

Athabasca University, Canada's Open University, is dedicated to the removal of barriers that restrict access to, and success in, university-level studies 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.

Mission





G

Growth, success and innovation remain the hallmarks of Athabasca University's performance, as this Annual Report highlights.

In 2003-04, the university served close to 30,000 individuals through registration in over 56,000 credit courses. Of the 1,230 who graduated in 2004, 525 (43 per cent) were residents of Alberta. These numbers represent significant growth over previous years, and make clear that the demand for life-long, quality and flexible learning remains strong.

Most of the growth we are experiencing comes from across Canada, with every province and territory in Canada having AU students, and all but one of these jurisdictions showing growth in the number of course registrations. We have also developed strong international relationships with other institutions through our collaborative ways of working, and this will show significant results in the years ahead.

Our success is not limited to enrollments, registrations, and graduates. The university continues to significantly expand its research activities, as exemplified by its securing major grants for research into prior learning assessment, and new funds to support a Canada Research Chair in e-Learning.

It is because we continue to strive for excellence in all that we do that we were awarded the International Council for Open and Distance Education's Institutional Prize of Excellence in February 2004 at its meeting in Hong Kong. This builds on an earlier and similar award from the Commonwealth of Learning, given in 2002.

At the heart of this success is a focus on quality – quality learning, quality student services and quality in all we do. Quality depends on people, and our staff – who now number 1,000 full- and part-time colleagues – make the difference each day to the experience of distance education for our students.

There is always more to do, as our 2004-08 business plan makes clear, but I invite you to join the Athabasca University community in celebrating the accomplishments of this past year.

Original signed by Dominique A.M.X. Abrioux

Dominique A.M.X. Abrioux, PhD
President



T

This past year, Athabasca University continued its rapid growth and international recognition as a centre of excellence that leads the development of distance education in Alberta, in Canada, and around the world. To assure the continuation of this growth and status, a number of key initiatives occurred during the year which are important from a governance and accountability perspective.

Proclamation of the Alberta Post-secondary Learning Act changed the governance structure of Athabasca University from a unicameral to a bicameral model. This means that academic decision-making is now the sole prerogative of Academic Council, whereas policy making, regulatory compliance, and strategic, financial and administrative oversight remain responsibilities of Governing Council. We welcome this change that aligns AU more closely with the governance practices of other universities across Canada without limiting the institution's ability to continue to respond quickly and effectively to the changing needs of post-secondary learners.

The university's process for succession has been enhanced to encourage staff retention and internal promotion opportunities. Staff members now file annual learning plans and, in this way, Athabasca University is supporting the personal and professional development of its own community.

Two positions critical to the continuing success of Athabasca University need to be filled. Next year, our president will be completing his second term in office and our vice-president academic will be retiring. Search committees have been established and work is well advanced to secure the succession to these two key leadership positions.

Significant progress has also been made with respect to emergency response preparedness. Planning, training and preparation work are at an advanced stage for several levels of emergency response and further work, including a mock disaster recovery, is planned for 2004-05.

From a financial perspective, the university generated a small surplus in 2003-04, which has been reserved for investment in new programs, updating technology infrastructure and improving the efficiency of AU's interaction with its students, staff and partners.

Governing Council itself has been strengthened by the addition of new members who bring particular and varied competencies to its role of overseeing the work of the university.

The success of Athabasca University is due to the hard work of its students, the diligent and supportive work of its tutors, the creative and dedicated work of its academic, professional and support staff, and the leadership of its senior managers and executives. It is my very pleasant task, on behalf of Governing Council, to thank President Abrioux, and the entire staff of AU, for their leadership, dedication and commitment to excellence. As Dr. Abrioux celebrates his 25th year of service, I would like to thank him for his dedication and outstanding service to this university.

On behalf of Governing Council of Athabasca University, I am pleased to submit the 2003-04 Annual Report.

Original signed by David J. Burnett

David J. Burnett, CA
Chair, Athabasca University Governing Council

ACCOUNTABILITY STATEMENT

The Athabasca University Annual Report for the year ended March 31, 2004, was prepared under the guidance and policies of the Governing Council of Athabasca University in accordance with the Government Accountability Act and ministerial guidelines pursuant to the Government Accountability Act. All material economic, environmental and fiscal implications of the policies and practices of Athabasca University have been considered in the preparation of this report.

Original signed by David J. Burnett

David J. Burnett, CA
Chair, Athabasca University Governing Council

Members of Athabasca University Governing Council, as of April 1, 2003

In the year 2003-04, Athabasca University operated with a unicameral governance system. In that time, the Athabasca University Governing Council fulfilled the roles and responsibilities of a traditional board of governors (policy committee), general faculties council (academic policy), and senate (community liaison).

Governing Council members are appointed by the Government of Alberta. The president of the university is an ex officio member of the Council. Governing Council membership in 2003-04 consisted of the following: one chairperson, up to eight public members, two academic staff, one student, one tutor and one non-academic staff member.

Appointed Public Members (As of April 1, 2003)

Robert M. Fulton, QC (Chair until May 2004)
David J. Burnett, CA (Vice-Chair April, 2003, Chair May, 2004)
Joy Romero (Vice-Chair May, 2004)
Jann Beeston (Until August 20, 2004)
Herb Belcourt (Until December 20, 2003)
Allen Benson (As of February 10, 2004)
Robert Silverthorne (Until October 31, 2003)
Robert R. Roth (As of February 10, 2004)
Lionel Cherniwchan
Herb Holmes
Robert W. McColl

Executive Officer

Dominique Abrioux (President, Athabasca University)

Student Member

Debbie Jabbour
Mac McInnis (As of July 15, 2004)

Tutor Member

Karen Farkas (Until October 31, 2003)
Timothy Parker (As of December 16, 2003)

Academic Staff Members

Dietmar Kennepohl (Until May 2004)
Rebecca Heartt (As of July 15, 2004)
Bruce Spencer

Nonacademic Staff Member

Nicole Belland (August 14, 2003–January 2004)
Ruth Blakely (As of May 2004)
Diane Ellefson (Until August 13, 2003)

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I *nspiration*

"The larger the island of knowledge, the longer the shoreline of wonder." ~ *Joseph MaInnis*



Improving lives, one at a time ...

Dr. Colleen Kawalilak has always likened her life experience to being in a canoe, waving at her peers as they sailed by in a big ship.

At 21, she had entered the University of Calgary as a mature student on probationary status; a serious car accident at 16 had left her unable to finish high school. Then, as a single mother, Kawalilak had deferred her studies to concentrate on providing a good upbringing for her young son. In an era when credentials weren't always required, she was mainly taking the degree to better enable her in her job as a social worker.

Years later, after her son was halfway through his own degree and life had made her an educator at various institutions, Colleen decided it was time to complete her degree. Since traditional universities would no longer acknowledge the courses she had earned almost 20 years earlier, Kawalilak was thrilled to discover that Athabasca University would apply those credits - and award academic credit for many of her incredible life experiences - toward the Bachelor of General Studies degree she completed in 1997.

She credits AU with instilling in her the confidence and the passion required to go on to complete her Master of Education, and her PhD in Adult Community and Higher Education.

“What Athabasca did for me,” she says, “was they were so affirming, and they really acknowledged the life experience I had and the prior learning. It was just amazing. It was just the experience of being able to participate in flexible learning. My son has always got the best part of who I am. Something about Athabasca and the way courses are designed is very honouring of that. I never felt torn.”

Now, Kawalilak comments, she feels like the woman on the ship waving to her friends in their canoes. She was hired as a sessional assistant professor at Athabasca University for this past year. In June of 2004, one week after she convocated with her PhD, she was offered a tenure track position with the University of Calgary's faculty of education, in the graduate division of educational research. It took her all of 20 seconds to accept.

“I look at the incredible mentors in my life. They were just incredible people and they gave me so much support and encouragement. They had qualities that really helped me get to where I am. I just want to pass it on.”

Since 1971, Athabasca University has served thousands of people like Colleen Kawalilak, and each year that number increases by 10 per cent. More and more, single mothers, the elderly, the disadvantaged, even established professionals are discovering AU's flexible and empowering learning style. The information included in the following pages represents more than data on paper; each number represents a person whose life has been changed and improved through the opportunities afforded by Athabasca University and distance and online education.





“My educational experience has been a journey. I discovered a lot about myself, including my strength, motivation and ability to persevere. I recommend AU to everyone!”

~ Tina Schwenning, BPA-CJ 2004

Total student numbers

The total number of undergraduate and graduate students at Athabasca University has increased from 24,186 in 2001-02, to 29,542 in 2003-04. This is an average year-over-year annual increase of 11 per cent.

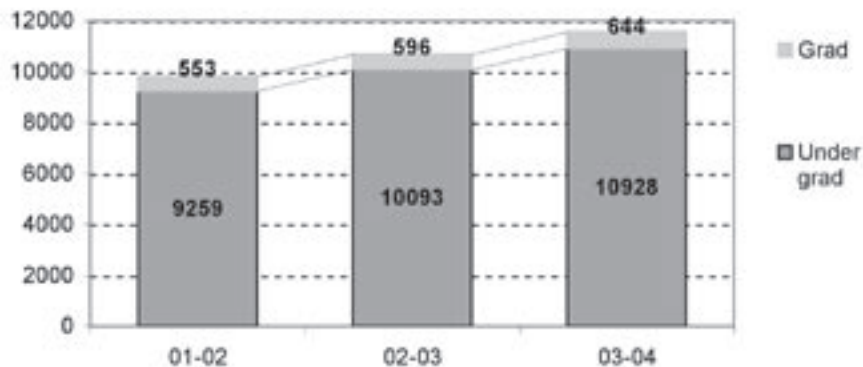
Fiscal year	01-02	02-03	03-04	03-04 increase
Undergraduate	22,071	24,333	26,933	10.7%
Graduate	2,109	2,342	2,609	11.4%
Total number	24,180	26,675	29,542	10.7%

* Graduate total does not include Campus Alberta Master of Counselling.

Total Alberta students

Athabasca University’s business plan target is to increase the number of Alberta students by seven per cent per year. Last year 11,752 Alberta residents took courses at Athabasca University, an increase of 8.3 per cent on the previous year.

Number of Alberta Students



Undergraduate students by geographic origin

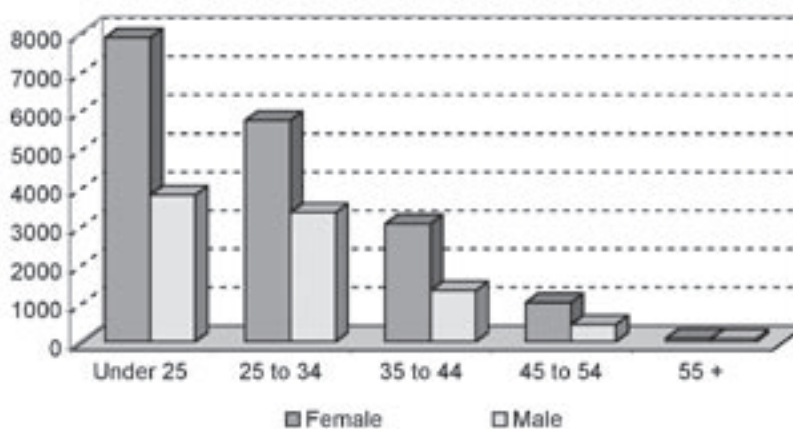
At Athabasca University, registrations from Alberta still predominate. However, the proportion has declined slightly from 42 per cent in 2001-02 to 41 per cent in 2003-04. This is part of a longer trend in Albert undergraduate individualized study registrations declining from 46 per cent in 1999-00 to 41 per cent in 2003-04. The relative decline in Alberta-based undergraduate individualized registrations was a result of a higher growth rate in registrations from the rest of Canada, most particularly from Ontario. The undergraduate individualized study registrations from Ontario students have grown from 5,171 in 1999-00 to 12,244 in 2003-04.

Fiscal year	01-02	02-03	03-04
Geographic origin	%Total	%Total	%Total
Alberta	42.0	41.5	40.6
British Columbia	8.6	9.0	9.6
Saskatchewan	6.2	5.6	5.4
Manitoba	3.8	3.6	3.5
Ontario	23.4	26.3	28.0
Quebec	1.3	1.2	1.3
New Brunswick and Labrador	1.3	1.4	1.5
Newfoundland	1.5	1.4	1.2
Nova Scotia	2.5	2.4	2.8
Prince Edward Island	0.2	0.2	0.3
Northwest Territories	1.1	1.1	1.2
Nunavut	0.2	0.2	0.2
Yukon	0.3	0.3	0.4
Total Canada	92.3	94.4	96.0
International	3.6	3.3	3.1
Unknown	4.1	2.3	0.9
Total number	22,071	24,333	26,933

Undergraduate students by age and gender

The general demographic profile of undergraduate students has remained fairly constant over the past three years, with two-thirds of the students being female and the average age being 29. The proportion of undergraduate students under age 25 has gradually increased and is now 44 per cent.

Age and Gender of Undergraduates





“This is a wonderful school. I recommend it highly to anyone continuing their education.”

~ Amanda Adams-Fryatt, BN 2004

Undergraduate registrations by new and returning students

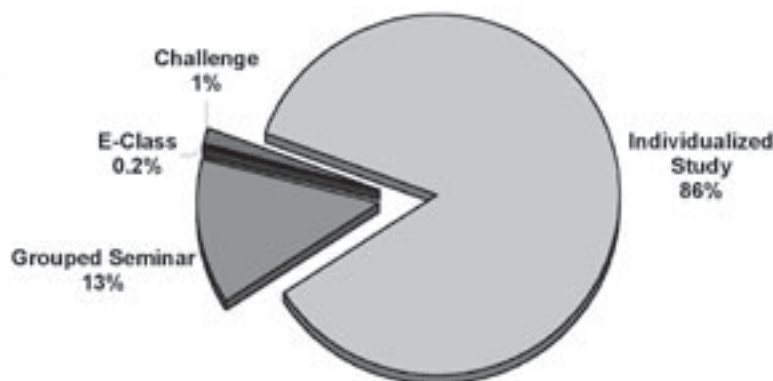
New students accounted for 46 per cent of Athabasca University registrations last year. This is a decrease from 48 per cent in 2001-02

Fiscal year	01-02		02-03		03-04	
	#	%Total	#	%Total	#	%Total
New	18,668	47.7	20,994	47.6	22,842	46.2
Returning	20,476	52.3	23,077	52.4	26,569	53.8
Total number	39,144		44,071		49,411	

Undergraduate student numbers by study mode

Individualized study remains the predominant mode of course delivery in undergraduate courses at Athabasca University. Last year, 85 per cent of all undergraduate registrations were in individualized study courses. This compares to a low of 80 per cent in 1999-00 and a high of 87 per cent in 2001-02. Grouped study registrations increased to 13 per cent this past year, close to the same levels as 1999-00. While E-class options opened with 176 registrations in 2000-01, they peaked at 362 in 2002-03 and dropped to 87 in 2003-04. After more than doubling between 1999-00 and 2002-03, Challenge Exam registration numbers remained relatively steady between 2002-03 and 2003-04.

Registration by Mode 03 - 04



Undergraduate registrations by program

After remaining steady for the previous four years, the proportion of degree program students at Athabasca University increased from close to 20 per cent in 2002-03 to 22 per cent in 2003-04. This represents a 23 per cent increase in course registrations by degree program students between 2002-03 and 2003-04. At the same time, registrations from non-program students increased by only nine per cent, and the proportion of course registrations by undergraduate certificates and diploma students remained roughly the same at two per cent. However, at 76 per cent, non-program students still generate the vast majority of course registrations at Athabasca University.

Fiscal year	01-02		02-03		03-04	
Program	#	%Total	#	%Total	#	%Total
Bachelor of Arts, Four-year	1,087	2.8	1,396	3.2	1,683	3.4
Bachelor of Arts, Three-year	743	1.9	835	1.9	868	1.8
Bachelor of Arts, After degree	76	0.2	85	0.2	84	0.2
Bachelor of Administration	2,132	5.4	2,211	5.0	2,302	4.7
Bachelor of Commerce	850	2.2	923	2.1	1,273	2.6
Bachelor of General Studies	541	1.4	506	1.1	534	1.1
Bachelor of General Studies, After Degree	11	—	8	—	15	—
Bachelor of Nursing	712	1.8	1,006	2.3	1,679	3.4
Bachelor of Professional Arts	576	1.5	806	1.8	877	1.8
Bachelor of Science	220	0.6	333	0.8	417	0.8
Bachelor of Science in Computing and Information Systems	522	1.3	566	1.3	466	0.9
Bachelor of Health Administration	—	—	3	—	32	0.1
Bachelor of Management, Four-year	—	—	53	0.1	158	0.3
Bachelor of Management, Three-year	—	—	47	0.1	387	0.8
Bachelor of Human Resources and Labour Relations	—	—	1	—	31	0.1
Total by undergraduate degrees	7,470	19.1	8,779	19.9	10,806	21.9

Undergraduate registrations by program (cont'd)

Fiscal year	01-02		02-03		03-04	
Program	#	%Total	#	%Total	#	%Total
University Certificate in Accounting	223		230		260	
University Certificate in Advanced Accounting	5		15		13	
University Certificate in Administration	72		82		99	
University Certificate in Career Development	29		29		40	
University Certificate in Computing and Information Systems	94		108		83	
University Certificate in Computers and Management Information Systems	40		53		46	
University Certificate in Counselling Women	14		21		32	
University Certificate in English Language Studies	3		—		2	
University Certificate in French Language Proficiency	17		13		21	
University Certificate in Health Development Administration	21		20		12	
University Certificate in Home Health Nursing	4		2		2	
University Certificate in Human Resources and Labour Relations	—		4		26	
University Certificate in Labour Relations	54		87		62	
University Certificate in Labour Studies	11		3		9	
University Certificate in Public Administration	11		13		10	
University Certificate in Rehabilitation Practice						
University Diploma in Arts	17		42		32	
University Diploma in Inclusive Education	16		33		47	
Total by undergraduate certificates/diplomas	631	1.6	755	1.7	796	1.6
Non-program registrations	31,043	79.3	34,537	78.4	37,809	76.5
Total undergraduate registrations	39,144		44,071		49,411	

Graduate students by program

Athabasca University opened the Master of Nursing program this past year with over 200 students. Student numbers in both the Master of Business Administration (MBA) and Master of Distance Education (MDE) programs remained steady, while registration numbers declined slightly. Caution is required when interpreting MDE registration numbers, as the program's major project registrations (MDE699) are recorded upon completion. The two relatively new graduate programs, Master of Arts and Master of Science-Information Systems, continue to perform well, growing significantly in both students and course registrations.

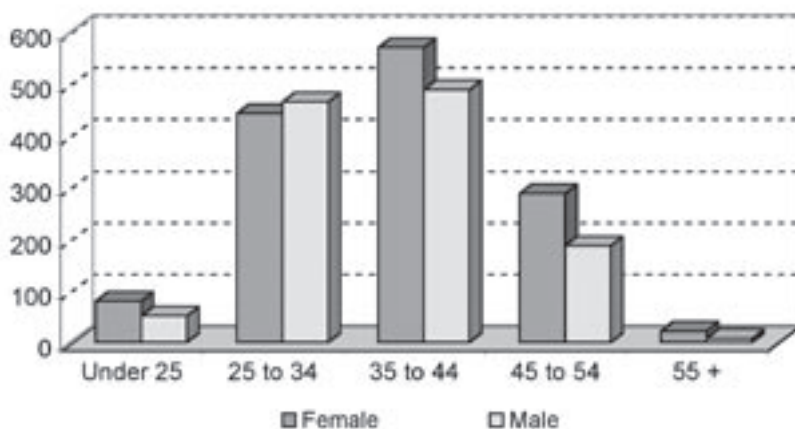
Fiscal year	01-02		02-03		03-04	
Program	#	%Total	#	%Total	#	%Total
Master of Arts – Integrated Studies	124	5.9	214	9.1	311	11.9
Master of Business Administration	1,104	52.3	1,108	47.3	1,087	41.7
Master of Distance Education	424	20.1	421	18.0	429	16.4
Master of Health Studies	411	19.5	498	21.3	402	15.4
Master of Nursing	—	—	—	—	217	8.3
Master of Science – Information Systems	46	2.2	101	4.3	163	6.2
Total number*		2,109		2,342		2,609

* Graduate total does not include Campus Alberta Master of Counselling.

Graduate students by age and gender

Over half of graduate students at Athabasca University are female, but the distribution varies by discipline; the Master of Science-Information Systems being predominantly male and the Master of Health Studies predominantly female. One-third of Master of Business Administration students are female. The average age of graduate students is 40.

Age and Gender of Graduate Students



“For people like me who have existing jobs and careers and family, Athabasca has given me the ability and opportunity to pursue a university degree.”

~ Michael Muzyczka, BAdmin 2004



“I thought, ‘Who could possibly know more about distance education than Athabasca University?’”

~ Glenn Millar, MDE 2004

Graduate students by geographic origin

At Athabasca University in 2003-04, the number of graduate students from three provinces – Alberta, Ontario and British Columbia – accounted for 78 per cent of graduate student numbers. Enrolments from Ontario continue to increase rapidly, resulting in a high proportion of Ontario-based students relative to Alberta-based students.

Fiscal year	01-02		02-03		03-04	
	#	%Total	#	%Total	#	%Total
Alberta	553	26.2	596	25.4	644	24.7
British Columbia	284	13.5	309	13.5	334	12.8
Saskatchewan	73	3.5	75	3.2	89	3.4
Manitoba	92	4.4	100	4.3	98	3.8
Ontario	798	37.8	916	39.1	1,065	40.8
Quebec	50	2.4	50	2.1	55	2.1
New Brunswick	19	0.9	29	1.2	37	1.4
Newfoundland and Labrador	42	2.0	47	2.0	46	1.8
Nova Scotia	26	1.2	37	1.6	50	1.9
Prince Edward Island	5	0.2	8	0.3	11	0.4
Northwest Territories	23	1.1	19	0.8	14	0.5
Nunavut	3	0.1	6	0.3	6	0.2
Yukon	10	0.5	14	0.6	19	0.7
Total Canada	1,978	93.8	2,206	94.2	2,468	94.6
International	128	6.1	133	5.7	139	5.3
Unknown	3	0.1	3	0.1	2	0.1
Total number	2,109		2,342		2,609	

Visiting students

Athabasca University is proud to contribute to the capacity of our sister institutions to meet the needs of their students. Upon application to Athabasca University, students are asked to identify whether they are visiting from other institutions and to specify their home institution. Thirty-nine percent of undergraduate students admitted between the period July 1, 2003 to June 30, 2004 provided home institution information.

The summary below shows that some 20 institutions across the country account for 60 per cent of stated visiting student cohorts. The greatest proportion of visiting students, 15 per cent, originates from the University of Alberta and the University of Calgary.

Home institutions or locations	Number	% of Total	Subtotal	% of Total
University of Alberta	827	8.3%		
University of Calgary	719	7.2%		
Mount Royal College	332	3.3%		
Grant MacEwan College	196	2.0%		
University of Lethbridge	161	1.6%		
All other Alberta	822	8.2%		
Total Alberta			3057	30.5%
University of Ottawa	363	3.6%		
Brock University	355	3.5%		
Queen's University	350	3.5%		
Certified General Accounting Association of Ontario	267	2.7%		
Wilfrid Laurier University	245	2.4%		
Brandon University	226	2.3%		
University of Western Ontario	225	2.2%		
Laurentian University*	158	1.6%		
McMaster University	157	1.6%		
All other Ontario	1,068	10.7%		
Total Ontario			3414	34.1%
University of Saskatchewan	298	3.0%		
Dalhousie University	286	2.9%		
University of Manitoba*	251	2.5%		
St. Francis Xavier University	207	2.1%		
University of Regina	201	2.0%		
University of Victoria	159	1.6%		
Other rest of Canada	1,778	17.7%		
Total rest of Canada			3180	31.7%
Total Canada			9651	
International			369	3.7%
Total			10,020	

* Laurentian University and the University of Manitoba are two of the partner institutions in the Canadian Virtual University. Combined with the other partners—Acadia, British Columbia Open University, Memorial, Royal Military College, Royal Roads University, Télé-université du Québec, University College of Cape Breton and the University of New Brunswick—the visiting cohort from CVU institutions accounts for eight per cent of Athabasca University's total visiting student population.

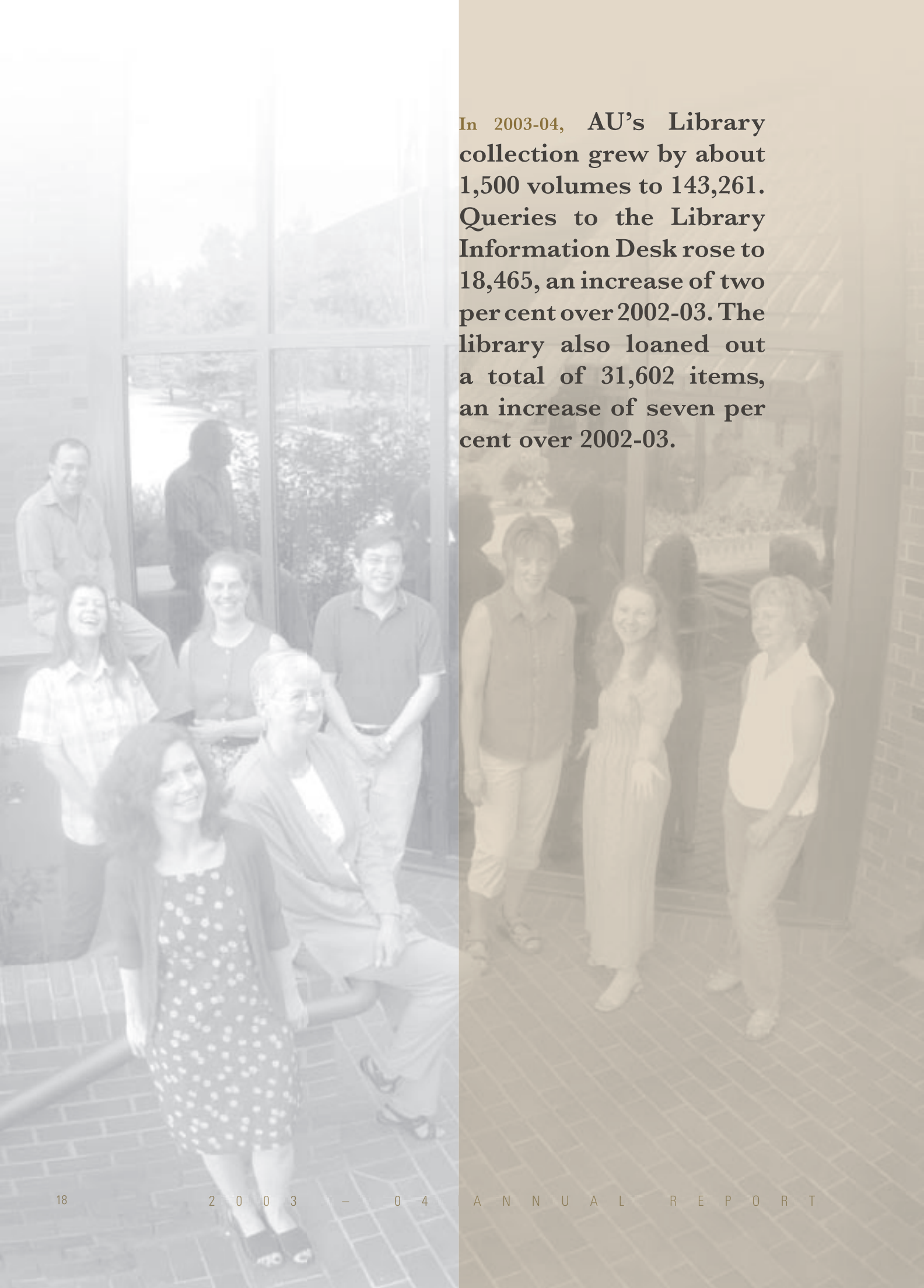
Collaborations/articulations activity

Over the past three years, the number of registrations in grouped seminars delivered at public community colleges has increased by more than 75 per cent. Much of that growth (64 per cent) can be attributed to our partnership with Mt. Royal College in Calgary. International and cost recovery activities are also expanding.



“I have highly recommended Athabasca University, and will continue to do so.”

~Louise Seaman, BAdmin 2004



In 2003-04, AU's Library collection grew by about 1,500 volumes to 143,261. Queries to the Library Information Desk rose to 18,465, an increase of two per cent over 2002-03. The library also loaned out a total of 31,602 items, an increase of seven per cent over 2002-03.

C^oreation

"Man's mind, stretched to a new idea, never goes back to its original dimensions." ~ *Oliver Wendell Holmes*




Technology continues to transform education at AU

As it does in many areas of life, technology is radically transforming the way learning happens over a distance. Athabasca University is leading the charge. In 2003-04, AU initiated a wide range of activities and projects that, by example, will offer better services and improved access for all distance learners. For example:

- All of AU's graduate programs are delivered online. Through the e-Learning Accelerator, a \$1.5 million Alberta Learning-funded project announced January 2004, AU will be adding online components to 150 of its most popular undergraduate courses. By the completion of the e-Learning Accelerator in 2005, 85 per cent of AU's course registrations will be in courses that are delivered online.
- Athabasca University Library has launched the Digital Reading Room (DRR), an interactive resource designed to provide online access to faculty-selected resources. The site allows AU students access to a range of digital media, from online journal articles, electronic books and audio or video clips to websites and learning objects. For resources that are not available digitally, students are provided with a link to request the item from AU Library. Currently, 31 undergraduate courses and 24 graduate courses employ the DRR for efficient linking to online resources in online curriculum pages. More than 80 digital reading files and approximately 6,000 links to learning resources are housed in the DRR.
- AU's ever-evolving student portal, myAU, is already allowing AU students a single point entry to all of their student service, library and education administration needs.

Quality Learning. Anywhere. Anytime.



Athabasca University will continue to work to raise, and dedicate, \$10 million for the technology infrastructure upgrades it requires to maintain its position as Canada's leader in distance and online education. This investment will improve student access to course materials and resources, improve services to students and facilitate much-needed distance education research.

New programs and courses

Fiscal year	01-02	02-03	03-04
Number of new programs introduced (first intake)	8	4	1
Courses developed/in development for introduction	22	23	24

Research publications and other creative works

Fiscal year	01-02	02-03	03-04	Three year average 00-01 to 02-03	Three year average 01-02 to 03-04
Books authored or co-authored	35	42	50	37.67	42.23
Books edited or co-edited	2	4	6	4.67	4.0
Refereed publications	84	88	141	71.33	104.33
Non-refereed publications	64	24	37	39.67	41.67
Conference presentations	184	194	256	174.67	211.33
Peer reviewed publications by undergraduate authors	N/A	N/A	N/A	—	—

Total research funding (in thousands of dollars)

Fiscal year	01-02	02-03	03-04	Three year average 00-01 to 02-03	Three year average 01-02 to 03-04
Total sponsored research values	\$575	\$1,719	\$1,415	\$794.33	\$1,236
Support from council sources	\$279	\$242	\$403	\$178.67	\$308
Council support ratio (council sources/total sponsored research revenue)	48.52%	14.08%	28.52%	22.5%	25%
Support from community and industry sources	\$296	\$1,477	\$1,011	\$615.67	\$928
Community and industry support ratio	51.48%	85.92%	71.48%	77.5%	75%

eduSource

In 2003-04, AU collaborators completed the CANCORE® metadata profile, the protocol that will determine how online learning objects will be catalogued in the eduSource Canada repository. “In 10 or 15 years, these developments will change the face of education and open up all kinds of possibilities for learning, both formal and informal,” notes AU’s Associate Vice-President, Research Dr. Rory McGreal. Find the CANARIE-funded eduSource Canada project at <http://www.edusource.ca/>.

Battling educational barriers

Athabasca University takes seriously its mandate to fight the barriers that prevent individuals pursuing higher education. By offering Alberta’s lowest per-course tuition fees, AU enables more students the opportunity to study. Its flexible learning style means students can study at their own pace, according to their own schedule, and in their own space – even if they are thousands of kilometres away. Collaboration agreements forged between AU and partner institutions allow students in some programs also the option of pursuing credits in a classroom setting.





Dr. Martin Connors and Dr. Rory McGreal of Athabasca University greet Suzanne Corbeil, Vice-President, External Relations for Canada Foundation for Innovation, at the opening of the Athabasca University Geophysical Observatory.



The Athabasca University Geophysical Observatory (AUGO).

AUGO

With construction completed in 2003, and equipment installation completed early in 2004, the Athabasca University Geophysical Observatory is already capturing the images of auroral activity in the skies above Athabasca that are playing an integral role in Canada Space Agency and NASA research projects. Discover more at <http://augo4.acad.athabascau.ca/>.



Dr. Martin Connors observes progress on a Rube Goldberg device at a local school.



The remote lab (Dr. Dietmar Kennepohl, Remote Lab collaborator.)

In January of 2004, collaborators from Athabasca University and Northern Alberta Institute of Technology opened the Canadian Remote Sciences Laboratories portal site. Housed at NAIT, and created at a cost of about \$400,000, this remote science lab allows students to control real-time scientific experiments in a real lab over the Internet. Find out more by clicking on <http://www.remotelab.ca/>.

R *ealization*

"I have never lost the sense that the university is very near the centre of the idea of the human community, and that our society stands or falls with it." ~ *Northrop Frye*



AU's pursuit of excellence recognized

“I was pleased to see that the International Council for Open and Distance Education recently recognized Athabasca University as one of the world’s outstanding distance and open learning institutions. This is yet another of the reasons I’m proud to be a graduate of Athabasca.”

~ Karyn Ferguson, MDE 2004

I

In its pursuit of excellence, Athabasca University considers the opinions of its peers as just one of many markers of success. AU continues to earn high marks among distance educators around the world.

In February of 2004, AU added an award from the International Council for Open and Distance Education (ICDE) to a long list of peer-reviewed honours. From the ICDE's 21st World Conference in Hong Kong, Athabasca University took home an Institutional Prize of Excellence for its role as one of the world's outstanding distance and open learning institutions.

The ICDE is the global membership organization of educational institutions, national and regional associations, corporations, educational authorities and agencies in the fields of open learning, distance education, and flexible, life-long learning. It represents members in 142 countries around the world.

The ICDE only bestows the Institutional Prize to "... educational organizations, governments and companies for outstanding contributions to the field (of distance education), particularly in terms of innovation, quality and leadership. These achievements should have made very significant contributions, across cultural and linguistic barriers, to the international community of distance and virtual learning during the last five years."

"We are delighted that our colleagues around the world recognize the achievements of the students and staff of the University in this way," notes Athabasca University president, Dr. Dominique Abrioux. "It is a strong reflection of the commitment to growth, excellence and service that is at the heart of Athabasca University's work."



Middle States

Since Athabasca University earned candidacy status with the Middle States Commission on Higher Education (MSCHE) in 2002, the university has undergone an intensive self-evaluation. Rows of binders that line the walls of AU's Centre for Institutional Studies document the value of an AU degree. "Middle States is very interested in the evidence-based institution," explains Accreditation Project Leader Ken Collier. "They want to see that students have the experience we say they do." Upon completion of this process, AU will be the first Canadian university to be accredited to offer all of its degree programs in the US.

Degrees, diplomas and certificates awarded

Fiscal year	01-02	02-03	03-04
Graduate numbers			
Undergraduate degrees			
Bachelor of Arts	44	55	84
Bachelor of Administration	124	121	135
Bachelor of Commerce	23	12	17
Bachelor of General Studies in Arts and Science	61	50	46
Bachelor of General Studies in Applied Studies	39	57	38
Bachelor of Health Administration	—	—	1
Bachelor of Human Resources and Labour Relations	—	—	—
Bachelor of Management	—	6	29
Bachelor of Nursing	46	60	91
Bachelor of Professional Arts	27	58	52
Bachelor of Science	3	3	2
Bachelor of Science in Computing and Information Systems	4	6	7
Total number	371	428	502
Graduate degrees			
Master of Arts-Integrated Studies	1	5	14
Master of Business Administration	262	178	157
Master of Business Administration in Information Technology	—	65	39
Master of Business Administration in Project Management	—	—	7
Master of Distance Education	31	42	50
Master of Health Studies	17	31	52
Master of Nursing	—	16	33
Master of Science-Information Systems	—	—	1
Total number	311	337	353
Total degrees awarded		765	855

“I will remember the support and encouragement from the tutors ... of the university through the course of the program.”

~ Wendy Wilson, BN 2004

Degrees, diplomas and certificates awarded (cont'd)

Fiscal year	01-02	02-03	03-04
Graduate numbers (continued)			
Undergraduate certificates/diplomas			
University Certificate in Accounting	—	18	19
University Certificate in Advanced Accounting		—	1
University Certificate in Administration		4	5
University Certificate in Career Development		—	5
University Certificate in Computing and Information Systems		1	8
University Certificate in Computers and Management Information Systems		3	3
University Certificate in Counselling Women		2	1
University Certificate in English Language Studies		—	1
University Certificate in French Language Proficiency		2	3
University Certificate in Health Development Administration		—	—
University Certificate in Home Health Nursing		1	—
University Certificate in Human Resources and Labour Relations		—	4
University Certificate in Industrial Relations and Human Resources		8	5
University Certificate in Labour Relations		2	5
University Certificate in Labour Studies		—	1
University Certificate in Public Affairs		—	1
University Certificate in Rehabilitation Practice		—	—
University Diploma in Arts		1	1
University Diploma in Inclusive Education		2	8
Total	66	44	71
Advanced graduate diplomas			
Advanced Graduate Diploma in Nursing Practice	11	17	17
Advanced Graduate Diploma in Distance Education	31	15	16
Advanced Graduate Diploma in Management	416	286	125
Graduate Diploma in Management	—	—	146
Total certificates and diplomas	524	362	375
Total credentials awarded	1,206	1,127	1,230

Staffing

As of March 1,	2002	2003	2004
Total number of employees	919	987	1,028
As of March 1,	2002	2003	2004
Breakdown by employee type			
Academic, full-time	104	103	106
Academic, part-time	117	144	161
Professional	115	129	145
Management and executive	15	17	17
Support and temporary	251	257	262
Casual	68	88	79
Part-time tutors	249	249	258
As of March 1,	2002	2003	2004
Employee location of work			
Athabasca	394	411	419
Edmonton Learning Centre	47	58	59
St. Albert (CIM)	39	36	44
Calgary Learning Centre	12	14	12
Lethbridge	1	1	1
Medicine Hat	1	1	—
Home offices	425	466	493

IRRODL

With over 7,000 subscribers in 82 countries, Athabasca University's *International Review of Research in Open and Distance Learning* (IRRODL) continues to gain respect. Along with a new design, the website now offers translations in Spanish, French and Chinese, full search engine capabilities, and *Technical Notes*, a series showcasing the work of evaluators and AU's Master of Distance Education students. Find IRRODL at <http://www.irrodl.org>.

A *ccountability*

"We are what we repeatedly do. Excellence, then, is not an act, but a habit." ~ *Aristotle*



Former Chair of Athabasca University Governing Council Robert Fulton accompanies Alberta's Lieutenant-Governor, Lois Hole, during a special celebration of Athabasca University in November of 2003.

Athabasca University finds keeping in touch matters

Since its inception, Athabasca University has taken pride in making education as accessible as possible. Increasingly, the university endeavours to make itself more accessible, in terms of communicating internal activities to students, staff and community partners.

In the past year, Athabasca University has undertaken a series of measures to share itself with the outside community. In November of 2003, the university held the first of what will be annual community events at the Fairmont Hotel MacDonald in Edmonton. Lieutenant-Governor Lois Hole and Learning Minister Lyle Oberg were among a long list of distinguished guests to celebrate AU's continuing dedication to distance and online learning.

Throughout November 2003, AU's four-member executive group travelled the province holding meetings with staff, faculty, tutors and students to update them on the university's progress in meeting targets outlined in its Strategic University Plan. Members of the AU family were then afforded the opportunity to ask questions about the plan and how its targets will affect day-to-day life at Athabasca University.

In a follow-up effort, AU posted a series of discussion boards to facilitate discussion surrounding university events and initiatives. Find out what was discussed by logging on to <http://chinstrap.cs.athabascau.ca/cgi-bin/b7/main.pl?rid=1>.

“We all need to understand where we are in our journey for growth, quality, balance and success as a university,” says AU's Executive Director, External Relations Dr. Stephen Murgatroyd. “We also need to own our future and challenge ourselves to be the best we can be. One task is to share, as colleagues, what our achievements are and what concerns people. These events and discussion boards serve as an opportunity for us to look at where we are, look at where we need to be, and to think through some of the issues which will face us on the next steps in this journey.”



“My MBA has led to considerably more autonomy in terms of what I’ve been given to do by my immediate supervisors. I can take something on and they have the confidence to let me go ahead and do it.”

~ Andrew Soon, MBA 1997



Value to the taxpayer

Fiscal year	99-00	00-01	01-02	02-03	03-04
Government funding per FLE	\$4,276	\$4,193	\$4,529	\$4,251	\$4,077*

* Pending confirmation of official Full-Load Equivalent (FLE) by Alberta Learning - based on \$23,257,000/5,704.

Value to the student

Athabasca University’s basic undergraduate fee level increased in 2003-04 by 7.1 per cent. As the table below shows, the university continues to be a relatively low-cost provider in terms of tuition fees charged to students by other Alberta and out-of-province universities. Since AU students avoid most of the costs facing traditional university students – particularly relocation, travel, and loss of employment income - Athabasca University remains the most affordable Canadian university option by a considerable margin.

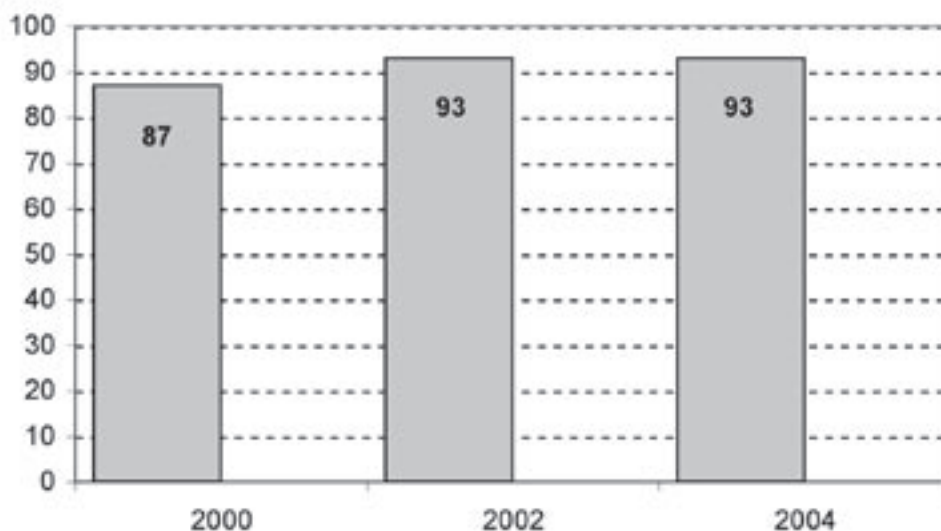
Fiscal year	94-95	01-02	02-03	03-04	04-05 proposed
Cost per three-credit course					
Alberta universities					
Athabasca University	\$255	\$341	\$355	\$381	\$408
University of Alberta	\$228	\$389	\$403	\$431	\$454
University of Calgary	\$239	\$398	\$412	\$438	\$459
University of Lethbridge	\$238	\$347	\$347	\$373	\$400
Other Canadian universities					
University of Northern British Columbia	\$220	\$214	\$275	\$366	
Simon Fraser University	\$219	\$219	\$285	\$371	
University of Waterloo	\$276	\$403	\$411	\$419	
York University	—	—	\$411	\$418	
University of Ottawa	—	—	\$409	\$416	
Ryerson University	—	—	\$418	\$418	
Laurentian University	\$223	\$403	\$411	\$418	
Wilfrid Laurier University	—	—	\$460	\$469	
Memorial University	\$316	\$297	\$297	\$267	
University of Manitoba	\$221	\$300	\$300	\$300	

External performance indicators

Athabasca University participates in the provincial University and University Colleges Graduate Employment and Student Satisfaction surveys. The most recent survey of AU's Class of 2002, two years after graduation, showed Athabasca University continues to receive high ratings in key performance measures for employment and satisfaction. For example:

- 98 per cent of the graduates who were in the labour force were employed;
- 86 per cent of the graduates who were employed had jobs that were related to their area of study;
- The median annual income of the graduates surveyed was \$75,000;
- 83 per cent agreed or strongly agreed with the statement: "Given the benefits of post-secondary education, I consider the program to be worth the financial cost to me and my family," and;
- 97 per cent said they would recommend Athabasca University to someone else.

Per cent satisfied with overall quality of educational experience



The preliminary full load equivalent (FLE) count, excluding the Campus Alberta Master of Counselling program, is 5,704 per the academic year 2003-04. This is 11 per cent higher than the comparable number for 2002-03.

Tuition fee policy compliance information*

(in thousands of dollars)

Total tuition fee revenue from programs under the Tuition Fee Policy: \$7,738

Net operating expenditures under the Tuition Fee Policy: \$27,224

Tuition fee revenue as a percentage of net operating expenditures: 28.4 per cent

* The information shown above provides a calculation of the ratio of institution tuition fee revenue to net operating expenditures, and demonstrates institution performance with respect to the 30 per cent tuition fee ceiling. The information was prepared in accordance with the Public Post-Secondary Institutions' Tuition Fees Regulation (55/2004). The calculation has been submitted to Alberta Learning and is pending verification by Ministry staff.



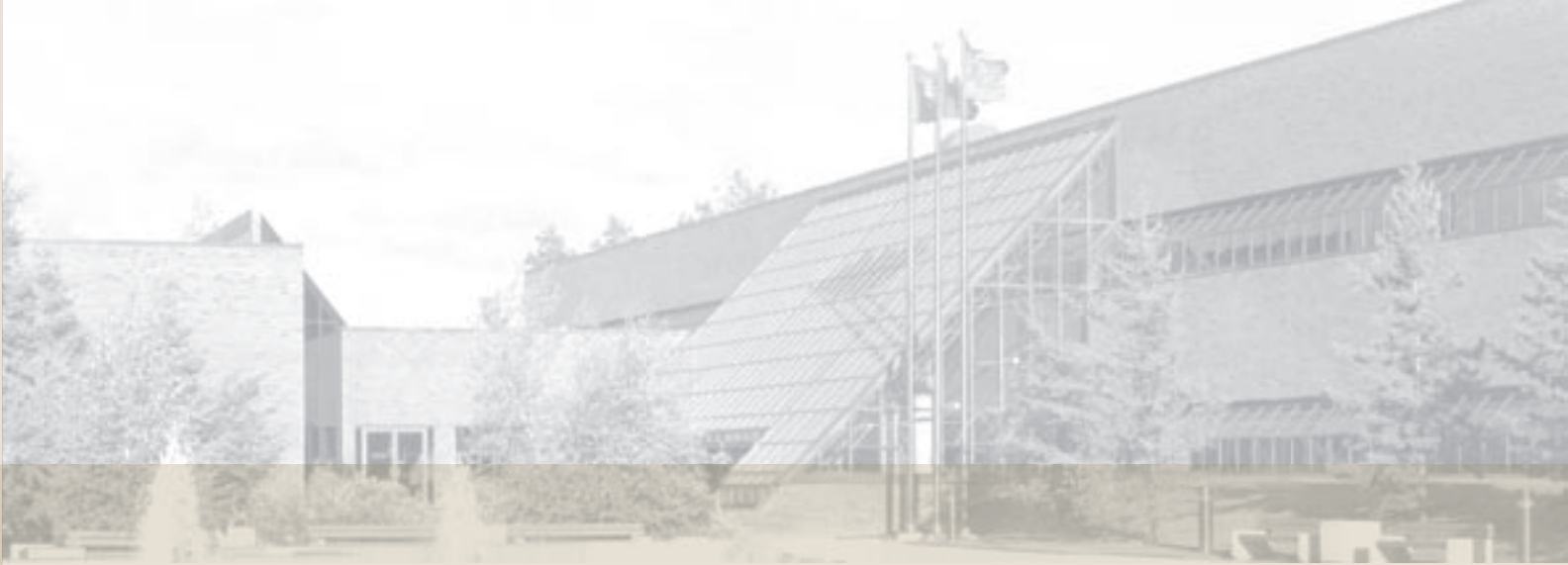
“It was just a great experience, from start to finish, Athabasca University has provided support like a family. And they provide all the resources you require to pursue your dreams of obtaining a degree.”

~Belynda Lee, BAdmin 2000



Athabasca University looking forward

While this report presents a snapshot in time, Athabasca University continues to cast its gaze forward. Coming years hold the promise of a number of exciting prospects and challenges, and Athabasca University is determined to face those with the grace, enthusiasm and resourcefulness that have become hallmarks of the institution.



The year 2004-05 will hold special challenges for Athabasca University, as it faces significant changes in leadership. A committee has been struck to replace Dr. Dominique Abrioux, who has announced his intention to step down in June 2005, at the end of his current term as president. Vice-President, Academic Dr. Judith Hughes has also announced her retirement in June 2005.

While AU laments the departure of these individuals, it also looks forward to the contributions that will come from new leaders, such as David Burnett who, in June 2004, took over as Chair of Athabasca University Governing Council.

The implementation of doctoral programs remains high on AU's list of priorities. In 2003-04, Athabasca University approved, in principle, a plan to create a Doctor of Distance Education program. Also under discussion is a Doctor of Business Administration. Much work remains to be completed, and approvals required, but doctoral studies will improve the value of scholarship for all members of the AU family.

In its constant pursuit of higher quality service and efficiency, Athabasca University has hired Brian Stewart to serve as its Chief Information Officer. In that role, Stewart will work to identify, set priorities and resource appropriate technologies to meet the university's agenda for student learning, program and course development, student support services, financial and human resource activities, and improved student success and retention.

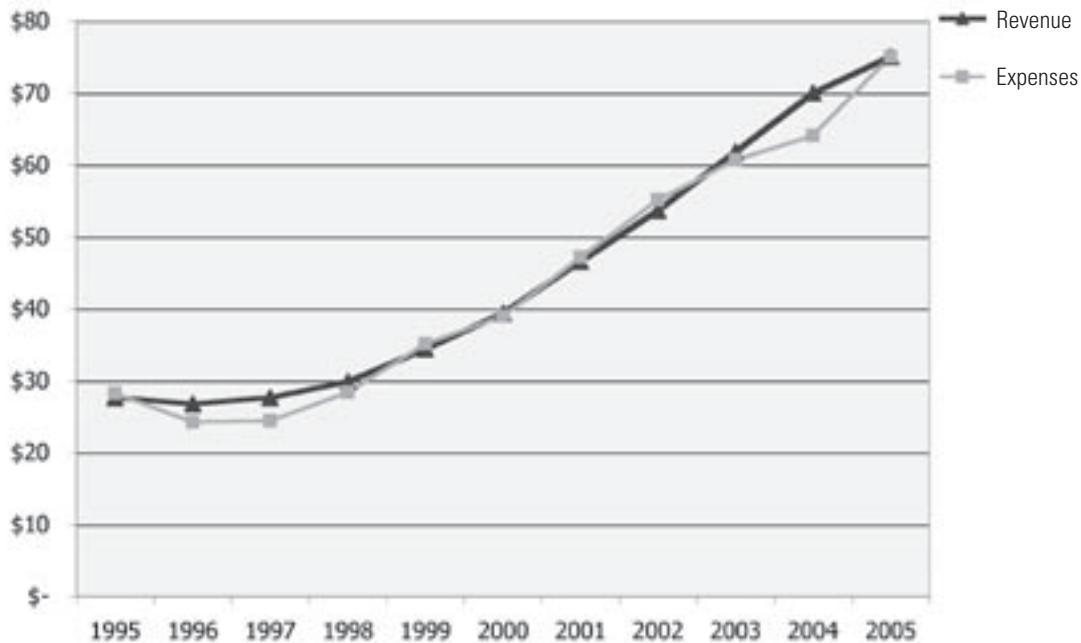
Student enrolment continues to increase by 10 per cent annually. With that, AU continues to work towards growing the infrastructure that will ensure each individual student continues to receive the quality education and individualized attention for which Athabasca University has become known.

Indeed, the future looks bright for Athabasca University.

Financials

"Knowledge is not bought with small change." ~ *J. Francis Leddy*

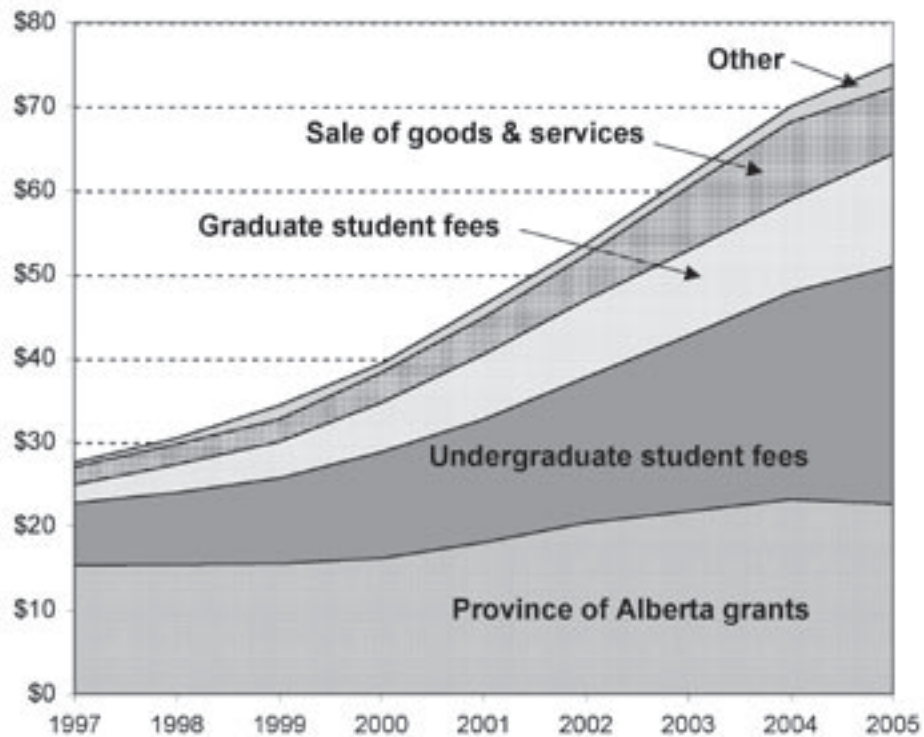
**Revenue versus expenses
from 1995 to 2004 Actual and 2005 Budget**
(in millions of dollars)



Revenue versus expenses

- From 1999 to 2004, revenue more than doubled, from \$34 million to \$70 million.
- The compound revenue growth since 1999, averaging more than 15 per cent annually, is dramatic and results from significant growth in undergraduate and graduate registrations.
- Related to revenue growth, operating expenses have also increased substantially, but are more variable than revenue changes.
- While the average increase in expenses was 14 per cent annually from 1999, restraint was very evident in 2003-04, as expenses increased only six per cent compared to 2002-03.
- Expense growth has varied more than revenue growth due to significant strategic investments in graduate programs, technology development and research projects.
- The university strives for balanced budgets with total revenue equal to total expenses, recognizing that certain investments often are necessary to precede growth.

**Revenue by source, trend
from 1997 to 2004 Actual and 2005 Budget**
(in millions of dollars)

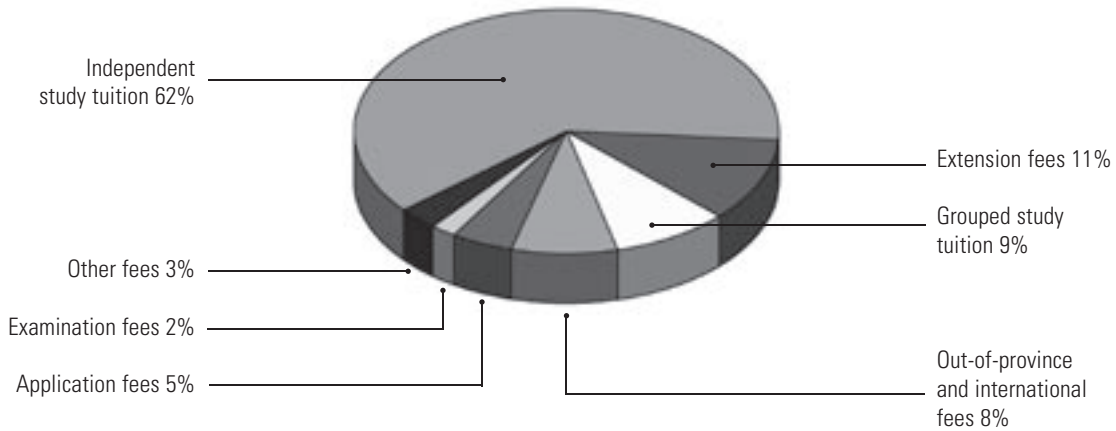


Revenue by source

- The total of all undergraduate student fees continued to grow and now represent 35 per cent of revenue in 2003-04, compared to 34 per cent in 2002-03.
- Also, sales of goods and services increased and now represent 13 per cent of total revenue in 2003-04, compared to 12 per cent in 2002-03.
- By contrast, Province of Alberta grants declined proportionately to 33 per cent of total revenue in 2003-04, from 35 per cent in 2002-03.
- As well, the total of graduate student fees declined proportionately to 16 per cent of total revenue in 2003-04, from 17 per cent in 2002-03.

Undergraduate student fees

for the year ended March 31, 2004

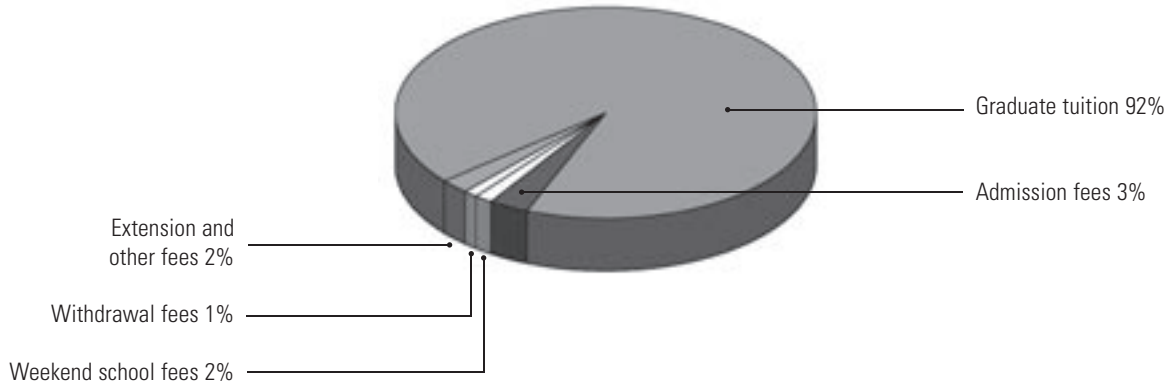


Undergraduate student fees

- Undergraduate student fees are very diverse, with independent study tuition comprising 62 per cent of total fees in 2003-04. This proportion is unchanged from 2002-03.
- Grouped study student fees increased proportionately to nine per cent of undergraduate student fees in 2003-04, from eight per cent in 2002-03.
- The remaining undergraduate fees, for the most part, are linked to specific services (e.g. course extensions) or specific student groups (e.g. out-of-province and international).
- Extension fees, together with out-of-province and international fees, are very significant, as they comprise 19 per cent of total undergraduate student fees.

Graduate student fees

for the year ended March 31, 2004

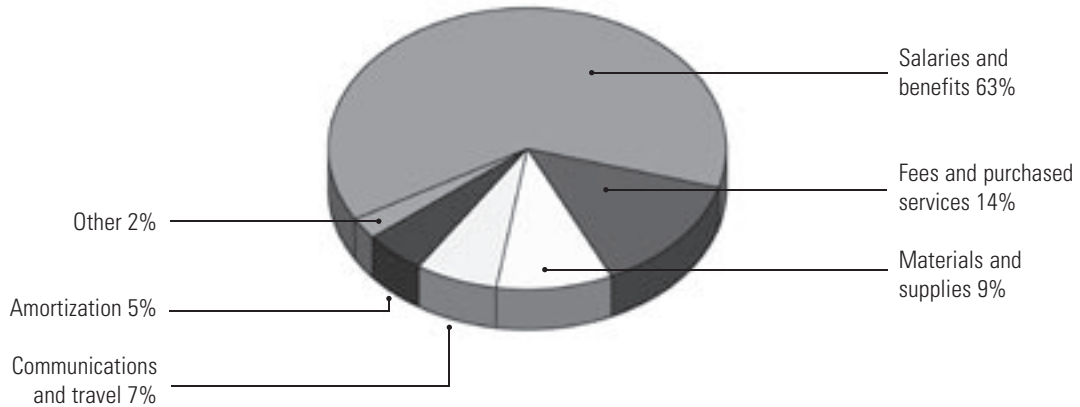


Graduate student fees

- Graduate tuition comprises 92 per cent of graduate student fees, whereas undergraduate tuition comprises only 62 per cent of undergraduate student fees.
- The large graduate tuition component reflects the nature of the university's graduate programs.
- Graduate students register in and complete programs, and graduate fees reflect this comprehensive program orientation.
- By contrast, many undergraduate students are considered 'visiting students' and take a few courses each to obtain transfer credit for other institutions' programs.

Expense by type

for the year ended March 31, 2004



Expense by type

- Salaries and benefits, at 63 per cent of the university’s expenses, are the single largest expense.
- Salaries and benefits result from negotiated collective agreements, and are subject to annual cost-of-living, annual increment and benefit increases.
- Fees and purchased services, at 14 per cent of expenses, include instructional, course development, library and maintenance services for the university.
- Materials and supplies, representing nine per cent of expenses, are primarily course materials purchased.
- The expense proportions for 2003-04 are very similar to 2002-03.

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

Auditor's report

To the Athabasca University Governing Council

I have audited the statement of financial position of the Athabasca University as at March 31, 2004, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
May 7, 2004

Original signed by Fred J. Dunn, FCA
Auditor General

Athabasca University
Statement of financial position
March 31, 2004
(thousands of dollars)

Assets	2004	2003
Current assets		
Cash and short-term investments (Note 3)	\$16,179	\$14,892
Accounts receivable (Note 4)	3,740	3,493
Inventory of course materials	2,847	2,832
Prepaid expenses	560	413
	23,326	21,630
Non-current investments (Notes 3 and 5)	12,599	5,255
Deferred course development costs (Note 6)	318	386
Capital assets (Note 7)	20,151	21,469
	\$56,394	\$48,740
Liabilities and net assets		
Current liabilities		
Accounts payable and accruals	\$1,754	\$1,769
Salaries and benefits payable (Note 8)	4,527	4,845
Deferred revenue	10,454	8,552
Deferred contributions (Note 9)	2,431	1,025
Due to Joint Venture	—	287
Current portion of obligation under capital lease (Note 10)	50	53
	19,216	16,531
Obligation under capital lease (Note 10)	95	136
Deferred salaries and benefits payable (Notes 8 and 18)	1,746	1,492
Unamortized deferred capital contributions (Note 11)	12,537	13,095
Unamortized course development contributions (Note 11)	318	386
Deferred capital contributions (Note 12)	135	662
	34,047	32,302
Net assets		
Investment in capital assets (Note 7)	7,469	8,185
Endowments (Note 13)	1,089	1,089
Internally restricted (Note 14)	12,027	5,979
Unrestricted	1,762	1,185
	22,347	16,438
	\$56,394	\$48,740

Approved on behalf of the Governing Council

Original signed by David J. Burnett

David J. Burnett, CA, Chair

Original signed by Dominique Abrioux

Dr. Dominique Abrioux, President

Athabasca University
Statement of operations
For the year ended March 31, 2004
(thousands of dollars)

	2004	2003
Revenue		
Province of Alberta grants (Note 17)	\$22,135	\$20,758
Undergraduate student fees	24,649	20,897
Graduate student fees	11,104	10,222
Sales of goods and services	9,226	7,488
Amortization of deferred capital contributions (Note 11)	1,054	1,011
Amortization of deferred course development contributions (Note 11)	68	139
Interest (Note 13)	872	439
Donations	163	51
Research and other grants	664	501
Other	30	303
	69,965	61,809
Expenses		
Salaries and benefits (Note 19)	40,177	37,423
Fees and purchased services	8,774	8,748
Materials and supplies	6,116	5,286
Communications and travel	4,171	4,280
Amortization of capital assets	3,085	3,279
Amortization of deferred course development costs (Note 6)	68	139
Insurance, utilities and taxes	605	573
Facilities rental	853	797
Scholarships	207	141
	64,056	60,666
Excess of revenue over expenses	\$5,909	\$1,143

Athabasca University

Statement of changes in net assets

For the year ended March 31, 2004

(thousands of dollars)

	2004					2003
	Investment in capital assets	Endowments	Internally restricted	Unrestricted	Total	Total
Balance, beginning of year	\$8,185	\$1,089	\$5,979	\$1,185	\$16,438	\$15,295
Excess of revenue over expenses	—	—	—	5,909	5,909	1,143
Investment in capital assets, internally funded	1,271	—	—	(1,271)	—	—
Repayment of obligations under capital lease	44	—	—	(44)	—	—
Amortization of internally funded assets	(2,031)	—	—	2,031	—	—
Interfund transfers (Note 14)	—	—	6,048	(6,048)	—	—
Balance, end of year	\$7,469	\$1,089	\$12,027	\$1,762	\$22,347	\$16,438

Athabasca University

Statement of cash flows

For the year ended March 31, 2004

(thousands of dollars)

	2004	2003
Cash provided from operating activities:		
Excess of revenue over expenses	\$5,909	\$1,143
Items not affecting cash flow:		
Amortization of capital assets	3,085	3,279
Amortization of deferred course development costs	68	139
Amortization of deferred capital contributions	(1,054)	(1,011)
Amortization of deferred course development contributions	(68)	(139)
Increase in deferred salaries and benefits payable	254	494
Write down of investment	—	137
Equity in joint venture earnings (Note 5)	(134)	(32)
Transfer from deferred capital contributions (Note 9)	(31)	(58)
	8,029	3,952
Change in non-cash working capital		
Change in current assets, except cash and short-term investments	(409)	(428)
Change in current liabilities, except current portion of obligation under capital lease	2,688	2,150
	2,279	1,722
	10,308	5,674
Cash used in investing activities:		
(Increase) decrease in non-current investments	(7,210)	(468)
Capital asset acquisitions, internally funded	(1,271)	(971)
Capital asset acquisitions, externally funded	(496)	(753)
	(8,977)	(2,192)
Cash provided from financing activities:		
Deferred capital contributions	—	212
Capital lease payments (Note 10)	(44)	(11)
	(44)	201
Increase in cash and cash equivalents	1,287	3,683
Cash and cash equivalents, beginning of year	14,892	11,209
Cash and cash equivalents, end of year	\$16,179	\$14,892

Athabasca University**Notes to the financial statements****March 31, 2004**

(thousands of dollars)

Note 1 Authority and Purpose

Athabasca University (the "University") operates under the authority of the Post-secondary Learning Act, Statutes of Alberta 2003, chapter P-19.5. It is directed by an appointed Governing Council and offers undergraduate and graduate degree programs through distance education. The University is a registered charity and is exempt from the payment of income taxes.

Note 2 Significant Accounting Policies and Reporting Practices**(a) General**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates, the potential errors of which, in administration's opinion, are within reasonable limits of materiality have been made using professional judgments and conform to 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) Revenue Recognition

Government operating grants are recognized as revenue in the period received, or, where the grants relate to a future period, they are deferred and recognized in the subsequent period.

Contributions restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the acquisition of capital assets having a limited life are deferred and recorded as deferred capital contributions in the period in which they are expended. Deferred capital contributions are amortized to revenue over the useful lives of the related assets. Contributions restricted for the development of courses are deferred and amortized to revenue over five years.

Endowment contributions are recognized as direct increases in net assets in the period in which they are received. Contributions restricted for the acquisition of non-consumable capital assets are recognized as direct increases in net assets in the period in which they are expended.

Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services rendered. Deferred revenue includes course and seminar fees received in advance.

Donations of goods and services that otherwise would have been purchased are recorded at fair value when a fair value can be reasonably determined.

Volunteers contribute services to assist the University in carrying out its mission. Such contributed services are not recognized in these financial statements.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Investments

Current investments are valued at the lower of cost and market value. Non current investments are valued at cost or, when there has been other than a temporary impairment in the value of the investment, at market value which is now considered the new cost. Gains or losses on sales of investments are recognized in the year of disposal. The investment in a joint venture is accounted for using the equity method.

(d) Inventory of Course Materials

Inventory of course materials is valued at the lower of cost and net realizable value.

(e) Copyrights

It is the policy of the University to obtain a copyright on all course material produced. These copyrights are recorded at a nominal value of \$1 and included in prepaid expenses.

(f) Deferred Course Development Costs

Costs related to the development of special purpose courses through Curriculum Redevelopment Funding are deferred and amortized over periods not exceeding five years from the time development is completed.

(g) Capital Assets

Capital assets acquisitions are recorded at cost, except for donated assets, which are recorded at fair value. Capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

	<u>Years</u>
Buildings and site improvements	10 – 40
Furnishings, equipment and software	3 – 10
Library materials	10

Works of art assets purchased by the University are recorded at cost. Donated works of art assets are recorded at fair values.

(h) Employee Future Benefits

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

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plan. The University does not record its portion of the pension plans' deficit or surplus.

The University has other defined benefit plans. The cost of benefits earned by employees in these plans 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.

(i) Fair Value of Financial Instruments and Cash Equivalents.

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed. Cash and cash equivalents consist of cash and short-term investments. Short-term investments consist of commercial paper, bonds, and a term deposit, that mature within one year.

Note 3 Investments

Non-current investments represent funds related to deferred capital contributions, endowments and certain amounts internally restricted by the Governing Council and consist, together with cash and short-term investments, of the following:

	2004				2003	
	Cash and short-term investments	Non-current investments	Total		Total	
			Carrying value	Market ⁽¹⁾	Carrying value	Market
Monetary investments						
Bank balances	\$3,979	\$89	\$4,068	\$4,068	\$5,283	\$5,283
Money market investments ⁽²⁾	12,200	12,293	24,493	24,493	13,735	13,735
Bonds	—	—	—	—	1,006	1,029
Sub-total	16,179	12,382	28,561	28,561	20,024	20,047
Other investments ⁽³⁾	—	217	217	217	123	123
Total 2004	\$16,179	\$12,599	\$28,778	\$28,778	\$20,147	\$20,170
Total 2003	\$14,892	\$5,255	\$20,147	\$20,170		

(1) Market value approximates fair value of investments, except for other investments, where carrying value approximates fair value.

(2) Money market investments are purchased at a discount by the University and must be rated at R-1 or better (rated by Dominion Bond Rating Service). At March 31, 2004, the investments held have an average effective yield of 2.55% (3.04% - 2003) and will mature within 60 days.

Note 3 Investments (continued)

(3) Other investments, recorded at the lower of carrying value and estimated market value, include shares of two private companies and a joint venture interest.

Note 4 Accounts Receivable

Accounts receivable includes \$325 (2003 - \$535) in grants due from the Province of Alberta and \$96 (2003 - \$0) in recoverable expenses from Campus Alberta: Graduate Program in Counselling Joint Venture.

Note 5 Interest in Joint Venture

The University has a one-third joint venture interest in the Campus Alberta: Graduate Program in Counselling. Three Alberta universities formed the joint venture to develop and deliver a Collaborative Alberta Graduate Counselling Program.

The University's equity in the accumulated earnings of the joint venture at March 31, 2004 is \$217 (2003 - \$123).

The University's share of the joint venture's assets, liabilities and equity is:

	2004	2003
Current assets	\$411	\$282
Capital assets	8	10
	\$419	\$292
Current liabilities	\$194	\$159
Unamortized deferred capital contributions	7	10
Investment in capital assets	1	—
Joint venture interest	217	123
	\$419	\$292

The University's share of joint venture earnings for the year ending March 31, 2004 is \$134 (2003 - \$32), which is one-third of the net of total revenues of \$1,545 (2003 - \$872) less total expenses of \$1,143 (2003 - \$776).

Note 6 Deferred Course Development Costs

	2004	2003
Balance, beginning of year	\$386	\$525
Costs incurred during the year	—	—
	386	525
Less amount amortized during the year	(68)	(139)
Balance, end of year	\$318	\$386

Note 7 Capital Assets and Investment in Capital Assets

	2004			2003
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$1,567	\$ —	\$1,567	\$1,567
Buildings and site improvements	26,242	13,772	12,470	12,448
Building construction in progress	—	—	—	490
Furnishings, equipment and software (Note 10)	17,276	12,450	4,826	5,587
Library materials	5,002	4,334	668	757
Works of art	620	—	620	620
	<u>\$50,707</u>	<u>\$30,556</u>	<u>20,151</u>	21,469
Unamortized deferred capital contributions related to capital assets (Note 11)			(12,537)	(13,095)
Obligation under capital lease (Note 10)			(145)	(189)
Investment in capital assets			<u>\$7,469</u>	<u>\$8,185</u>

The University holds a collection of 486 works of art consisting of sketches, limited edition prints, photographs and some original paintings. The works of art are held by the University for public exhibition.

Note 8 Salaries and Benefits Payable

	2004	2003
Salaries and wages	\$1,806	\$2,226
Vacation pay	1,388	1,401
Administrative Leave Plan	1,226	1,172
Flexible Benefit Plan	889	671
Professional development funds	964	867
Total salaries and benefits payable	6,273	6,337
Current portion of salaries and benefits payable	(4,527)	(4,845)
Deferred salaries and benefits payable	<u>\$1,746</u>	<u>\$1,492</u>

Deferred salaries and benefits payable are the long-term accrued benefit obligations of the Administrative Leave Plan and Flexible Benefit Plan.

Note 9 Deferred Contributions

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

	2004	2003
Balance, beginning of year	\$1,025	\$1,338
Contributions received in the year	2,093	634
Transfer from deferred capital contributions (Note 12)	31	58
Amount recognized as revenue in the year	(718)	(1,005)
Balance, end of year	\$2,431	\$1,025
The balance consists of funds restricted from:		
Province of Alberta		
Access	\$1,839	\$410
Learning Enhancement	56	76
Curriculum Redevelopment	70	70
Intellectual Infrastructure	13	13
Infrastructure Maintenance	15	—
Sponsored research special projects	438	456
	\$2,431	\$1,025

Note 10 Obligation Under Capital Lease

The University leases certain equipment under agreements, which are classified as capital leases. Costs and accumulated amortization of such assets totaled \$1,210 and \$567 respectively (2003 - \$1,210 and \$416) and are included in furnishings, equipment and software (Note 7).

Future minimum capital lease payments are as follows:

	2004	2003
2004	\$ —	\$54
2005	54	54
2006	54	54
2007	53	53
Total future minimum lease payments	161	215
Less amount representing implicit interest at 8%	(24)	(36)
Net future minimum lease payments	137	179
Plus accrued interest	8	10
Total capital lease payable	145	189
Less current portion and accrued interest	(50)	(53)
Long term obligation under capital lease	\$95	\$136

Note 11 Unamortized Deferred Capital and Deferred Course Development Contributions

	2004			2003
	Related to			Total
	Capital assets	Deferred course Development	Total	
Balance, beginning of year	\$13,095	\$386	\$13,481	\$13,878
Transfers from deferred capital contributions (Note 12)	496	—	496	753
	13,591	386	13,977	14,631
Amortized to revenue	(1,054)	(68)	(1,122)	(1,150)
Balance, end of year	\$12,537	\$318	\$12,855	\$13,481

Note 12 Deferred Capital Contributions

Deferred capital contributions represent unspent capital funding received from governments and publicly funded organizations.

	2004	2003
Balance, beginning of year	\$662	\$1,261
Add contributions received in the year	—	212
Transfers to unamortized deferred capital contributions in the year (Note 11)	(496)	(753)
Transfer to deferred contributions in the year (Note 9)	(31)	(58)
Balance, end of year	\$135	\$662

Note 13 Endowments

Endowments consist of externally restricted donations to the University, the principal of which is required to be maintained intact. There are no externally imposed restrictions over the use of the investment income generated from endowments and accordingly, all investment income earned is recognized as revenue in the Statement of Operations.

Note 14 Internally Restricted Net Assets

The Governing Council had designated internally restricted net assets for future operating and capital needs.

	2004			2003
	Operating	Capital	Total	Total
Balance, beginning of year	\$3,979	\$2,000	\$5,979	\$4,735
Transfers from unrestricted net assets	448	5,600	6,048	1,244
Balance, end of year	\$4,427	\$7,600	\$12,027	\$5,979

The balance consists of funds internally restricted for:

	2004			2003
	Operating	Capital	Total	Total
New Program Development	\$2,194	\$ —	\$2,194	\$1,729
Future Student Awards	1,364	—	1,364	1,381
Future Employee Benefits	869	—	869	869
	4,427	—	4,427	3,979
Building Renovations	—	2,000	2,000	2,000
Investment in Systems Development	—	5,600	5,600	—
	—	7,600	7,600	2,000
	\$4,427	\$7,600	\$12,027	\$5,979

Note 15 Budget

The following budget amounts are part of the annual plan that was approved by the Governing Council on March 21, 2003.

	Approved 2003-2004 Budget
Revenue	
Province of Alberta grants	\$21,282
Undergraduate student fees	21,412
Graduate student fees	11,854
Sales of goods and services	6,352
Amortization of deferred capital and deferred course development contributions	870
Interest	460
Other	55
	\$62,285
Expenses	
Salaries and benefits	\$40,120
Fees and purchased services	7,363
Materials and supplies	6,072
Communications and travel	4,056
Amortization of capital assets and deferred course development costs	3,060
Facilities rental, insurance, utilities and taxes	1,464
Scholarships	150
	\$62,285
Excess of revenue over expenses	\$ —

Note 16 Operating Lease Commitments

The University is committed to operating leases expiring no later than 2007 for facilities and equipment with the following annual payments:

2005	\$ 771
2006	\$ 618
2007	\$ 349

The University is also required to pay a pro rata share of operating expenditures of the facilities.

Note 17 Related Party Transactions

The University is a Provincial Corporation as all of the members of the Governing Council are appointed either by a Provincial Statute (the Post-secondary Learning Act) or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the University and the Province of Alberta are summarized below.

	2004	2003
Operating grant	\$18,570	\$17,848
Infrastructure	134	—
Access funding	3,828	1,892
Growth	—	351
Other	992	267
Total contributions	23,524	20,358
Change in deferred contributions and other accruals from Provincial sources	(1,389)	400
Province of Alberta grants revenue	\$22,135	\$20,758

The University offered certain courses at other provincial post-secondary institutions. The revenue for these courses amounted to \$1,270 (2003 - \$1,019).

Note 18 Employee Future Benefits

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan, which are multi-employer plans. The expense recorded in these financial statements equals the University's employer contributions of \$1,912 (2003 - \$1,570) for the year ended March 31, 2004.

At December 31, 2003, the Universities Academic Pension Plan reported an actuarial deficiency of \$538,352 (2002 - \$409,672 as restated). An actuarial valuation of the Universities Academic Pension Plan was carried out as at December 31, 2002 which was then extrapolated to December 31, 2003.

The unfunded liability for service under the Universities Academic Pension Plan is being financed by additional contributions from the Province of Alberta, employers and employees. Contribution rates are set on the basis that the additional contributions will eliminate the unfunded liability on or before December 31, 2043. To eliminate the unfunded liability for each of employer and employee, the rate for the additional contributions at December 31, 2003 is 1.51% (2002 – 0.07%) of pensionable salary and the rate for the Province of Alberta is 1.25% (2002 – 1.25%).

At December 31, 2003, the Public Service Pension Plan reported an actuarial deficiency of \$596,213 (2002 - \$175,528). An actuarial valuation of the Plan was carried out as at December 31, 2002 which was then extrapolated for the December 31, 2003 financial statements.

The contribution rates for the Public Service Pension Plan as at December 31, 2003 were 6.17% (2002 – 4.675%) of the pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings and 8.81% (2002 – 6.55%) of the excess for employees. Employers provide matching contributions.

Note 18 Employee Future Benefits (continued)

The University's non-pension defined benefit plans are not fully funded. The non-pension defined benefit plans' deficit equals the accrued benefit obligation of \$2,115 (2003 - \$1,843) which is recorded in salaries and benefits payable.

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations for the non-pension defined benefit plans are as follows:

	2004	2003
Discount rate		
Administrative Leave Plan	3%	5%
Flexible Benefit Plan	5.5%	6%
Rate of compensation increase		
First year	7%	7%
Subsequent years	6%	6%
Average remaining service period of active employees		
Administrative Leave Plan	3 years	5 years
Flexible Benefit Plan	13 years	13 years
Retirement age	60 years	60 years

During the year the University paid benefits from its non-pension defined benefit plans totaling \$284 (2003 - \$34).

Note 19 Salary and Benefits

Salary and employee benefit information is disclosed pursuant to a Treasury Board directive under the Financial Administration Act of the Province of Alberta.

	2004				2003	
	Number of Individuals ⁽⁴⁾	Salary ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total	Number of Individuals ⁽⁴⁾	Total
	(thousands of dollars)					
Governing Council						
Chairman of Governing Council	1	\$ —	\$ —	\$ —	1	\$ —
Governing Council members	13	—	—	—	13	—
	14	—	—	—	14	—
Executive Officers						
President	1	202	23	225	1	212
Vice-Presidents						
Academic	1	156	23	179	1	178
External Relations <i>(vacant for 8 months)</i>		50	6	56	1	148
Finance and Administration	1	128	24	152	1	137
Executive Director						
External Relations <i>(vacant for 4 months)</i>	1	90	17	107	—	—
Associate Vice-Presidents						
Academic	1	133	23	156	1	95
Research	1	121	22	143	1	136
	6	880	138	1,018	6	906
Academic/Professional/Management ⁽³⁾	314	18,436	3,580	22,016	298	20,839
Tutors and Academic Coaches ⁽³⁾	257	5,008	327	5,335	249	4,932
Support ⁽³⁾	326	9,408	1,994	11,402	311	10,538
	917	\$33,732	\$6,039	39,771	878	37,215
Increase (decrease) in staff benefit liabilities				(76)		(139)
Increase in administrative and flex leave accruals						
President				16		10
Vice Presidents						
Academic				24		36
External Relations <i>(vacant for 8 months)</i>				9		7
Finance and Administration				23		24
Executive Director						
External Relations <i>(vacant for 4 months)</i>				24		—
Associate Vice-Presidents						
Academic				35		31
Research				—		—
Academic/Professional/Management				351		239
				\$40,177		\$37,423

Note 19 Salary Disclosure (continued)

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, honoraria, and any other direct cash remuneration.

(2) The employer's share of all employee benefits and contributions includes payments made on behalf of employees for vacation payouts, pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance, long and short-term disability plans, professional memberships, tuition, supplemental unemployment benefits, research and study leaves, professional development allowances (excluding approved travel related costs) and travel insurance. The accruals of administrative leave for Executive Officers and Academic Managers, and of flexible plan benefits for Managers and Excluded Professional staff, have been included as reconciling items.

(3) All non-governance staff have been grouped into categories of Academic/Professional/Management, Tutors and Academic Coaches, and Support.

(4) The number of individuals represents a head count of staff members.



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