

Student Satisfaction 2005\*

97.5%

ANNUAL REPORT  
2005 - 2006



# *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 quality 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 statement, May 1985

Rededicated June 2002



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## MESSAGE FROM THE PRESIDENT

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During my first year as president, opportunities to meet and work with colleagues and alumni have reinforced for me both the significance of Athabasca University's role in public post-secondary education in Canada and the importance of its function as an open university and a member of the worldwide network of universities dedicated to improving access to higher education.

This past year, I participated in the work of the advisory committee for *A Learning Alberta*, a comprehensive review of Alberta's advanced education system. The committee developed a set of recommendations for improving advanced education over the next 20 years. The Government of Alberta is now considering ways of implementing those recommendations.

Our own planning has benefited from these provincial initiatives, which provide an excellent context within which to develop our plans. These plans and their long- and short-term goals will establish student recruitment objectives and the staffing, space and technological needs that Athabasca University will face over the next 25 years.

This planning process has included development of a new *Strategic University Plan* for 2006–2011, developed through extensive consultation with various internal and external communities. By renewing the university's mission, goals and strategies for the coming years, this plan not only lays out the desired future for AU, it also functions as an instrument for community building and developing key relationships critical to our progress. The process of refreshing our *Campus Master Plan* and *Information Technology Systems Operations Plan* helped articulate the parameters for essential infrastructure development.

Athabasca University is pleased to welcome Dr. Margaret Haughey as Vice-President, Academic. The search for Vice-President, Advancement should conclude this fall.

Given the rapid growth in distance education and the advancements being made in delivery technology for online courses, we are planning for a future barely envisioned. We have the ability to build on past and current successes and to shape the future to assure our place at the forefront of the dynamic community of open universities.

(SIGNED) "Dr. Frits Pannekoek"

Dr. Frits Pannekoek  
President  
Athabasca University



Publication of the annual report provides an opportunity to reflect on the accomplishments of the past year. The data presented in the following document reflect another year of growth, enhanced partnerships, academic enrichment and leading-edge research at Athabasca University.

Maintaining the quality of our programs and student services was the focus of extensive consultations carried out during the past year to forge new strategic directions for Athabasca University. As that planning process nears completion, our mission, to provide adult learners, whatever their economic, social or prior educational standing, with access to high-quality university-level education is reconfirmed.

Athabasca University is unique in that our campus is wherever our students are, in Alberta, across Canada and around the world. We require much less space than campus-based universities to fully support our students. However, continued growth in student enrolment has required the addition of staff and equipment to the point that our buildings are stretched to the limit. We require larger facilities in Athabasca, St. Albert, Edmonton and Calgary. The planning has begun for an expansion that will take us through the next 25 years.

A review of the governance structure of Athabasca University Governing Council has resulted in the revision of the by-laws and terms of reference for our standing committees. Two new subcommittees, Governance and Institutional Advancement, will enhance the functions of Governing Council.

Public members Robert Roth, Robert McColl and Herb Holmes and staff representatives Timothy Parker and Ruth Blakely left Governing Council during the past year. I would like to take this opportunity to thank them for their significant contributions. I would also like to extend a warm welcome to new members, Nicole Bourque, Judi Malone and Vikki Bellrose.

Along with staff members, students and all other stakeholders, Governing Council looks forward to the advancement of Athabasca University and an exciting and successful future in providing quality university-level education through distance learning and e-learning.

(SIGNED) *"David J. Burnett"*

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



## ACCOUNTABILITY STATEMENT

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Athabasca University's *Annual Report* for the year ended March 31, 2006, was prepared under the direction of Athabasca University Governing Council in accordance with the Government Accountability Act and ministerial guidelines established pursuant to the Government Accountability Act. All material economic, environmental or fiscal implications of which we are aware have been considered in the preparation of this report.

(SIGNED) "David J. Burnett"

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

August 1, 2006



2005-2006 Athabasca University Governing Council, as of June 23, 2006.

Back row, L > R: Frits Pannekoek, Vikki Bellerose, Barry Walker, Judi Malone, David Burnett

Middle row, L > R: Lisa Priebe, Nicole Bourque, Shawn Wasel, Rebecca Heartt, Bruce Spencer

Front row, L > R: Lionel Cherniwchan, Jody Hunt, Fred Horne, Ron Cherlet

Missing: Joy Romero, Timothy Nerenz, Marilyn Kane, Lonita Fraser

## ATHABASCA UNIVERSITY GOVERNING COUNCIL

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*As of March 31, 2006*

### **Appointed public members**

David Burnett (Chair)  
Joy Romero (Vice Chair)  
Nicole Bourque  
Ron Cherlet  
Lionel Cherniwchan  
Jody Hunt  
Marilyn Kane  
Barry Walker

### **Executive officer**

Frits Pannekeok (President)

### **Alumnus member**

Timothy Nerenz

### **Student member**

Lisa Priebe (President, AUSU)

### **Tutor member**

Judi Malone

### **Academic staff members**

Bruce Spencer  
Rebecca Heartt

### **Non-academic staff member**

Vikki Bellerose



## Openness and flexibility

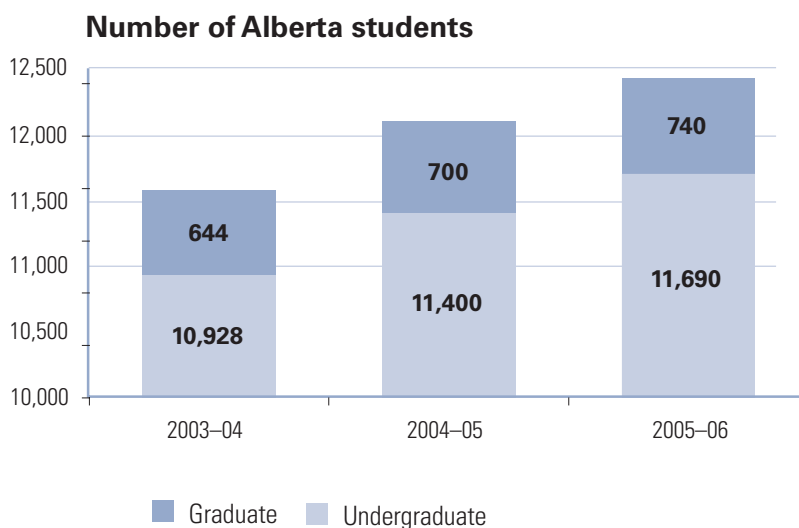
Increasing access to high-quality, university-level courses and programs is Athabasca University's primary objective. This goal is realized by meeting learners' needs through flexible learning opportunities.

### Campus Alberta realized

One key to Athabasca University's success is the partnerships it has established with the other public post-secondary institutions in Alberta. Joint programming at the graduate level with the University of Calgary and University of Lethbridge has led to truly unique offerings in applied psychology. A partnership with Mount Royal College has substantially increased the number of Bachelor of Nursing graduates available to practice in the province. Beyond structured partnerships, individual students at all Alberta universities access a full range of Athabasca University courses to help fulfill program requirements. More than 3,000 of the students taking courses at Athabasca University in 2005–06 indicated they were visiting from other Alberta institutions.

### Number of students

Athabasca University's 2005-2009 Business Plan target is to increase the number of Alberta students by seven per cent per year. During 2005–06, 12,430 Alberta residents took courses at Athabasca University, an increase of three per cent over the previous year. The total number of undergraduate and graduate students at Athabasca University has increased from 29,542 in 2003–04 to 33,995 in 2005–06. These students enrolled in a total of 64,167 individual courses.



## Growth

Although the number of students registered in courses during any month of the year routinely exceeds 25,000, most are part-time learners. As a result, the standard measure of full-load equivalents (FLE) tends to understate the reach and impact of Athabasca University. It does, however, provide a consistent measure of growth. Including the estimated contribution from the Campus Alberta applied psychology programs, the FLE count increased by five per cent last year. The target from the business plan was six per cent growth. Changes with collaborating institutions and increased competition for the e-MBA contributed to the smaller than expected growth, but the multi-year average is within our planning framework.

Growth in Full Load Equivalents (FLE)			
	2003–04	2004–05	2005–06 Estimated
Undergraduate	4,644	5,239	5,536
Graduate*	1,114	1,224	1,279
Total	5,758	6,463	6,815
Growth Rate		12.2%	5.4%

\*Includes Campus Alberta applied psychology

## Degrees, diplomas, and certificates awarded

Fiscal year	2003–04	2004–05	2005–06
<b>Undergraduate degrees</b>			
Bachelor of Administration	130	122	132
Bachelor of Arts	65	87	99
Bachelor of Commerce	14	14	25
Bachelor of General Studies	99	94	99
Bachelor of Health Administration	–	2	1
Bachelor of Human Resources and Labour Relations	–	–	5
Bachelor of Management	7	45	77
Bachelor of Nursing	51	102	331
Bachelor of Professional Arts	51	59	100
Bachelor of Science	1	3	6
Bachelor of Science in Computing and Information Systems	6	6	5
Total number of undergraduate degrees awarded	424	534	880
<b>Graduate degrees</b>			
Master of Arts – Integrated Studies	5	17	25
Master of Business Administration	217	211	314
Master of Counselling	–	14	10
Master of Distance Education	45	55	43
Master of Health Studies	41	47	66
Master of Nursing	20	43	54
Master of Science – Information Systems	–	5	13
Total number of graduate degrees awarded	328	392	525
Undergraduate certificates/diplomas	72	69	46
Graduate diplomas	253	404	278
Total credentials awarded	1,077	1,399	1,729

# Quality

Improving the student experience by enhancing the curriculum, enriching the learning environment through technological supports, and extending the range and effectiveness of student services is an ongoing commitment at Athabasca University.

## Student satisfaction

Rapid growth in an increasingly complex environment can create challenges for any post-secondary institution. However, at Athabasca University, the Business Plan goal of maintaining student satisfaction ratings at consistently high levels has been realized. In the most recent biennial Government of Alberta Graduate Satisfaction and Labour Market Experience survey, 95 per cent of Athabasca University graduates indicated that they would recommend the university to others. In rating the overall quality of their educational experience, 97.5 per cent indicated that they were satisfied or very satisfied.

**Per cent satisfied with overall quality of educational experience**



## Graduate employment

As an open university, Athabasca University serves many non-traditional students; for example, full-time workers, members of Canada's military and persons living in isolated and rural communities. Ninety-four per cent of the AU graduates surveyed indicated that they had worked while completing their degrees. That such a high proportion of our learners remain in the labour force while completing their education is a tangible benefit of the flexible learning opportunities provided by Athabasca University. This experience also influences the employment outcomes of the graduates as reported on the provincial survey.

Labour Force Outcomes	2002 Survey	2004 Survey	2006 Survey
Participation rate	97%	97%	96%
Employment rate (of graduates in labour force)	95%	97%	97%

# Research

The pursuit of knowledge is fundamental to the identity and integrity of any university.

Continuing to build the research capacity of the university, both within its leadership role in open and distance learning and across all other disciplines, is a core element of Athabasca University's Business Plan. Like other universities, Athabasca University is dedicated to research for both its discovery and teaching value. Unlike that of other universities, however, Athabasca's mission-critical research transforms the very ways in which students learn. The university continues to develop its plans for a Centre of Excellence in e-learning which will include a research chair in mobile learning.

## Highlights

In 2005–06, Athabasca University researchers in several disciplines continued to develop new knowledge and pedagogy. Through research, the university's teaching is informed and significant contributions are made to Canada's socio-cultural, scientific, and economic development. Following are examples of some of the research outcomes achieved at Athabasca University during the past year:

- In April 2006, after an international peer review, Dr. Terry Anderson's appointment as Canada Research Chair in Distance Education was renewed. Dr. Anderson is a professor in the Centre for Distance Education and founding director of the Canadian Institute of Distance Education Research (CIDER). Over the next five years, he will expand his inquiry into social software that enhances the creation of communities of learning for students in self-paced distance courses.
- Dr. Janice Thomas, program director for the MBA in project management, began her research project, "Understanding the Value of Implementing Project Management." This \$2.5 million US project, funded in part by the Project Management Institute (PMI), includes a number of experts from around the world.
- Dr. Beth Perry, associate professor of nursing, received the President's Award for Research and Scholarly Excellence, which assisted her to complete her book *Touched by a Nurse: Images of Exemplary Care*, since published by the University of Toronto Press.
- Dr. Martha Cleveland-Innes, associate professor in the Centre for Distance Education, with Dr. Randy Garrison from the University of Calgary, received an Excellence in Research award in May 2005 at the Canadian Association of Distance Education (CADE) 2005 conference.

# Results

The following tables provide an overview of research activity during the past year:

## Research impact – All sources

(thousands of dollars)

In recent years, external funding from the granting councils and from community and industry sources has increased significantly:

Types of Research Support	2003–04	2004–05	2005–06	Three-Year Average 2002/03–2004/05	Three-Year Average 2003/04–2005/06
Total sponsored research revenues	\$1,543	\$2,316	\$1,849	\$1,909	\$1,903
Support from council sources <sup>1</sup>	\$442	\$724	\$709	\$484	\$625
Council support ratio	28.7%	31.3%	38.3%	25.4%	32.8%
Support from community and industry sources <sup>2</sup>	\$1,101	\$1,592	\$1,140	\$1,425	\$1,278
Community and industry support ratio	71.3%	68.7%	61.7%	74.6%	67.2%

## Research publications and other creative works<sup>3</sup>

Athabasca University faculty and staff actively disseminate their research results through various publications and presentations. The following table provides a summary of these activities:

Research Publications	2002–03	2003–04	2004–05	Three-Year Average 2001/02–2003/04	Three-Year Average 2002/03–2004/05
Number of full-time faculty <sup>4</sup>	103	106	111	104	107
Books authored or co-authored	42	55	44	44	47
Books edited or co-edited	4	6	7	4	6
Refereed articles	88	133	159	102	127
Non-refereed publications	24	42	36	43	34
Conference presentations	194	306	242	228	247

<sup>1</sup> Council sources includes Tri-Council funding (NSERC, SSHRC, CRC, CIHR).

<sup>2</sup> Includes other federal, provincial, and industry funding from sources such as the Canada Foundation for Innovation (CFI), Human Resources and Skills Development Canada (HRSDC) and Office of Learning Technologies (OLT).

<sup>3</sup> Current year publication numbers are subject to change given reporting time frames for faculty and staff. Books authored or co-authored include chapters authored or co-authored. Refereed articles include refereed journals and conference proceedings.

<sup>4</sup> The number of full-time teaching staff is as reported to Statistics Canada through the University Full-Time Teaching Staff System. This includes teaching staff employed as of October 1 of the reporting year and research staff who have an academic rank and salary scale similar to teaching staff, appointed on a full-time basis, whose term of appointment is not less than 12 months (including staff members on leave).

## Stewardship

Managing growth to strengthen the university's position, a core goal of the Business Plan for 2005–09, included maintaining competitive tuition rates and establishing strategic investments in operations and infrastructure.

### Tuition fee policy compliance<sup>1</sup>

(thousands of dollars)

Total tuition fee revenue from programs governed by the Tuition Fee Policy	\$10,255
Net operating expenditures under the Tuition Fee Policy	\$37,052
Tuition fee revenue as a percentage of net operating expenditures	27.7%

### Staffing

The following table presents a comparison of staffing complements for the past three years:

As of March 31,	2004	2005	2006
Total number of employees	1,028	1,075	1,088
<b>Breakdown by employee type</b>			
Academic, full-time	106	111	123
Academic, part-time	161	148	120
Professional	145	152	155
Management and executive	17	18	21
Support and temporary	262	284	272
Casual	79	86	65
Tutors	258	276	332

<sup>1</sup> The information shown above demonstrates institutional 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 Advanced Education and is pending verification by Ministry staff.



## Information technology development

Significant capital investments are needed to sustain and enhance the e-learning environment at Athabasca University. The magnitude and complexity of information technology development requires careful stewardship. Adoption of the Information Technology Systems (ITS) Operational Plan and the establishment of ITS governance systems and project management protocols are two important developments realized this year. The adoption of Moodle as the university's learning management system, the launch of the Write Site to provide additional resources for students needing to improve their English grammar and composition skills, and the implementation of electronic letters for official communication with students exemplify the learner focus of our technological enhancements. Computing infrastructure has been upgraded by the Network connection to SuperNet, which allows much faster data communication speeds for information and system access. This connection has also allowed Athabasca University to become part of NetraNet and WestGrid high performance computing research networks.

## Looking forward

Over the past eight months, the process of developing a new Strategic University Plan has allowed us to identify our challenges, assess our strengths and envision our future. During this extensive community-based planning process, the mission and values of Athabasca University have been reconfirmed.

In conjunction with the Learning Alberta commission's activity, we examined Athabasca University's role, within Alberta's post-secondary system, in helping the province compete in a knowledge-based labour market. The provincial government has identified a number of short- and long-term goals. These include participation in post-secondary education for a highly skilled workforce; innovation in knowledge- and resource-based industries; research excellence and knowledge transfer; and economic and community development, particularly in rural, remote and Aboriginal communities. Athabasca University's responsive programs delivered through flexible learning opportunities can serve a wide range of learners, especially those in the increasingly mobile workforce.

Now that bandwidth is largely equalized across the province through the SuperNet, learning communities in Alberta need not be bound by geography. Athabasca University is committed to leveraging the SuperNet and the Lois Hole Campus Alberta Digital Library within co-ordinated research programs and through advanced online delivery. Ongoing investments in technological infrastructure will allow exploration of leading-edge applications for research and teaching.

Athabasca University has also refreshed its Master Campus Plan. The main campus structure was originally designed for an institution serving fewer than 10,000 students. Last year more than 34,000 students registered in courses. Systematic review has identified a critical need for additional space to accommodate core functions such as curriculum development, learner support and research.

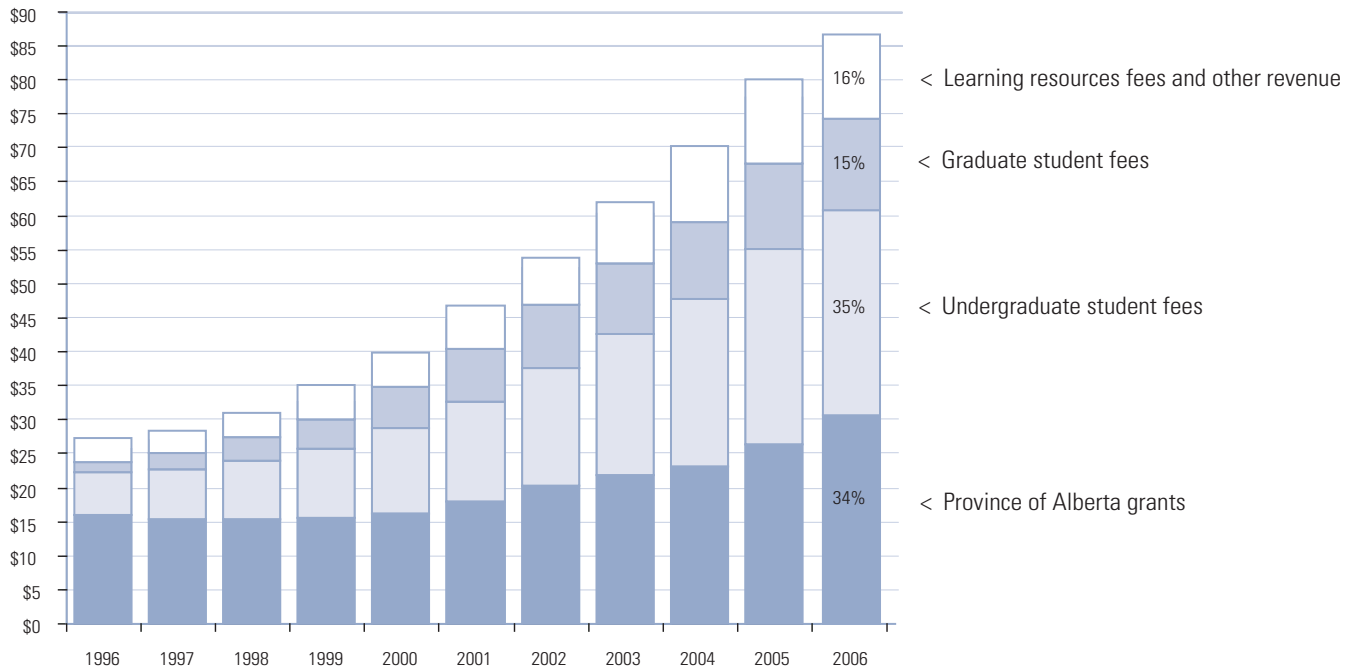
# Financials

## At a glance

Revenues grew by 10 per cent between 2005 and 2006, reaching \$88 million. Provincial grant revenue, including new operating grants and the Provincial Centennial Rebate, which offset student fee increases for most of the year, grew by \$4.7 million.

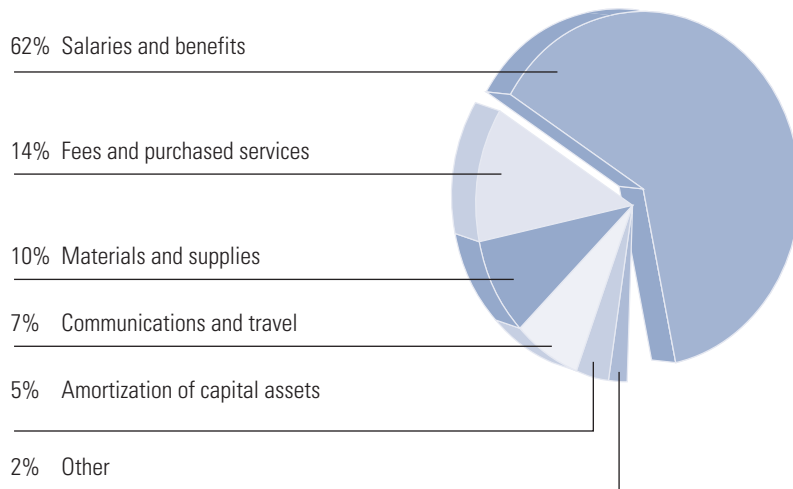
### Revenue trend by source

From 1996 to 2006 (millions of dollars)



### Expenses by type

for the year ended March 31, 2006





## Auditor's report

To the Athabasca University Governing Council

I have audited the statement of financial position of Athabasca University as at March 31, 2006, 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by Fred J. Dunn, FCA

Edmonton, Alberta  
May 12, 2006, except as to Note 18, which is as of June 28, 2006

FCA  
Auditor General

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

**Athabasca University**  
**Statement of financial position**  
**March 31, 2006**  
(thousands of dollars)

<b>Assets</b>	<b>2006</b>	<b>2005</b>
<b>Current assets</b>		
Cash and short-term investments (Note 3)	\$ 17,250	\$ 19,194
Accounts receivable (Note 4)	4,127	3,202
Inventory of course materials	2,913	2,856
Prepaid expenses	855	810
	25,145	26,062
Non-current investments (Notes 3 and 5)	27,374	20,876
Deferred course development costs (Note 6)	282	370
Capital assets (Note 7)	21,565	20,092
	<b>\$ 74,366</b>	<b>\$ 67,400</b>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable and accruals	\$ 2,431	\$ 4,005
Salaries and benefits payable (Note 8)	5,840	5,183
Deferred revenue	11,185	11,320
Deferred contributions (Note 9)	1,550	1,801
Current portion of obligation under capital lease (Note 10)	52	49
Current portion of deferred lease inducement (Note 11)	97	–
	21,155	22,358
Obligation under capital lease (Note 10)	–	52
Deferred salaries and benefits payable (Notes 8 and 19)	1,985	1,992
Deferred lease inducement (Note 11)	380	–
Unamortized deferred capital contributions (Note 12)	13,283	11,891
Unamortized course development contributions (Note 12)	282	370
	37,085	36,663
<b>Net assets</b>		
Investment in capital assets (Note 7)	8,230	8,100
Endowments (Note 14)	1,249	1,223
Internally restricted	25,880	19,461
Unrestricted	1,922	1,953
	37,281	30,737
	<b>\$ 74,366</b>	<b>\$ 67,400</b>

Approved on behalf of the Governing Council

(SIGNED) "David J. Burnett"

David J. Burnett, CA, Chair

(SIGNED) "Dr. Frits Pannekoek"

Dr. Frits Pannekoek, President

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

Athabasca University  
 Statement of operations  
 For the year ended March 31, 2006  
 (thousands of dollars)

	2006	2005
Revenue		
Province of Alberta grants (Note 17)	\$ 30,113	\$ 25,452
Undergraduate student fees	30,516	28,689
Graduate student fees	13,047	12,690
Sales of goods and services	10,040	9,598
Amortization of deferred capital contributions (Note 12)	1,909	913
Interest	1,326	888
Research and other grants	1,000	801
Donations (Note 18)	213	432
Other	96	82
Amortization of deferred course development contributions (Note 12)	88	18
	88,348	79,563
Expenses		
Salaries and benefits	50,893	45,191
Fees and purchased services	11,284	10,307
Materials and supplies	8,075	6,498
Communications and travel	5,538	4,812
Amortization of capital assets	3,877	2,755
Facilities rental	996	947
Insurance, utilities and taxes	672	596
Scholarships	407	167
Amortization of deferred course development costs (Note 6)	88	18
	81,830	71,291
Excess of revenue over expenses	\$ 6,518	\$ 8,272

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

Athabasca University  
 Statement of changes in net assets  
 For the year ended March 31, 2006  
 (thousands of dollars)

	2005 Balance, beginning of year	Excess of revenue over expenses	Investment in capital assets, internally funded	Amortization of internally funded assets	Endowment contributions net of expenditures (Note 14)	Interfund transfers	2006 Balance, end of year
Internally Restricted							
Operating							
New program development	\$ 5,244	–	–	–	–	\$ 1,491	\$ 6,735
Future student awards	1,348	–	–	–	–	297	1,645
Future employee benefits	869	–	–	–	–	(869)	–
Bridging to retirement	–	–	–	–	–	3,900	3,900
	7,461	–	–	–	–	4,819	12,280
Capital							
Building renovations	2,000	–	–	–	–	1,600	3,600
Investment in systems development	10,000	–	–	–	–	–	10,000
	12,000	–	–	–	–	1,600	13,600
Internally restricted sub-total	19,461	–	–	–	–	6,419	25,880
Investment in capital assets	8,100	–	2,098	(1,968)	–	–	8,230
Endowments	1,223	–	–	–	26	–	1,249
Unrestricted	1,953	6,518	(2,098)	1,968	–	(6,419)	1,922
Total Net Assets	\$ 30,737	\$ 6,518	\$ –	\$ –	\$ 26	\$ –	\$ 37,281

The accompanying notes are part of these financial statements.



**Athabasca University**  
**Statement of cash flows**  
**For the year ended March 31, 2006**  
(thousands of dollars)

	2006	2005
Cash provided from operating activities:		
Excess of revenue over expenses	\$ 6,518	\$ 8,272
Items not affecting cash flow:		
Amortization of capital assets	3,877	2,755
Transfer to deferred capital contributions (Note 9)	3,301	132
Amortization of deferred course development costs	88	18
Increase (decrease) in deferred salaries and benefits payable	(7)	246
Amortization of deferred course development contributions	(88)	(18)
Equity in joint venture earnings (Note 5)	(103)	(132)
Amortization of deferred lease inducement	(126)	–
Amortization of deferred capital contributions	(1,909)	(913)
	11,551	10,360
Change in non-cash working capital		
Change in current assets, except cash and short-term investments	(1,027)	279
Change in current liabilities, except current portions of obligation under capital lease and deferred lease inducement	(1,303)	3,143
	(2,330)	3,422
	9,221	13,782
Cash used in investing activities:		
Capital asset acquisitions, internally funded	(2,049)	(2,429)
Capital asset acquisitions, externally funded	(3,301)	(267)
Increase in non-current investments	(6,395)	(8,145)
	(11,745)	(10,841)
Cash provided from financing activities:		
Deferred lease inducement (Note 11)	603	–
Endowment contributions, net	26	118
Capital lease payments (Note 10)	(49)	(44)
	580	74
Increase (decrease) in cash and short-term investments	(1,944)	3,015
Cash and short-term investments, beginning of year	19,194	16,179
Cash and short-term investments, end of year	\$ 17,250	\$ 19,194

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

Athabasca University  
Notes to the financial statements  
Year ended March 31, 2006  
(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 in which are, in administration’s opinion, within reasonable limits of materiality, have been made using professional judgment 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, are deferred and recognized in the subsequent period.

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

Contributions restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year that the conditions of the contributions are met. Contributions restricted for the acquisition of capital assets having limited life are initially recorded as deferred capital contributions in the period in which they are received. Deferred capital contributions are transferred to unamortized deferred capital contributions when expended and are amortized to revenue over the useful lives of the related assets. Contributions restricted for the acquisition of non-consumable capital assets (e.g., land) are initially recorded as deferred contributions in the period in which they are received and, when expended, are recognized as direct increases in net assets.

Contributions restricted for the development of courses are deferred and amortized to revenue over five years.

Endowed donations, including investment earnings, are recognized as direct increases in net assets in the period in which they are received. The portion of investment earnings, which, in accordance with agreements with benefactors or the authority provided by Section 76(2)(c) of the Post-Secondary Learning Act, is used to fund scholarships is transferred to investment income.

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

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) Fair value of financial instruments and short-term investments**

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed. Short-term investments include commercial paper, bonds, and term deposits that mature within one year.

**(d) 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 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.

**(e) Inventory of course materials**

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

**(f) Copyrights**

The university obtains copyrights on all course materials produced. These copyrights are recorded at a nominal value of one dollar and are included in prepaid expenses.

**(g) Deferred course development costs**

Costs for the development of special purpose courses sponsored through Curriculum Redevelopment Funding are deferred and amortized over five years from the time development is completed.

**(h) Capital assets**

Capital asset acquisitions are recorded at cost, except for donated assets, which are recorded at fair value. Except for works of art <sup>1</sup>, capital assets are amortized on a straight-line basis over the estimated useful lives of the assets, as follows:

	Years
Buildings	40
Site improvements	10 – 25
Computing equipment and software	3 – 5
Vehicles, furnishings and other equipment	5 – 10
Leasehold improvements	lesser of 5 years or lease term
Library materials	10

<sup>1</sup> Works of art purchased by the university are recorded at cost and donated works of art are recorded at fair value. All works of art are not amortized. Works of art include sketches, limited edition prints, photographs, sculptures, rare books and original paintings. The works of art are held by the university for public exhibition.

**Note 2 Significant accounting policies and reporting practices (continued)****(i) 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.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on contribution 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' deficits or surpluses.

The university's other defined benefit plans consist of an Administrative Leave Plan and a Flexible Benefit Plan. 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.

**(j) Deferred lease inducement**

One of the university's operating leases for premises provides for a lease inducement. This inducement has been deferred and is being recorded as a reduction of rent expense over the term of the lease.

**(k) Internally restricted net assets**

The university has designated internally restricted net assets for future operating and capital needs. These amounts are not available for other purposes without the approval of Governing Council.

**Note 3 Cash and investments**

Cash and investments consist of bank account balances, money market investments and other investments, as follows:

	2006				2005	
	Current cash and short-term investments	Non-current investments <sup>4</sup>	Total		Total	
			Carrying value	Market	Carrying value	Market
Monetary investments <sup>1</sup>						
Bank balances	\$ 5,160	\$ –	\$ 5,160	\$ 5,160	\$ 7,296	\$ 7,296
Money market investments <sup>2</sup>	12,090	27,058	39,148	39,148	32,483	32,483
	17,250	27,058	44,308	44,308	39,779	39,779
Other investments <sup>3</sup>	–	316	316	316	291	291
Total	\$ 17,250	\$ 27,374	\$ 44,624	\$ 44,624	\$ 40,070	\$ 40,070
Total 2005	\$ 19,194	\$ 20,876	\$ 40,070	\$ 40,070		

<sup>1</sup> The carrying value of monetary investments is a close approximation of market value.

<sup>2</sup> Money market investments are purchased at a discount and are rated at R-1 or better (rated by Dominion Bond Rating Service). At March 31, 2006, the investments held have an average effective yield of 3.76% (2005 – 2.598%) and mature within 90 days.

<sup>3</sup> Other investments are recorded at the lower of carrying value and estimated market value and include the shares of two private companies and a joint venture interest (Note 5).

<sup>4</sup> Non-current money market investments include endowments of \$1,249 (2005 – \$1,223), which must be held for perpetuity, amounts held for deferred salaries and benefits payable of \$1,985 (2005 – \$1,992), and certain internally restricted net assets totaling \$23,824 (2005 – \$17,370).

**Note 4 Accounts receivable**

Accounts receivable include \$1,626 (2005 – \$406) in grants due from the Province of Alberta and \$553 (2005 – \$138) in recoverable expenses and equity distribution from Campus Alberta Applied Psychology: Counselling Initiative joint venture.

**Note 5 Interest in joint venture**

The university has a one-third joint venture interest in the Campus Alberta Applied Psychology: Counselling Initiative. Three Alberta universities have formed the joint venture to develop and deliver this collaborative graduate degree.

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

	2006		2005
Current assets	\$ 581		\$ 458
Capital assets	3		3
	<u>\$ 584</u>		<u>\$ 461</u>
Current liabilities	\$ 265		\$ 167
Unamortized deferred capital contributions	1		3
Investment in capital assets	2		—
	<u>268</u>		<u>170</u>
Joint venture interest			
Opening balance	291		217
Net distribution	(80)		(58)
Excess of revenues over expenses			
Revenues	\$ 675	\$ 598	
Expenses	570	466	132
	<u>316</u>		<u>291</u>
	<u>\$ 584</u>		<u>\$ 461</u>

**Note 6 Deferred course development costs**

	2006		2005
Balance, beginning of year	\$ 370		\$ 318
Costs incurred during the year	—		70
	<u>370</u>		<u>388</u>
Amount amortized during the year	(88)		(18)
Balance, end of year	<u>\$ 282</u>		<u>\$ 370</u>



**Note 7 Capital assets and investment in capital assets**

	2006			2005 <sup>2</sup>		
	Cost <sup>1</sup>	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	\$ 1,565	\$ –	\$ 1,565	\$ 1,565	\$ –	\$ 1,565
Buildings and site improvements	25,747	14,372	11,375	25,369	13,635	11,734
Leasehold improvements	2,128	1,172	956	1,401	955	446
Furnishings, equipment and software (Note 10)	22,095	15,600	6,495	19,090	13,955	5,135
Library materials	5,074	4,520	554	5,069	4,477	592
Works of art	620	–	620	620	–	620
	<u>\$ 57,229</u>	<u>\$ 35,664</u>	<u>21,565</u>	<u>\$ 53,114</u>	<u>\$ 33,022</u>	<u>20,092</u>
Unamortized deferred capital contributions related to capital assets (Note 12)			(13,283)			(11,891)
Obligation under capital lease (Note 10)			(52)			(101)
Investment in capital assets			<u>\$ 8,230</u>			<u>\$ 8,100</u>

<sup>1</sup> Capital acquisitions during the year include an in-kind donation of software in the amount of \$3,100 (2005 – \$0) (Note 18). This software includes licensed rights for non-operational use of a comprehensive business process application, and access to a series of training modules, all for educational purposes.

<sup>2</sup> Some prior year amounts have been reclassified to conform to the current year presentation.

**Note 8 Salaries and benefits payable**

	2006	2005
Administrative Leave Plan	\$ 1,480	\$ 1,310
Flexible Benefit Plan	1,083	1,011
Other defined benefit plans (Note 19)	2,563	2,321
Salaries and wages	2,217	2,168
Vacation pay	1,588	1,497
Professional development funds	1,457	1,189
Total salaries and benefits payable	7,825	7,175
Current portion of salaries and benefits payable	(5,840)	(5,183)
Deferred salaries and benefits payable	<u>\$ 1,985</u>	<u>\$ 1,992</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:

	2006	2005
Balance, beginning of year	\$ 1,801	\$ 2,431
Grants received	2,296	1,420
Donations received subject to external restrictions (Note 18)	3,119	–
Transfer to deferred capital contributions (Note 13)	(3,301)	(132)
Transfer to unamortized deferred course development contributions (Note 12)	–	(70)
Amount recognized as revenue	(2,365)	(1,848)
<b>Balance, end of year</b>	<b>\$ 1,550</b>	<b>\$ 1,801</b>
The balance consists of funds restricted from:		
Province of Alberta		
Access	\$ 292	\$ 906
Learning Enhancement	–	21
Centennial Rebate	110	–
Facilities Planning	152	–
Intellectual Infrastructure	–	13
Infrastructure Maintenance	47	4
Innovation and Science	130	211
Health and Wellness	30	40
Sponsored research special projects	789	606
	<b>\$ 1,550</b>	<b>\$ 1,801</b>

**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 \$870 respectively (2005 – \$1,210 and \$718) and are included in furnishings, equipment and software (Note 7).

Future minimum capital lease payments are as follows:

	2006	2005
2006	\$ –	\$ 54
2007	53	53
Total future minimum lease payments	53	107
Less amount representing implicit interest at 8%	(4)	(12)
Net future minimum lease payments	49	95
Plus accrued interest	3	6
Total capital lease payable	52	101
Less current portion and accrued interest	(52)	(49)
<b>Long term obligation under capital lease</b>	<b>\$ –</b>	<b>\$ 52</b>

**Note 11 Deferred lease inducement**

During the year the university received a lease inducement under an agreement for leased premises. The inducement has been deferred and is being applied as a reduction of rent expense over the term of the lease as follows:

2007	\$ 97
2008	117
2009	117
2010	117
2011	29
Total unamortized deferred lease inducement	477
Less: current portion	(97)
Long term portion of deferred lease inducement	<u>\$ 380</u>

**Note 12 Unamortized deferred capital and deferred course development contributions**

	2006			2005
	Related to			Total
	Capital assets	Deferred course development	Total	
Balance, beginning of year	\$ 11,891	\$ 370	\$ 12,261	\$ 12,855
Transfer from				
Deferred capital contributions (Note 13)	3,301	–	3,301	267
Deferred contributions (Note 9)	–	–	–	70
	15,192	370	15,562	13,192
Amortized to revenue	(1,909)	(88)	(1,997)	(931)
Balance, end of year	<u>\$ 13,283</u>	<u>\$ 282</u>	<u>\$ 13,565</u>	<u>\$ 12,261</u>

**Note 13 Deferred capital contributions**

Deferred capital contributions represent capital funding received from external sources that remain unspent at March 31. Changes in the deferred capital contributions balances are as follows:

	2006	2005
Balance, beginning of year	\$ –	\$ 135
Transfer from deferred contributions (Note 9)		
Donation in-kind	3,100	–
Cash	201	132
	3,301	132
Transfers to unamortized deferred capital contributions (Note 12)	(3,301)	(267)
Balance, end of year	<u>\$ –</u>	<u>\$ –</u>

**Note 14 Endowments**

Endowments consist of externally restricted donations, the principal of which is required to be maintained intact. The use of the investment income is internally restricted as endowments must first be adjusted annually for inflation.

	2006				2005
	Capital contributions	Capitalized earnings	Increase (decrease) in expendable earnings	Total	Total
Endowments, beginning of year	\$ 1,189	\$ 15	\$ 19	\$ 1,223	\$ 1,089
Donations received (Note 18)	–	–	–	–	100
Transfer from internally restricted net assets	–	–	–	–	16
Investment earnings	–	25	10	35	25
Scholarships funded and administrative fees	–	–	(9)	(9)	(7)
Endowments, end of year	\$ 1,189	\$ 40	\$ 20	\$ 1,249	\$ 1,223

**Note 15 Budget**

The budget, as approved by the Governing Council on March 23, 2005, is presented together with actual revenue and expenses for the year.

	Actual	Budget
<b>Revenue</b>		
Province of Alberta grants	\$ 30,113	\$ 26,037
Undergraduate student fees	30,516	29,991
Graduate student fees	13,047	12,656
Sales of goods and services	10,040	9,332
Amortization of deferred capital and deferred course development contributions	1,997	832
Interest	1,326	790
Other	1,309	2,226
	<b>88,348</b>	<b>81,864</b>
<b>Expenses</b>		
Salaries and benefits	50,893	55,044
Fees and purchased services	11,284	10,759
Materials and supplies	8,075	8,284
Communications and travel	5,538	4,733
Amortization of capital assets and deferred course development costs	3,965	3,203
Facilities rental, insurance, utilities and taxes	1,668	1,646
Scholarships	407	287
	<b>81,830</b>	<b>83,956</b>
Revenue over (under) expenses	\$ 6,518	\$ (2,092)

**Note 16 Operating lease commitments**

The university is committed to operating leases expiring no later than 2012 for facilities and equipment, with the following minimum annual payments:

2007	\$ 926
2008	\$ 577
2009	\$ 312
2010	\$ 315
2011	\$ 137
2012	\$ 10

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

**Note 17 Related party transactions**

The university operates under the authority and statutes of the Province of Alberta. Transactions between the university and the Province of Alberta are summarized below.

	2006	2005
Operating grant	\$ 22,366	\$ 20,425
Access funding	4,551	3,728
Infrastructure	142	150
Other	1,454	353
<b>Total contributions</b>	<b>28,513</b>	<b>24,656</b>
Change in deferred contributions and other accruals from Provincial sources	1,600	796
<b>Province of Alberta grants revenue</b>	<b>\$ 30,113</b>	<b>\$ 25,452</b>

The university offered certain courses at provincial post-secondary institutions. The revenue for these courses amounted to \$1,553 (2005 – \$1,564).

**Note 18 Donations**

Donations were received during the year as follows:

	2006			2005
	Cash	In-kind <sup>2</sup>	Total	Total
Amount recognized as revenue	\$ 138	\$ 75	\$ 213	\$ 432
Transfers to deferred contributions (Note 9)	19	3,100	3,119	–
Transfer to endowments (Note 14)	–	–	–	100
<b>Total donations received<sup>1</sup></b>	<b>\$ 157</b>	<b>\$ 3,175</b>	<b>\$ 3,332</b>	<b>\$ 532</b>

<sup>1</sup> In addition, the university received a \$100 matching grant from the Province of Alberta which is not recorded as a donation but as a grant.

<sup>2</sup> Includes in-kind donations of \$3,100 for capital software (Note 7) and \$75 for professional services.

**Note 19 Employee future benefits**

The university participates in the Universities Academic Pension Plan and the Public Service Pension Plan, which are multi-employer plans. Employer contributions of \$2,925 (2005 – \$2,392) for the year are expensed in these financial statements.

Effective January 1, 2005, the Universities Academic Pension Plan contribution rates for employees are 8.675% (employer 9.675%) of earnings up to the year’s maximum pensionable earnings (YMPE) under the Canada Pension Plan and 11.075% (employer 12.075%) of earnings above YMPE.

At December 31, 2005, the Universities Academic Pension Plan reported an actuarial deficiency of \$537,415 (2004 – \$643,979). This deficiency is being funded by contributions from employees and employers. In addition, the Province of Alberta is contributing 1.25% (2004 – 1.25%) of pensionable salary toward the actuarial deficiency for pre-1992 service in accordance with the funding plan adopted in 1992. At December 31, 2005, the university’s participating employees comprised 4.7% of the total active membership.

Since September 1, 2004, the Public Service Pension Plan contribution rates for each of employees and employers are 6.17% of earnings up to the YMPE and 8.81% of earnings above YMPE. While contribution rates have remained unchanged for two years, management expects rate increases in 2006.

At December 31, 2005, the Public Service Pension Plan reported an actuarial deficiency of \$187,704 (2004 – \$450,068). This deficiency is being funded by contributions from employees and employers. The portion of the actuarial deficiency for pre-2003 service is to be eliminated by December 31, 2017. At December 31, 2005, the university’s participating employees comprised 0.6% of the total active membership.

The university’s other defined benefit plans, consisting of an Administrative Leave Plan and a Flexible Benefit Plan, have no plan assets. The university has provided for these plans by accruing a benefit obligation of \$2,563 (2005 – \$2,321) in salaries and benefits payable (Note 8).

The significant actuarial assumptions adopted in measuring the university’s accrued benefit obligations for the other defined benefit plans are as follows:

	2006	2005
Discount rate and rate of return		
Administrative Leave Plan	4.5%	3.5%
Flexible Benefit Plan	4.75%	5.25%
Rate of compensation increase		
First year	6%	6%
Subsequent years	6%	6%
Average remaining service period of active employees		
Administrative Leave Plan	7 years	3 years
Flexible Benefit Plan	13 years	12 years
Retirement age	60 years	60 years

During the year, the university paid benefits from its other defined benefit plans totaling \$243 (2005 – \$313). Employee future benefit costs recognized in the year are \$816 (2005 – \$644).



**Note 20** Salary and benefits disclosure

	2006					2005	
	Base salary <sup>1</sup>	Cash benefits <sup>2</sup>	Non-cash benefits <sup>3</sup>	Totals	Number of individuals	Totals	Number of individuals
<b>Governing Council</b>							
Chair of Governing Council	\$ –	\$ –	\$ –	\$ –	1	\$ –	1
Governing Council members	–	–	–	–	15	–	16
<b>Executive Officers</b>							
President	259	–	47	306	1	265	1
Vice-Presidents							
Academic	161	–	27	188	1	181	1
Finance & Administration	175	–	27	202	1	181	1
Executive Director							
External Relations	109	–	24	133	1	161	1
Chief Information Officer	130	–	26	156	1	138	1
Associate Vice-Presidents							
Academic	117	–	25	142	1	140	1
Research	136	–	27	163	1	155	1
<b>Increase in Administrative Leave Plan accruals<sup>4</sup></b>							
President				40		39	
Vice Presidents							
Academic				40		1	
Finance & Administration				37		42	
Executive Director							
External Relations				19		22	
Chief Information Officer				28		21	
Associate Vice-Presidents							
Academic				26		15	
Research				–		–	

<sup>1</sup> Base salary is pensionable and includes pay for vacation time taken.

<sup>2</sup> Cash benefits include lump sum payments and any other direct cash remuneration that are non-pensionable.

<sup>3</sup> Non-cash benefits include the employer's share of all employee benefits and contribution payments made on behalf of employees for pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance, and long and short-term disability plans. In addition, non-cash benefits include tuition and travel insurance paid on behalf of employees.

<sup>4</sup> Administrative Leave Plan accrual amounts include the current service cost, the related net actuarial gains or losses, and adjustments for past service accrued at current salary rates.



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