



Athabasca
University

Annual Report

to Alberta Innovation and Advanced Education

For the year ended March 31, 2015



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MESSAGE FROM THE PRESIDENT

Athabasca University, mandated to provide high-quality open and distance education to students in Alberta, Canada and around the world, plays a unique and vital role in Campus Alberta. We offer post-secondary learning opportunities to individuals who, because of their lifestyle, commitments or particular learning needs, cannot or choose not to attend traditional, campus-based institutions. We offer an array of flexible learning options in business, education, health disciplines, humanities and social sciences, and science and technology. In selected areas, AU scholars are leaders in their field, and the university is noted for its strength in interdisciplinary research and networked environments. With four physical locations in Alberta and approximately 40,000 students, AU reaches many communities in Alberta and beyond and challenges people to imagine better futures for themselves and their families through improved education.

AU is, however, at a crossroads. This Annual Report should be read in conjunction with the June 15, 2015, *Report of the Presidential Task Force on Sustainability* (Appendix A), which explains our challenges in maintaining core operations. In a stringent fiscal environment, we have demonstrated our commitment to seeking efficiencies and effectiveness, and our heavy dependence on tuition motivates a responsive service focus on our students. We are close to exhausting incremental budget measures if we have not already done so, and we require a new business model if we are to contribute in the future as we have in the past. We seek to enlist the Government of Alberta and Campus Alberta in our efforts to develop that new model and to renew the vision that inspired our founders nearly 50 years ago.

Original signed by Peter MacKinnon

Peter MacKinnon, OC

ACCOUNTABILITY STATEMENT

Athabasca University's Annual Report for the year ended March 31, 2015, was prepared under the direction of the Governors of Athabasca University in accordance with the *Fiscal Management Act* and ministerial guidelines established pursuant to the *Post-Secondary Learning Act*. All material economic, environmental or fiscal implications of which we are aware have been considered in the preparation of this report.

Original signed by Margaret Mrazek

Margaret Mrazek, QC
Acting Chair
The Governors of Athabasca University

September 17, 2015

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

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

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

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

Original signed by Peter MacKinnon

Peter MacKinnon, OC
Interim President

Original signed by Estelle Lo

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

OPERATIONAL OVERVIEW

Mission

Athabasca University, Canada's Open University, is dedicated to the removal of barriers that restrict access to and success in university-level study and to increasing equality of educational opportunity for adult learners worldwide. We are committed to excellence in teaching, research and scholarship and to being of service to the general public.¹

Strategic University Plan

The *Strategic University Plan: 2011-16* sets the direction for AU in realizing its teaching, research and service vision and its goal of removing barriers to post-secondary learning. Five strategic goals guide the realization of 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. This Annual Report forms part of the university's assessment and accountability cycle. The performance measures and reported outcomes will inform subsequent planning.

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 a chair, up to 10 public members, two academic staff members, one tutor, one non-academic staff member, one graduate student, two undergraduate students and one alumni member. The president of the university is an *ex officio* member. As of March 31, 2015, Board membership was as follows:

- Public Members: Margaret Mrazek (Acting Chair), Robert Balay, Rai Batra, Diane Davies, Heather Kennedy, Colette Miller, Peter Thiveos
- President: Peter MacKinnon
- Academic Staff Members: Travis Burwash, Dr. Michael Mauws
- Tutor: Dr. Grant Grams
- Non-academic Staff Member: Paulette Patry
- Graduate Student: Lynde McKinley
- Undergraduate Students: Corrina Green, Jason Nixon
- Alumni Member: Douglas Schindel

Core Programs

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

¹ May 1985. Reconfirmed October 2011.

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 applied mathematics, architecture, computing and information systems or human science)

Accessibility

AU's flexible learning model provides access to university study for those who choose not to enrol in full-time, campus-based programs and those whose employment, family or other commitments prevent them from doing so. Since its founding in 1970, the university has served about twice as many women as men. In 2014-15, the average undergraduate program student was 28, and the average graduate student was 39. Most program students come to AU with some post-secondary experience and are likely to work full time while they study. Career advancement is a significant motivator for AU students, a majority of whom are adult learners, and the prevalence of employer sponsorship, most commonly in the form of tuition assistance, is high. As a result, AU's enrolment is more likely than that of conventional universities to be negatively affected by economic downturns.

Figure 1 shows the number of active AU undergraduate and graduate students over the past 25 years (Active students are those that have started a course, excluding early withdrawals, within the fiscal year). After a decade of rapid growth beginning in the mid 1990s, enrolment has since levelled off. The number of active undergraduate students dropped slightly in 2009 and 2015, and the number of active graduate students fell in 2014. Total enrolment has increased 2.7 per cent over the past five years.

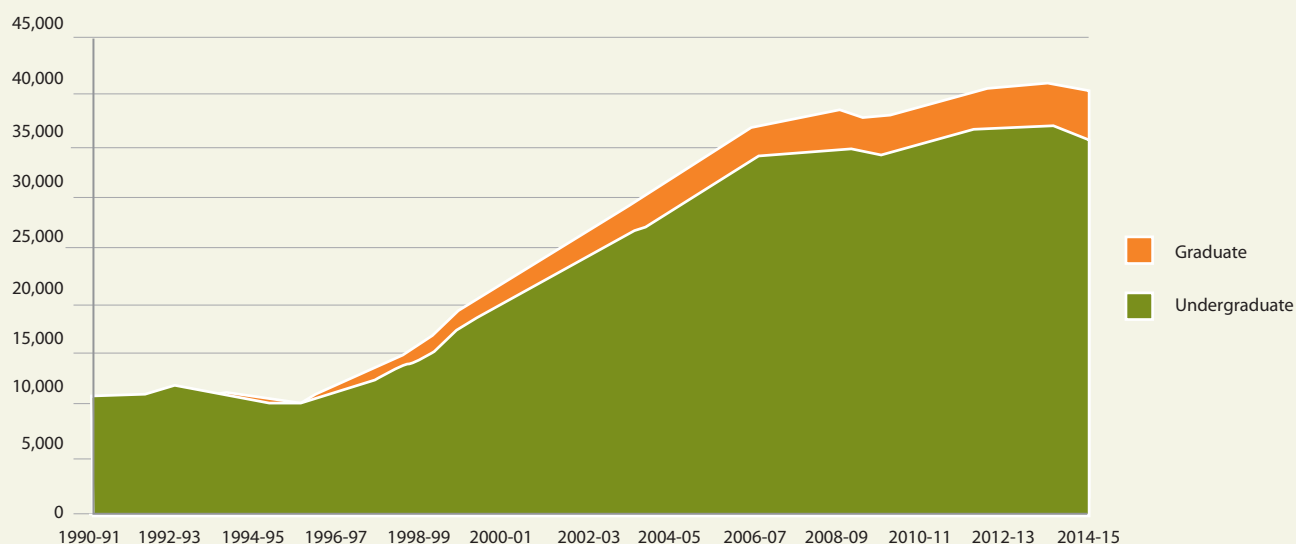


Figure 1: Active Enrolled Students by Level of Study, 1991 to 2015

A total of 39,921 students studied at AU in 2014-15, down 2.2 per cent from the previous year. Alberta residents accounted for 38.4 per cent of the total. Table 1 shows the number of Alberta undergraduate and graduate students in each of the past five years. Overall, enrolment by Alberta students has grown 9.9 per cent since 2010-11.

Table 1: Alberta Undergraduate and Graduate Students (2011-15)

	2010-11	2011-12	2012-13	2013-14	2014-15
Undergraduate	12,855	13,570	13,863	14,413	14,180
Graduate	1,096	1,139	1,224	1,130	1,148
Total	13,951	14,709	15,087	15,543	15,328

AU's flexibility also accounts for the number of students from other post-secondary institutions (visiting students) who enrol in individual AU courses to fulfil program requirements at their home institution. This important learner pathway relieves capacity pressures for sending institutions and improves time-to-degree outcomes for their students. The University of Calgary, the University of Alberta, Mount Royal University and MacEwan University are among the top 10 home universities for students taking such service courses through AU. However, AU's ability to offer a full range of university courses on a continuous entry basis is possible only as a result of the economies of scale created by out-of-province course registration.

The size of the visiting student cohort has fluctuated in recent years in response to increased market competition. Other types of institutions, both traditional and new, have introduced more online options. Regionally based consortia, especially in Ontario, are targeting the institutions and academic departments that make the most use of AU service courses. AU welcomed 560 fewer visiting students from Ontario in 2014-15 than in the previous year. In some jurisdictions, allowing students to access outside courses through letters of permission appears increasingly to be viewed as a revenue loss rather than as an opportunity to reduce the service costs associated with low enrolment classroom courses.

Changes in the number of visiting students are also linked to demographic shifts in the size of traditional entry cohorts at campus-based institutions (decreasing numbers in the 18-24 age group), offset by overall increases in post-secondary participation in recent decades.

Online delivery is just one dimension of AU's contribution to removing barriers to post-secondary learning. The university also has long-standing partner delivery agreements with Alberta community colleges and

First Nation's institutions, and the co-location of AU's Calgary operations on the Bow Valley College campus has provided additional options for offering high demand courses in a key Alberta centre. Site-based requirements in the sciences and health disciplines are also facilitated through delivery partnerships.

Program Completion

AU awarded 1,762 academic credentials, 877 at the graduate level and 885 at the undergraduate level, in 2014-15, as shown in Table 2.

Table 2: Academic Credentials Awarded (2013-15)

	2011-12	2012-13	2013-14
Undergraduate Degrees			
Bachelor of Administration ¹	27	12	15
Bachelor of Arts	110	105	102
Bachelor of Commerce	67	82	73
Bachelor of General Studies	90	100	98
Bachelor of Health Administration	4	8	9
Bachelor of Human Resources and Labour Relations	50	36	58
Bachelor of Management	111	113	109
Bachelor of Nursing	202	188	183
Bachelor of Professional Arts	107	93	96
Bachelor of Science	21	22	17
Bachelor of Science in Computing and Information Systems	10	9	9
Total Undergraduate Degrees	799	768	769
Undergraduate Certificates and Diplomas	108	116	116
Graduate Degrees			
Doctor of Business Administration	-	4	4
Doctor of Education (Distance Education)	5	3	4
Master of Arts (Integrated Studies)	103	104	92
Master of Business Administration	174	167	177
Master of Counselling	82	71	70
Master of Education (Distance Education)	34	37	56
Master of Health Studies	78	74	61
Master of Nursing	144	148	182
Master of Science (Information Systems)	38	20	23
Total Graduate Degrees	658	628	669
Graduate Certificates and Diplomas	222	208	208
Total Credentials Awarded	1,787	1,720	1,762

¹ Program closed December 31, 2004.

Human Resources

As of March 31, 2015, AU's employee complement (Table 3) numbered 1,141. Thirty-four per cent of employees work at AU Athabasca, nine per cent at AU Edmonton, two per cent at AU Calgary, 54 per cent in home offices and one per cent in other locations.

Table 3: Employee Complement (2013-15)

	2012-13	2013-14	2014-15	Change from 2012-13
Academic, full-time	186	181	170	(8.6%)
Academic, part-time	39	37	41	5.1%
Tutors	360	358	354	(1.7%)
Professional	262	221	225	(14.1%)
Executive	5	5	6	20%
Management	12	15	21	75%
Support and temporary	276	232	242	(12.3%)
Casual	93	56	82	(11.8%)
Total	1,233	1,105	1,141	(7.5%)

Since 2012-13, lay-offs and retirement incentives have contributed to reductions in most employee categories. The increase in the number of part-time academic positions reflected a need for coverage of core and large courses while academic priorities were under review. Other changes reflected restructuring within departments in response to service demands and project priorities. Stabilizing the university's leadership team, including the renewal of the interim president, the recruitment of two associate vice-presidents and the appointment of two deans, was a key focus in the past year. The 2014-15 executive count includes the past president, who was on administrative leave. The six additional management positions (associate vice-president or director) in 2014-15 resulted from the filling of four vacancies and the creation of two new positions, one of them the reclassification of a professional position.

Employee Relations

Sustainability and communication were two important themes in employee relations during the past year. Measures to address communication concerns raised through a 2014 employee satisfaction survey included communication planning, developing operational guidelines for internal communication and increasing the number of opportunities for face-to-face meetings with the president. The President's Task Force on Sustainability solicited suggestions from across the university community to inform analysis of options for the university's future.

PIDA Activity

In 2013, the Government of Alberta enacted the *Public Interest Disclosure (Whistleblower Protection) Act* and associated regulations. The legislation protects employees making disclosures of wrongdoing that they have observed in the workplace for the purpose of facilitating the disclosure of wrongdoing, resolving problems revealed through investigation and promoting public confidence in the public sector. In compliance with legislated reporting requirements, one disclosure was made under *PIDA* to AU's designated officer in the April 1, 2014, to March 31, 2015, period. An investigation is underway.

Operating Environment

A number of changes to the operating environment over the past several years have brought about significant sustainability challenges for AU. The university's two principal sources of revenue, student fees and government grants, have been markedly constrained. At the same time, supporting critical infrastructure has required substantial investments, so operating funds have been diverted into capital projects related to information and communication technology infrastructure. The university undertook a number of extraordinary measures to achieve a modest operating surplus this past year. However, workforce depletion and other austerity measures have contributed to service deficits in some areas as projects intended to reconfigure support systems have been delayed.

Student fees are constrained inside Alberta by provincial tuition fee policy and outside the province by market conditions. The online post-secondary market has become fiercely competitive, with various for-profit consortia and public institutions cross-subsidizing a narrow range of offerings. Regulatory assumptions that have made out-of-province undergraduate students cost-recovery rather than core to the university have led to increasing out-of-province fee differentials that make AU courses and programs less competitive. The steady rise in tuition fees, particularly the relatively high fees for AU graduate programs, represents an access challenge for students as well as a public policy challenge, in that the balance between expected individual and public investments has shifted dramatically since the university's founding. With nearly two thirds of its operating revenues now derived from student fees (tuition and learning resource fees), AU has been essentially privatized while retaining the regulatory constraints of a public institution.

Many other Canadian universities are facing sustainability challenges identical to or similar to those affecting AU:

- a marked growth in institutional size and complexity
- increased costs associated with research intensity and efforts to diversify revenues
- increased government regulation and accountability reporting requirements
- intense competition for knowledge workers
- increased demands for student service support

Growth can provide operating revenues, but it brings its own challenges, as observed by higher education consultant Ken Snowden in his analysis of the business model of Canadian universities:

In a nutshell, the revenue part of the 'business model' did not recognize the cost implications of the shift in faculty workloads, the substantial indirect and direct costs of research and community service, nor the importance of accounting for sector specific inflation. When coupled with major increases in enrolment and changes in the composition of the enrolment, universities experienced tremendous growth and change on a number of fronts . . . Growth became the mantra and, coupled with increased government regulation and heightened labour relations activity, bred a new level of organizational complexity. During a period of funding expansion, universities were able to mask the structural realities, but over the past several years, financial strains emerged as the rate of expansion slowed and, in some institutions, turned negative.²

The effects of these changes to the operating environment are perhaps more pronounced at AU as the simultaneous contraction of both government funding and student enrolment has exacerbated the effects of other challenges. For example, the recent sharp drop in oil prices has created economic uncertainty in a number of sectors, leading to a drop in disposable income and a decline in the number of companies willing to directly sponsor employee education.

As a result of the precipitous drop in provincial infrastructure maintenance grants (from just over \$3 million, including \$2 million for information and communication technology infrastructure, in 2011-12 to \$1.3 million in 2014-15), a number of AU's ICT systems are now at the breaking point. Without substantial ongoing investment in the technologies that support the university's Open Learning Environment, AU cannot meet the expectations of its students, who live and work in an online world. Configuring secure access points for multiple mobile platforms to provide students with the access they need is essential but costly. Through its involvement in provincial consortia and its leveraging of cloud-based systems, AU has lowered some of its core ICT infrastructure costs, but the funding issue remains. The risks associated with not maintaining core ICT infrastructure within supported generations of hardware and software are such that the university has increased its internal capital ICT investments in the absence of needed grants. Internally funded capital spending (ICT and other capital) over the past several years (Figure 2) is reflective of the increasing costs of maintaining and enhancing core ICT infrastructure.

² *Canada's Universities: Cost Pressures, Business Models and Financial Sustainability* (A Report Commissioned by the Canadian Association of University Business Officers), (Harrowsmith, ON: Snowden and Associates Inc.: 2015), 7: <http://www.caubo.ca/content/canada%E2%80%99s-universities-cost-pressures-business-models-and-financial-sustainability>.

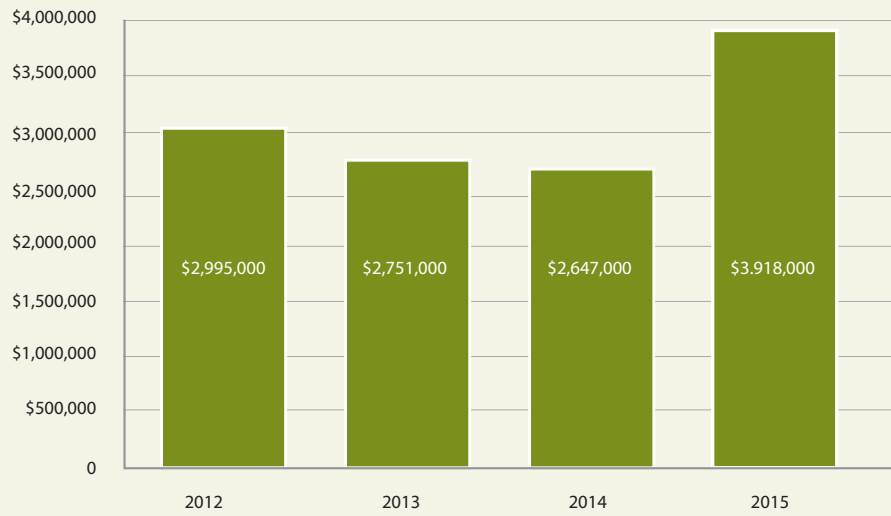


Figure 2: Internally Funded Capital Investments

GOALS, PRIORITY INITIATIVES, PERFORMANCE MEASURES AND OUTCOMES

Quality

AU's stated goal "to be the leader in quality open distance education"³ encapsulates its aspirations with respect to quality. The university is continuing a review and restructuring of its academic and student support services based on sound pedagogical principles. The *Comprehensive Institutional Plan: 2014-17* identified the following priority actions in support of providing a quality online learning experience:

- Renew the curriculum.
- Integrate services to promote student success.
- Enhance the Open Learning Environment.
- Develop shared service options with Campus Alberta partners.

Curriculum Renewal

Course development is managed at the faculty level in line with approved policy and procedures. A full audit of low enrolment courses in the Faculty of Humanities and Social Sciences resulted in the closure of 64 courses (about 10 per cent), allowing resources to be redirected to core program and general education requirements. The Faculty of Health Disciplines focused on revisions related to licensure requirements and the development of professional development options for core competencies for nurse practitioners. The Faculty of Science and Technology grouped a number of specialized courses into certificate and diploma programs to appeal to professionals seeking to upgrade their skills and certifications in areas such as information security. The Faculty of Business created new leadership and professional development courses, revised 30 courses to better integrate e-texts and open educational resources, and developed mobile friendly versions of the MBA study guides and student handbook.

Restructuring of curriculum development support has resulted in the transfer of a number of editors, visual designers and production staff from the Centre for Learning Design and Development to the Faculty of Science and Technology or the Faculty of Humanities and Social Sciences. Learning designers remaining in the CLDD work in partnership with academic centres to support successful online teaching and learning through embedding effective strategies for student engagement in distance education, through educational development activities and by designing courses that use learning technologies in pedagogically appropriate ways.

Regular curriculum processes (course currency monitoring, tracking the alignment of course objectives with the expected program outcomes, external program reviews, etc.) are ongoing.

Service Integration

Service integration priorities included broader implementation of a student relationship management system and reconfiguration of library services to include expanding portal resources and links to other support services.

AU has successfully piloted a student relationship management system with capabilities to track and redirect student requests or queries to the service areas best suited to address them. Requests are captured across the student life cycle, and information collected facilitates continuous service improvement. The system is now being extended to multiple service areas with the goal of improving overall student service and satisfaction.

³ *Strategic University Plan: 2011-16*, 15.

As part of its website redesign in October 2014, the AU Library reorganized and streamlined its student support resources, making them prominently accessible from the Library homepage. Get Help and Services menus now provide easy access to a variety of Library tutorials and services as well as other university student support services such as the Write Site, the Math Site, Counselling Services, Advising Services, AskAU and Undergraduate Student Orientation.

Open Learning Environment Enhancement

AU uses the open source Moodle platform as its learning management system. A full-scale upgrade from version 1.9.7 to version 2.2 was completed, but due to ICT funding constraints (See “Operating Environment,” pp. 11-13), the university remains several versions behind most other providers of online educational programs.

The AU Library is developing an Open Library website that collocates, curates and collects open resources, making them more accessible to faculty and staff members and students. The new service is also open to learners in MOOCs (massive open online courses) and anyone interested in open access.

Shared Services Options

Service integration priorities included broader implementation of a student relationship management system and reconfiguration of library services to include expanding portal resources and links to other support services.

AU Press: Campus Alberta Initiative

AU, the University of Calgary and the University of Alberta signed a memorandum of understanding for collaborative engagement of their respective university presses under the umbrella of Campus Alberta. The agreement includes shared marketing initiatives and publication of an annual three-volume book series showcasing Alberta research. The first title in the 2015 series was published by the University of Alberta Press in the spring, followed by the second from University of Calgary Press in summer. AU Press will publish the third volume in the fall.

Future of Alberta Digital Learning Forum

In May 2014, AU, the Alberta Distance Learning Centre, eCampusAlberta, Alberta Education, Alberta Innovation and Advanced Education, and Service Alberta co-hosted Alberta Digital Learning Forum, a symposium focused on the future of K-12 and post-secondary education in Alberta. Using a modified *futures thinking process*, about 200 delegates, drawn from many different sectors, participated in sessions focused on the question: “What does Alberta have to do to be a global leader in digital learning by 2030?” The varying perspectives of the conference participants contributed to a robust dialogue, the highlights of which are being summarized in a conference report.

Alberta Open Education Resources Initiative

AU is committed to further enhancement of courses through the use of open educational resources, offering students current, relevant and engaging learning materials while reducing or containing post-secondary learning costs. Six AU faculty members received funding totalling \$430,264 from the \$1.5 million made available through the Alberta Open Education Resources Initiative. Their projects include developing materials for use in Spanish, accounting, community development, geography, health and occupational health and safety courses. A pilot open courseware website (ocw.athabascau.ca) facilitates open access to courses and open educational resources across the curriculum.

Analysis of Results for Quality Performance Measures

The quality performance measures identified in the *Comprehensive Institutional Plan: 2014-17* include graduate and student satisfaction as expressed in surveys, retention (based on course completion information) and the number of credentials awarded.

The Alberta Graduate Outcome Survey measures graduates' overall satisfaction with their educational experience. The most recently reported survey results, from 2014 (Figure 3), show AU graduates' high level of satisfaction, consistently higher than the average of 91 per cent among Comprehensive Academic and Research Institutions.⁴



Figure 3: Graduate Satisfaction with AU Educational Experience (AGO Survey)

AU also participates biennially in the National Survey of Student Engagement to first and fourth year undergraduate program students. The percentage of survey respondents rating their overall AU experience as good or excellent (Figure 4) was 98 per cent of target. The survey will be next administered in 2016.



Figure 4: Excellent or Good Student Experience at AU (NSSE Survey)

Part-time learners often progress by taking one or two courses at a time, yet the longer it takes students to complete the courses in a program, the lower the likelihood of program completion. As a result, AU has been working to increase the number of students completing at least six credits per year. The average number of undergraduate program students completing at least six credits per year (Figure 5) is on target, while graduate students (Figure 6) exceeded the target.

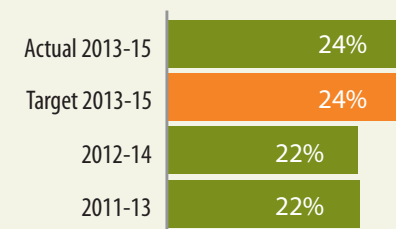


Figure 5: Undergraduate Students Completing Six Credits Per Year

⁴ *Graduate Outcomes Survey Public Institutions Final Report* (Edmonton: Malatest Program Evaluation and Market Research, 2014), 40.



Figure 6: Graduate Students Completing Six Credits Per Year

The average undergraduate course success rate (excluding students who registered for a course but did not start it) was 98.8 per cent of target as shown in Figure 7.

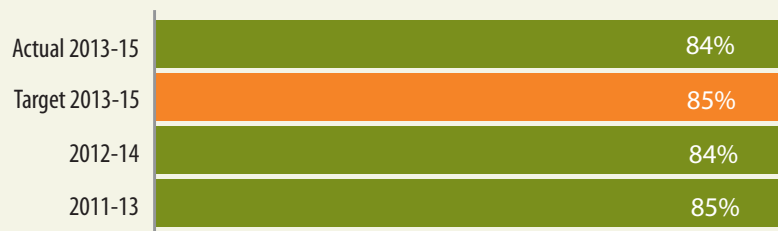


Figure 7: Undergraduate Course Success Rate

However, the number of credentials awarded (three-year average) is significantly over target as shown in Figure 8.



Figure 8: Credentials Awarded

Access

The *Comprehensive Institutional Plan: 2014-17* identified the following priority actions to promote access:

- Recruit a diverse student body.
- Strengthen market awareness of the quality of AU program and courses.
- Improve services for students at risk.
- Improve access for First Nations, Métis and Inuit learners and residents of northern, rural and remote communities.
- Increase the number and value of student scholarships and bursaries.
- Expand collaborative activities with Campus Alberta and First Nations partner institutions.
- Build capacity in high demand programs to meet projected needs, including developing short courses and custom professional offerings.

The following section highlight activities related to those priorities, but it should be noted that many of these are components of longer term initiatives.

Marketing and Recruitment

AU's institutional website is the primary communication channel for connecting with and informing prospective students and other audiences. An independent review of the website to identify areas of improvement was carried out in the fall of 2014, and the study's recommendations will be implemented over the next year. Online undergraduate orientation modules were also reviewed, and recommendations for improved navigation and updated content are being implemented. A 2014 impact review of AU's rebranding, implemented over the previous two years, revealed that the brand is performing well: AU has the highest aided and unaided levels of awareness of any Canadian post-secondary institution offering online or distance programs.

Following the successful rebranding, AU launched a marketing campaign in the fall of 2014, focused on the university's openness, flexibility and quality and its a strong reputation in distance learning and research. The campaign, which featured historical figures with non-traditional educations to convey the university's advantages, resulted in increased prospective student engagement with AU's marketing landing pages.

Targeted recruitment campaigns continued in core markets. During 2014-15, the student recruitment strategy included the use of both traditional methods and new technologies to raise awareness of AU and convert prospects to applicants. Recruitment officers participated in 120 student recruitment fairs or meetings, primarily in Alberta and other parts of western Canada, but with some activity in Ontario and the Maritime Provinces. The focus was particularly on institutions with which agreements were already in place in an attempt to leverage such connections and increase student interest. In support of AU's mandate to promote diversity, recruitment officers again made particular efforts to visit First Nations institutions and larger First Nations communities. Social media emerged as an important tool to reach new markets, including targeted international populations. It was used in concert with campus visits to maximize awareness of AU.

Although resource constraints resulted in deferral of some initiatives identified in the *Strategic Enrolment Management Plan: 2014-16*, additional focus was placed on program student retention. Marketing piloted the Student Re-engagement Project in the Faculty of Humanities and Social Sciences, using direct email messaging to encourage students who had become inactive to register for additional courses. Results of the pilot study are promising, and a more expansive campaign is being planned.

In March 2015, AU piloted Learning to Learn Online, a MOOC designed to help prospective students build their skills and confidence for taking online courses. The course, offered on the Canvas platform, attracted over 1,800 people.

Access to Students with Disabilities

Reducing barriers to post-secondary learning and increasing accessibility is a key element of AU's mission. The university places significant emphasis on supporting students with disabilities in their learning pursuits. Over five per cent of AU respondents to a recent Alberta Graduate Outcomes Survey reported having a disability, compared to the provincial average of three per cent.

Indigenous Learners

Indian Residential Schools Settlement Agreement Funding Framework

AU is helping learners who were directly affected by the Indian Residential School System to realize their educational goals. Over 100 students are completing courses under the Indian Residential Schools Settlement Agreement funding framework.

Learning Communities Project

AU also continues to facilitate learning opportunities for residents of northern First Nations and Métis communities through the Learning Communities Project, a collaborative initiative that fosters capacity building through transfer of knowledge and providing learning opportunities at the community level. Through the project, AU is working in partnership with First Nations and Métis communities, northern colleges and other organizations. Feedback has been positive: community members show a continuing high level of interest in the project and firm support for education as contributor to the long-term sustainability of First Nations and Métis communities.

Student Awards

The Open Our World fundraising campaign, ending in 2015, raised nearly \$1.5 million for student awards. New awards established in 2015 included

- the David Gabriel Tuccaro Scholarship, available to indigenous students enrolled in graduate or undergraduate courses in the Faculty of Business
- the Peggy Harrison Single-Parent Bursary, available annually to 10 students who volunteer in their communities and support a family
- the Métis Scholars Awards, available to Métis students at AU (An endowment in support of these awards was established by the Métis Nation of Alberta with matching funding provided by the Access to the Future Fund.)

Collaborations

Western Deans of Graduate Studies Agreement

As a signatory to the Western Canadian Deans of Graduate Studies Agreement, AU promotes the ability of western Canadian graduate students to take courses required for their degree program at another western Canadian university when they are unavailable at their home university. Between March 31, 2014, and April 1, 2015, AU accepted 61 graduate students under this agreement, and six AU students completed courses at other western Canadian universities.

National Transfer Credit Project

Along with other Alberta post-secondary institutions, AU is supporting the Association of Registrars of the Universities and Colleges of Canada and the Pan-Canadian Consortium on Admissions and Transfer in Phase 2 of the National Project Transcript Guidelines and Transfer Credit Nomenclature Study. More and more students are studying at multiple post-secondary institutions, optimizing their resources, educational experiences and outcomes. At the same time, many institutions are struggling to support these important pathways to degree completion. This national project aims to address these challenges by creating a single national glossary for transfer credit. Accomplishing this goal would represent a critical support for student mobility and access to post-secondary education Canada-wide.

Dual-Credit Partnerships with Alberta Secondary Schools

The Alberta dual-credit strategy creates opportunities for students to earn post-secondary credits while they are in high school. As a partner in this provincial strategy, AU successfully completed a 2013-15 pilot with Aspen View Public School Division No. 78 through which high-school students simultaneously earn high-school and university credits. The university is now preparing to enter a long-term partnership with the school division to further develop and strengthen high-school to post-secondary learner pathways. AU is also working with other Alberta organizations that offer high-school programs to create more dual-credit opportunities for high-school students.

Grouped Study at Partner Sites

AU maintains partnership agreements for course and program delivery at a number of Campus Alberta and Alberta First Nations institutions as well as at Aurora College in the Northwest Territories (Table 4).

Table 4: Grouped Study Registration by Delivery Site (2013-15)

	2012-13	2013-14	2014-15
Aurora College	50	45	33
Blue Quills College	53	48	78
Bow Valley College	28	149	176
Grande Prairie Regional College	305	347	375
Lakeland College	95	90	52
Lethbridge Community College	198	344	286
MacEwan University	278	234	278
Medicine Hat College	191	92	135
Yellowhead Tribal College	72	36	23
Total	1,270	1,385	1,436

Capacity for High Demand Programs

AU has worked closely with business and professional associations to ensure that the university offers courses and programs that match the needs of employers and employees who need flexible learning opportunities.

The Bachelor of Science in architecture, opened to students in July 2014, is a good example of responding to an established labour market need. The product of an ongoing partnership with the Royal Architectural Institute of Canada, the program allows students already working in architectural firms to advance their professional qualifications, and it provides them a route to licensure when they have completed their studies.

The Bachelor of Science in applied mathematics, opened in January 2015, responds to the growing demand for talent in analytics and data science, and the Post-Baccalaureate Certificate in Information Security, also opened in January 2015, similarly responds to industry needs.

New Faculty of Business courses in leadership and management development and in innovation and productivity have been developed in partnership with the National Research Council. To help address a need for skilled managers in manufacturing, the Faculty of Business has launched a non-credit Manufacturing Management Certificate Program in partnership with the Canadian Manufacturers and Exporters, the Saskatchewan Manufacturing Centre of Excellence and Saskatchewan Polytechnic. The public launch of a partnership between the Faculty of Business and the Business of Hockey Institute received considerable attention this past winter, and student demand has accelerated development of the planned MBA program in the business of hockey.

Regulatory processes have delayed the approval of other programs, including one that was identified for enrolment expansion funding (Master of Science, Environmental Sciences).

Analysis of Results for Access Performance Measures

Reporting of performance relative to the access measures identified in the *Comprehensive Institutional Plan: 2014-17* is expressed in terms of three-year rolling averages, as year-to-year fluctuations can be attributable to a variety of factors such as timing of student intakes, changing partnership agreements or eligibility of students to declare majors in newly opened programs.

Total enrolment (full-load equivalents) was 98.7 per cent of target for 2013-15 (Figure 9).



Figure 9: Student Enrolment (Full-Load Equivalents)

However, enrolment of aboriginal students (self-identified at time of enrolment) (Figure 10) and that of Alberta colleges and technical institute graduates in post-diploma programs (Figure 11) continued to grow, exceeding established targets.

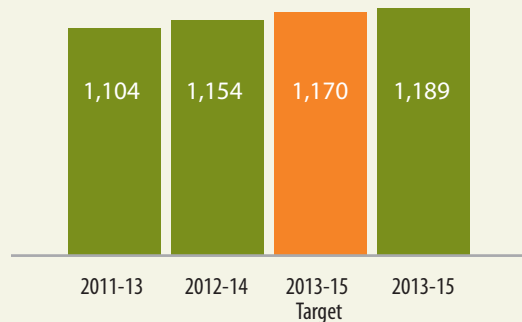


Figure 10: Aboriginal Student Enrolment



Figure 11: Alberta College and Technical Institute Graduates in Post-Diploma Programs

Given the trend toward increasing urbanization and the effects of resource commodity prices on rural and northern communities over the past year, it is not surprising that the target for rural and northern student enrolment (Figure 12) was not met in 2014-15. High speed connectivity to the Internet also remains an issue in rural areas of Alberta.

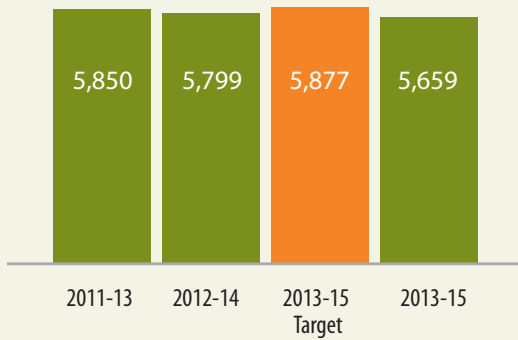


Figure 12: Rural and Northern Student Enrolment

Enrolment of residents of foreign countries (Figure 13) was also below the CIP target.

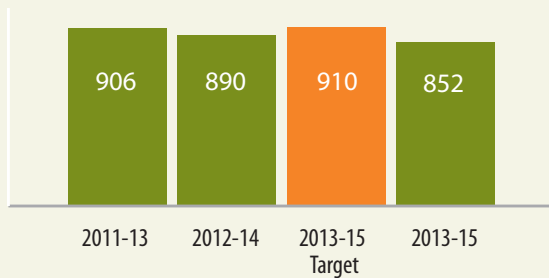


Figure 13: Active Students with Addresses Outside Canada

The number of AU students using services for students with disabilities (three-year average), as shown in Figure 14, was substantially above the CIP target, which was set based on capacity. Over 3,000 students used these services in the past year alone, a number significantly beyond capacity. This total once again underlines the value of AU's online access to members of this student sector.

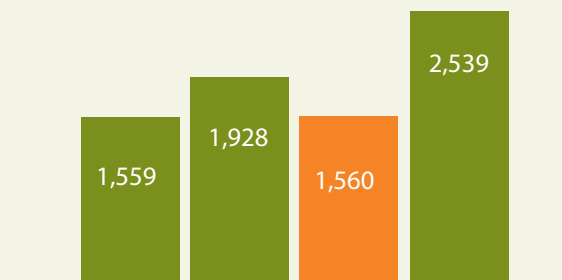


Figure 14: Students Using Services for Students with Disabilities

Accessibility is also a financial issue for adult learners. The average value of student awards distributed in 2014-15 (Figure 15), though below target, was comparable to totals of recent past years.



Figure 15: Value of Student Awards

Enrolment Plan

AU's 2014-15 enrolment exceeded the capacity assigned to the university in Campus Alberta planning documents. Exceeding capacity was possible because of the university's scalable undergraduate delivery model. However, physical or health sciences programs that require on-site laboratory work or practicums have a much lower degree of scalability. AU's open admission practices preclude manipulation of undergraduate enrolment levels by raising or lowering entry grade point cut-offs. Enrolment is therefore closely aligned with actual student demand in the different program areas.

As shown in Table 5 below, 2014-15 enrolment (as full-load equivalents) did not meet established enrolment targets in several program bands.

Table 5: Enrolment by Program Band (Full-Load Equivalents)

Program Band	Actual 2012-13 ¹	Actual 2013-14 ¹	Target 2014-15	Actual 2014-15
Business	1,108	1,115	1,156	1,101
Education	208	180	216	155
Health Sciences	1,382	1,481	998	1,621
Language, Social Sciences Arts and Humanities*	5,180	5,207	5,824	4,985
Legal and Security	82	77	84	74
Physical Natural and Applied Sciences	308	444	287	430
Total²	8,268	8,504	8,565	8,366
Growth Rate	5%	2.8%		(1.6%)

¹ Previous years' data have been restated to reflect current program band classifications and include open studies.

² PLAR credits were included in previous years' data. PLAR credits would have increased enrolment by 35 FLEs in 2014-15.

In the business program band, registration for accounting courses was negatively affected by the unification of the CA/CGA/CMA accounting designations into CPA. Being unsure of the new CPA requirements, students were holding back from taking courses, a trend that was experienced Canada-wide according to CPA-Canada reports. The Faculty of Business is now working with CPA-Alberta and CPA-Canada to ensure that students are informed of CPA requirements, and it is advising students on new CPA course pathways as well as other available options in accounting. AU is also preparing to re-accredit its undergraduate business programs with the CPA with the expectation that past registration levels for accounting courses will be restored.

The marked drop in the languages, social sciences, arts and humanities band was largely due to a decline in the number of out-of-province students seeking service courses for programs at other institutions (visiting students). The target for the science program band was lowered in the 2014-17 CIP with the expectation that students participating in new science programs might require extra time to be eligible to declare majors. Since students qualifying for majors are reported in open studies, which falls into the language, social sciences, arts and humanities program band, a higher than expected number of declared majors in sciences further reduced enrolment in the language, social sciences, arts and humanities program band.

Changes to reporting practices, which now exclude credits earned through prior learning assessment and recognition from full-load equivalent counts, also contributed to this year's below-target enrolment.

Research and Innovation

The *Comprehensive Institutional Plan: 2014-17* identified the following priority actions to promote research and innovation:

- Establish a broad revenue base to support AU's research and innovation agenda.
- Expand partnerships with key stakeholders to foster research and innovation and support the development of a diversified Alberta economy.
- Increase student and post-doctoral fellow involvement in research and innovation initiatives.
- Continue to strengthen research clusters and institutes by seeking support for additional research chairs.
- Enhance AU's international reputation for research in key fields.

These actions are interrelated, and examples of outcomes resulting from their implementation are provided below.

Though below target, the success rate of applicants to the federal granting councils increased somewhat in 2014-15, and some gains were also achieved in other competitions. These modest increases can be partly attributed to changes in the funding envelopes and priorities of some granting agencies and the increasingly competitive nature of the grant application process. Despite these challenges, research-related grant revenue remained relatively stable. To increase success rates, a one-on-one and small group grants mentorship initiative was introduced. While it is still in its early stages, several of the researchers who worked with grant mentors in the past year were successful in their grant applications.

In addition to applying for external funding, researchers have continued to seek out competitive internal research grants. These can be used to fund undergraduate and graduate student research assistants, post-doctoral fellows and other trainees; to fund smaller scale projects, including pilot studies, in preparation for submission of an external grant application; or to support the dissemination of research findings, including publishing in high-calibre open access journals.

A number of academic-industry research activities carried out with financial support from Alberta Innovates - Technology Futures' Applied Research and Innovation Activities Program were completed in the past year. Discussions with more than 65 small and medium enterprises resulted in the creation of 10 academic-industry partnerships designed to bring emerging technologies to market. Five projects were completed, one in the oil and gas industry and four in educational technology. Consistent with the ARIA Program's focus on increasing the number of industry-experienced, skilled personnel in Alberta, all projects involved undergraduate or graduate students. In some cases, external funding, from the Natural Sciences and Engineering Research Council of Canada, for example, was leveraged to lend further support to these projects and to foster ongoing academic-industry partnerships.

The recent allocation of an additional NSERC Tier II Canada Research Chair has increased AU's research chair complement to 10. Recruitment to three of these positions, some of which are new to AU, is in progress. Research chairs continue to play a vital role in enhancing research and research training and in attracting and retaining other exceptional researchers. The resulting research intensity has, in turn, led to the development of new areas of research excellence and enhanced the learning experience of AU students and post-doctoral fellows. Several research chairs are involved in spearheading interdisciplinary initiatives or generating strong and productive university-industry research partnerships. AU is committed to increasing the number of research chairs, including endowed chairs, in the coming years.

The AU Research Portal, the online database-driven system launched in 2013-14 for submitting, processing and tracking applications for certifications such as ethics approval, was expanded in 2014-15 to include an awards module and a grants module (for tracking internal and external funding applications). All modules are available to students, faculty members and research grant administrators. The portal has eliminated much of the labour-intensive manipulation of files previously required to process applications, prepare for committee meetings and generate reports for various purposes. Further improvements are anticipated in response to user feedback.

AU Press, with its focus on the dissemination of knowledge and research through open access digital journals, monographs and other electronic media, likewise continued to contribute significantly to enhancing the profile of the university and its researchers. In the seven years since its founding, the press has developed an impressive catalogue of more than 100 books, several authored by AU scholars, eight journals and several website publications. AU Press recorded its five-hundred thousandth download during 2014-15.

The number of graduate students enrolled in priority research areas, including health and computing and information sciences, has remained relatively stable over the past several years. Both course and thesis based routes to program completion are available and provide a broad range of research-related learning experiences. Opportunities exist for students to complete their own research projects or to engage in projects spearheaded by an AU researcher.

A number of approaches to increasing students' research skills were introduced or maintained, including funding of research, of data management/analysis software costs and of conference attendance to foster research dissemination skills. The Faculty of Graduate Studies hosted a Three-Minute Thesis Competition (3MT®). Numerous research-related webinars, including methods seminars, were also scheduled throughout the academic year.

Analysis of Results for Research Performance Measures

Consistent with Alberta's *Research and Innovation Plan*, AU has identified health disciplines and computing and information sciences as priority research areas. As shown in Figure 16, the proportion of Alberta graduate students enrolling in these priority areas (shown as three-year averages) is exceeding CIP targets.

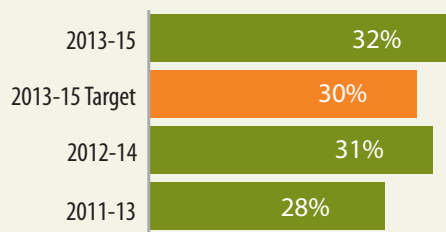


Figure 16: Alberta Graduate Students in Priority Research Areas



Figure 17: Sponsored Research Income Per Faculty Member

Though sponsored research income is tracking above target (Figure 18), the average application success rate for Tri-Council grants (Figure 19) did not meet the target for the period.



Figure 18: Research Revenue (Tri-Council, Industry and Community Sources)



Figure 19: Tri-Council Grant Application Success Rate

Research publication data will not be available until later in the fall. Figure 20 shows previous years' results and the current target for this performance measure.



Figure 20: Peer Reviewed Faculty Publications

Community Engagement

The *Comprehensive Institutional Plan: 2014-17* identified the following priority actions to promote community engagement:

- Continue to work with communities, including rural, remote, northern, aboriginal and immigrant communities to identify needs, find solutions to local problems and enhance community development.
- Partner with professional associations and employers to develop learning opportunities that allow workers to enhance their education while they work.

Open Our World Campaign

The Open Our World Campaign, AU's first public fundraising campaign, concluded successfully on March 31, 2015. The seven-year campaign exceeded its \$30 million goal by over seven per cent, funding initiatives in four priority areas: student awards, learning innovation, research and community service. Over 530 contributors (individuals, foundations, one-time special federal and provincial special purpose granting programs and corporations) supported the campaign, 84 per cent of them first-time contributors to AU.

In addition to supporting programs university-wide and greatly increasing support for student awards, the campaign allowed AU to broaden its public profile in Alberta and strengthen connections with stakeholders and communities of interest. The success of the campaign confirms that AU matters to its stakeholders and that its vision and mission resonate with all sectors of the community. Another important benefit of the campaign was in providing AU with an opportunity to strengthen and refine its fundraising systems and procedures and to develop a stronger fundraising team, a stronger stewardship program and an alumni engagement program.

Secondary School Initiatives

In early February 2015, Alberta Education invited AU to discussions regarding a process for participating in the development of academic dual-credit learner pathways for Alberta high schools, and AU participated in a successful meeting involving 12 other Campus Alberta institutions. One existing AU dual-credit initiative, through a partnership with Aspen View Public School Division No. 78 and Xerox Canada, was the subject of a presentation to the 2015 Rural Alberta Education Symposium in Canmore in March. The project gives rural Alberta high-school students access to online university courses and provides them with the opportunity to develop skills identified as essential for transitioning to post-secondary learning. Now in its third year, the project grew over the past year to include more students and more courses and will offer up to 22 dual-credit courses by September 2015. Students receive full high-school and university credit upon completion of each course.

Other recent initiatives involving secondary schools also have the potential to increase student registration. Through an agreement with the Saskatoon Catholic Cyber School, AU will provide science and technology courses for high-school students. An agreement with the Foothills Academy Society in Calgary will build awareness of and access to AU's Faculty of Science and Technology undergraduate courses and offers the potential for dual-credit opportunities that will help transition high-school students to post-secondary education.

Learning Communities Project

The Learning Communities Project, carried out in partnership with 14 northern Alberta First Nations and Métis communities, continued to create learning opportunities for indigenous learners in their home communities. Learning Resource Centres, public spaces equipped with computers and a reliable Internet connection, have been established in these remote communities, literally erasing geographical boundaries and providing a safe local space at which community members can obtain information or assistance to pursue online learning opportunities. To date, more than 3,000 learners have been referred to programming by community co-ordinators and 350 have enrolled in education programs. Significant funding for the Learning Communities Project was provided during the past year by corporations, foundations and individuals. The project was also supported by a 2014-15 Access to the Future Fund grant.

Corporate Partnerships

Agreements with Loblaw and the Western Hockey League are attracting an increasing number of learners to AU and opening doors for discussions with other corporate partners.

Design studio space to support face-to-face and online virtual studios for students in the RAIC Centre for Architecture has been developed in the Edmonton Construction Association building with the support of the association.

Alumni Relations

Alumni events provide opportunities to discover, steward and cultivate long-term, high-impact relationships that benefit AU. These events, many of which also include students, are part of a long-term, strategic

relationship-building process, an essential step in growing AU's development program. Alumni members serve as ambassadors for the university, formally and informally promoting AU and helping to strengthen its profile in Alberta and around the world. Thirty-one alumni events were held across Canada in 2014-15. *Open* magazine, an annual publication directed to alumni and students, received a 2014 Marcom Platinum Award.

Science Outreach – Athabasca

Science Outreach – Athabasca continued to promote scientific knowledge and environmental awareness in the Greater Athabasca Area. Successful events held during the past year included a Photography of the Night Sky Workshop, held at the AU Geophysical Observatory; a two-day summer Lego Mindstorms Camp, focused on software technologies, sensors and robot modelling, for children nine to 14; and a UAV Flying Robotics Camp for 10 to 13-year-olds, which applied technologies enabling autonomous flight, obstacle course manoeuvres and video monitoring.

Writer in Residence Program

With the support of funding from the Alberta Foundation for the Arts and the Canada Council for the Arts, AU hosted novelist Anita Rau Badami as a writer in residence for 2014-15. In keeping with AU's status as an online and distance education university, the Writer in Residence Program, now entering its sixth year, offers a residency that is, for the most part, a virtual one. The writer in residence works from a home office, engaging students, faculty and staff members and members of the broader community electronically: through email, direct audio/visual communication, online forums, teleconferencing, web conferencing, etc. The writer also interacts with students through AU's state-of-the-art online media lab (the E-Lab at AU). In addition, the resident makes brief visits to university centres in Athabasca, Edmonton and Calgary and participates in readings, workshops, lecture series or other public events held in co-operation with rural community organizations.

Internationalization

The *Comprehensive Institutional Plan: 2014-17* identified the following priority actions with regard to internationalization:

- Internationalize the curriculum to contribute to global citizenship.
- Increase recruitment activities directed to international students.
- Expand AU's international leadership role in research in open access and online and distance education.
- Foster sustaining relationships with international partners through research and programming opportunities.

The curriculum renewal initiatives discussed in the "Quality" subsection above (See page 14) included drawing more international content and opportunities for international collaboration into core program offerings at both the undergraduate and graduate levels.

Meeting provincial criteria for post-secondary designation under Bill C-35 involved policy and service reviews. New landing pages have been developed for international students seeking to study in Canada and those who choose to remain in their home country while studying at AU.

Agreements have been developed with a number of foreign post-secondary institutions with common academic interests: the Arab Open University, the Genetic Computing School (Singapore), Oldenburg University (Germany), Universidade do Estado do Rio de Janeiro (Brazil) and the Vienna Boys Choir/Wirth Academy (Austria). Engagement continues with Beijing Normal University, KTH Royal Institute of Technology (Sweden), University of Texas in Arlington and Curtin University (Australia).

A virtual exchange program with Instituto Tecnológico y de Estudios Superiores de Monterrey in Mexico allows students to take online computing courses from either university. The purpose of this exchange, as outlined in the co-operation agreement, is to "promote and expand international understanding,

development and friendship by stimulating and supporting educational, professional and intercultural activities and projects among students and staff in both institutions.”

Ten undergraduate research interns in the Faculty of Science and Technology received Mitacs awards. The interns, from Brazil, China, India and Mexico, work with researchers on a range of projects in analytics, biology, computing science and geography. AU is also hosting a Brazilian post-doctoral fellow under the auspices of the Science without Borders Project.

Performance Measure Summary

Outcomes related to *Comprehensive Institutional Plan: 2014-17* performance measures are summarized in the tables below.

Table 6: Quality Performance Measures, Targets and Outcomes

Performance Measure	2010 Survey	2012 Survey	Target 2014-15	2014 Survey
Graduate satisfaction with educational experience as shown on the Alberta Graduate Student Outcomes Survey	95% satisfied or very satisfied	97% satisfied or very satisfied	95%+ satisfied or very satisfied	97% satisfied or very satisfied
	-	2012 Survey	Target 2014-15	2014 Survey
Student rating of AU education on the National Survey on Student Engagement	-	85% good or excellent	85%+ good or excellent	83.4% good or excellent
	Average 2011-13	Average 2012-14	Target 2013-15	Actual 2012-14
Graduate program students completing six credits in one year (based on enrolled and net started within year)	58%	56%	60%	61%
Undergraduate program students completing six credits in one year (based on enrolled and net started within year)	22%	22%	24%	24%
Undergraduate course completion rate	85%	84%	85%+	84%
Credentials awarded	1,702	1,734	1,685	1,754

Table 7: Access Performance Measures, Targets and Outcomes

Performance Measure	Average 2011-13	Average 2012-14	Target 2013-15	Actual 2013-15
Number of full-load equivalent students	8,012	8,215	8,486	8,379
Number of aboriginal students (self-identified at time of admission)	1,104	1,154	1,170	1,189
Number of students using services for students with disabilities	1,559	1,928	1,560	2,539
Number of rural and northern students	5,850	5,799	5,877	5,659
Value of student awards	\$1,080,000	\$1,050,333	\$1,146,778	\$1,032,667
Number of Alberta college/technical institute graduates enrolled in post-diploma programs	258	257	260	262
Number of active students living outside Canada	906	890	910	852

Table 8: Research Performance Measures, Targets and Outcomes

Performance Measure	Average 2011-13	Average 2012-14	Target 2013-15	Actual 2013-15
Alberta graduate students enrolled in priority research areas ¹	28%	31%	30%	32%
Number of peer reviewed publications	346	367	402	Unavailable ²
Value of sponsored research income per faculty member with research responsibilities	\$26,996	\$25,900	\$27,176	\$27,200
Council grant success rate	27%	26%	29%	27%
Research revenues from tri-council, industry and community sources	\$4,477,000	\$5,238,000	\$4,700,000	\$4,875,000

¹ Includes health disciplines and science and technology.

² Publication data will not be available until fall 2015.

FINANCIAL AND BUDGET INFORMATION

Management's Discussion and Analysis

The following discussion and analysis is a supplement to the information contained in the university's annual audited financial statements (Appendix B) and, as such, should be read in conjunction with the audited financial statements and their accompanying notes. This narrative provides management's analysis of AU's financial performance and other relevant information for the fiscal year ended March 31, 2015.

Financial Statement Presentation

The 2014-15 (fiscal 2015) financial statements, as presented, have been prepared in accordance with Canadian Public Sector Accounting Standards.

Fiscal 2015 Overview

AU ended the 2015 fiscal year with a \$2.5 million operating surplus, compared to \$3.6 million surplus reported the previous year. AU's assets increased by \$653,000 while its liabilities decreased by \$3 million, resulting in a \$3.7 million increase in net assets.

Statement of Financial Position

Table 9 details changes to AU's financial position over the past two fiscal years.

Table 9: Fiscal 2015 Compared to Fiscal 2014 (millions of dollars)

	2015	2014	Change
Assets			
Cash and cash equivalents	\$ 3.9	4.0	(0.1)
Portfolio investments	39.0	39.5	(0.5)
Accounts receivable	3.0	2.3	0.7
Inventories and prepaid expenses	3.7	4.1	(0.4)
Tangible capital assets	58.8	57.8	1.0
	\$ 108.4	107.7	0.7
Liabilities			
Accounts payable and accrued liabilities	\$ 9.8	9.0	0.8
Employee future benefit liabilities	21.1	22.4	(1.3)
Deferred revenue	68.8	71.3	(2.5)
	\$ 99.7	102.7	(3.0)
Net Assets			
Endowments	\$ 3.2	2.8	0.4
Accumulated operating surplus (deficit)	3.8	1.3	2.5
Accumulated remeasurement gains	1.7	0.9	0.8
	\$ 8.7	5.0	3.7
	\$ 108.4	107.7	0.7

Assets

The \$653,000 increase in assets was due to increases in accounts receivable and tangible capital assets offset by decreases in cash and cash equivalents, portfolio investments and inventories and prepaid expenses.

The \$425,000 decrease in portfolio investments was mainly due to \$1.3 million in net redemptions offset by a \$904,000 increase in market value.

The \$705,000 increase in accounts receivable reflects timing of student receivables, as a significant number of students were registered and awaiting receipt of confirmed student loans at the end of fiscal 2015.

The \$960,000 increase in tangible capital assets was mainly due to information technology capital software projects being completed and put into service.

Liabilities

Overall, liabilities decreased by \$3 million, mainly from changes in employee future benefit liabilities and deferred revenue.

The \$767,000 increase in accounts payable and accrued liabilities was primarily due to an increase in salaries payable, a result of accrued payroll expenses for the period March 22 to 31, 2015. During 2014-15, AU converted to a new bi-weekly pay schedule which requires an accrued liability and expense to be recorded for the period of the last employee pay cut-off to the end of the month. Under the previous monthly schedule no such accrual was required.

The \$1.3 million decrease in employee future benefit liabilities was mainly due to a \$766,000 reduction in the Universities Academic Pension Plan liability and a \$501,000 reduction in the administrative leave liability. The decrease in the Universities Academic Pension Plan liability was the result of an updated actuarial valuation, while the decrease in administrative leave liability was the result of a high level of administrative leave usage in 2014-15.

Deferred revenue includes student fees received in advance, unexpended external grants for research and special projects, and unamortized capital grants. It decreased by \$2.5 million due to increased spending of externally restricted grants to fund research and special projects as well as increased amortization of capital grants.

Net Assets

The amount of net assets indicates the financial health of an institution. Net assets are comprised of endowments, accumulated operating surplus and accumulated remeasurement gains.

Endowments increased by \$387,000 as a result of \$315,000 in new contributions and \$72,000 in capitalized investment earnings.

Accumulated operating surplus includes the accumulated deficit from operations and the university's investment in tangible capital assets. It increased by \$2.5 million as a result of a year-end operating surplus:

	2014-15	2013-14	\$ Change
Accumulated deficit from operations	\$ (10.2)	(10.8)	0.6
Investment in tangible capital assets	14.0	12.1	1.9
	\$ 3.8	1.3	2.5

The decrease in the accumulated deficit from operations was due to the \$2.5 million year-end operating surplus being offset by a transfer of \$1.9 million to investment in tangible capital assets.

Accumulated remeasurement gains increased by \$848,000 in fiscal 2015. This increase represents unrealized gains and losses from unrestricted investments which, under Public Sector Accounting Standards, are disclosed within Net Assets but are not yet reported as revenue in the Statement of Operations. When gains or losses are ultimately realized, they are transferred to revenue.

Statement of Operations

AU's fiscal 2015 financial result was a \$ 2.5 million operating surplus, compared to a \$3.6 million surplus in fiscal 2014. In comparing the Statement of Operations for fiscal 2015 to that of fiscal 2014, revenue increased by \$671,000 and expenses increased by \$1.8 million, resulting in the \$1.1 million decrease in the operating surplus. Changes in revenue and expenses between the two years (by category) and the primary contributors to change are highlighted in Table 10.

Table 10: Fiscal 2015 Actual Compared to Fiscal 2014 Actual (millions of dollars)

	2015	2014	Change
Revenue			
Government of Alberta grants ¹	\$ 45.0	43.1	1.9
Student tuition and fees	64.9	64.8	0.1
Sales of services and products ²	15.3	15.6	(0.3)
Donations and other grants ³	1.8	2.7	(0.9)
Federal and other government grants	2.5	2.6	(0.1)
Investment income	1.5	1.5	0.0
	\$ 131.0	130.3	0.7
Expenses			
Salaries ⁴	\$ 71.8	70.6	1.2
Employee benefits ⁵	13.7	15.8	(2.1)
Fees and purchased services ⁶	18.8	16.9	1.9
Materials and supplies ⁷	12.3	11.3 *	1.0
Communications and travel ⁸	3.3	3.8 *	(0.5)
Rental, insurance and utilities ⁹	2.4	2.7	(0.3)
Amortization of capital assets ¹⁰	5.2	4.7	0.5
Scholarships and bursaries	1.0	0.9	0.1
	\$ 128.5	126.7	1.8
Total expense (by object)			
	\$ 128.5	126.7	1.8
Operating surplus	\$ 2.5	3.6	(1.1)

* Amounts from 2014 have been reclassified for comparative purposes

- ¹ Government of Alberta grants: The \$1.9 million increase was due to increased revenue recognition of \$1 million for Infrastructure Maintenance Program projects, \$700,000 in new revenue for targeted enrolment expansion and \$200,000 from amortization of deferred capital grants.
- ² Sales of services and products: The \$302,000 decrease relates to less learning resource fee revenue due to registration being slightly lower (minus 0.7 per cent) than the previous year.
- ³ Donations and other grants: The \$919,000 decrease was due to a reduction in non-government (industry, non-profit or other) grant funded activity.
- ⁴ Salaries: The \$1.2 million increase was due to \$1.7 million in merit increases offset by a \$500,000 increase in vacancy savings.
- ⁵ Employee benefits: The \$2.1 million decrease reflects a \$1.7 million year-over-year change in the Universities Academic Pension Plan liability combined with \$400,000 from vacancies and other benefit savings. The UAPP liability decreased by \$766,000 in 2015 while it had increased by \$926,000 in 2014, resulting in the \$1.7 million year-over-year change.
- ⁶ Fees and purchased services: The \$1.9 million increase was mainly a result of increased spending on Infrastructure Maintenance Program and other externally funded projects, software maintenance contracts and other costs.
- ⁷ Materials and supplies: The \$1 million increase consisted of \$400,000 inflation on course materials, \$200,000 in furnishings and small equipment and \$400,000 in other materials and supplies.
- ⁸ Communications and travel: The \$545,000 decrease reflects a \$454,000 reduction in travel and a \$91,000 reduction in communication expenses.
- ⁹ Rental, insurance and utilities: The \$242,000 decrease was a result of rent savings in Calgary, reduced insurance premiums due to claims experience and lower negotiated rates for utilities.
- ¹⁰ Amortization of capital assets: The \$551,000 increase was attributable to the completion and operationalization of capital software projects.

Fiscal 2015 Actual Compared to Fiscal 2015 Budget

At the end of the year, the university reported a \$2.5 million operating surplus compared to a budgeted operating surplus of \$22,000, resulting in a net positive variance of \$2.5 million. Of that amount \$766,000 is attributable to a decrease in the Universities Academic Pension Plan Liability. The remaining \$1.7 million variance came from various operational areas.

Revenue and Expense: A Historical Overview

Revenue increased by 65 per cent between 2005 and 2015 (Figure 21). Increases in revenue over the past 10 years have been derived, for the most part, from total student fees (graduate, undergraduate and learning resource fees), which now provide 61 per cent of the university's revenue.

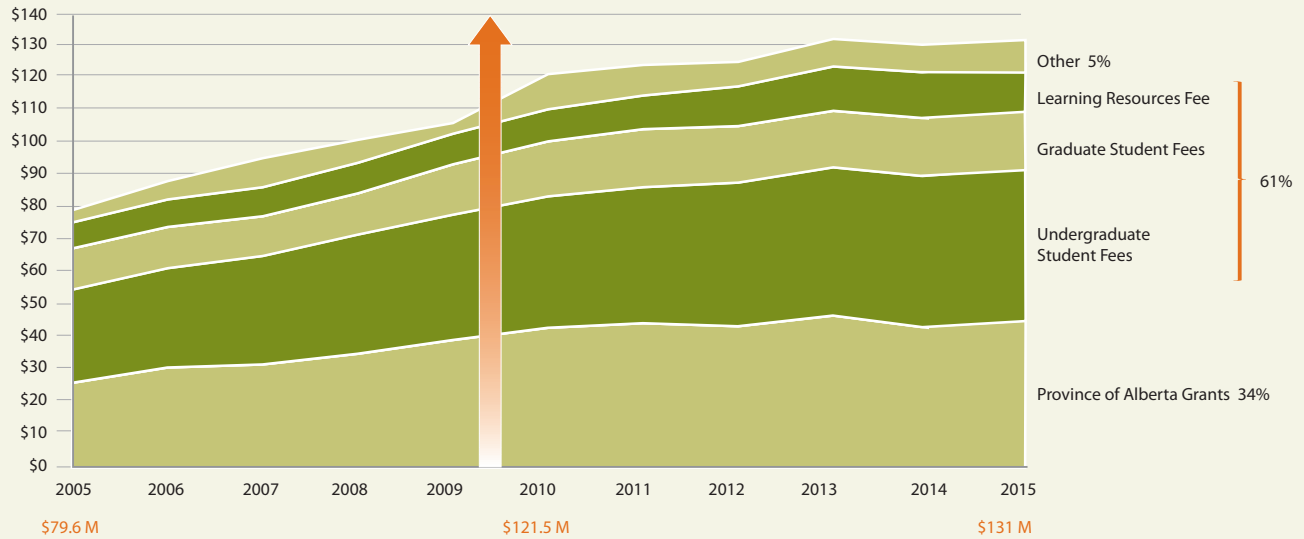
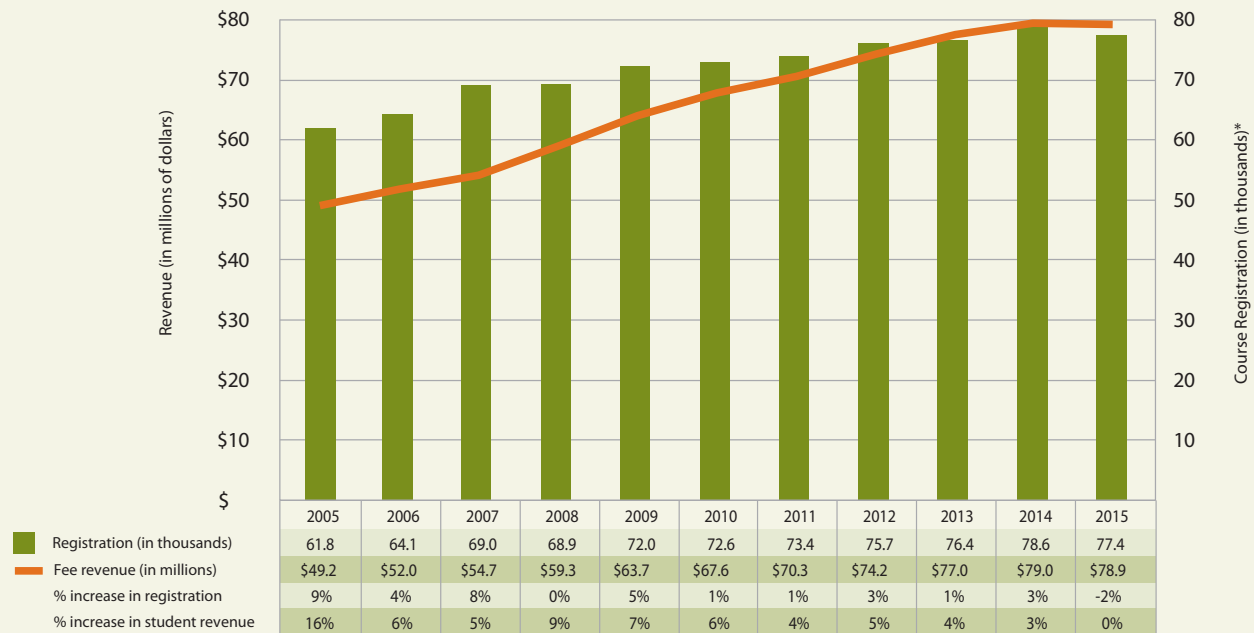


Figure 21: Revenue by Category (Actual), Fiscal 2005 to 2015 (in millions of dollars)

In 1985, the Government of Alberta grant represented 86 per cent of AU’s revenue, but by 1997, it represented only 45 per cent and, by 2015, 34 per cent.

Over the past 10 years, course registration at AU has increased by 25 per cent and total student fee revenue by 60 per cent (Figure 22).



* Course registration totals are net of withdrawal.

Figure 22: Total Student Fee Revenue and Registration Growth, Fiscal 2005 to 2015

Total expenses (Figure 23) have increased over the past decade, though they dropped in 2011 and 2012, when externally funded project activity (Knowledge Infrastructure Program and Community Adjustment Fund funded projects) was curtailed, and again in 2014, in response to a 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, increased from 63 to 67 per cent.

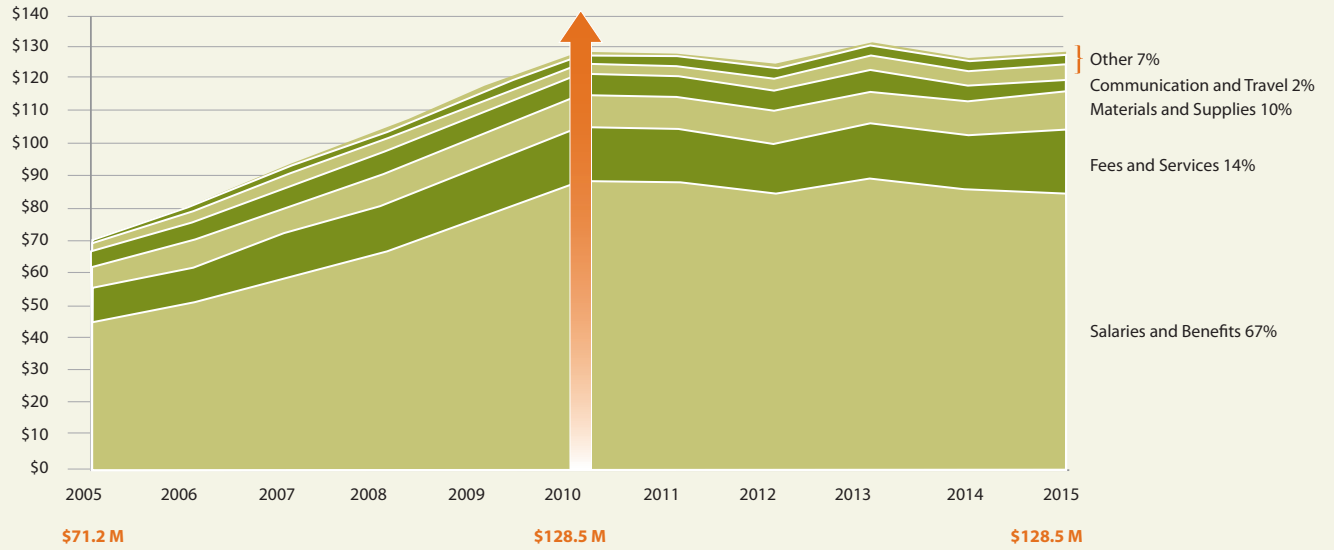


Figure 23: Expense by Object Category (Actual), Fiscal 2005 to 2015 (in millions of dollars)

CAPITAL PLAN UPDATE

Information and Communication Technology Infrastructure Projects

The role and importance of information and communication technology is of a fundamentally different magnitude at AU than at traditional universities. For nearly all of AU's 40,000 students, the online learning management systems and institutional websites are the university campus. The university can deliver its programs and support services through no alternate channel. Risks presented by potential ICT infrastructure failures have far greater consequences when rapidly cascading effects could cause the institution to go dark in an instant. To manage those risks, an ICT Investment Governance Framework was approved and is being implemented to effectively guide implementation of the *ICT Strategic Plan 2014-16*.

The status of the core ICT infrastructure system preservation projects for 2014-15 as identified in the *Comprehensive Institutional Plan: 2014-17* are summarized in Table 11.

Table 11: ICT Infrastructure Projects Update

Project	Status
Administrative Systems Renewal Phase 1	Finance and Human Resources/Payroll projects delivered. Student project, the last initiative of the Administrative Systems Renewal Program, is targeted for completion in fall 2015.
Administrative Systems Renewal Phase 2	No funded projects in 2015.
Learning Management System Phase 1	Learning Management System upgraded to 2.2 to implement new functionality and requirements of the Gradebook Project. Work undertaken on the Gradebook Project, a multi-year initiative that will be carried over into fiscal 2016.
Learning Management System Phase 2: E-Portfolios	No funded projects in 2015.
Learning Management System Phase 3	No funded projects in 2015.
Content Management System Phase 1	Implementation of Phase 1 of the Content Management System completed.
Content Management System Phase 2: Learning Objects	No funded projects in 2015.
ICT Infrastructure Planning	No funded projects in 2015.
Smart Identification and Encryption System	No funded projects in 2015.
Assessment and Exam System	Work completed to sustain the online exam management system

Facility and Physical Infrastructure Projects

AU's built environment forms the nucleus from which core student support, research and administrative functions are conducted. The Athabasca campus, established in 1983, and its adjacent lands, along with the nearby Tim Byrne Centre, include about 500 acres of land. The university's other facilities occupy leased spaces in Calgary and in the Greater Edmonton Area. Table 12 summarizes progress on the 2014-15 priority facility and physical infrastructure projects that were identified in the *Comprehensive Institutional Plan: 2014-17*.

Table 12: Facility and Physical Infrastructure Projects Update

Project	Status
Real Property Asset Management (2014-15 to 2017-18)	Consulting firm engaged and preliminary report delivered. Project suspended due to lack of funding.
Main Campus Space Reconfiguration and Equipment Renewal (2014-15 to 2018-19)	Construction and implementation of an emergency generator dedicated to the AU Server room and server room equipment to ensure full electrical supply stability for the AU main servers completed. Renovations and work environment improvements for five additional work units completed.
Library Collection (2014-15 to 2023-24)	Incremental improvements in digital repository configuration.
Road Surfaces, Geotechnical Surveys, Landscaping and Trail Enhancements (2014-15 to 2017-18)	Security audit confirmed needs for some remediation (signage, lighting, etc.). Remaining work unfunded.

During 2014-15, AU continued to work with Aspen View Public School Division No. 78 on its project to build a new high school. Work began on preparation of land transfer and leasing agreements and an Order in Council to allow land transfers between the university, the Town of Athabasca and the school division.

AU worked with an external broker to find a suitable alternate location for the Faculty of Business. A five-year lease was negotiated with Melcor Developments Ltd., and following construction of tenant improvements, the faculty was relocated from the Grandin Centre in St. Albert to the new space in the Trail Business Centre in Edmonton. The university also negotiated a five-year lease on a space in the Edmonton Construction Association building, which, after renovations, became the new home of the RAIC Centre for Architecture design studios. Both of these projects were in lieu of progress on the planned Integrated Learning Centre for the Greater Edmonton Region.

A proposal was developed for a scientific field research station on AU lands as part of the renewal of the Capital Plan included in the *Comprehensive University Plan: 2015-18*.

APPENDIX A



Athabasca
University

The Future Is Now

Report of the Presidential Task Force on Sustainability

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Introduction

At a special meeting of the Athabasca University Board of Governors on February 26, 2015, a task force was struck to review and consider options for the future sustainability of the university. Subject to approval by the Board of Governors, the task force was directed to report on options to the Government of Alberta and the university community no later than June 1, 2015.

The Board approved the membership of the task force as follows: interim president Peter MacKinnon (chair); two public members of the Board of Governors (Diane Davies and Marg Mrazek); one dean (Dr. Veronica Thompson); one full-time academic faculty member of General Faculties Council appointed by the interim president (Dr. Jane Arscott); the director of strategic initiatives at Athabasca University (David Head); one student jointly chosen by the presidents of the Students' Union and the Graduate Students' Association (Jason Nixon) and one member appointed by Alberta Innovation and Advanced Education (Gilbert Perras). Mr. Nixon withdrew from the task force upon his election as a Member of the Legislative Assembly on May 5, 2015.

The interim president appointed Dr. Margaret Kierylo, director of academic planning and priorities, to serve as secretary to the task force. We are grateful to Dr. Kierylo for her excellent advice and support in the course of our work.

The task force solicited submissions from members of the AU community and provided email and social media opportunities for them to participate in our work. We received a total of 136 submissions, all of which may be germane to the conversations that lie ahead. We are gratified by the number and quality of submissions, and we thank all who contributed to them and sent them our way.

Context

Dictionary meanings of sustainability suggest that a sustainable university is one that can confidently be developed and maintained over time at a level commensurate with its mission, commitments and environment. By this definition, the sustainability of Athabasca University is in question: based on our most reliable assumptions, we project the likelihood of insolvency in 2016-17.

At the outset we must acknowledge a risk that annual surpluses in our 2013-14 and 2014-15 budgets may lead to complacency or, worse, denial about our assumptions and projections. It is important to remember that these surpluses reflect incremental measures on a year-to-year basis that are not available to address the more structural, underlying challenges to our sustainability. Position vacancies, workforce depletion and other austerity measures may produce a surplus in an annual operating budget, but they are not contributors to financial stability over a period of years. Indeed, they may stretch the institution too thin and thereby undermine its sustainability. Readers of this report may wish to review the data in the *Comprehensive Institutional Plan: 2015-18* to obtain a fuller picture of our institution's finances.

Our present condition and circumstances did not coalesce overnight. Over many years, we have experienced changes in enrolment demographics, operating funding, tuition policy, the status of information technology in funding decisions and competitive influences that cumulatively challenge our capacity to operate at the level required locally and beyond. These are joined by issues arising from the decision, in 1984, to move Athabasca University to the town that bears the same name. And finally, we must acknowledge that our university has employment conditions and practices that further compromise our sustainability.

There has been a marked increase in our reliance on tuition over the past 30 years. From supporting about 80 percent of the operating budget 30 years ago, the government grant supports about 30 percent of our operating expenses today. This is largely attributable to a shift in enrolment demographics two decades ago that saw AU increase out-of-province student numbers for which there was no commensurate increase in its grant. (At present 38% of our undergraduate students and 28% of our graduate students are from Alberta). Though Alberta's post-secondary funding is more the result of history and incrementalism than it is formulaic, this combination of enrolment demographics and funding practice has contributed to our present

situation. AU is unique among Campus Alberta public institutions in the extent of the decline in its provincial operating support expressed as a percentage of operating expenses. Because there are only two major sources of revenue available to us—government grant and tuition—this decline has diminished our capacity and made us particularly vulnerable to enrolment declines and fluctuations.

This shift has been accompanied by caps on tuition increases that constrain our ability to rely on tuition to compensate for the change in our operating budget profile. Because of our enrolment demographics, these caps apply only to a minority of our students, but they are nonetheless a significant constraint, though not the only one. We are subject to market discipline in the tuition we charge to all our students and are thus prevented from fully compensating through it for the lower percentage of our operating costs borne by the provincial grant.

The state of our information technology is a serious sustainability issue. In recent years, we have received some infrastructure maintenance funding for our IT (\$1.79 million for 2015-16, of which \$1 million is specifically for IT), but information technology is to Athabasca University what buildings are to traditional universities. It is our capital, and it is mission critical capital at that: we are more dependent upon IT than are traditional universities. Because it is not treated as capital in our funding arrangements, AU has not been able to make the investments in information technology (\$39 million over the next five years) that are required, and we are falling further behind in developing the kinds of systems we need to do our work well. Moreover, we risk systems failure that could put us out of business.

Growing competition also is challenging AU's sustainability. Though its mission as an open university remains unique in Alberta and distinctive beyond, its use of online learning is not. Other Campus Alberta and out-of-province institutions are delivering courses and programs online, and this can be expected both to continue and grow. We must now compete with institutions whose capacity and resources are greater than ours. In addition, there is the eCampusAlberta consortium that has witnessed recent enrolment growth in contrast to the difficulties experienced by AU in sustaining current enrolment. While our university is a member of eCampusAlberta, there are financial and other constraints that prevent us from offering courses as part of the consortium.

We must acknowledge, too, the impact on Athabasca University of the 1984 decision to move the university to the town of Athabasca. Although the town is attractive and hospitable, its size (population 3,000) is an obstacle to the recruitment and retention of professional personnel (only 10 of AU's more than 550 faculty and tutors live in Athabasca). And the small local recruitment base makes it difficult to match skills to the nearly 400 administrative, professional and support jobs at its Athabasca location. It is true that there are viable small town universities and colleges elsewhere in Canada and the United States, but in those the faculty, staff and students are assembled together in one community that over time acquires the features and amenities of a university town. Our four physical sites and the wide dispersal of our faculty, staff and students make this more difficult—if not impossible—for our university.

Finally, the sustainability of Athabasca University has been compromised by terms and conditions of employment negotiated over time. While agreements between AU/CUPE, AU/AUPE and AU/AUFA are all complicit in this respect, the most serious threats to our continuing viability are found in the last of these. First, the bargaining is split between separate tables—salaries and benefits, terms and conditions—which prevents the employer from negotiating the whole agreement to arrive at balanced settlement terms that deal at once with monetary, language and operational issues. Resolution of monetary issues is restricted to final offer arbitration and there is no impasse language to address resolution of language and operational issues. Second, the terms themselves are onerous and costly. Access by non-academic personnel to research and study leaves reserved only to academic staff in most institutions is one among an array of leave provisions potentially equivalent to one day per week absence from work (not including vacation time or statutory holidays) for each included employee. Severance terms and benefits, in particular the routinization of merit pay (Virtually everyone receives it), are among the richest in Alberta's post-secondary environment.

In making these observations, we are not seeking to attribute blame. It takes two to reach agreement, and the administration bears particular responsibility to ensure collective bargaining is compatible with the university's mission and circumstances. That over time administration has fallen short on this count does not alter the fact that some of our terms and conditions of employment are impediments to our sustainability.

In summary, these are the circumstances challenging the sustainability of Athabasca University in the spring of 2015. We set them out to ensure wide understanding that our challenges are real and substantial and that overcoming them will require focus, co-operation and support from within and outside our university. At the same time, we cannot help but observe that there is irony in the fact that the Alberta university which most fully incorporates the growing importance of online learning faces immediate questions of sustainability.

Our university was created with remarkable vision, and our abiding conviction as members of the task force is that the strength of our university lies in its mission. Ours is an open university. We make post-secondary education available to people who could not otherwise access it or would have more than average difficulty in doing so. We play a unique and vital role in Campus Alberta, and we are deeply committed to students and the student experience. Our mission shall be our motivation and guide as we consider and outline the options we are charged to develop.

Options for the Future of Athabasca University

It should be clear from the context described above that the status quo is not an option. Without major remediation, our university faces the prospect of insolvency within two years. Nor will budget incrementalism be sufficient. It has been practiced for some years, and we are close to exhausting its possibilities if we have not already done so. And the projected budget shortfall is too large to be addressed by incrementalism.

It should be equally clear that discontinuance is not an option. Athabasca University occupies a unique and important place in Campus Alberta. There are barriers to participation in post-secondary education, and we are committed to breaking down barriers and to offering an online student experience that is second to none. One only has to attend our unique Convocation ceremonies to hear the moving personal stories of our graduates. Theirs are not accounts of 17- and 18-year-olds making a natural transition from high school to university. They are stories of older, more mature citizens who may not have qualified for university study when they were younger. They are stories of working men and women who are unable to leave their employment to pursue university degrees. They are stories of people in remote or rural communities who cannot afford to relocate to the site of a traditional university. They are stories of people (e.g. Indigenous Peoples) who are under-represented among university populations. And they are stories of people (e.g., those with physical and other challenges) who face more than the usual hardships in attending traditional institutions. Athabasca University's commitment to breaking down barriers and our experience in assisting people to do so are important components of a strategy to improve access by Albertans and other Canadians to university education.

With both status quo and discontinuance ruled out, we can turn our attention to realistic possibilities. We believe they are four in number: (1) a refocusing of the university to align more fully with Campus Alberta's priority to serve Albertans first, including a potential leadership role in eCampusAlberta; (2) an emphasis on efficiency and effectiveness in course delivery and business practices; (3) federation with another Campus Alberta institution; and (4) affiliations with other institutions and organizations in Campus Alberta and beyond. These options are not stated in any order of priority, and they are not mutually exclusive. For example, we see the themes and actions under option two as necessary regardless of other options in play, and it may be that possibilities drawn from other options will underlie future direction and sustainability.

These options must also be assessed against the conditions and circumstances, enumerated above that have undermined our sustainability. And they must be tested against assessment criteria of which there are four kinds: strategic (e.g., fit with mission), financial (operating and capital costs), compatibility with stakeholder expectations and efficacy of implementation (time and likelihood of success).

OPTION ONE: A refocusing of Athabasca University to align more fully with Campus Alberta's priority to serve Albertans first, including a potential leadership role in eCampusAlberta.

Although we have noted above that post-secondary funding in Alberta is not formulaic, it must be conceded that AU has not benefitted, under existing policy and practice, from an enrolment demographic that features large numbers of out-of-province students. A question that naturally arises is whether our case for public

support would be advanced by greater alignment with a Campus Alberta emphasis on serving Albertans first. One option might be for us to serve only, or primarily, students physically resident in Alberta. In the Information Age, we may not wish to accord significance on this scale to the difference between physical and virtual presence. However, if that difference is explicitly or implicitly embedded in funding policy, we must ensure that AU is not disadvantaged as a result. What would be the consequences of serving only students for which we would be funded by the Province of Alberta?

The obvious first consequence would be an abrupt and sharp reduction in our student numbers. It is not possible to say by how many because we cannot predict that a reduction would equal the number of our out-of-province students. Our in-province numbers might decline as well because we could not maintain current levels of programs and services if our enrolment did not support them. Albertans who might have come to Athabasca in the past might in the future choose to go elsewhere or to forego university education entirely.

A reduction in our student numbers would mean fewer faculty, tutors, professional and support staff, with negative consequences for students and the student experience, for employees, and for their families and communities.

An exclusively in-province recruitment focus would also hurt our reputation. We are respected and appreciated across Canada for the access of students in other provinces and territories to our programs. And anyone who travels abroad in the open university world soon discovers that Athabasca University is widely admired internationally for its pioneering contributions to online learning and the audiences it reaches. We would be a diminished and more parochial institution in their opinion, with negative impacts on our capacity to recruit faculty and other professional experts, and on our ability to build partnerships and attract support from beyond our province.

Of course, exclusive in-province enrolment represents an extreme variant of this option, and we can contemplate other less drastic ways to implement it. However, there are enabling conditions that are not dependent solely on AU's initiative. This option would require a commitment from the Ministry to recognize AU as THE province's open and online university, and new funding arrangements would be necessary to enable our university to fully and properly discharge this mandate. In particular, information technology would have to be recognized as our capital so that we could develop our digital capacity and fully embed new technologies and pedagogies across our operations.

Pursuit of this option would require a disciplined and expeditious conversation about the future of eCampus-Alberta and a clear, explicit mandate for AU as its leader. It would also require parallel implementation of option two in order to provide quality assurance and additional public investment to improve Internet connectivity in northern Alberta.

OPTION TWO: Under the framework of Campus Alberta principles (accessibility, sustainability and excellence), focus on efficiency and effectiveness in course delivery and business practices.

This is not so much one of four options as it is a summary of possible measures that are prerequisites to, or steps in, stabilizing and modernizing our university to better meet our present mission.

Many of the submissions to our task force addressed aspects of this subject and we know they will be helpful in the work to come. Several respondents emphasized cost effectiveness and marketing and supported an education review to consider each teaching program from the standpoint of costs (including faculty, tutors, support and administration), enrolment, pedagogy and currency of courses, course development processes in use (including cost per new course and/or course renewal) and competition, including growth potential. The task force believes that an education review along these lines, together with an audit of our business and administrative practices, will lead to improvements in the student experience and in our sustainability.

In general, efficiency and effectiveness were among the most prominent themes in submissions to the task force. And, we should observe, important initiatives in this respect are already in place or in process. We have implemented the ICT Investment Governance Framework to provide consistent, transparent and equitable processes for the prioritization and funding of ICT-related projects. We have implemented new finance and human resources reporting systems. We are developing a new responsibility-centered budget model, and we are seeking a more ambitious timetable for its realization.

Submissions received by the task force demonstrate that more can be done. The themes of course inventories and review and business practice audits were recurring proposals, as were calls for improvements in course delivery and delivery models. Some proposals called for IT outsourcing; others emphasized the possibility of fee generating online services and expertise to other institutions. Still others directed attention to a range of human resources issues and to the impact of our distributed locations and workforce on communication and productivity.

It is clear that the measures suggested under this option do not address all impediments to our sustainability. It is also clear that some of them are essential to our future viability. They will take time, and time is limited. We could begin by distinguishing between initiatives that can be implemented immediately or in the short term and those that will take longer. The responsibility-centered budget model is among the former and is already in progress; it should be fully implemented with dispatch. The education review or inventory mentioned above and the audit of business practices should be commenced as soon as possible, though we can anticipate a longer time before they yield results.

OPTION THREE: Federation with Another Campus Alberta Institution

Federated means joined in federal union. With universities as with countries, terms of federation may vary, and participating public institutions may negotiate between themselves and with their sponsor (government) to achieve terms of federation that are in their common interest.

One option is for Athabasca University to enter into a federation with another Alberta post-secondary institution. The idea behind federation is that each of the federated partners sees advantage in the relationship. They can do together what they cannot do separately, and they can do it better. There are many examples of federation across the country (examples include Victoria University and the University of Toronto; First Nations University of Canada and the University of Regina; St. Jerome's University and the University of Waterloo; St. Thomas More College and the University of Saskatchewan).

A federation between AU and another Alberta institution would not be acceptable if its effect were simply to transfer Athabasca University's sustainability burdens to its federated partner. Terms and conditions of federation addressing these burdens and other matters would be negotiated between the two institutions and with the Government of Alberta, and transitional funding would be required to forge the new relationship. New or amended legislation might be necessary for it to have the force of law. The task force cannot presume to determine in advance all of the issues that would be on the negotiating table; that would be for the next stage of the process if federation is judged worthy of further exploration. But we wish to record an important advantage of this approach from our point of view, and we believe, for Campus Alberta: Athabasca University would remain a distinct institution, with its mission clear and intact, within the new relationship.

It is our experience that the name of Athabasca University is respected in Canada and admired abroad. A global pioneer in its early years, AU remains among today's leaders in flexible, open, online learning and innovative student service. It is a jewel in the crown of Campus Alberta and is an essential element of our province's goal to improve access to post-secondary learning for all Albertans. Renewal of this role in federation with another institution could offer Campus Alberta and the new federation an opportunity to build world leading capacity across a broad spectrum of post-secondary learning opportunities. For this potential to be realized, the Government of Alberta, Campus Alberta and eCampusAlberta should accord priority to the new federation for any future initiatives in open and online learning.

There are several potential Campus Alberta partners. In the above examples, the federated institutions are located on the same campus and, while this is not essential, geographical proximity is desirable if there is to be the dynamic relationship that makes federation a serious option. The nearest major centre is Edmonton, and AU already has a substantial presence in two Edmonton locations, a consideration that makes that city an obvious possibility in exploring this option. And through a 2014 memorandum of agreement, we are collaborators with other northern Alberta institutions to address challenges facing those living in northern and remote regions. This, too, points to the advantages of exploring federation in Edmonton as the more northerly of the province's major cities.

OPTION FOUR: Affiliations with Other Institutions and Organizations in Campus Alberta and Beyond

Federation is not the only relationship in which to work in partnership with other post-secondary institutions. Where possible, collaboration and co-operation should be and are expected from Campus Alberta institutions. We are party to some affiliations now, and we are open to others. These arrangements take many forms, with the focus generally being on achievement of academic or shared service goals that are believed by each participant to be of mutual benefit. But the test of their merits in the context of this report is the extent to which they contribute to our sustainability, and it is against that test that they must be assessed.

Exploring opportunities to advance post-secondary education through collaboration with other institutions in and beyond Alberta should always be among our goals. Federation or affiliation with another Campus Alberta institution is neither a precondition for other affiliations nor a barrier to them. Whatever the disposition of options contained in this report, Athabasca University has and will continue to have important connections to other institutions and organizations at provincial, national and international levels. Campus Alberta and eCampusAlberta are expressions of role and context in our province. Our MOU with other northern Alberta institutions reflects our opportunities and obligations in the north. Canadian Virtual University is an Association of Canadian universities specializing in online and distance education. Our bilateral relations and partnerships reflect opportunities—some strategic, some opportunistic—to work with other institutions in common cause whether in open education, research or other initiatives.

What is lacking in both a provincial and national context is a substantive and strategic framework that advances Alberta's and Canada's place in online learning and Athabasca University's place within it. Whether attributable to competition among institutions, provincial boundaries or other influences, our place in the online world is fragmented and largely underdeveloped. In contrast we might point to a comparison of Canadian developments with the evolution of Open Universities Australia and the Open University in the UK. These represent serious, co-ordinated and national initiatives to secure leadership places in the world of open, online learning. A comparable initiative in Canada could see Athabasca University as a centrepiece (More than 50 percent of our students are from out-of-province), with partners rather than competitors in other provinces. It could attract important affiliations with organizations such as Google, Mozilla and Microsoft which could support IT infrastructure together with innovative applications and development of IT solutions.

A vital question is whether an ambitious, co-ordinated and collaborative Canadian program can be anticipated to present our country's face to the world in online learning. We have eCampusAlberta and, soon, eCampusOntario. We see comparable initiatives in other provinces and developing interest in Universities Canada (formerly AUCC) to lend more national context and presence to these and other activities. But we cannot yet anticipate a national strategy or a whole that is larger than its unco-ordinated parts. We can lend the voice of Athabasca University to an appeal for them, but as yet they are incomplete and long-term prospects only.

Conclusion

The task force offers this analysis and these options as a basis for a disciplined, evidence based consideration of our future. We conclude our report by emphasizing two prerequisites and three interrelated themes and by outlining next steps.

The first prerequisite is that we must be open to change—not begrudgingly and hesitantly—but with confidence that, in addition to challenges, this era offers unprecedented opportunities for AU to lead in the development of world class, Albertan and Canadian capacity in the open, online world. Our mission and experience have prepared us for this leadership. Our aspirations and determination can make it possible, to the great advantage of our province and country.

Our second prerequisite is investment. We are on a path to insolvency, and altering that path will require funding. All of our options will require transitional financial support en route to a stable funding model commensurate with goals shared by Athabasca University, the Government of Alberta and other partners. This is a sine qua non if we are to avoid insolvency in 2016-17.

The first of our three themes is this: the future is now. We do not have the luxury of unlimited time in which to reflect upon our current circumstances. Nor is it productive to debate the reasons and responsibilities for the conditions that have brought us to our present state. Our goal is a forward looking one: the identification of pathways to a sustainable future. We suggest that the options and measures proposed must be tested against the conditions that have precipitated our unsustainability and on the assessment criteria outlined above. This means that for each option, these questions must be asked: Will this option support our claim for a level of operating budget support that exceeds the present 30 percent of our operating expenses that are covered by the provincial grant? Will this option support our plea to be relieved of tuition caps and help in the development of a business model that will make sense for AU for years to come? Will it substantiate our claim that, for Athabasca University, information technology is capital and should be treated as such for funding purposes? Will this option address the recruitment, retention and matching skills to jobs issues that arise from having our head office in Athabasca? Will it resolve the unsustainable terms and conditions of employment embedded in our collective agreements? Will this option improve the capacity of AU to compete on behalf of Campus Alberta in providing an excellent student experience in the online, open university world that is of growing importance in the national and global post-secondary landscape?

Further, we must ask of every option and proposed action: Does it fit with our mission as an open, online university? Are the resulting operating and capital costs compatible with stakeholder expectations, particularly those of the Government of Alberta? And, can the option be successfully realized in time to avoid conditions that would immediately precipitate insolvency?

Our second theme is that Alberta needs Athabasca University. Accessibility, sustainability and excellence are the pillars of Campus Alberta, and in a province in which 58% of Albertans in the workforce hold post-secondary credentials (sixth highest level among the provinces), we can make a claim to accessibility that is unique among Campus Alberta institutions. Our Office of Institutional Studies surveys show that 77% of AU students report that they face barriers preventing them from pursuing their educational goals at campus-based universities.

On the subject of excellence, AU is committed to continuous improvement. For example, despite our budget constraints, we are adopting new learning technologies that enhance open learning environments and the student experience, and we continue to utilize course and program reviews to improve undergraduate and graduate courses and programs. While our sustainability is an issue at this time, we can help our province by persevering in our present mission and growing our potential to offer post-secondary opportunities to those who might otherwise be obliged to forego them. Quite simply, by itself, AU has the potential to improve upon that 58% number.

There is another reason why Alberta needs AU. Technology is critically important to the delivery of higher education, and without further investment, Alberta will fall behind. Today's learners come from an online world, and if we want to engage them, we need to offer higher education in ways that resonate with them. The need is clear as eCampusAlberta statistics reflect that the demand for convenient, open, flexible and high quality online learning is growing in the province. That is what AU does and strives to do better. Our objective is to take advantage of all of the changes in technology that have occurred in recent years so that we can be the leader in the development of online learning. Our objective is to be the best. We have no other option.

Our third concluding and related theme is that a review of the 2014 Campus Alberta Planning Resource emphasizes the close alignment between AU's capacity, potential and values and the present and future needs of our province. The three priority system level outcomes are a learner enabling system, value for investment and advancing knowledge. Enabling learners is what our university is all about, and the high returns to the province from its investment in AU's unique capacity to enable learners in our province are demonstrable. Advancing knowledge through research, for a university of our size and composition, is best achieved through identification of existing and potential research strengths and focusing on them, and this we have done and are doing. These priority outcomes combine with social demographics (an anticipated population growth rate of 21.8% by 2023; growing numbers of Indigenous citizens, particularly in Edmonton and northern Alberta; and predicted labour shortages in key sectors of the economy) that all point to the importance of post-secondary education in general, and to the unique and substantial contribution—existing and potential—of Athabasca University.

In closing, we return to the idea that the future is now. In 2014, Athabasca University hosted the Future of Alberta Digital Learning Forum. The purpose of the forum was to address the question: What does Alberta have to do to be a leader in digital learning by 2030? A draft report on the Forum has been prepared by Dr. George Siemens, and we can anticipate the final report soon. A harbinger of its conclusions can be found in the draft Executive Summary:

Education systems globally face complex challenges to respond to emerging socio-technical and economic environments. As globalization continues to drive an integrated and connected economy, the ability for regions such as Alberta to remain competitive will be critical concerns. How a region educates all members of society becomes foundational to economic competitiveness and prosperity. Imagining learning in 2030, and beginning to prepare for this future through policy and resources allocation, requires attention to infrastructure, technology, new teaching models, quality education and governance.

And, we might add, Alberta's success in being a leader in digital learning by 2030 will depend in large part on whether we build on the opportunities presented by the evolution of Athabasca University. To do this, we must first ensure its sustainability.

Our work is only beginning. With the approval of the Board of Governors, we envisage reporting to AIAE, as requested, by June 1, and simultaneously to AU communities. We expect the university administration to proceed immediately with measures that can be taken now, particularly the audit of business practices suggested under option two. An education review or inventory will follow soon, led by the faculties and with advice from General Faculties Council. The timing of conversations with the Government of Alberta will depend on the advice of the deputy-minister of AIAE as to when the new government and minister are prepared for whatever discussions are deemed necessary. Conversations with third parties, if any, will follow. It is important that we not lose a sense of urgency. We have time, but no time to lose.

Respectfully submitted,

Dr. Jane Arscott, Associate Professor, Faculty of Humanities and Social Sciences
Diane Davies, The Board of Governors of Athabasca University
David Head, Director, Strategic Initiatives, Athabasca University
Peter MacKinnon, Interim President, Athabasca University
Marg Mrazek, Vice-Chair of The Board of Governors of Athabasca University
Gilbert Perras, Executive Director, Advanced Learning and Community Partnerships, Alberta Innovation and Advanced Education
Dr. Veronica Thompson, Dean, Faculty of Humanities and Social Sciences

APPENDIX B



Athabasca
University

Financial Statements

For the Year Ended March 31, 2015



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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, 2015, 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, 2015, 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 29, 2015
Edmonton, Alberta

Athabasca University

Statement of Financial Position

As at March 31, 2015
(in thousands)

	2015	2014
Assets		
Cash and cash equivalents (Note 3)	\$ 3,877	\$ 4,009
Portfolio investments (Note 4)	39,049	39,474
Accounts receivable (Note 6)	2,983	2,278
Inventories and prepaid expenses	3,655	4,110
Tangible capital assets (Note 7)	58,822	57,862
	<u>\$ 108,386</u>	<u>\$ 107,733</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 9,794	\$ 9,027
Employee future benefit liabilities (Note 8)	21,124	22,421
Deferred revenue (Note 9)	68,787	71,335
	<u>99,705</u>	<u>102,783</u>
Net assets		
Endowments (Note 10)	3,159	2,772
Accumulated operating surplus (Note 11)	3,813	1,317
Accumulated remeasurement gains	1,709	861
	<u>8,681</u>	<u>4,950</u>
	<u>\$ 108,386</u>	<u>\$ 107,733</u>

Contractual obligations (Note 12)

Approved by the Board of Governors: (Note 19)

Original signed by Margaret Mrazek

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

Original signed by Colette Miller

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

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

Athabasca University

Statement of Operations

Year ended March 31, 2015
(in thousands)

	Budget 2015	Actual 2015	Actual 2014
	(Note 17)		
Revenue			
Government of Alberta grants (Note 15)	\$ 43,805	\$ 44,994	\$ 43,182
Student tuition and fees	67,226	64,989	64,757
Sales of services and products	16,025	15,277	15,579
Donations and other grants	1,285	1,809	2,728
Federal and other government grants	1,555	2,475	2,610
Investment income (Note 13)	1,060	1,481	1,498
	<u>130,956</u>	<u>131,025</u>	<u>130,354</u>
Expense			
Instruction and non-sponsored research	74,976	70,619	73,651
Academic and student support	15,816	12,295	14,181
Institutional support	12,126	13,918	11,545
Ancillary services	8,763	8,627	8,584
Computing and communication	8,614	9,421	7,078
Facility operations and maintenance	6,655	7,450	6,318
Sponsored research and special purpose	3,984	6,199	5,369
	<u>130,934</u>	<u>128,529</u>	<u>126,726</u>
Operating surplus	22	2,496	3,628
Accumulated operating surplus (deficit), beginning of year	-	1,317	(2,311)
Accumulated operating surplus, end of year (Note 11)	<u>\$ 22</u>	<u>\$ 3,813</u>	<u>\$ 1,317</u>

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

Athabasca University

Statement of Remeasurement Gains and Losses

Year ended March 31, 2015
(in thousands)

	2015	2014
Accumulated remeasurement gains, beginning of year	\$ 861	\$ 742
Unrealized gains attributable to:		
Portfolio investments	1,039	358
Amounts reclassified to the statement of operations:		
Portfolio investments	(191)	(239)
Accumulated remeasurement gains, end of year	<u>\$ 1,709</u>	<u>\$ 861</u>

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

Athabasca University

Statement of Cash Flows

Year ended March 31, 2015
(in thousands)

	2015	2014
Operating transactions		
Operating surplus	\$ 2,496	\$ 3,628
Add (deduct) non-cash items:		
Amortization of tangible capital assets	5,209	4,658
Expended capital recognized as revenue	(3,394)	(3,203)
Loss (gain) on disposal of tangible capital assets, net	100	(78)
Change in employee future benefit liabilities	(1,297)	867
Total non-cash items	618	2,244
Increase in accounts receivable	(705)	(482)
Decrease in inventories and prepaid expenses	455	1,245
Increase (decrease) in accounts payable and accrued liabilities	767	(2,655)
(Decrease) increase in deferred revenue	(1,212)	1,112
Cash provided by operating transactions	2,419	5,092
Capital transactions		
Acquisition of tangible capital assets	(6,284)	(4,317)
Proceeds on sale of tangible capital assets	15	81
Cash applied to capital transactions	(6,269)	(4,236)
Investing transactions		
Purchases of investments	(1,700)	(6,510)
Proceeds on sale of portfolio investments	3,029	5,000
Endowment investment - realized gains capitalized	72	36
Cash provided by investing transactions	1,401	(1,474)
Financing transactions		
Endowment contributions	315	200
Capital contributions	2,002	1,512
Cash provided by financing transactions	2,317	1,712
(Decrease) increase in cash and cash equivalents	(132)	1,094
Cash and cash equivalents, beginning of year	4,009	2,915
Cash and cash equivalents, end of year	\$ 3,877	\$ 4,009

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

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
(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) Net Debt Model Presentation

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:

Financial Statement Component	Measurement
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 unrestricted financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

Unrealized gains and losses from changes in the fair value of restricted financial instruments are recognized as a liability under deferred revenues.

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
(thousands of dollars)

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

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

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

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. 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 liabilities. The University does not have any embedded derivatives.

(d) Revenue Recognition

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

(i) Government grants, non-government grants and donations

Government transfers are referred to as government grants.

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

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

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

(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.

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

(iii) Endowments

Donations that must be maintained in perpetuity are recognized as a direct increase in endowment net assets when received or receivable. Investment income on endowment principle that also must be maintained in perpetuity is recognized as endowment net assets when received or receivable. The unrealized gains and losses attributable to restricted endowment portfolio investments are recognized as deferred revenue.

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
(thousands of dollars)

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

(d) Revenue Recognition (continued)

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

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

(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.

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

(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.

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
(thousands of dollars)

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

(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) Expense by function

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

Instruction and non-sponsored research

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

Academic and student support

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

Institutional support

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

Ancillary services

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

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
(thousands of dollars)

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

(i) Expense by function (continued)

Computing and communication

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

Facility operations and maintenance

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

Sponsored research and special purpose

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

(j) Changes in Accounting Policies

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 adopted this accounting standard retroactively as of April 1, 2014 but without restatement prior period results. The adoption of this standard had no impact on the University's financial results.

(k) Future Accounting Changes

In March 2015 the Public Sector Accounting Board issued the following two accounting standards that are effective for fiscal years starting on or after April 1, 2017. University administration is currently assessing the impact of these new standards on the financial statements.

PS2200 Related Party Disclosures

This accounting standard defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.

PS3420 Inter-entity Transactions

This accounting standard establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

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 investments. The composition and fair value are as follows:

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
(thousands of dollars)

4 Portfolio Investments (continued)

	2015			
	Level 1	Level 2	Level 3	Total
Pooled Investment Funds				
Bonds listed in active market	\$ 30,186	-	-	30,186
Equities listed in active market	6,072	-	-	6,072
Money Market Funds	2,791	-	-	2,791
Total Investments	\$ 39,049	-	-	39,049
	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

The fair value measurements are derived from:

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 as prices or indirectly derived from prices.

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: 1.29%; term to maturity: less than one year.
- Pooled funds of government and corporate bonds: 2.01%; 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:

	2015	2014
Net unrealized gains, beginning of year	\$ 443	\$ 167
Unrealized gains attributable to: Portfolio investments (Note 13)	56	276
Net unrealized gains, end of year, recorded in deferred revenue	\$ 499	\$ 443

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
(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 University's portfolio is sensitive to an increase or decrease in market prices. At March 31, 2015, 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 \$1,952 (2014 - \$1,972).

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:

	2015	2014
Credit rating		
AAA	44%	46%
AA	7%	9%
A	25%	25%
BBB	9%	5%
	<u>85%</u>	<u>85%</u>

Interest rate risk

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

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

	Less than 1 year	1 to 5 years	Greater than 5 years
Money Market Funds	\$ 2,791	\$ -	\$ -
Bonds listed in active market	\$ 181	\$ 16,941	\$ 13,064

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
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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:

	<u>0.50% decrease.</u>	<u>0.25% decrease</u>	<u>0.25% increase</u>	<u>0.50% increase</u>
Dollar value change	\$ 726	\$ 363	\$ (363)	\$ (726)

Foreign currency risk

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

6 Accounts Receivable

	<u>2015</u>	<u>2014</u>
Accounts receivable	\$ 2,891	\$ 2,145
Other receivable	92	133
Less provision for doubtful accounts	-	-
	<u>\$ 2,983</u>	<u>\$ 2,278</u>

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

7 Tangible Capital Assets

	<u>2015</u>					<u>2014</u>	
	<u>Land</u>	<u>Buildings and site improvements</u>	<u>Computer hardware and software</u>	<u>Furniture and equipment⁽⁴⁾</u>	<u>Other⁽⁵⁾</u>	<u>Total</u>	<u>Total</u>
Cost ^{(1) (2)}							
Beginning of year	\$ 1,565	61,946	30,951	6,881	8,556	109,899	\$ 106,614
Additions	-	-	4,681	1,191	412	6,284	4,317
Disposals, including write-downs ⁽³⁾	-	-	(115)	(465)	(1,053)	(1,633)	(1,032)
	<u>\$ 1,565</u>	<u>61,946</u>	<u>35,517</u>	<u>7,607</u>	<u>7,915</u>	<u>114,550</u>	<u>109,899</u>
Accumulated amortization							
Beginning of year	\$ -	22,236	16,738	5,243	7,820	52,037	\$ 48,408
Amortization expense	-	1,602	3,128	467	12	5,209	4,658
Effects on disposals, including write-downs	-	-	-	(465)	(1,053)	(1,518)	(1,029)
	<u>\$ -</u>	<u>23,838</u>	<u>19,866</u>	<u>5,245</u>	<u>6,779</u>	<u>55,728</u>	<u>52,037</u>
Net book value at March 31, 2015	<u>\$ 1,565</u>	<u>38,108</u>	<u>15,651</u>	<u>2,362</u>	<u>1,136</u>	<u>58,822</u>	<u>\$ 57,862</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>	

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
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7 Tangible Capital Assets (continued)

No interest was capitalized by the University in 2014-2015.

- (1) Historic cost includes work-in-progress at March 31, 2015 totaling \$4,745 comprised of equipment \$274 (2014 - \$298), and computer hardware and software \$4,471 (2014 - \$8,378).
- (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) Write-downs in the amount of \$115 (2014 - \$0) are included within disposals for 2014-2015.
- (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:

	2015	2014
Universities Academic Pension Plan (UAPP)	\$ 19,179	\$ 19,945
Administrative leave plan	1,945	2,446
Flexible benefits plan	-	30
	\$ 21,124	\$ 22,421

(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, 2014 and further extrapolated to the University's year end of March 31, 2015. The University's portion of the UAPP deficit has been allocated based on its percentage of the plan's total employer contributions for the year.

The UAPP unfunded deficit for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2014 - 1.25%) of total salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.87% (2014 - 2.87%) of total salaries required to eliminate the unfunded deficit by December 31, 2043. The Government of Alberta's obligation for the future additional contributions was \$313,536 at March 31, 2015 (2014 - \$310,693). The unfunded deficit for service after December 31, 1991 is financed by special payments of 5.79% (2014 - 5.54%) of pensionable earnings until December 31, 2021 then 1.71% (2014 - 1.71%) for 2022 and 2023, and 0.70% (2014 - 0.70%) for 2024 and 2025, and 0.25% (2014 - 0.25%) for 2026 and 2027, all shared equally between employees and employers.

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
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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:

	2015	2014
Financial Operations		
Expense		
Current service cost	\$ 3,951	\$ 4,527
Interest cost	1,362	1,582
Amortization of net actuarial (gains) losses	(26)	562
Total expense	\$ 5,287	\$ 6,671
Financial Position		
Accrued benefit obligation:		
Balance, beginning of year	\$ 102,050	\$ 101,028
Current service cost	3,951	4,527
Interest cost	6,843	6,409
Benefits paid	(4,638)	(4,378)
Actuarial losses (gains)	6,941	(5,536)
Balance, end of year	115,147	102,050
Plan assets	(93,560)	(82,330)
Plan deficit	21,587	19,720
Unamortized net actuarial (losses) gains	(2,408)	225
Accrued benefit liability	\$ 19,179	\$ 19,945

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

	2015	2014
Accrued benefit obligation:		
Discount rate	6.10%	6.60%
Average compensation increase	3.50%	3.50%
Benefit cost:		
Discount rate	6.10%	6.60%
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	8.6 years

Administrative Leave Plan

The University's Administrative Leave Plan has no plan assets. The University has provided for the plan by accruing a benefit obligation of \$1,945 (2014 - \$2,446) 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, 2015
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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:

	2015	2014
Financial Operations		
Expense		
Current service cost	\$ 403	\$ 403
Interest cost	51	53
Amortization of net actuarial losses	(181)	(54)
Total expense	<u>\$ 273</u>	<u>\$ 402</u>
Financial Position		
Accrued benefit liability:		
Balance, beginning of year	\$ 2,446	\$ 2,463
Current service cost	403	404
Interest cost	51	53
Benefits paid	(774)	(420)
Actuarial (gain)	(181)	(54)
Balance, end of year	<u>\$ 1,945</u>	<u>\$ 2,446</u>

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

	2015	2014
Discount rate	3.84%	2.10%
Rate of compensation increase		
First year	2.00%	2.00%
Subsequent years	2.00%	3.00%
Average remaining service period of active employees	5 years	6 years
Retirement age	62	62

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

Public Service Pension Plan (PSPP)

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members. As the University does not have sufficient information to follow the accounting standards for defined benefit plans, it is accounted for on a defined contribution basis. The pension expense recorded in these financial statements is \$1,371 (2014 - \$1,487).

An actuarial valuation of the PSPP was carried out as at December 31, 2013 and was then extrapolated to December 31, 2014. At December 31, 2014, the PSPP financial statements reported an actuarial deficit of \$803,299 (2013 - \$1,254,678). For the year ended December 31, 2014, PSPP reported employer contributions of \$326,134 (2013 - \$315,830). For the 2014 calendar year, the University's employer contributions were \$1,436 (2013 - calendar year - \$1,522). The PSPP's deficit is being discharged through additional contributions from both employees and employers until 2026 (2013-2028). Other than the requirement to make all additional contributions, the University does not bear any risks related to the PSPP deficit.

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
(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 fees. Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement.

	2015			
	Research and special purpose	Capital	Student and other fees	Total
Balance, beginning of year	\$ 10,736	\$ 46,155	\$ 14,444	\$ 71,335
Grants, tuition, donations received	5,829	-	50,354	56,183
Restricted investment income (Note 13)	96	-	-	96
Unrealized gains (Note 4, Note 13)	56	-	-	56
Unearned capital acquisition transfers	(2,002)	2,002	-	-
Recognized as revenue	(5,607)	(3,394)	(49,872)	(58,873)
Other	(10)	-	-	(10)
Balance, end of year	\$ 9,098	\$ 44,763	\$ 14,926	\$ 68,787

Capital is comprised of \$44,763 (2014 - \$45,790) restricted grants and donations spent on capital acquisitions and \$0 (2014 - \$364) of unspent restricted grants and donations.

	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)
Other	-	-	-	-
Balance, end of year	\$ 10,736	\$ 46,155	\$ 14,444	\$ 71,335

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, 2015
(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:

	2015	2014
Balance, beginning of year	\$ 2,772	\$ 2,536
Endowment contributions	315	200
Investment gain - realized	72	36
Balance, end of year	<u>\$ 3,159</u>	<u>\$ 2,772</u>
Cumulative contributions	\$ 2,736	\$ 2,421
Cumulative capitalized income	423	351
	<u>\$ 3,159</u>	<u>\$ 2,772</u>

11 Accumulated Operating Surplus (Deficit)

Accumulated operating surplus is comprised of the following:

	Accumulated deficit from operations	Investment in tangible capital assets ⁽¹⁾	Total accumulated operating surplus (deficit)
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 tangible capital assets disposals	3	(3)	-
Internally funded acquisition of tangible capital assets	(2,647)	2,647	-
Balance as at March 31, 2014	<u>(10,755)</u>	<u>12,072</u>	<u>1,317</u>
Operating surplus	2,496	-	2,496
Amortization of internally funded tangible capital assets	1,815	(1,815)	-
Net book value of tangible capital assets disposals	115	(115)	-
Internally funded acquisition of tangible capital assets	(3,918)	3,918	-
Balance as at March 31, 2015	<u>\$ (10,247)</u>	<u>\$ 14,060</u>	<u>\$ 3,813</u>

⁽¹⁾ 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, 2015
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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:

	2015				
	Service Contracts	Capital Projects	Information Systems and Technology	Long-term Leases	Total
2016	\$ 5,466	\$ 306	\$ 3,013	\$ 1,160	\$ 9,945
2017	659	-	379	1,037	2,075
2018	558	-	123	427	1,108
2019	349	-		252	601
2020				249	249
Thereafter		-		20	20
	<u>\$ 7,032</u>	<u>\$ 306</u>	<u>\$ 3,515</u>	<u>\$ 3,145</u>	<u>\$ 13,998</u>

13 Investment Income

	2015			2014
	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	\$ 168	56	224	\$ 433
Transferred to endowment net assets (Note 10)	(72)	-	(72)	(36)
Transferred to deferred revenue (Note 9)	(96)	(56)	(152)	(397)
Add deferred revenue recognized as investment income	26	-	26	23
Restricted funds recognized as investment income	<u>\$ 26</u>	<u>-</u>	<u>26</u>	<u>\$ 23</u>
Unrestricted funds				
Investment earnings on unrestricted cash, cash equivalents, portfolio investments	1,455	848	2,303	1,594
Transferred to accumulated remeasurement gains and losses		(848)	(848)	(119)
Unrestricted funds recognized as investment income	<u>\$ 1,455</u>	<u>-</u>	<u>1,455</u>	<u>\$ 1,475</u>
Total investment income recognized	<u>\$ 1,481</u>	<u>-</u>	<u>1,481</u>	<u>\$ 1,498</u>

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
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14 Expense by Object

The following is a summary of expense by object.

	2015		2014
	Budget (Note 17)	Actual ⁽¹⁾	Actual ⁽¹⁾
Salaries	\$ 73,199	\$ 71,808	\$ 70,551
Employee benefits	15,801	13,685	15,834
Materials, supplies and services:			
Fees and purchased services	16,440	18,797	16,916
Materials and supplies	10,889	12,315	11,346
Communications and travel	5,539	3,281	3,826
Rental, insurance and utilities	2,870	2,406	2,648
Amortization of capital assets	4,996	5,209	4,658
Scholarships and bursaries	1,200	1,028	947
	<u>\$ 130,934</u>	<u>\$ 128,529</u>	<u>\$ 126,726</u>

⁽¹⁾ Includes \$534 (2014 - \$2,091) termination benefits as defined under PSA Handbook section 3255.

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
(thousands of dollars)

15 Government of Alberta Transactions and Balances

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

	2015	2014
Grants from Government of Alberta		
Innovation and Advanced Education:		
Operating	\$ 39,432	\$ 38,741
Infrastructure Maintenance Program	1,340	1,700
Access to the Future Fund	1,120	-
Research	625	983
Alberta Innovates-Technology Futures	80	108
Other	70	54
Total Innovation and Advanced Education	42,667	41,586
Other Government of Alberta departments and agencies:		
Treasury Board and Finance	416	425
Health	329	128
Culture	94	71
Education	50	-
Total other Government of Alberta departments and agencies	889	624
Total grants received	43,556	42,210
Add deferred revenue	1,688	972
Less transfer endowments	(250)	-
Total grants from Government of Alberta	\$ 44,994	\$ 43,182
Accounts receivable		
Innovation and Advanced Education	\$ -	\$ 115
Other Government of Alberta departments and agencies	220	-
Other post-secondary institutions	-	1
	\$ 220	\$ 116
Accounts payable		
Innovation and Advanced Education	\$ 5	\$ 7
Other Government of Alberta departments and agencies	-	3
Other post-secondary institutions	70	77
	\$ 75	\$ 87

In addition to the grants listed above, the University received \$340 (2014 - \$310) 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.

The University has \$187 (2014 - \$33) of contractual obligations with other post-secondary institutions for service and lease agreements that will become liabilities in the future when the terms of the agreements are met.

Athabasca University

Notes to the Financial Statements

For the year ended March 31, 2015
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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.

	2015				2014
	Base Salary ⁽³⁾	Cash Benefits ⁽⁴⁾	Non cash Benefits ⁽⁵⁾	Total	Total
Governance ⁽¹⁾					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	-	-	-
Executive Officers					
President ⁽²⁾	368	6	20	394	537
Vice-Presidents:					
Academic ⁽²⁾	246	-	106	352	317
Advancement	229	27	88	344	317
Finance and Administration	249	29	94	372	337
Information Technology and CIO	202	13	43	258	251

⁽¹⁾ The chair and the 14 members (2014 – 18) of the Board of Governors receive no remuneration for participation on the Board.

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

⁽³⁾ Base salary is pensionable and includes pay for vacation time taken.

⁽⁴⁾ 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.

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

The current service cost and accrued obligation for each executive officer (current incumbents) under the Administrative Leave Plan as of March 31, 2015 is outlined in the following table:

	Accrued Obligation March 31, 2014	Service Costs	Interest and other costs	Actuarial loss (gain)	Accrued Obligation ⁽⁶⁾ March 31, 2015
President	\$ -	\$ -	\$ -	\$ -	\$ -
Vice-Presidents:					
Academic	100	72	4	(4)	172
Advancement	172	55	5	(7)	225
Finance and Administration	120	56	4	2	182
Information Technology and CIO	16	16	1	(7)	26

⁽⁶⁾ 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, 2015
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17 Budget Figures

The University's 2014-2015 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 2014-2017 Comprehensive Institutional Plan.

The following table provides amounts as presented in the 2014-2015 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	Total
Instruction and non-sponsored research	\$ 49,770	10,112	8,874	2,277	3,294	629	15	5	\$ 74,976
Academic and student support	9,306	2,370	2,478	439	624	153	99	347	15,816
Institutional support	7,836	1,863	1,459	321	605	40	-	2	12,126
Ancillary services	455	118	380	7,180	567	24	39	-	8,763
Computing and communication	3,065	736	1,570	321	147	-	2,775	-	8,614
Facility operations and maintenance	918	215	1,344	66	20	2,024	2,068	-	6,655
Sponsored research and special purpose	1,849	387	335	285	282	-	-	846	3,984
Budget Total	\$ 73,199	15,801	16,440	10,889	5,539	2,870	4,996	1,200	\$ 130,934

18 Comparative Figures

Certain 2014 figures have been reclassified to conform to the presentation in the 2015 financial statements.

19 Approval of Financial Statements

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



Athabasca University

1 University Drive
Athabasca, AB T9S 3A3 Canada

Phone 780-675-6100
1-800-788-9041 (toll-free in Canada and the U.S.)
www.athabascau.ca