balance, beginning of year	\$ 2,536	\$ 2,508
Endowment contributions	200	-
Investment gain - realized (Note 13)	36	28
Balance, end of year	\$ 2,772	\$ 2,536
Cumulative contributions	\$ 2,421	\$ 2,221
Cumulative capitalized income	351	315
	\$ 2,772	\$ 2,536

### 11 Accumulated Operating Surplus (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 surplus (deficit) is comprised of the following:

	Accumulated deficit from operations	Investment in tangible capital assets <sup>(1)</sup>	Total accumulated operating surplus (deficit)
Balance as at March 31, 2012	\$ (12,853)	\$ 9,790	\$ (3,063)
Operating surplus	752	-	752
Amortization of internally funded tangible capital assets	1,667	(1,667)	-
Internally funded acquisition of tangible capital assets	(2,761)	2,761	-
Balance as at March 31, 2013	(13,195)	10,884	(2,311)
Operating surplus	3,628	-	3,628
Amortization of internally funded tangible capital assets	1,456	(1,456)	-
Net book value of assets disposals	3	(3)	-
Internally funded acquisition of tangible capital assets	(2,647)	2,647	-
Balance as at March 31, 2014	\$ (10,755)	\$ 12,072	\$ 1,317

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

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 12 Contractual Obligations

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

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

	2014				
	Service Contracts	Capital Projects	Information Systems and Technology	Long-term Leases	Total
2015	\$ 5,097	\$ 374	\$ 1,555	\$ 978	\$ 8,004
2016	803	-	403	985	2,191
2017	491	-	227	451	1,169
2018	436	-	94	177	707
2019	229	-	94	-	323
Thereafter	196	-	160	-	356
	<u>\$ 7,252</u>	<u>\$ 374</u>	<u>\$ 2,533</u>	<u>\$ 2,591</u>	<u>\$ 12,750</u>

### 13 Investment Income

	2014			2013
	Realized Gains and Losses	Unrealized Gains and Losses	Total	
Restricted funds				
Investment earnings on cash, cash equivalents, and portfolio investments held for endowments and other restricted purposes	\$ 157	276	433	\$ 249
Transferred to endowment net assets (Note 10)	(36)	-	(36)	(28)
Transferred to deferred revenue (Note 9)	(121)	(276)	(397)	(221)
Add deferred revenue recognized as investment income	23	-	23	142
Restricted funds recognized as investment income	<u>\$ 23</u>	<u>-</u>	<u>23</u>	<u>\$ 142</u>
Unrestricted funds				
Investment earnings on unrestricted cash, cash equivalents, portfolio investments	1,475	119	1,594	1,964
Transferred to accumulated remeasurement gains and losses	-	(119)	(119)	(742)
Unrestricted funds recognized as investment income	<u>\$ 1,475</u>	<u>-</u>	<u>1,475</u>	<u>\$ 1,222</u>
Total investment income recognized	<u>\$ 1,498</u>	<u>-</u>	<u>1,498</u>	<u>\$ 1,364</u>

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
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### 14 Expense by Object

The following is a summary of expense by object.

	2014		2013
	Budget (Note 17)	Actual <sup>(1)</sup>	Actual <sup>(1)</sup>
Salaries	\$ 70,454	\$ 70,551	\$ 75,635
Employee benefits	15,948	15,834	14,680
Materials, supplies and services:			
Fees and purchased services	16,022	16,916	16,009
Materials and supplies	10,699	10,137	11,188
Communications and travel	5,947	5,035	5,468
Rental, insurance and utilities	3,097	2,648	2,889
Amortization of capital assets	5,841	4,658	4,808
Scholarships and bursaries	1,200	947	1,123
	<u>\$ 129,208</u>	<u>\$ 126,726</u>	<u>\$ 131,800</u>

<sup>(1)</sup> Includes \$2,091 (2013 - \$3,829) termination benefits as defined under PSA Handbook section 3255.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 15 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.

	2014	2013
Grants from Government of Alberta		
Innovation and Advanced Education:		
Operating	\$ 38,741	\$ 40,778
Infrastructure Maintenance Program	1,700	3,024
Research	983	625
Alberta Innovates-Technology Futures	108	230
Other	54	31
Total Innovation and Advanced Education	<u>41,586</u>	<u>44,688</u>
Other Government of Alberta departments and agencies:		
Treasury Board and Finance	425	436
Health	128	127
Culture	71	96
Total other Government of Alberta departments and agencies	<u>624</u>	<u>659</u>
Total contributions received	42,210	45,347
Add (less): deferred contributions	972	1,593
Total grants from Government of Alberta	<u>\$ 43,182</u>	<u>\$ 46,940</u>
Accounts receivable		
Innovation and Advanced Education	\$ 115	\$ 180
Other Government of Alberta departments and agencies	-	78
Other post-secondary institutions	1	-
	<u>\$ 116</u>	<u>\$ 258</u>
Accounts payable		
Innovation and Advanced Education	\$ 7	\$ -
Other Government of Alberta departments and agencies	3	4
Other post-secondary institutions	77	108
	<u>\$ 87</u>	<u>\$ 112</u>

In addition to the grants listed above, the University received \$310 (2013 - \$567) 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

For the year ended March 31, 2014  
(thousands of dollars)

### 16 Salary and Employee Benefits

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

	2014				2013
	Base Salary <sup>(3)</sup>	Cash Benefits <sup>(4)</sup>	Non cash Benefits <sup>(5)</sup>	Total	Total
Governance <sup>(1)</sup>					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	-	-	-
Executive Officers					
President	369	34	134	537	557
Vice-Presidents:					
Academic	246	1	70	317	343
Advancement	216	14	87	317	304
Finance and Administration	238	17	82	337	317
Information Technology and CIO <sup>(2)</sup>	188	9	54	251	321

<sup>(1)</sup> The chair and the 18 members (2013 – 17) of the Board of Governors receive no remuneration for participation on the Board.

<sup>(2)</sup> The position was occupied by two individuals at different times during the year.

<sup>(3)</sup> Base salary is pensionable and includes pay for vacation time taken.

<sup>(4)</sup> Cash benefits include, if applicable, earnings such as vacation payouts, amounts to compensate for the UAPP salary cap, and other nonpensionable direct cash payments including severance.

<sup>(5)</sup> Non cash benefits include the employer's share of all employee benefits and contribution payments made on behalf of employees for pension, extended health care, dental, vision, group life insurance, accidental death and dismemberment insurance, and long and short-term disability plans. Non cash benefits for the President include a taxable benefit for a rent allowance of University House. Non cash benefits for some of the executive include memberships and the employer's current year expense (current service cost, the related net actuarial gains or losses and adjustments for past service accrued at current salary rates) of Administrative Leave Plan.

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

	Accrued Obligation March 31, 2013	Service Costs	Interest and other costs	Actuarial loss (gain)	Accrued Obligation <sup>(6)</sup> March 31, 2014
President	\$ 534	\$ 64	\$ 12	\$ 15	\$ 625
Vice-Presidents:					
Academic	229	32	5	1	267
Advancement	119	43	4	6	172
Finance and Administration	68	42	3	7	120
Information Technology and CIO	-	14	-	2	16

<sup>(6)</sup> The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 8.

# Athabasca University

## Notes to the Financial Statements

For the year ended March 31, 2014  
(thousands of dollars)

### 17 Budget Figures

The University's 2013-2014 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 Innovation and Advanced Education as part of the University's 2013-2016 Comprehensive Institutional Plan.

The following table provides amounts as presented in the 2013-2014 budget, expense by object, reconciled to expense by function:

Function	Salaries	Employee benefits	Fees and purchased services	Materials and supplies	Communication and travel	Rental insurance, and utilities	Amortize capital assets	Scholarships	Expense Total
Instruction and non-sponsored research	\$ 48,354	10,474	8,855	1,900	3,387	593	20	5	\$ 73,588
Academic and student support	8,873	2,354	2,041	348	700	131	116	347	14,910
Institutional support	7,727	1,824	1,441	269	628	76	-	2	11,967
Ancillary services	437	126	381	7,653	717	24	39	-	9,377
Computing and communication	2,451	623	1,071	320	111	-	3,246	-	7,822
Facility operations and maintenance	933	228	1,882	63	23	2,264	2,420	-	7,813
Sponsored research and special purpose	1,679	319	351	146	381	9	-	846	3,731
	\$ 70,454	15,948	16,022	10,699	5,947	3,097	5,841	1,200	\$ 129,208

### 18 Comparative Figures

Certain 2013 figures have been reclassified to conform to the presentation in the 2014 financial statements.

### 19 Approval of Financial Statements

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



# Athabasca University

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