

2019-2020

Annual Report

Alberta University of the Arts rests on the traditional Treaty 7 territories of the Blackfoot people, and in the spirit of our efforts to promote reconciliation, we acknowledge the traditional territories and oral practices of the Blackfoot Confederacy (Siksika, Piikani and Kainai), the Tsuut'ina (Sarcee), the Stoney Nakoda First Nations (Bears paw, Chiniki and Wesley), the Metis Nation (Region 3) and all those who make their homes in the Treaty 7 region of Southern Alberta.

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Accountability Statement

This Alberta University of the Arts annual report for the year ended June 30, 2020 was prepared under the Board of Governors direction in accordance with the Fiscal Planning and Transparency Act and ministerial guidelines established pursuant to the Post-Secondary Learning Act. All material economic, environmental or fiscal implication of which we are aware has been considered in preparation of this report.

Management's Responsibility for Reporting

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

The Annual Report has been developed under the oversight of the institution Finance and Audit Committee, is approved by the Board of Governors, and is prepared in accordance with the Fiscal Planning and Transparency Act and the Post-Secondary Learning Act.

The Auditor General of the Province of Alberta, the institution's external auditor appointed under the Auditor General Act, performs an annual independent audit of the financial statements which are prepared in accordance with Canadian Public Sector Accounting Standards.

Message from the Chair of the Board of Governors and the President and CEO

2019-20 was our first full year as a university. And with it, the powerful confluence of the provincial economy and the COVID-19 pandemic impacting the post-secondary education system.

We are very proud of Alberta University of the Arts' community, and thankful for their dedication and commitment. With less than three months left in the academic year, they were able to transition all teaching into a digital environment over the space of one week. Although we primarily teach and learn in an arts studio-based hands-on environment, faculty and staff did not hesitate to do the work required so our students could complete their studies in time. While not ideal, students adapted quickly to these new challenges. As a family of creatives, we found innovative ways to ensure that the quality of education was not compromised in these exceptional circumstances.

With these uncertain times for all, sustainability as well as fiscal responsibility has been the top priority. AUArts has been a full participant in Alberta government consultations on its post-secondary system review and look forward to continued, collaborative work.

Driving priorities is AUArts' Strategic Plan 2020-2026 approved by the Board of Governors in December 2019. Our new vision fully supports Alberta's economic recovery plan as we believe we can play a major role in supporting economic diversification:

To change the world through art, craft and design while enriching creative communities and economies.

We recognize our uniqueness as the only art, craft and design university in Alberta and the prairies, and just one of four in Canada. AUArts has a powerful role to play in our society and economy.

Through a broad engagement process, this first Strategic Plan as a university identifies four Goals:

- Align programming and curriculum to the evolving needs of students and communities
- Enable innovation and experimentation through teaching, applied and scholarly research, and creative activities
- Expand relationships with strategic partners and communities that enrich and improve students' learning outcomes
- Drive sustainable growth through revenue diversification, an engaging academic environment and a high-performance organization.

Full engagement of those involved in academics led to the General Faculties Council approving the 2020-2025 Academic Plan. This first major milestone, establishing a new bicameral governance system, ensured the plan's four Priorities are aligned and supportive of the Strategic Plan:

- Advance quality sustainable programming that prepares students for life and work beyond graduation
- Promote research and career skills development throughout AUArts
- Build strong relationships
- Commit to a culture of inclusion and respect

We believe that these Goals and Priorities are more relevant than ever and are key to guiding our transition to a post pandemic environment. They will drive decisions to allocate valuable, constrained resources and are reflective of the rapidly changing and uncertain world.

M. Carol Ryder
Chair of the Board of Governors

Dr. Daniel Doz
President and CEO

Public Interest Disclosure Act

This section presents Alberta University of the Arts' report concerning disclosures made during 2019-20 pursuant to the Public Interest Disclosure Act. The Act applies to provincial agencies, boards and commissions, and therefore applies to Alberta University of the Arts. Under the Act, the Chief Officer of each agency, board and commission is responsible for the preparation of an annual report detailing the number of disclosures received and investigated.

Amendments to the Alberta Public Interest Disclosure Act (PIDA) took effect March 1, 2018. In response, Alberta University of the Arts has a Public Interest Disclosure Policy and Procedure. No disclosures were reported in the past year.

Operational Overview

Progress on the 2019-22 Comprehensive Institutional Plan is contained in this annual report.

Clearly, the pandemic wreaked havoc on the end of the Winter 2020 semester. Online instruction continues this Fall 2020 semester and will into the Winter 2021 semester.

The priority when the shutdown began was ensuring our students could successfully complete the Winter 2020 semester. As an arts studio based teaching university, AUArts has no background in online learning. With pure dedication and passion of our students, faculty and staff, the institution was able to quickly pivot, with good success.

As a small institution with declining resources, shifting to the crisis management of the pandemic has resulted in some adjustments to the ability to deliver performance measures, as noted in the next section of the annual report. Additionally, the organization has reduced administrative costs as a result of in-year 2019-20 budget cuts and in preparation for planned government grant reductions.

The newly completed 2020-2026 Strategic Plan and 2020-2025 Academic Plan have been excellent guides in which to make resource allocation decisions.

International context has made the safety of international students and foreign exchanges a top priority. With COVID-19 shutdowns to international education and travel, we are anxious for the long-term impact this may create.

Professionalization is a priority in the Strategic and Academic plans. New non-degree programs are launched or planned. The Program and Curriculum Innovation project is driving needed changes reflective of the demands of the marketplace, as well as our societal needs. More emphasis on work integrated learning will result in new opportunities for our students to prepare for the rapidly evolving workforce.

Goals, Priority Initiatives, Expected Outcomes, Performance Measures

Type	Description	Expected Completion Date (from CIP)	Status	Progress Made in the Last 12 Months	Revised Expected Completion Date
Goals					
G1	<p>Accessibility: Alberta University of the Arts is proud of its role as an accessible university that provides a positive fit for learners in search of a smaller institution that offers a more personal experience. AUArts is improving support for its diverse student body, through the deployment of integrated planning that develops, synthesizes, and implements a series of plans for the support of all its learners including, especially, Indigenous students and students of diverse genders and sexualities. Together, these several initiatives will positively impact student attrition by working to make AUArts a safer, responsible, welcoming, and supportive creative university community.</p>			<p>Major Progress:</p> <ul style="list-style-type: none"> Safety of students, faculty and staff the number one priority in the handling of COVID-19 response 2020-2026 Strategic Plan and 2020-2025 Academic Plans complete, both with priorities addressing CIP goals including Accessibility AUArts Equity, Diversity and Inclusion plan underway to be driven by significant stakeholder consultation. One strategy in the Strategic Plan is “Integrate the principles of equity, diversity and inclusion with everything we do.” One Academic Plan priority is “Commit to a culture of inclusion and respect” with one of its strategies “Continue to improve a culture of wellbeing, inclusion, and respect.” Corporate sponsored peer mentorship program for Indigenous students in year two Indigenous strategy continued development driven by Indigenous students, AUArts Elder Council and needs of the community Government’s capital budget allowed for completion of a few room renovations, equipment and gender-neutral bathrooms Phase one of Campus Mental Health strategy completed, with phase two underway, with funding from the Post-Secondary Student Mental Health Grant 	
G2	<p>Affordability: Alberta University of the Arts undergraduate tuition is low in the Alberta PSE system. Nevertheless, studio-based instruction is costly, given the need for smaller, frequently capital-intensive classes. Notwithstanding the possible introduction of equitable funding for Albertan students through a review of PSE sector operating grants allocations, maintaining the quality of instruction without impacting affordability for students is a challenge. AUArts is focusing its attention on indirect impacts on the affordability of a post-secondary education, such as rates of completion, fundraising that enhances curriculum, sustainable stewardship of scholarships, and greater emphasis on professionalization in curriculum. These initiatives will lower financial barriers for students by finding ways to optimize financial supports, to provide equipment secured through fundraising efforts, and to ensure timely completion with business skills appropriate to the art, craft, and design professional.</p>			<p>Major Progress:</p> <ul style="list-style-type: none"> Emergency scholarships and bursaries distributed when pandemic shutdown occurred, allowing students to return home before borders closed or flights halted, meet basic living needs and undertake work integrated learning research projects Some corporate funding enhanced curriculum including work integrated learning in AUArts’ Illingworth Kerr Gallery and through the Students’ Association To help address workforce trends, professionalization occurring through School of Continuing Education and Illingworth Kerr Gallery 	

Goals, Priority Initiatives, Expected Outcomes and Performance Measures

Type	Description	Expected Completion Date (from CIP)	Status	Progress Made in the Last 12 Months	Revised Expected Completion Date
G3	<p>Quality: The quality of Alberta University of the Arts’ curriculum and creative research output is central to its mission, and contributes directly to the diversification and resilience of Alberta’s economy. There is no denying that a quality studio art, craft, and design education is resource-intensive given its need for smaller class sizes. In order to meet this challenge, AUArts is refining its maturing graduate curriculum and revising its undergraduate curriculum so that AUArts can offer quality outcomes with greater efficiency. Both fiscal realities and trends in student interest and practice call for the creation of a common first year, as well as a rethinking of how fourth-year curriculum is offered. This curricular revision will in turn, shape future faculty research directions and hiring. Other major AUArts undertakings with respect to quality will be the better integration of the AUArts Illingworth Kerr Gallery and Luke Lindoe Library, making these resources more accessible to, and better targeted toward, teaching and research priorities.</p>			<p>Major Progress:</p> <ul style="list-style-type: none"> • Program and Curriculum Innovation project designed to respond to workforce trends is priority of both recently approved Strategic and Academic plans • Crisis response allowed students to complete Winter 2020 semester once pandemic shutdown began • With no history of online learning, AUArts quickly pivoted to allow students to complete the Winter 2020 semester and learnings applied to Fall 2020 and Winter 2021 semesters • Teaching and Learning instructional supports enhanced to help faculty transition to online teaching with the long-term view of pedagogical enhancements • New Academic Plan bringing focus to address reduced resources and impact of the pandemic • CIP Goal of Quality is supported in Strategic Plan goal “Align programming and curriculum to the evolving needs of students and communities” • School of Continuing Education and Professional Development focusing on professionalization with micro credentials, certificates and laddering • Piloted first non-degree program (Art Writing) 	
G4	<p>Coordination: Alberta University of the Arts will continue to build on relationships it has developed in Alberta and beyond with other organizations, as it further develops transfer articulation agreements, refines and optimizes its institutional affiliations, and works with the Alberta K-12 system. It will devote particular attention to dual credit programming and to its academic upgrading ArtStream Certificate collaboration with Bow Valley College, developing both as a means to strengthen enrollment, particularly for students for whom a post-secondary education might be more difficult to attain.</p>			<p>Major Progress:</p> <ul style="list-style-type: none"> • AUArts successfully operating ArtStream solely, previously a joint offering between Bow Valley College and AUArts • K-12 system connected Pre-College adjusted for pandemic, with delivery so successful two cohorts are being discussed for summer 2021 • Continued progress on partnerships and articulations 	

Goals, Priority Initiatives, Expected Outcomes and Performance Measures

Type	Description	Expected Completion Date (from CIP)	Status	Progress Made in the Last 12 Months	Revised Expected Completion Date
G5	<p>Accountability: Alberta University of the Arts recognizes the commitment the Government of Alberta has made to its success by virtue of being granted university status, and recognizes the premium placed on institutional accountability in the wake of this show of confidence. To that end, AUArts is committed to operating within its means, to implementing a structure of bicameral governance appropriate to both its mandate and its size, and integrating its academic and strategic planning at all levels to reflect this new institutional direction.</p>			<p>Major Progress:</p> <ul style="list-style-type: none"> • General Faculties Council and committees in full operation by September 2020 ensuring proper governance under university status • 2020-2026 Strategic Plan and 2020-2025 Academic Plan approved • Integrated planning occurring as a result of Strategic and Academic plans • 2019-20 in-year reductions in administrative costs • 2020 reductions to keep on budget and plan for further Alberta government grant reductions and Investment Management Agreement 	
G6: NEW	<p>Goals and initiatives related to student mental health and sexual violence prevention policies. Goals and initiatives for programming, research, and capital, as well as community outreach collaboration with other post-secondary institutions, Community Adult Learning providers, First Nation Colleges and the K-12 system, and initiatives targeted to underrepresented learners, as appropriate.</p>			<p>Major Progress:</p> <ul style="list-style-type: none"> • Indigenous Strategy plan continues with completion by end of the academic year • Expanded geographic recruitment to attract Indigenous students • Sexual violence programming ongoing and policies and procedures implemented • Phase two of Campus Mental Health strategy underway with funding from the Post-Secondary Student Mental Health Grant • Gender and Sexual Equity Task Force focusing on support for AUArts LGBTQ2S+ community which is proportionally amongst the highest in Alberta • As a result of the pandemic, increased resources for academic accommodations to meet student need • Learning services and support and advising for students with disabilities, chronic illnesses and injuries possible with Alberta Disabilities Grant • AUArts Equity, Diversity and Inclusion plan is underway to be driven by significant stakeholder consultation • ArtStream successfully operating solely by AUArts, previously a joint offering between Bow Valley College and AUArts • K-12 System connected Pre-College delivered successfully during the pandemic and with so much interest in it two cohorts are being considered for summer 2021 	

Goals, Priority Initiatives, Expected Outcomes and Performance Measures

Type	Description
Priority Initiatives	
PI 1	Undergraduate Curriculum Revision Revise curriculum based on stakeholder consultation to produce content that is current, attractive, speaks to under-represented learners and that optimizes the academic timetable
PI 2	Sexual Violence Prevention Working group established to develop and recommend a policy and procedure for implementation and programs developed to enhance a campus culture that reduces stigma, increased awareness and is supportive
PI 3	Student, Faculty and Staff Wellness Make campus wide health and wellness a key principle in policy development and decision making
PI 4	Indigenous Strategic Strategy development to enhance and integrate Indigenous community in all aspects of the institution
PI 5	Continuing Education non-degree credit programming Complementary programming to provide certificate and post-baccalaureate diplomas that create pathways leading into and out of credit programming
PI 6	Graduate Studies Curriculum Revision Revise the MFA curriculum to improve attraction and retention of students, cost-effective delivery
PI 7	Instructional Support and Student Access Optimization of instructional support facilities and equipment access and maintenance
PI 2.1	Program Completion Rates Optimize timeliness of program completion
PI 2.2	Fundraising Integration and compatibility of curricular and fundraising initiatives drawing upon university status
PI 2.3	Scholarships and Awards General Scholarship Fund is reviewed for sustainability
PI 2.4	Tuition Review Examine and make recommendations on current tuition model in light of university status
PI 2.5	Financial Literacy Increase opportunities for students to develop business and entrepreneurship skills relevant to their practice
PI 2.6	Graduate Student support Build stable and practical graduate student support
PI 3.1	Undergraduate Curriculum Revision Undertake curriculum revision with stakeholder (faculty, staff, students) consultation to improve quality of student academic experience
PI 3.2	Pedagogical Enhancement Develop a plan for sustained enhancement to teaching and learning, academic mentorship and academic leadership

Type	Description
PI 3.3	Academic Workforce Management and Planning Prioritize faculty renewal to balance disciplinary expertise with curricular flexibility; optimize service and committee workload
PI 3.4	Illingworth Kerr Gallery Strategic Plan Enhance research culture, programming and summer residency opportunities
PI 3.5	Research and Creative Activity Strategic Plan Develop priorities to support high quality research and creative activity initiatives that speak to local, provincial and international contexts
PI 3.6	Continuing Education Strategic Plan Attract a broad group of participants including alumni, community members and international students; provide participants with enhanced skill sets to succeed in a contemporary creative economy
PI 3.7	Accreditation and Quality Assessment Leverage relationships with accrediting and assessment organizations
PI 4.1	Partnerships and Articulation Agreements are developed to provide provincial and international transferability of credits
PI 4.2	International Partnership Strategy Agreements developed to facilitate research partnerships and faculty exchanges
PI 4.3	Accreditations and Affiliations Strategic development of relationships with agencies and organizations such as: Campus Alberta Quality Council, Universities Canada, North American Schools of Arts and Design, Association of Independent Colleges of Art and Design
PI 4.4	Kindergarten to Grade 12 Coordination Establish liaison to inform, support and prepare creative and curious learners
PI 5.1	Undergraduate Curriculum Revision Revise curriculum to optimize enrollment management
PI 5.2	Sustainable 3 Year Budget Develop a 3 year balanced budget responsive to institutional mandate and fiscal realities
PI 5.3	BFA, BDes, and MFA Strategic Plans Development of undergraduate and graduate school strategic plans which provide future scope for development and efficiency
PI 5.4	University Governance Align internal academic governance with university status
PI 5.5	Integrated Planning Create framework for integrated planning for institutional prioritization, sustainability, and long-term strategic development
PI 5.6	Strategic Enrollment Management Create an evidence-based plan for targeted attraction and retention operating with available data and within available resources

Goals, Priority Initiatives, Expected Outcomes and Performance Measures

Type	Description
Expected Outcomes	
EO 1	AUArts' diversity is meaningfully reflected in curriculum and the institutional culture
EO 2	Students have flexible access to institutional facilities, resources and classes
EO 3	The AUArts campus is safe, welcoming, and vibrant, supporting high quality teaching, learning and research
EO 2.1	AUArts balances affordable access with quality within the framework of studio-based instruction
EO 2.2	Student academic experience drives budget allocation and fundraising
EO 3.1	AUArts supports and makes possible research and creative activity excellence and teaching quality in the fine arts, the crafts and the media
EO 3.2	AUArts provides leadership for the diversification of the provincial cultural and creative economy
EO 3.3	AUArts graduates creative, independent, critical and innovative individuals, skilled in specific professional practices
EO 4.1	AUArts fulfills its unique role in Alberta's post-secondary system to offer specialized and diverse programming in the fields of art, craft and design
EO 4.2	AUArts collaborates with post-secondary and cultural institutions and private industry, improving student mobility, transferability and employability, and strengthening curricular quality
EO 5.1	Undergraduate courses are run with optimal capacity
EO 5.2	AUArts' procedures and guidelines provide direction to meet institutional standards and legislative liabilities

Goals, Priority Initiatives, Expected Outcomes and Performance Measures

Type	Description	Expected Completion Date (from CIP)	Status	Progress Made in the Last 12 Months	Revised Expected Completion Date
Performance Measures					
PM 1.1.1	Decrease first year student attrition	Ongoing	In progress	Work is ongoing with degree structure and direct entry review	Ongoing
PM 1.1.2	Curriculum revision and facility adaptation for increased flexibility in course timetabling	Fall 2019	In progress	Degree structure review is the subject of a Program and Curriculum Innovation project, while the latter has proven challenging in the wake of budget reductions	Ongoing
PM 1.2.1	Sexuality and gender awareness and sexual violence awareness training is held regularly	Ongoing	In progress	Training is almost ready for rollout	Ongoing
PM 1.2.2	Sexual violence prevention programming is delegated to Student Affairs	Fall 2018	Complete	Complete	Complete
PM 1.2.3	Sexual violence prevention policy and procedure implemented	Fall 2018	Complete	Complete	Complete
PM 1.3.1	Campus Mental Health Strategy phase one developed and implemented (funding from Post-Secondary Student Mental Health Grant)	Spring 2019	Complete	Complete	Complete
PM 1.3.2	Develop and implement procedure responding to cannabis legalization	Fall 2018	Complete	Complete	Complete
PM 1.3.3	Committee structure revised to balance service workload demands with labour resources	July 2019	In progress	Ongoing, with redesign of committee structures in response to university status implemented in 2020	Ongoing
PM 1.3.4	Campus Mental Health Strategy phase two developed and implemented		In progress	Phase one completed with phase two underway	Ongoing
PM 1.4.1	Strike an Indigenous Education Council in consultation with AUArts Elders Council	Fall 2019	In progress	Consultation with AUArts Elder Council is ongoing	Winter 2021
PM 1.4.2	Build Indigenous curriculum into first year studies	Fall 2019	In progress	Has been subsumed into overarching Equity, Diversity and Inclusion plan in development, and foregrounded in Strategic and Academic Plans	Ongoing
PM 1.4.3	Indigenous Strategy approved and programs implemented	Winter 2020	In progress	Consultation with AUArts Elder Council is ongoing	End Winter 2021

Goals, Priority Initiatives, Expected Outcomes and Performance Measures

Type	Description	Expected Completion Date (from CIP)	Status	Progress Made in the Last 12 Months	Revised Expected Completion Date
PM 1.4.4	Critical and Creative Studies Minor with Indigenous focus approved by Academic Council	Fall 2020	In progress	Has been subsumed into overarching Equity Diversity and Inclusion plan in development, as well as Program and Curriculum Innovation project, both of which are foregrounded in Strategic and Academic Plans	Ongoing
PM 1.5.1	Certificate programs such as Art, Design and Business; Digital Media and Content Marketing Launched	Fall 2019	In progress	Professionalization programs for students both launched (Art Writing) and planned (Professional Practicum)	Ongoing
PM 1.6.1	Reexamine program name, duration and disciplinary scope	Fall 2018	In progress	Part of Program and Curriculum Innovation project	Ongoing
PM 1.6.2	Restructure number of courses and electives	Fall 2018	In progress	Part of Program and Curriculum Innovation project	Ongoing
PM 1.6.3	Renegotiate supervisory compensation	Winter 2019	In progress	Subject to bargaining, set to resume 2021	Ongoing
PM 1.6.4	MFA in Craft Media program revisions approved	Winter 2020	In progress	Part of Program and Curriculum Innovation project	Ongoing
PM 1.7.1	Establish consistent and optimal studio access support	Fall 2018	Complete	Complete recognizing optimal is relative to available resources	Complete
PM 1.7.2	Enhanced Thing Tank Equipped and Operational	Fall 2018	Complete	Complete	Complete
PM 1.7.3	Classroom renovation to suit post-1970 technological demands	Winter 2021	In progress	Several rooms renovated	Ongoing
PM 2.1.1	Analysis of delayed time-to-completion factors completed	Fall 2020	In progress	Analyst hired and data compilation underway	Ongoing
PM 2.1.2	Remediation plan approved and implemented	Spring 2021	In progress	Several rooms renovated	Ongoing
PM 2.2.1	Fundraising projects aligned with research and curricular initiatives in relation to long-term School and Research plans	Fall 2019	In progress	Ongoing with improved collaboration between appropriate departments and successful fund applications to such organizations as RBC	Ongoing
PM 2.3.1	Scholarship and bursary offerings aligned with resources and strategic enrollment planning	Fall 2018	Complete	Complete respecting some donor restrictions	Complete
PM 2.4.1	Plan for future tuition requirements, within Government of Alberta parameters, approved	Fall 2020	In progress	Incorporated into Program and Curriculum Innovation project	Ongoing

Goals, Priority Initiatives, Expected Outcomes and Performance Measures

Type	Description	Expected Completion Date (from CIP)	Status	Progress Made in the Last 12 Months	Revised Expected Completion Date
PM 2.5.1	Business and entrepreneurship curriculum further developed, approved and offered in credit and continuing education programming	Fall 2019	In progress	Programming developed in School of Continuing Education and Professional Development; degree programming changes underway with shift of emphasis to senior level courses; opportunities for professionalization developing through Illingworth Kerr Gallery and through AUArts pandemic restrictions response	Ongoing
PM 2.6.1	Sustainable plan for financial support for graduate students established as part of graduate studies strategic plan	Fall 2020	In progress	Unit planning in progress and due for completion late 2020	Late 2020
PM 3.1.1	Revised first year studies curriculum approved	Fall 2018	In progress	The initial attempt to revise the common foundation year did not meet with majority approval at General Faculties Council, however the process yielded valuable lessons. Elements being built into Program and Curriculum Innovation project	Ongoing
PM 3.1.2	Revised fourth year studies curriculum approved, balancing disciplinary specificity with cross disciplinary learning in a manner that responds to budgetary imperatives	Winter 2019	In progress	Development ongoing and built into Program and Curriculum Innovation project	Winter 2021
PM 3.1.3	Thematic minors and honours designation approved	Fall 2019	In progress	Built into Program and Curriculum Innovation project	Ongoing
PM 3.2.1	Luke Lindoe Library strategic plan developed centralizing its role in teaching and learning support	Fall 2019	In progress	Unit planning underway for completion late 2020	Late 2020
PM 3.2.2	Pedagogy enhancement plan developed and approved	Winter 2019	In progress	Underway and foregrounded in Academic Plan	Ongoing
PM 3.3.1	Five year hiring plan approved	Winter 2020	In progress	Not complete due to changing fiscal, pandemic, curricular, and bargaining considerations	Ongoing
PM 3.4.1	IKG strategic plan approved and implemented, recalibrating inward- and outward-facing orientation and facilitating improved research and curriculum integration and support	Summer 2018	In progress	Unit planning underway for completion late 2020; professionalization programs for students both launched (Art Writing) and planned (Professional Practicum)	Late 2020
PM 3.5.1	Research and Creative Activity administration procedure approved and implemented	Winter 2019	Complete	Complete	Complete

Goals, Priority Initiatives, Expected Outcomes and Performance Measures

Type	Description	Expected Completion Date (from CIP)	Status	Progress Made in the Last 12 Months	Revised Expected Completion Date
PM 3.5.2	Framework aligning institutional goals and industry partnerships approved	Winter 2021	In progress	Built into Strategic and Academic plans	Ongoing
PM 3.5.3	Research and Creative Activity Strategic Plan approved	Winter 2019	In progress	Built into Academic Plan	Ongoing
PM 3.5.4	Online repository for research papers under review and in publication is developed	Spring 2019	In progress	Website under redevelopment	Fall 2021
PM 3.5.5	Tri-Council funding received	Spring 2021	In progress	Some applications submitted, others in development	Ongoing
PM 3.6.1	Continuing Education first non-degree credential piloted	Fall 2019	Complete	Complete	Complete
PM 3.7.1	Revision of MFA program consistent with the standards of the National Association of Schools of Art and Design submitted to Campus Alberta Quality Council	Fall 2018	In progress	Work continues aligned with Academic Plan	Ongoing
PM 3.7.2	Submission of substantive undergraduate program revisions to Campus Alberta Quality Council	Fall 2019	In progress	Consultation with respect to program revisions has been ongoing. In the pursuit of PM 5.1.1 and 5.1.2, program revisions are being developed alongside the pending CAQC review and maturing quality assessment and unit planning process	Ongoing
PM 4.1.1	Block Transfer established with Portage College (Fall 2018), Medicine Hat College (Fall 2019), MacEwan University (Fall 2019), and others		In progress	Ongoing with establishment of new GFC committee structure	Ongoing
PM 4.1.2	ArtStream Certificate enrollment targets met	Fall 2018	In progress	Program revisions underway for 2022 completion	2022
PM 4.1.3	Transferable, ladderable non-degree credit Continuing Education programming piloted	Fall 2019	In progress	Piloted first non-degree program (Art Writing)	Ongoing
PM 4.1.4	Joint programming with SAIT and Bow Valley College developed in conjunction with long-term integrated academic planning (PI 5.3)	Fall 2020	In progress	Preliminary discussions held with SAIT	Ongoing
PM 4.1.5	Alberta Council on Articulation and Transfer presence established through Transfer and Articulation Committee		In progress	Substantial progress made	Ongoing
PM 4.2.1	International Partnership Strategy developed in response to themes and priorities developed by the Research and Creative Activity Strategic Plan (PI 3.5), possibly to involve ERASMUS faculty exchanges		In progress	Internationalization foregrounded in new Academic Plan	Ongoing

Goals, Priority Initiatives, Expected Outcomes and Performance Measures

Type	Description	Expected Completion Date (from CIP)	Status	Progress Made in the Last 12 Months	Revised Expected Completion Date
PM 4.3.1	Review of accreditation memberships	Winter 2019	Complete	Complete	Complete
PM 4.4.1	Calgary Board of Education dual credit programming pilot launched	Fall 2018	Complete	Complete	Complete
PM 4.4.2	Develop an integrated K-12 outreach plan	Fall 2019	In progress	Progress made	Ongoing
PM 5.1.1	Revised first year curriculum implemented	Fall 2019	In progress	The initial attempt to revise the common foundation year did not meet with majority approval at General Faculties Council, however the process yielded valuable lessons. Elements being built into Program and Curriculum Innovation project	Ongoing
PM 5.1.2	Revised 4th year curriculum implemented	Fall 2020	In Progress	Development ongoing and built into Program and Curriculum Innovation project	Winter 2021
PM 5.2.1	3-year balanced budget presented to Government of Alberta, as requested	June 2018	Complete	Complete	Complete
PM 5.3.1	Integrated strategic plans, including Graduate Studies, approved	Fall 2019	In progress	Part of unit plans to be completed late 2020	Late 2020
PM 5.4.1	Program of regular and sustained development of internal leadership capacity approved	Fall 2019	In progress	Activities held regularly	Ongoing
PM 5.4.2	General Faculties Council established		Complete	Complete	Complete
PM 5.5.1	Capital and IT plan approved	Fall 2020	Complete	Complete	Complete
PM 5.5.2	Strategic Plans harmonized (i.e. SEM PI 5.6, Research and Creative Activity PI 3.5, Academic Plan 5.3, Capital, IT, Pedagogy Enhancement PI 3.2, Illingworth Kerr Gallery PI 3.4, Indigenous Plan 1.4, Continuing Education and Professional Development Plan 3.6)	Fall 2020	In progress	Unit plans to be completed late 2020	Late 2020
PM 5.5.3	Integrated planning framework implemented	Winter 2021	In progress	Unit plans to be completed late 2020	Late 2020
PM 5.6.1	Updated Strategic Enrollment Management Plan approved	Fall 2020	In progress	Ongoing with establishment of new GFC committee structure	Ongoing

Financial and Budget Information

Alberta University of the Arts Year Ended June 30, 2020

Financial Statement Discussion Analysis

The June 30, 2020 Annual Report includes the financial statements for Alberta University of the Arts (AUArts) prepared in accordance with Canadian public sector accounting standards (PSAS).

The Auditor General of Alberta has audited the financial statements and has provided the accompanying independent Auditors' Report. The financial statements and Annual Report satisfy a legislative requirement as set out in the Post-Secondary Learning Act of Alberta. The following financial statement discussion and analysis should be read in conjunction with the financial statements. Both have been prepared by and are the responsibility of Management.

This discussion and analysis and the audited financial statements are reviewed and approved by the Board of Governors of AUArts on the recommendation of the Finance and Audit Committee of the Board of Governors.

(All amounts are in thousands of dollars unless otherwise noted).

Significant Trends and Risks

AUArts operates in a complex environment and must deal with a variety of risks which it manages through its integrated enterprise risk management framework. The major risks that can affect AUArts from a financial perspective are as follows:

1. Budgetary Pressure

70.5% of AUArts annual revenues are received from the Government of Alberta; this makes AUArts vulnerable to any decreases in the annual Campus Alberta Grant, as well as, other government funding. Although AUArts presented a break-even operating budget for 2019-20, the government announcement of an in-year reduction to the Campus Alberta Grant of \$188 for 2019-20 (with additional reductions expected in future years), indicates that budgetary pressures continue to represent a significant strategic risk for AUArts. AUArts is currently identifying and implementing operating efficiencies and assessing the potential impact of the grant reduction on future years.

2. Tuition Fees

The tuition fee freeze will end in 2020/21 and AUArts has been allowed to increase tuition for the new academic year by 7%. With the anticipated reduction in government funding, the university is now in a position where it must charge fees that contribute more towards the real costs of the education provided.

3. Negotiations with Collective Bargaining Units

69% of AUArts annual operating expenses are payroll related costs. AUArts financial viability is dependent on its ability to negotiate reasonable salary and benefit terms with two bargaining units. The current agreement with Alberta Union of Provincial Employees Local 071/006 expired on June 30, 2020. A wage reopener arbitration decision for salary increases effective July 1, 2019 is expected by the end of the calendar year and negotiations for a new contract will begin in November 2020. The collective agreement with Alberta University of the Arts Faculty Association (formerly Alberta College of Art + Design Faculty Association) expired June 30, 2020. Negotiations for a new collective agreement are expected to begin in January 2021.

4. Information Technology

AUArts spends a significant portion of operating funds, internally sourced capital funds and restricted reserve funds on information technology each year to develop and support systems. Although there is a significant operating contribution towards information technology and security, the number of cyber risks including malware and ransomware continue to increase. If AUArts was impacted by one of these cyber risks, there could be significant financial and reputational impact.

Statement of Financial Position Highlights

Overall Results

AUArts' Net Assets increased by \$1,692 to \$15,286. The change in net assets is due to the annual operating surplus of \$1,284, as well as, \$53 in endowment capitalized investment income, \$101 of endowment new donations and a \$254 increase in accumulated remeasurement gains.

Net financial asset balance has improved over the past year from \$12,589 to \$14,174. AUArts presentation of net financial assets includes \$7,049 of portfolio investments that are restricted for endowments. Endowment restricted investments represent contributions from donors that are required to be maintained intact in perpetuity, as well as, capitalized investment income that is required to be maintained in perpetuity to protect the economic value of the endowment. Therefore, these investments cannot be used to pay for liabilities or future operating or capital purchases. Other major components of financial assets are cash and cash equivalents and non-endowment investments totaling \$18,129.

Financial Assets

Total financial assets decreased by \$265 to \$18,610 at June 30, 2020. A decrease of 1.4% from the prior year.

Cash and cash equivalents

AUArts cash position comprises cash and temporary investments. Temporary investments are used to ensure that enough cash and liquid assets are available to manage the timing of AUArts operating and capital expenditures. The cash position has decreased by \$659 to \$10,139, a decrease of 6.1% from the prior year. AUArts continued to invest in short-term Guaranteed Investment Certificates where required by the underlying grants and to cover payments as they come due for essential infrastructure projects.

The statement of Cash Flows summarizes the sources and uses of cash in the fiscal year. During the fiscal year, \$69 cash was raised from operating transactions, and cash decreased due to capital and investing activities \$1,668 and \$406, respectively.

Portfolio investments

Portfolio investments increased by \$840 to \$15,039 at June 30, 2020, an increase of 5.9% from the prior year. The unrealized gain on unrestricted and restricted investments represents the increase in market value of the investment portfolios during the year (see notes 5 and 6 of the financial statements for additional information relating to portfolio investments and financial risk management).

	2020	2019	Change
Net transfer from cash and cash equivalents	\$406	\$499	\$(93)
Unrealized gain on investments	427	404	23
Realized (loss) gain on sale of portfolio investment	(247)	(80)	(167)
Change in accumulated remeasurement gains	254	165	89
Change in portfolio investments	840	988	(148)
Portfolio investment, beginning of year	14,199	13,211	988
Portfolio investment, end of year	\$15,039	\$14,199	\$840

Liabilities

Total liabilities decreased by \$1,474 to \$11,485 at June 30, 2020, a decrease of 11.4% from the prior year.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by \$218 to \$3,066 at June 30, 2020, an increase of 7.7% from the prior year.

Deferred revenue

Deferred revenue consists of the following components (see note 9 of the financial statements for additional information):

	2020	2019	Change
Deferred research and special purpose	\$5,289	\$6,207	\$(918)
Unspent deferred capital contributions	2,705	2,692	13
Tuition and other fees	294	603	(309)
	\$8,288	\$9,502	\$1,214

- Deferred research and special purpose include several one-time and conditional funding supporting program development, research, scholarships and other operating requirements. In fiscal year 2019, AUArts received additional funding as part of the Campus Alberta Grant to support the university transition. At June 30, 2020, \$1,087 of these funds had not yet been spent and were deferred for use in future periods for projects associated with university transition priorities. This category also includes unrealized investment gains on restricted investments which amounted to \$173 at June 30, 2020.
- Unspent deferred capital contributions represent grants and donations received to fund capital acquisitions. At June 30, 2020, \$2,705 was held for capital upgrades still to be completed.
- Student and tuition fees represent operating revenues received in the current year relating to services which will be provided in the next fiscal year. Because of the pandemic and the upgrade to the student registration system, registration for the 2020/21 academic year was opened much later than usual in July 2020. This resulted in a lower than usual balance of deferred credit tuition fees in deferred revenue for the 2020/21 academic year.

Non-Financial Assets

Tangible capital assets

Tangible capital assets increased by \$961 to \$6,144 at June 30, 2020, an increase of 18.5% from the prior year (see note 11 in the financial statements for information on the changes during the year), which are summarized below:

In 2020, the university made the decision to change its current capitalization threshold from \$1,000 to \$5,000. This was necessary to allow the university:

- To be consistent with other Alberta post-secondary institutions of comparable size that have updated their capitalization thresholds to \$5,000; and
- To better reflect the cost/benefit of administering AUArts capital assets.

To properly disclose this change in accounting policy, the university followed the requirements of PS 2120 Accounting Changes. All adjustments were applied retroactively, FY2019 was restated and the impact of the adjustment was disclosed in note 3 of the financial statements. The adjustments were not material and their impact on the financial statements is discussed where relevant in the review of key operating variances later in this report.

Acquisition of tangible capital assets	\$1,668	\$1,369
Net book value of assets disposed during the year:		
Cost	-	(3,195)
Accumulated amortization	-	2,903
Loss on disposal of tangible capital assets	-	(292)
Amortization expense	(707)	(680)
Change in tangible capital assets	961	397
Tangible capital assets, beginning of year	5,183	4,786
Tangible capital assets, end of year	\$6,144	\$5,183

Acquisition of tangible capital assets includes:

- Furnishings and equipment - \$115
- Computer hardware and software - \$50
- Building improvements - \$1,503

Spent Deferred Capital Contributions

Spent deferred capital contributions is comprised of restricted grants and donations spent on tangible capital acquisitions not yet recognized as revenue (see note 10 of the financial statements for additional details).

Net Assets

The net assets for AUArts increased by \$1,692 or 12.4% (see note 12 of the financial statements for additional details). Net assets are comprised of the following:

Endowments

Endowment net assets increased by \$154 or 2.9%.

Accumulated surplus from operations

Accumulated surplus from operations increased by \$2,029 from \$5,837 at June 30, 2019 to \$7,866 at June 30, 2020. Changes to accumulated surplus from operations are comprised of the following:

	2020	2019
Operating surplus (deficit)	\$1,284	\$121
Add back:		
Amortization of internally funded capital assets	150	168
Operating expenses funded from internally restricted surplus	479	155
Net book value of tangible capital asset disposals	-	264
	1,913	708
Less:		
Net Board appropriation to internally restricted surplus	(11)	(844)
	(11)	(844)
Capital activities		
Internally funded acquisition of tangible capital assets	(127)	(91)
Change in accumulated remeasurement gains	254	165
Change in accumulated surplus from operations	-	-
Accumulated surplus from operations, beginning of year	5,837	5,899
Accumulated surplus from operations, end of year	\$7,866	\$5,837

Investment in tangible capital assets

In 2020, capital assets increased by, net of depreciation, \$150. Of this increase, \$300 of asset acquisitions were internally funded.

	2020	2019	Change
Investment in tangible capital assets, opening balance	\$373	\$655	\$(282)
Amortization of internally funded capital assets	(150)	(168)	18
Internally funded acquisition of tangible capital assets	300	150	150
Net book value of tangible capital asset disposals	-	(264)	264
Investment in tangible capital assets, ending balance	\$523	\$373	\$150

Financials and Budget Information

Internally restricted surplus

Internally restricted surplus represents amounts set aside by AUArts' Board of Governors for specific purposes. Those amounts are not available for other purposes without the approval of the Board and do not have interest allocated to them. Currently the use of those funds has been appropriated as follows:

	2020	2019
Capital and infrastructure	\$971	\$1,125
Equipment, technology and program upgrades	530	1,017
	\$1,501	\$2,142

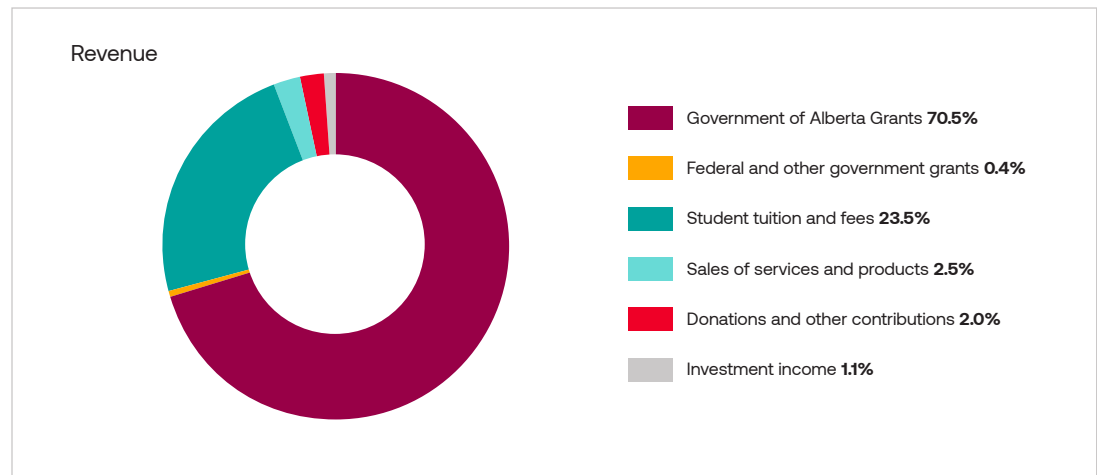
Accumulated remeasurement gains

Accumulated remeasurement gains represent the unrealized gain on unrestricted financial instruments. At June 30, 2020, AUArts had \$1,575 (2019 - \$1,321) accumulated remeasurement gains.

Statement of Operations Highlights

Overall Results

Fiscal Year 2020 ended with a final operating surplus of \$1,284 (2019 - \$121). The operating surplus increased by \$1,163 from the prior year.



	2020		2019		Change From 2019	
	\$	%	\$	%	\$	%
Government of Alberta Grants	18,122	70.5%	18,033	71.9%	89	0.5%
Federal and other government grants	94	0.4%	112	0.4%	(18)	(16.1)%
Student tuition and fees	6,029	23.5%	5,745	22.9%	284	4.9%
Sales of services and products	646	2.5%	693	2.8%	(47)	(6.8)%
Donations and other contributions	524	2.0%	328	1.3%	196	(59.8)%
Investment income	279	1.1%	170	0.7%	109	(64.1)%
	25,694	100.0%	25,081	100.0%	613	2.4%

Summary of Key Statement of Operations Variances

Revenues

Total revenues for the year ending June 30, 2020 was \$25,694 compared to \$25,081 for the previous fiscal year. This represents an increase of 2.4% in overall revenues. Actual revenues were less than budgeted revenues by 2.9% or \$766. The largest changes to AUArts revenue base year-over-year were as follows:

- In 2019/20, the university was impacted by the first of three upcoming annual cuts to the Campus Alberta Base grant. The total cuts for the year 2019/20 amounted to \$443. The loss of base grant revenue was offset by increases in other government grants, in particular government funding for post-secondary student mental health initiatives.
- Student tuition and fees increased by \$284. This was the final year of the credit student tuition fee freeze, and the increase in tuition revenues was driven by a modest increase in enrollment. Non-credit courses faced another challenging year. The shift from hobbyist programming to certificate programming was delayed by the start of the pandemic and the consequent campus lockdown in March 2020. Furthermore, winter programs were interrupted mid semester and tuition refunds were paid to non-credit courses. No spring or summer programming was possible.
- Although the university bookstore continued to be available to students during the campus closure for the last quarter of the year, no in-person access to the facility was possible and only very limited sales were possible by the means of kerbside pickup and email orders. The university does not have an automated online retail sales process.

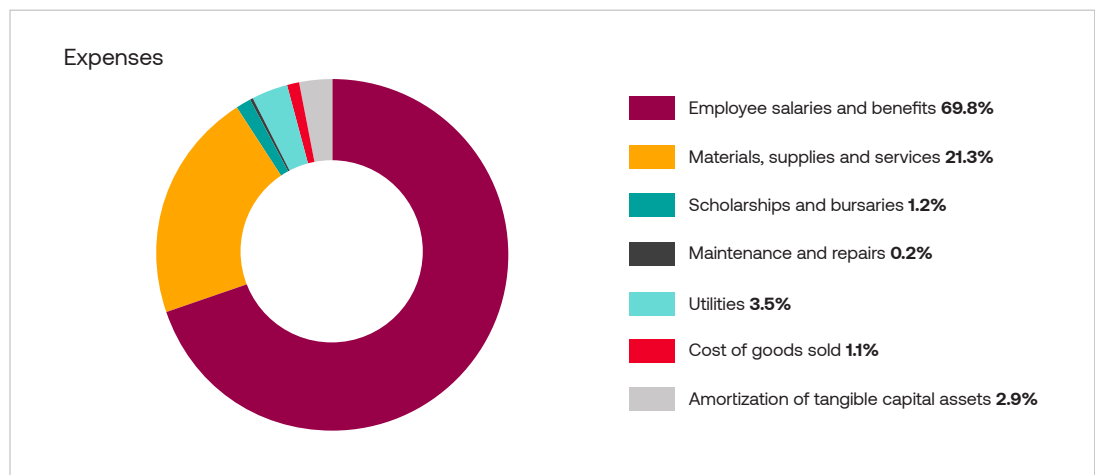
The largest differences between AUArts revenue budget and its actual results for 2020 were as follows:

	2020 Budget	2020 Actuals	Variance from Budget
Government of Alberta Grants	\$18,849	\$18,122	\$(727)
Federal and other government grants	174	94	(80)
Student tuition and fees	6,164	6,029	(135)
Sales of services and products	743	646	(97)
Donations and other contributions	310	524	214
Investment income	220	279	59
	\$26,460	\$25,694	\$(766)

- Government of Alberta grants had an unfavourable budget to actual variance of \$727. The university budget for 2019/20 had anticipated the use of grant funding deferred from prior periods to support further transition to full university status. Many of these projects continue to be deferred to future periods and will be completed as operational capacity allows.
- Federal and other government grants had an unfavourable budget to actual variance of \$80. The university receives no significant operating grants from government sources other than the provincial government.
- Student tuition and fees had an unfavourable budget to actual variance of \$135. AUArts exceeded the enrollment targets set in the 2019/20 budget by a small amount, however overall tuition revenues were adversely affected by the cancellation of continuing education programs from mid-March onwards.

- Sales of services and products had an unfavourable budget to actual variance of \$97. The closure of campus in March prevented the university bookstore from achieving its annual sales targets. Sales until the early spring of 2020 had been exceeding monthly targets which compensated for some of the revenue lost as a result of the campus closure.
- The university continued to receive important support from existing sponsors and received some new sponsorship funding. An unbudgeted gift in kind to the art collection was also received in 2019/20 which allowed the university to exceed the budget for the year by \$214.
- Investment income had a favorable budget to actual variance of \$59 due to the strong performance of the investment portfolio in the first six months of the year. Investments were impacted by market volatility arising from the pandemic but had recovered well by June 30, 2020.

Expenses



Expense by Object

	2020		2019		Change From 2019	
	\$	%	\$	%	\$	%
Employee salaries and benefits	17,039	69.8%	17,054	68.3%	(15)	(0.1)%
Materials, supplies and services	5,195	21.3%	5,587	22.4%	(392)	(7.0)%
Scholarships and bursaries	290	1.2%	275	1.1%	15	5.5%
Maintenance and repairs	44	0.2%	30	0.1%	14	46.7%
Utilities	862	3.5%	1,009	4.0%	(147)	(14.6)%
Cost of goods sold	273	1.1%	325	1.3%	(52)	(16.0)%
Amortization of tangible capital assets	707	2.9%	680	2.7%	27	4.1%
	24,410	100.0%	24,960	100.0%	(550)	(2.2)%

Comparison to 2019

Total expenses for the period ending June 30, 2020 were \$24,410. This represents a decrease of \$550 or 2.2% over total operating expenses for the previous year (2019 - \$24,960). The most significant changes were as follows:

- Payroll costs were only \$15 or 0.01% lower than in the previous year. The university carried out some restructuring and incurred some layoff costs in the fall of 2019. These costs were offset by savings from positions that were eliminated in the restructuring as well as payroll vacancies resulting from staff turnover and delays in filling vacant and new positions. With the exception of payroll increases dictated by faculty and support staff movement up the negotiated salary grids as set out in the collective agreements, there were no salary or wage increases for any group of employees during the year. With the campus closure in March 2020 and the move to working from home from all non-essential personnel, the casual staffing requirement for the final three months of the year was significantly reduced.
- Materials, supplies and services decreased \$392 over the prior year. This decrease is attributable to several factors:
 - Rigorous efforts by the university to comply with the directive from the Ministry in December 2019 to minimize or eliminate all discretionary spending.
 - A few projects relating to the ongoing move to full university status were delayed or cancelled at the onset of the pandemic in mid-March.
 - All professional development, business travel, hospitality and other associated costs ceased at the start of the pandemic and the closure of the university campus.
 - In 2020, the university changed its capitalization policy threshold for furnishings and equipment and computer hardware and software from \$1 to \$5. This resulted in a prior year adjustment of \$336 expensing all assets in these categories that were not fully amortized.
 - Utilities costs decreased year on year by \$147 or 14.6%. There were savings from the campus closure to all utilities, but the most significant reduction occurred in the usage and rates charged for steam condensate.

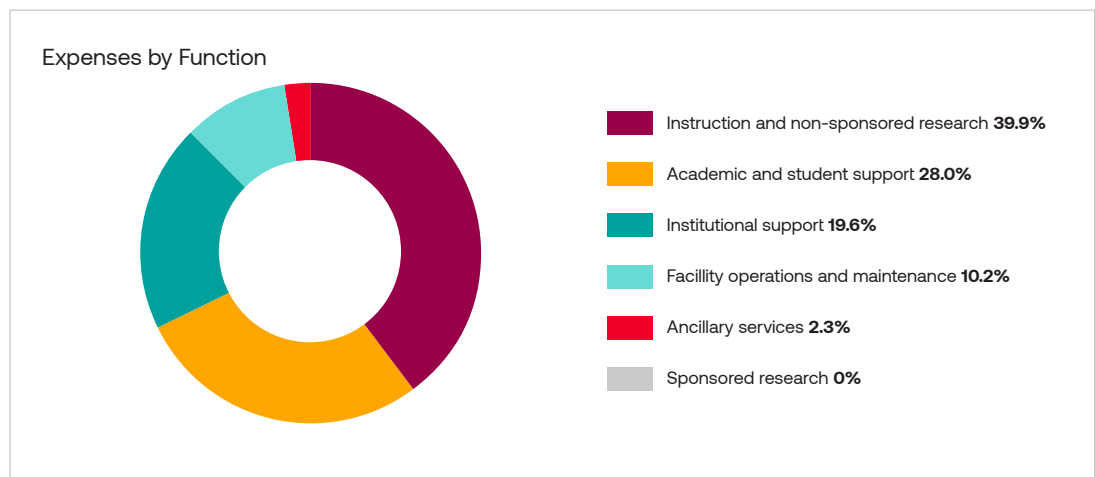
	2020 Budget	2020 Actuals	Variance from Budget
Employee salaries and benefits	18,407	17,039	(1,368)
Materials, supplies and services	5,381	5,195	(186)
Scholarships and bursaries	300	290	(10)
Maintenance and repairs	63	44	(19)
Utilities	1,044	862	(182)
Cost of goods sold	392	273	(119)
Amortization of tangible capital assets	873	707	(166)
	26,460	24,410	(2,050)

Comparison to Approved Operating Budget:

- Throughout the year, the university sought to minimize all discretionary spending as far as possible. This in conjunction with very low spending in the period from mid-March to June 2020 when the campus was closed and senior management's focus on further cuts required to accommodate anticipated reductions in the Campus Alberta base grant allowed the university to reduce \$2,050 its operating budget for 2019/20 by \$2,050.

- Employee salaries and benefits for the year were under budget by \$1,368. The following factors contributed to this favourable variance:
 - The costs of an early retirement incentive program (\$367) were included in the 2019/20 budget, but by year end all of the eligible and approved retirees had signed agreements and the costs were accrued in fiscal year 2019.
 - Two core management and exempt staff positions were not filled until late winter 2020 and significant turnover and longer than usual vacancies particularly in the student support areas resulted in significant payroll savings during the year.
 - The university’s benefit budget projections include contingencies for unexpected payroll activity during the year as well as changes to banked and vacation pay accruals. There was no significant unbudgeted payroll activity during the year. Severance and early retirement costs were covered from operating budget savings and prior year accruals. The university was not required to draw on these contingencies.
- The closure of the campus and move to working from home and online learning resulted in significant favourable variances for materials, services and supplies, utilities and cost of goods sold.
- The university’s amortization estimates were significantly lower than budget as a result of the change in the capitalization threshold from \$1 to \$5.

Expenses by Function



	2020 Budget		2020 Actuals		Change from Budget	
	\$	%	\$	%	\$	%
Instruction and non-sponsored research	10,454	39.5%	9,739	39.9%	(715)	(6.9)%
Academic and student support	6,981	26.4%	6,826	28.0%	(155)	(2.2)%
Institutional support	5,350	20.2%	4,790	19.6%	(560)	(10.0)%
Facility operations and maintenance	2,978	11.3%	2,479	10.2%	(499)	(16.7)%
Ancillary services	697	2.6%	564	2.3%	(133)	(19)%
Sponsored research	-	0.0%	12	0.0%	12	(100.0)%
	26,460	100%	24,410	100%	(2,050)	(7.8)%

Comparison to Operating Budget

- Savings in salaries, wages and benefits account for 66.7% of the total expenditure budget variance of \$2,050. These payroll savings account for the majority of the favourable budget variances in instruction and non-sponsored research, academic and student support, and institutional support. There were some additional non-payroll related cost savings across all departments as a result of university efforts to minimize all discretionary costs and the campus closure for the last few months of the year. The university anticipated unbudgeted costs as a result of the pandemic, but for the four months from March to June, 2020 these proved lower than expected and were offset by savings found in the university’s operating budget.
- The favourable budget variance for facility operations and maintenance of \$499 stems from:
 - Amortization expense reductions from the change in the university’s capitalization threshold for furniture and equipment and computer hardware and software;
 - Savings on utility costs particularly in the final four months of the year; and
 - Savings on other campus services contracts.
- The reduction to the ancillary services budgeted costs are a result of the impact of the campus closure on the university bookstore. With no physical access to the store by students or staff for the final three months of the year, revenues and the associated cost of goods sold for the period were far below the university’s projections for the period and had a significant impact on the net return for the year.

Self-Generated Revenue

AUArts has almost no supplementary resources with which to generate additional revenues. The university has no student residences, parking lots, institutional catering services or cafeteria/food courts.

The School of Continuing Education and Professional Development has been developing a new strategic roadmap over the past few years. Grant and sponsorship contributions have contributed to the development of new curriculum and marketing initiatives. Several new programs were expected to launch in the spring of 2020 but have been delayed as a result of the pandemic and operating budget constraints. These programs include new certificate programs (Art and Business, Creative Technologies and Gemmology), new micro credential courses, online partnerships with third parties, entrepreneurship workshops and skills based bootcamps. However, as a result of the pandemic and the indefinite campus closure the introduction of these new courses has been delayed until 2021.

The university also operates a bookstore providing textbooks and art supplies to students. This ancillary service also provides core institutional procurement and contract tendering services and is not solely a cost recovery or revenue generating unit. Anticipated revenues for the 2019/20 year were reduced by the campus closure and the move to online teaching for a significant part of the winter term and the spring / early summer terms of 2019/20.

In 2019/20 the following supplementary revenues were generated:

Revenue Type	Total Revenue Generated
Continuing Education Fees (Academic Enterprise)	\$342
Bookstore revenues (gross) (Ancillary Services)	\$510

Enrollment Plan and Program Changes

AUArts has completed and is now implementing its first Strategic Plan and Academic Plan as a university. These plans are driving enrollment planning and program changes.

Enrollment Plan

AUArts continues to focus efforts on student recruitment and retention through the analysis and improvement of its major declaration timelines and integration of strategic enrollment planning activities with the establishment of the General Faculties Council and sub-committee structure. While dual credit programming in Calgary has been suspended in the wake of school board budget constraints, dual credit programming in Edmonton ran successfully in one year and continues. Institutional data gathering and analysis have also improved in the past year with the devotion of additional resources to the activity, yielding valuable in support of curricular planning and strategic enrollment management.

Enrollment Chart

	2019-2020 FLE Estimate	2019-2020 FLE Actual
First Year Studies	NA	356.95
Bachelor of Design	267.86	257.95
Bachelor of Fine Arts	603.37*	264
Open Studies including ArtStream	30.77	23.5
Master of Fine Arts in Craft Media	8	4
Total	910	906.4

*The Bachelor of Fine Arts FLE Estimate 2019-2020 is inclusive of First Year Studies. Note that the combined Actual FLE Count for the Bachelor of Fine Arts program and First Year Studies is 620.95.

Program Changes

After an administrative restructuring, revision of the Bachelor of Design program in Photography has begun, with changes to its junior-year curriculum approved by our General Faculties Council.

Building on last year's work, draft degree level outcomes will continue to be developed and finalized. Innovations driven by the restrictions that have emerged from the COVID-19 pandemic are also sure to emerge in coming years.

The Academic Plan is driving prioritization in program development. Institutional data gathering, cross-sector research and externally contracted market research is complete. With the General Faculties Council committee structure established, comprehensive, collaborative degree structure revision can begin in Fall 2020 supported by reliable evidence and a clear, bicameral decision-making structure.

While an initial attempt to revise the common foundation year did not meet with majority approval at General Faculties Council, the process yielded valuable lessons and underscored the need for the above-mentioned structures and resources to be in place, as they now are. These revision and innovation activities have been gathered under the umbrella of a Program and Curriculum Innovation project, which will align with the quality assessment review and unit planning processes also currently underway.

Research, Applied Research and Scholarly Activities

As a new university, AUArts continues to develop its research infrastructure and to nurture an emerging institutional research culture.

The one-time Rawlinson Faculty Research Investment Grant supports faculty research projects that build international collaborations, contribute to student experience, ensure cutting-edge curricular currency, and are staged to subsequently pursue external research funding.

The grant supports these projects:

- Art and/as Algorithmic Criticism (Assistant Professor Dr Ashley Scarlett and Assistant Professor Lisa Lipton). This project is a three-day event (September 2022) bringing together scholars, artists and designers to explore ways in which creative practice has worked to render the algorithmic intelligible, opening space for reflexive critique, meaningful resistance and innovative repurposing. The symposium proceedings, as well as a series of invited catalogue essays, will be published as a special issue of an academic journal.
- High Skill / High Tech (Assistant Professor Bryan Cera and Associate Professor Martina Lantin). Beginning with the production of a collaborative body of work investigating pattern and surface, function and modularity, additive methodologies and industrial processes, the High Skill / High Tech project explores points of commonality, distinction, and collaboration between digital fabrication and ceramics. In the process of demonstrating the possibilities of combining these skills and technologies, High Skill / High Tech experiments with multiple channels of dissemination in and beyond the classroom, through blogs, exhibitions, an open-source wiki, and an ambitious book project.
- **(title pending)** (Corbin Union artists collective: core members Associate Professor Miruna Dragan, Instructor Jason de Haan, and Warren McLachlan). Corbin Union explores the context of the deserted East Kootenay coal-mining town of Corbin, British Columbia, and its associated and often violent social and environmental histories. It will mount major solo exhibitions at the Contemporary Art Gallery in Vancouver and the Museo de Arte Contemporáneo (MACQ) in Querétaro, México (2021). The work is part of a larger cultural exchange initiative between cultural professionals in Vancouver and Querétaro, México, supported by the BC Arts Council and Emily Carr University.

The Alberta Research and Innovation Framework should include the cultural sector. The volume and quality of scholarly and research activity taking place at a university such as AUArts is significant, and contributes to Alberta's creative economy. Beyond the Rawlinson Investment Grant, for example, and often with the support of the Luke Lindoe Library, AUArts faculty actively produce creative, applied, and scholarly research nationally and internationally, receiving grants from such organizations as the Alberta Foundation for the Arts and the Canada Council, and participating in cross-country collaborations. One example of this is Craft and the Digital Turn, a SSHRC-funded project through OCADU investigating the relationship between digital technologies and teaching traditional craft practices, for which Associate Professor Mackenzie Kelly-Frère is a co-researcher.

AUArts' nationally recognized Illingworth Kerr Gallery continues to grow as a point of dissemination for local and international creative research through hosting exhibitions, workshops, speakers and events, and continues to develop as a means of professionalizing students in preparation for the workforce.

AUArts also supports creative research through the IKG. In addition to exhibiting the work of graduating BFA and MFA students, last year the IKG presented four major shows. *Shifting Shelter*, by Vessna Perunovich, and curated by Magda Gonzalez-Mora, presented a thoughtful meditation on transcultural migration, displacement and destabilization of peoples. *Thing To Wear*, curated by AUArts staff member Jolie Bird, presented the work of participants in faculty member Bill Morton's kimono making workshops, and the opening was attended by the Consul General of Japan, Shigenobu Kobayashi. *Reliant Objects*, co-curated by AUArts Faculty member Lindsay Rice, and Courtney Kemp, investigated everyday domestic objects reimaged and remade by 20 international artists and craftspersons. Lastly *Ready Player Two*, featured the work of Brendan Tang and Sonny Assu and explored their mixed race backgrounds, identities, and experiences of Canadian life in the 1980s and 1990s. The IKG animated all of their exhibitions with artist and curator talks and tours, as well as additional programming ranging from participatory activities to collaborations with local businesses and community groups.

AUArts is now a member of Mitacs, the national not-for-profit organization that designs and delivers research and training programs, working with universities, companies and governments to build partnerships that support industrial and social innovation in Canada.

Regional Stewardship, Foundational Learning, Underrepresented Learners

AUArts is working on an Equity, Diversity and Inclusion strategy that is reflective of its students, faculty and staff.

The University is actively involved in Indigenous student recruitment through participation in career and education fairs throughout Alberta, as well as high school post-secondary fairs in Northern Alberta and the Yukon. These are areas that have been historically outside of our recruitment zone. Our Aahwaatkamooski Peer Mentorship Program, launched this year, provided support for new Indigenous students, as well as leadership opportunities for upper year Indigenous students. Ongoing engagement with the Elder Council allowed for community building and engagement to support student success. Progress on the institution's Indigenous Strategy continues.

The Alberta Disabilities Grant has been pivotal in providing learning services support and advising for students with disabilities, chronic illnesses and injuries. Funding has been reallocated to support the increased needs for accommodations during the pandemic.

Students with disabilities are supported with a focus on academic accommodations, enhanced learning services support through our Tutoring & Writing Centre as well as ongoing holistic student advising. While services are now offered virtually, the Tutoring & Writing Centre has expanded hours of operation and found a physical home on campus that is operating virtually at this time.

The Alberta Post-Secondary Mental Health Grant provides for mental health and wellness events, training and programs for students, faculty and staff throughout the year, with the Campus Wellness Strategy now approved and a priority for implementation for 2020-2021.

Student supports are also reflective of the needs of our LGBTQ2S+ community, which is proportionally amongst the highest in Alberta. The University's Gender and Sexual Equity Task Force, inclusive of the AUArts Students' Association, is actively involved in the identification of challenges and opportunities to better support our LGBTQ2S+ population. A priority identified was the codification of 'chosen names' in our Student Information System, allowing students to choose the name used in our Active Directory email, library accounts and Class lists. The project is under review with the new Student Information System implementation.

To address foundational learners and encouraging high-school student enrollment, AUArts has two programs. Long-term program ArtStream has successfully allowed adult learners without the necessary academic qualifications to enter AUArts and upgrade. To create efficiencies, AUArts now fully operates what was a shared partnership with Bow Valley College.

During the summer, Pre-College offers high school students the opportunity to develop successful portfolios required for University entrance. It has been so successful that two cohorts are being discussed for the next intake.

Development of further partnerships and enhancements to our articulations continue.

Internationalization

AUArts offers an array of international exchange opportunities that give students the opportunity to gain unique and invaluable knowledge and skills.

While the COVID-19 pandemic led to a recall of Winter 2020 students from abroad, our partnership with the Association of Independent Colleges of Art and Design (AICAD) and our own international partnerships continue.

Active recruiting of international students broadens learning opportunities for all students, and support students with enhanced student services on our campus and through an informal partnership with SAIT's International Centre.

Federal and public health guidelines are driving the care of international students in Calgary and in their home countries.

Capital Plan

Type of Project and Funding Sources					
Type: (Proposed, New, Expansion, Maintenance)	Project Description	Total Project Cost	Funding sources: (GoA, GoC, PSI funds, donation, foundation, industry)	Funding received to June 30, 2020, and source	Revised funding sources
Maintenance	Classroom HVAC Replacement	\$2.6 million	100% GoA	\$70,000 IMP funding approved	No change
Maintenance	Power Panels and Transformers	\$805,467	100% GoA	\$50,000 IMP funding approved	No change
Maintenance	Mechanical Room Retrofit	\$4.7 million	100% GoA	None	No change
Maintenance	Washroom Upgrades	\$1.8 million	100% GoA	\$240,000 IMP	No change
funding approved	No change	\$4.7 million	100% GoA	None	No change
Maintenance	Flooring Replacement	\$4.7 million	100% GoA	None	No change
New	Mid-Size Lecture Theatre	\$1.9 million	100% GoA	None	No change
Proposed	Classroom/Studio Modernization	\$10.8 million	100% GoA	None	No change

Project Timelines and Status					
Project Description	Estimated Project Timelines	Expected Project Start	Expected Project Completion	Project Status	Progress Made in Last 12 Months
Classroom HVAC Replacement	April 2020 – August 2021	April 2019	August 2022	In progress	2 classrooms completed
Power Panels and Transformers	May 2020 – August 2020	May 2020	August 2021	In progress	5th floor Completed
Mechanical Room Retrofit	March 2020 – May 2024	January 2021	May 2024	N/A	No change
Washroom Upgrades	February 2020 – December 2020	February 2019	December 2021	In progress	3 on 2nd floor completed
Flooring Replacement	May 2020 – August 2022	May 2021	August 2023	N/A	No change
Mid-Size Lecture Theatre	June 2021 – December 2021	June 2021	December 2021	N/A	No change
Classroom/Studio Modernization	May 2020 – September 2022	May 2022	September 2024	N/A	No change

Information Technology

Pandemic response has put significant pressure on our information technology teams, resulting in reprioritization of resources. With no experience in online learning or working, the University's IT teams needed to quickly roll out tools. As AUArts works on a Microsoft platform, that thankfully allowed for Microsoft Teams to be the online studying and working solution. Security upgrades had already been made to allow for a safe online environment.

The global health crisis has underscored that the continuity of administrative and academic services to staff, faculty and students of AUArts is paramount. Strategic progress requires maintaining robust information technology and related services, while making investments in improving administrative and academic systems and processes. In 2019-20, AUArts spent \$2.6 million of its operations budget on IT. An additional \$200,000 was allocated for IT related capital expenditures. Project initiatives were further supported with an allocation of \$171,000 from net unrestrictive reserves.

In 2019-20 AUArts collaborated with SAIT to upgrade the AUArts Student Information System (SIS) and replace the Library Management System. Both projects delivered significantly enhanced experiences for stakeholders, including integrated authentication with the enterprise identity management environment. AUArts also advanced deliverables of the 2015-20 System Recovery Management Plan (SRMP), made improvements to the core infrastructure, and completed numerous initiatives related to cybersecurity.

Initiative	Key Activities in 2019-20
Cyber Security / Endpoint Protection [System Recovery Management Plan (SRMP)]	<ul style="list-style-type: none"> Completed the hard drive encryption of Mac and Windows endpoints to meet cybersecurity insurance requirements Operationalized endpoint protection through prevention, detection and monitoring systems Conducted end-user awareness training initiatives to reduce likelihood of security breaches Increased remote access capability for disaster recovery and business continuity Implemented 2-Factor Authentication for off campus access
Student Information System Renewal	<ul style="list-style-type: none"> Completed high quality upgrade of Banner 9 Student and interfaces with no undue interruption of services to AUArts staff and students Major improvements to reporting, student payment handling and self service Transition of several processes to a baseline configuration of the system Improve the support for the overall system through knowledge transfer and training for functional and technical team members
Library Management System Replacement	<ul style="list-style-type: none"> Completed Acquisition and Implementation of Library check out system ALMA and meta-search tool "Primo" Transitioned from an "on-premise" system to externally hosted and supported solution to reduce infrastructure, support costs and complexity Implemented integrated authentication with the enterprise identity management environment
Infrastructure Maintenance / Evergreen	<ul style="list-style-type: none"> Implemented additional firewalls for redundancy Implemented secondary internet access for redundancy Implemented Conditional Access to computing systems Implemented system configuration management for compliance Transitioned document storage to cloud with 2FA

In addition to the key initiatives above, AUArts is focused on continuous improvement in managing delivery, risk and change through the use of formal IT Project Portfolio Management processes, and an IT Steering Committee that meets regularly to review projects, evaluate risks, and support activities where changes are being made to the computing environment.

Appendix

Alberta University of the Arts Financial Statements

Alberta University of the Arts

FINANCIAL STATEMENTS

For the Year Ended
June 30, 2020

Alberta University of the Arts
FINANCIAL STATEMENTS
For the Year ended June 30, 2020

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Independent Auditor's Report

To the Board of Governors of Alberta University of the Arts

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta University of the Arts (the University), which comprise the statement of financial position as at June 30, 2020, and the statements of operations, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at June 30, 2020, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the University in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

October 28, 2020
Edmonton, Alberta

**ALBERTA UNIVERSITY OF THE ARTS
FINANCIAL STATEMENTS
STATEMENT OF MANAGEMENT RESPONSIBILITY
YEAR ENDED JUNE 30, 2020**

The financial statements of the Alberta University of the Arts ("University") have been prepared by management in accordance with Canadian public sector accounting standards. The financial statements present fairly the financial position of the University as at June 30, 2020 and the results of its operations, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The Board of Governors is responsible for reviewing and approving the financial statements, and overseeing management's performance of its financial reporting responsibilities.

The Board of Governors carries out its responsibility for review of the financial statements principally through its Finance and Audit Committee. With the exception of the President and Chief Executive Officer, the Board Faculty Representative and the Alberta Union of Provincial Employees representative, all members of the Finance and Audit Committee are not employees of the University. The Finance and Audit Committee meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Finance and Audit Committee, with and without the presence of management.

These financial statements have been reported on by the Auditor General of Alberta, the auditor appointed under the *Post-secondary Learning Act*. The Independent Auditor's Report outlines the scope of the audit and provides the audit opinion on the fairness of presentation of the information in the financial statements.

Original signed by Dr. Daniel Doz
President and Chief Executive Officer

Original signed by Jill Brown
Vice-President, Administration

**ALBERTA UNIVERSITY OF THE ARTS
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020
(thousands of dollars)**

	<u>2020</u>	<u>2019</u>
		Restated (note 3)
Financial assets excluding portfolio investments restricted for endowments		
Cash and cash equivalents (note 4)	\$ 10,139	\$ 10,798
Portfolio investments – non-endowment (note 5)	7,990	7,526
Accounts receivable	224	332
Inventories held for resale	257	219
	<u>18,610</u>	<u>18,875</u>
Liabilities		
Accounts payable and accrued liabilities	3,066	2,848
Employee future benefit liabilities (note 7)	85	541
Debt (note 8)	46	68
Deferred revenue (note 9)	8,288	9,502
	<u>11,485</u>	<u>12,959</u>
Net financial assets excluding portfolio investments restricted for endowments	<u>7,125</u>	<u>5,916</u>
Portfolio investments – restricted for endowments (note 5)	7,049	6,673
Net financial assets	<u>14,174</u>	<u>12,589</u>
Non-financial assets		
Tangible capital assets (note 11)	6,144	5,183
Inventories of supplies	329	327
Prepaid expenses	211	236
	<u>6,684</u>	<u>5,746</u>
Net assets before spent deferred capital contributions	<u>20,858</u>	<u>18,335</u>
Spent deferred capital contributions (note 10)	5,572	4,741
Net assets (note 12)	<u>\$ 15,286</u>	<u>\$ 13,594</u>
Net assets is comprised of:		
Accumulated surplus	\$ 13,711	\$ 12,273
Accumulated remeasurement gains	1,575	1,321
	<u>\$ 15,286</u>	<u>\$ 13,594</u>

Contingent assets and contractual rights (notes 13 and 15)
Contingent liability and contractual obligations (notes 14 and 16)

Approved by the Board of Governors:

Original signed by M. Carol Ryder
Chair, Board of Governors

Original signed by A. Stewart Hanlon
Chair, Finance and Audit Committee

The accompanying notes are an integral part of these financial statements

ALBERTA UNIVERSITY OF THE ARTS
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2020
(thousands of dollars)

	Budget (note 17)	2020	2019 Restated (note 3)
Revenues			
Government of Alberta grants (note 20)	\$ 18,849	\$ 18,122	\$ 18,033
Federal and other government grants (note 20)	174	94	112
Sales of services and products	743	646	693
Student tuition and fees	6,164	6,029	5,745
Donations and other contributions	310	524	328
Investment income	220	279	170
	<u>26,460</u>	<u>25,694</u>	<u>25,081</u>
Expenses			
Instruction and non-sponsored research	10,454	9,739	9,938
Academic and student support	6,981	6,826	6,086
Institutional support	5,350	4,790	5,281
Facility operations and maintenance	2,978	2,479	3,043
Ancillary services	697	564	607
Sponsored research	-	12	5
	<u>26,460</u>	<u>24,410</u>	<u>24,960</u>
Annual operating surplus	-	1,284	121
Endowment contributions (note 12)	-	101	48
Endowment capitalized investment income (note 12)	-	53	89
	<u>-</u>	<u>154</u>	<u>137</u>
Annual surplus	-	1,438	258
Accumulated surplus, beginning of year	<u>-</u>	<u>12,273</u>	<u>12,015</u>
Accumulated surplus, end of year	<u>\$ -</u>	<u>\$ 13,711</u>	<u>\$ 12,273</u>

The accompanying notes are an integral part of these financial statements

ALBERTA UNIVERSITY OF THE ARTS
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED JUNE 30, 2020
(thousands of dollars)

	Budget (note 17)	2020	2019 Restated (note 3)
Annual surplus	\$ -	\$ 1,438	\$ 258
Acquisition of tangible capital assets	(1,500)	(1,668)	(1,369)
Amortization of tangible capital assets	873	707	680
Loss on disposal of tangible capital assets		-	292
Change in inventories of supplies	25	(2)	(27)
Change in prepaid expenses	25	25	(63)
Change in spent deferred capital contributions	800	831	700
Change in accumulated remeasurement gains		254	165
Increase in net financial assets		1,585	636
Net financial assets, beginning of year		12,589	11,953
Net financial assets, end of year		\$ 14,174	\$ 12,589

The accompanying notes are an integral part of these financial statements

ALBERTA UNIVERSITY OF THE ARTS
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED JUNE 30, 2020
(thousands of dollars)

	<u>2020</u>	<u>2019</u>
Accumulated remeasurement gains, beginning of year	\$ 1,321	\$ 1,156
Unrealized gains attributable to:		
Quoted in active market financial instruments:		
Portfolio investments — non-endowment	405	415
Amounts reclassified to the statement of operations:		
Quoted in active market financial instruments:		
Portfolio investments — non-endowment	(151)	(250)
Change in accumulated remeasurement gains	254	165
Accumulated remeasurement gains, end of year	<u>\$ 1,575</u>	<u>\$ 1,321</u>

The accompanying notes are an integral part of these financial statements

**ALBERTA UNIVERSITY OF THE ARTS
STATEMENT OF CASH FLOWS
AS AT JUNE 30, 2020
(thousands of dollars)**

	2020	2019
		Restated (note 3)
Operating transactions		
Annual surplus	\$ 1,438	\$ 258
Add (deduct) non-cash items:		
Amortization of tangible capital assets	707	680
In-kind donations of capital assets	-	(39)
Loss on sale of portfolio investments	247	80
Loss on disposal of tangible capital assets	-	292
Expended capital recognized as revenue	(537)	(519)
(Decrease) increase in employee future benefit liabilities	(456)	454
Change in non-cash items	(39)	948
Decrease (increase) in accounts receivable	108	(137)
Increase in inventories held for resale	(38)	(29)
Increase in accounts payable and accrued liabilities	218	670
(Increase) decrease in deferred revenue	(1,641)	769
Increase in inventories of supplies	(2)	(27)
Decrease (increase) in prepaid expenses	25	(63)
Cash provided by operating transactions	69	2,389
Capital transactions		
Acquisition of tangible capital assets, less in-kind donations	(1,668)	(1,330)
Proceeds on sale of tangible capital assets	-	-
Cash applied to capital transactions	(1,668)	(1,330)
Investing transactions		
Purchase of portfolio investments	(456)	(680)
Proceeds on sale of portfolio investments	50	181
Cash applied to investing transactions	(406)	(499)
Financing transactions		
Debt – repayment	(22)	(22)
Increase in spent deferred capital contributions	1,368	1,219
Cash provided by financing transactions	1,346	1,197
(Decrease) increase in cash and cash equivalents	(659)	1,757
Cash and cash equivalents, beginning of year	10,798	9,041
Cash and cash equivalents, end of year	\$ 10,139	\$ 10,798

The accompanying notes are an integral part of these financial statements

**ALBERTA UNIVERSITY OF THE ARTS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020
 (thousands of dollars)**

1. Authority and Purpose

On February 1, 2019, as a result of being granted university status by the Government of Alberta, the Alberta College of Art and Design was renamed the Alberta University of the Arts.

The Board of Governors of the Alberta University of the Arts is a corporation which manages and operates the Alberta University of the Arts ("the University") under the *Post-Secondary Learning Act* (Alberta). All members of the Board of Governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education, with the exception of the President and Chief Executive Officer, who is an *ex officio* member. Under the *Post-Secondary Learning Act*, Campus Alberta Sector Regulation, the University is a specialized arts and culture institution mandated to offer four-year undergraduate and graduate degrees in visual art and design. The University is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

2. Summary of Significant Accounting Policies and Reporting Practices

a) General - Public Sector Accounting Standards and Use of Estimates

These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS).

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

b) Valuation of Financial Assets and Liabilities

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

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash and cash equivalents	Cost
Portfolio investments	Fair value
Inventories held for resale	Lower of cost and net realizable value
Accounts receivable	Lower of cost and net realizable value
Accounts payable and accrued liabilities	Cost
Debt	Amortized cost

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(thousands of dollars)

Unrealized gains and losses from changes in the fair value of financial assets and liabilities are recognized in the statement of remeasurement gains and losses. When the restricted nature of a financial instrument and any related changes in fair value create a liability, unrealized gains and losses are recognized as deferred revenue.

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

For financial assets and liabilities measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of cash and cash equivalents and portfolio investments are accounted for using trade-date accounting.

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

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

c) Revenue Recognition

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

Government grants, non-government grants and donations

Government transfers are referred to as government grants.

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

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

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(thousands of dollars)

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

Endowment donations

Endowment donations are recognized as revenue in the statement of operations in the year in which they are received, and are required by donors to be maintained intact in perpetuity.

Investment income

Investment income includes dividends, interest income, and realized gains or losses on the sale of portfolio investments. Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as investment income when terms of the grant or donation are met.

The endowment spending allocation portion of investment income earned by endowments is recognized as deferred revenue when the terms for the use of the endowment create a liability. Realized investment income allocated to endowment balances for the preservation of endowment capital purchasing power is recognized in the statement of operations as a component of endowment contributions and capitalized investment income.

d) Endowments

Endowments consist of externally restricted donations received by the University and internal allocations by the University's Board of Governors, the principal of which is required to be maintained intact in perpetuity.

Investment income earned (excluding unrealized income) by the endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Donors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and the reinvesting of unexpended income.

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

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

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(thousands of dollars)

Twenty five percent of the investment income earned on endowment is re-invested along with the principal donation. The remaining seventy five percent is held to fund scholarship awards. During 2019–2020, a small number of individual expendable funds were insufficient to cover the scholarship award. In these cases, the University allocated funds from the General Scholarship Fund for scholarships to fund the shortfall. The University does not draw against the principal of the endowment to fund scholarship awards.

Endowment contributions, matching contributions, and associated investment income allocated for the preservation of endowment capital purchasing power are recognized in the statement of operations in the period in which they are received.

e) Inventories

Inventories held for resale are valued at the lower of cost and expected net realizable value and are determined using the first in first out (FIFO) method. Inventories of supplies are valued at cost.

f) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets, and costs associated with asset retirement obligations. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Work in progress, which includes facilities and improvement projects and development of information systems, is not amortized until after the project is complete and the asset is in service. Assets or disposal groups that are classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

Leases of tangible capital assets which transfer substantially all the benefits and risks of ownership are accounted for as leased tangible capital assets. Capital lease liabilities are recorded at the present value of future minimum lease payments at the inception of the lease excluding executor costs (e.g. insurance, maintenance costs, etc.). Leased equipment is reflected as an asset and a liability in the Statements of Financial Position. The discount rate used to determine the present value of the lease payments is the interest rate implicit in the lease.

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

Building improvements	15 years
Furnishings and equipment	5 years
Computer hardware and software	3 – 5 years

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

**ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(thousands of dollars)**

Assets under capital lease are amortized on a basis that is consistent with the above for purchased assets.

Works of art, historical treasures and collections are expensed when acquired and not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made.

g) Asset Retirement Obligations

Asset retirement obligations are recognized for statutory, contractual or legal obligations, associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations.

h) Foreign Currency Translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the statement of financial position date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses.

In the period of settlement, foreign exchange gains and losses are reclassified to the statement of operations, and the cumulative amount in the remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

i) Employee Future Benefits

Pension

The University participates with other employers in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit pension plan that provides pensions for the University's participating employees based on years of service and earnings.

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

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Long-Term Disability

The University pays or shares the premiums for certain employees on long-term disability. The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plans is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of these benefits is determined using the present value of the estimated cost of these premiums and are recorded at the time the University becomes obligated under the plan. Comparative amounts for the liability associated with employees on long-term disability continue to be presented in the statement of financial position as employee future benefit liabilities.

Early Retirement Incentive Program

From time to time, and at the discretion of the University, the University offers an early retirement assistance program for eligible employees who may choose to retire before age 65. Participation in this program is voluntary. Early retirement benefits are approved by the President and Chief Executive Officer and calculated using a percentage of an eligible employee's salary and the number of continuous years of service. These benefits are disclosed as part of the salaries and benefits and are charged to expense in full when approved. See Note 7 for additional information.

Other Employee Benefit Plans

The University also provides employee future benefits in the form of compensated absences for sabbaticals. The cost of providing employee future benefits for compensated absences under the University's sabbatical plan is charged to expense in full when the event occurs which obligates the University to provide the benefits. These benefits are disclosed as part of the salaries and benefits.

Administrative Leave

Administrative leave relates to one senior executive. This employee is entitled to accumulate one-fifth of a year of administrative leave for each year served. If it is not practical or feasible for this leave to be taken in any given year, this employee is entitled to a payment in lieu on a pro rata basis up to a maximum of fifty percent of the current base pay to be paid at the conclusion of the term of the contract.

j) Environmental Liabilities

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into the soil, water or sediment. The liability is recognized net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the University is directly responsible or accepts responsibility;
- iv. it is expected that future economic benefits will be given up; and
- v. a reasonable estimate of the amount can be made.

As at June 30, 2020 there was no liability for remediation of contaminated sites.

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k) Expense by Function

The University uses the following categories of functions on its statement of operations:

Instruction and non-sponsored research

Expenses relating to the support for the academic functions of the University including institutional program delivery, both credit and non-credit, and expenses related to scholarly and non-sponsored research activities undertaken by faculty.

Academic and student support

Expenses related to the direct support of instructional delivery and the support of the student body.

Institutional support

Expenses related to executive management, corporate insurance premiums, corporate finance, human resources, information technology, communications and fund development, and other institution-wide administrative services.

Facility operations and maintenance

Expenses relating to maintenance and renewal of facilities that house the teaching, research and administrative activities within the University. These include utilities, facilities administration, building maintenance, security, custodial services, as well, as minor repairs and renovations.

Ancillary services

Expenses related to secondary services available to students, faculty and staff. Services include food services and bookstore operations.

Sponsored research

Expenses for all sponsored research activities specifically funded by restricted grants and donations.

l) Internally Restricted Funds

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

m) Future Accounting Changes

In August 2018, the Public Sector Accounting Board issued PS 3280 Asset retirement obligations. This accounting standard is effective for fiscal years starting on or after April 1, 2022. Asset retirement obligations provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

In November 2018, the Public Sector Accounting Board approved PS 3400 Revenue. This accounting standard is effective for fiscal years starting on or after April 1, 2023 and provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions.

Management is currently assessing the impact of these new standards on the financial statements.

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3. Change in Accounting Policies

Capitalization Threshold Change

In previous years, the University accounted for its tangible capital assets based on an accounting policy of recording only those assets with a cost greater than \$1,000. Effective July 1, 2019, the University increased its capital threshold for recording tangible capital assets to \$5,000 to reflect the cost/benefit of administering the recording, tracking and replacing of capital assets.

These changes have been applied retroactively with restatement of comparative numbers. The impact on the prior year's financial statements as a result of the change in accounting policy is as follows:

	As previously recognized	2019 Adjustment recognized	As restated
Increase (decrease) in:			
Statement of Financial Position			
Tangible capital assets	5,384	(201)	5,183
Spent deferred capital contributions	4,752	(11)	4,741
Accumulated surplus	12,463	(190)	12,273
Statement of Operations			
Revenues			
Government of Alberta grants	18,029	4	18,033
Donations and other contributions	321	7	328
Expenses			
Facility operations and maintenance	2,842	201	3,043
Expense by Object			
Materials, supplies and services	5,251	336	5,587
Amortization of tangible capital assets	815	(135)	680

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4. Cash and Cash Equivalents

	<u>2020</u>	<u>2019</u>
Cash	\$ 5,594	\$ 3,763
Cash equivalents	4,545	7,035
	<u>\$ 10,139</u>	<u>\$ 10,798</u>

Cash and cash equivalents are comprised of cash on hand and short-term investments with a short maturity within 90 days from the date of acquisition.

5. Portfolio Investments

	<u>2020</u>	<u>2019</u>
Portfolio investments – non-endowment	\$ 7,990	\$ 7,526
Portfolio investments – restricted for endowments	7,049	6,673
	<u>\$ 15,039</u>	<u>\$ 14,199</u>

The composition of portfolio investments measured at fair value is as follows:

	<u>2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled investments at fair value:				
Portfolio managed money market	\$ -	\$ 683	\$ -	\$ 683
Portfolio managed fixed income	-	5,873	-	5,873
Portfolio managed equity	-	8,483	-	8,483
	<u>\$ -</u>	<u>\$ 15,039</u>	<u>\$ -</u>	<u>\$ 15,039</u>

	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled investments at fair value:				
Portfolio managed money market	\$ -	\$ 711	\$ -	\$ 711
Portfolio managed fixed income	-	5,421	-	5,421
Portfolio managed equity	-	8,067	-	8,067
	<u>\$ -</u>	<u>\$ 14,199</u>	<u>\$ -</u>	<u>\$ 14,199</u>

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The fair market value measurements are those derived from:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Fair value measurements are those derived from inputs other than quoted market prices included with level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

The University has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The University's Finance and Audit Committee, a subcommittee of the Board of Governors, has delegated authority for oversight of the University's investments under a policy of the Board. The Finance and Audit Committee monitors investment manager performance, to ensure compliance with the University's investment guidelines, and to evaluate the continued appropriateness of the University's investment guidelines.

Under the investment policy, the prime objectives of the investment fund are to generate income and to preserve the purchasing power of donated capital, and to generate growth in the capital value of the University's investment funds.

The prime constraints that guide the investment practice are risk aversion and liquidity.

6. Financial Risk Management

The University is exposed to a variety of financial risks, including market risks (price risk, currency risk and interest rate risk), credit risk, and liquidity risk. To manage these risks, the University invests in a diversified portfolio of investments that is guided by the established investment policy which outlines risk and return objectives. The long term objective of the University's investment policies is to achieve a long term real rate of return in excess of fees and expenses and maintain the real value of the fund.

The University is exposed to the following risks:

Market risk

The University is exposed to market risk – the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the University has established an investment policy with a target asset mix that is diversified by asset class designed to achieve the optimal returns with an acceptable level of risk.

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The University's management of market price risk has not changed from the prior year. The economic uncertainty surrounding COVID-19 has caused volatility in the equity markets; fluctuations in the fair value of investments may be experienced as the situation evolves.

The following details the University's portfolio sensitivity to a 6.68% increase or decrease in the market prices. The sensitivity rate is determined using the historical standard deviation for the total fund based on a 4-year rolling period as determined by the investment advisor. At June 30, 2020, if market prices had a 6.68% (2019 – 5.92%) increase or decrease with all other variables held constant, the increase or decrease in investments for the year would have been a total of \$244 (2019 – \$190).

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The University's exposure to foreign exchange risk is very low due to minimal business activities conducted in a foreign currency.

Credit risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the University. The University is exposed to credit risk on investments and has established an investment policy with required minimum credit quality standards and issue limits to manage this risk. The credit risk from accounts receivable is low as the majority of balances are due from government agencies and corporate sponsors.

The credit risks on investments held are as follows:

	<u>2020</u>	<u>2019</u>
Credit rating		
AAA	34.38%	36.07%
AA	33.28%	32.03%
A	15.30%	18.04%
BBB	17.04%	13.86%
	<u>100.00%</u>	<u>100.00%</u>

Liquidity risk

Liquidity risk is the risk that the University will encounter difficulty in meeting obligations associated with its financial liabilities. The University maintains investments that may not be immediately liquid. This risk is managed through the University's investment guidelines and other internal policies, guidelines and procedures.

Interest rate risk

Interest rate risk is the risk to the University's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates. This risk is managed by investment policies that limit the term to maturity of certain fixed income securities that the University holds.

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The maturity and effective market yield of interest bearing investments are as follows:

Asset class	< 1 year	1 - 5 years	> 5 years	Average effective market yield
Portfolio investments, money market funds	100%	0%	0%	0.19%
Portfolio funds, fixed income	2.30%	36.73%	60.97%	1.43%

Commodity price risk

The University is exposed to commodity price risk as a result of electricity and natural gas usage required to operate the University's facilities. The University manages these risks by monitoring prices and responding in accordance with internal policies, guidelines and procedures.

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7. Employee Future Benefits

Employee future benefits are comprised of the following:

	<u>2020</u>	<u>2019</u>
Administrative leave	\$ -	\$ 91
Long-term disability	85	83
Early retirement assistance and incentive program	-	367
	<u>\$ 85</u>	<u>\$ 541</u>

a) Defined benefit plan accounted for on a defined contribution basis

Multi-Employer Pension Plan

Local Authorities Pension Plan (LAPP)

The LAPP is a multi-employer contributory defined benefit plan for support staff members and is accounted for on a defined contribution basis. At December 31, 2019, the LAPP reported an actuarial surplus of \$7,913,261 (2018 – \$3,469,347). An actuarial valuation of LAPP was carried out at December 31, 2018 and then extrapolated to December 31, 2019. The pension expense recognized in these financial statements is \$1,093 (2019 – \$1,115).

b) Long term disability

The University provides certain extended health benefits to employees leaving the employment of the University under specific conditions. Liabilities for future benefit payments are recognized by the University in the year the application is approved. The remaining liability recorded in these financial statements is \$85 (2019 – \$83).

c) Administrative leave

One executive of the University has administrative leave provided under their contract of employment. This employee is entitled to accumulate one-fifth of a year of administrative leave for each year served. Upon completing their term of service, this individual's salary and benefits are paid for the duration of their leave. This leave may be taken only if the individual assumes a faculty position following the expiration of the term of their contract or in the event of termination without just cause during the term of the contract. No liability is recognized in these financial statements.

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8. Debt

The University has liabilities under capital lease agreements for copier and printing equipment. The following outstanding amounts relate to these obligations:

	Interest rate	2020	2019
Liabilities under capital leases	5%	\$ 46	\$ 68

Principal and interest repayments are as follows:

	Principal	Interest	Total
2021	\$ 24	\$ 2	\$ 26
2022	22	1	23
	\$ 46	\$ 3	\$ 49

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9. Deferred Revenue

Deferred revenue is set aside for specific purposes as required by legislation, regulation or agreement

	2020			2019	
	Deferred research and special purpose	Unspent deferred capital contributions	Tuition and other Fees	Total	Total
Balance, beginning of year	\$ 6,207	\$ 2,692	\$ 603	\$ 9,502	\$ 8,329
Grants, tuition, donations received during the year	255	658	4,997	5,910	8,439
Restricted investment income	179	49	-	228	337
Unrealized gains	173	-	-	173	489
Other transfers	(674)	674	-	-	-
Transfers to spent deferred capital contributions		(1,368)	-	(1,368)	(1,180)
Recognized as revenue	(608)	-	(5,306)	(5,914)	(6,698)
Scholarships, bursaries issued	(243)	-	-	(243)	(214)
Balance, end of year	\$ 5,289	\$ 2,705	\$ 294	\$ 8,288	\$ 9,502

10. Spent Deferred Capital Contributions

Spent deferred capital contributions is comprised of restricted grants and donations spent on tangible capital acquisitions (not yet recognized as revenue).

	2020	2019 Restated (note 3)
Spent deferred capital contributions		
Spent deferred capital contributions, beginning of year	\$ 4,741	\$ 4,041
Transfers from unspent deferred capital contributions	1,368	1,180
In-kind donation of capital assets	-	39
Expended capital recognized as revenue	(537)	(492)
Net book value of tangible capital asset disposal recognized as revenue	-	(27)
Net change for the year	831	700
Spent deferred capital contributions, end of year	\$ 5,572	\$ 4,741

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11. Tangible Capital Assets

	2020				2019
	Building Improvements	Furnishings and Equipment ⁽¹⁾	Computer Hardware and Software	Total	Total
					Restated (note 3)
Cost					
Beginning of year	\$ 8,529	\$ 1,180	\$ 1,634	\$ 11,343	\$ 13,169
Acquisitions	1,503	115	50	1,668	1,369
Disposals, including write-downs	-	-	-	-	(3,195)
	<u>\$ 10,032</u>	<u>\$ 1,295</u>	<u>\$ 1,684</u>	<u>\$ 13,011</u>	<u>\$ 11,343</u>
Accumulated Amortization					
Beginning of year	\$ 3,755	\$ 847	\$ 1,558	\$ 6,160	\$ 8,383
Amortization expense	525	103	79	707	680
Effects on disposals, including write-downs	-	-	-	-	(2,903)
	<u>\$ 4,280</u>	<u>\$ 950</u>	<u>\$ 1,637</u>	<u>\$ 6,867</u>	<u>\$ 6,160</u>
Net Book Value at June 30, 2020	<u>\$ 5,752</u>	<u>\$ 345</u>	<u>\$ 47</u>	<u>\$ 6,144</u>	
Net Book Value at June 30, 2019	<u>\$ 4,774</u>	<u>\$ 333</u>	<u>\$ 76</u>		<u>\$ 5,183</u>

No interest was capitalized by the University in 2020.

Cost includes work-in-progress at June 30, 2020 totaling \$19 (2019 – \$234) comprised of building improvements. These amounts are not amortized as they are not yet available for use.

(1) Included in furnishings and equipment are assets under capital lease that have a cost of \$118 (2019 – \$118) and accumulated amortization of \$72 (2019 – \$49).

The land and buildings which house the University are owned by SAIT and are occupied by the University under a facility license granted by SAIT. The term of the license is through a renewable contractual agreement between the University and SAIT determined by the Minister of Advanced Education.

The University holds a large number of contemporary works of art including paintings, sculptures, drawings, photographs, prints and other craft media. Due to the subjective nature of the value of these assets, the values are not reported in this note.

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12. Net Assets

	Accumulated surplus from operations	Investment in tangible capital assets	Internally restricted surplus	Endowments	Total Restated (note 3)
Net Assets as at June 30, 2018	\$ 5,899	\$ 655	\$ 1,512	\$ 5,105	\$ 13,171
Annual operating surplus	121	-	-	-	121
Endowments:					
New donations	-	-	-	48	48
Capitalized investment income	-	-	-	89	89
Tangible capital assets:					
Amortization of tangible capital assets	168	(168)	-	-	-
Acquisition of tangible capital assets	(91)	150	(59)	-	-
Net book value of tangible capital asset disposals	264	(264)	-	-	-
Operating expenses funded from internally restricted surplus	155	-	(155)	-	-
Net board appropriation to internally restricted	(844)	-	844	-	-
Change in accumulated remeasurement gains	165	-	-	-	165
Net assets, beginning of year	\$ 5,837	\$ 373	\$ 2,142	\$ 5,242	\$ 13,594
Annual operating surplus	1,284	-	-	-	1,284
Endowments:					
New donations	-	-	-	101	101
Capitalized investment income	-	-	-	53	53
Tangible capital assets:					
Amortization of tangible capital assets	150	(150)	-	-	-
Acquisition of tangible capital assets	(127)	300	(173)	-	-
Operating expenses funded from internally restricted surplus	479	-	(479)	-	-
Net board appropriation to internally restricted	(11)	-	11	-	-
Change in accumulated remeasurement gains	254	-	-	-	254
Net assets, end of year	\$ 7,866	\$ 523	\$ 1,501	\$ 5,396	\$ 15,286
Net assets is comprised of:					
Accumulated surplus	\$ 6,291	\$ 523	\$ 1,501	\$ 5,396	\$ 13,711
Accumulated remeasurement gains and losses	1,575	-	-	-	1,575
	\$ 7,866	\$ 523	\$ 1,501	\$ 5,396	\$ 15,286

Internally restricted surplus represent amounts set aside by the University's Board of Governors for specific purposes.

Those amounts are not available for other purposes without the approval of the Board and do not have interest allocated to them. Internally restricted net assets with significant balances include:

Internally restricted net assets	2020	2019
Capital and infrastructure	971	1,125
Academic and institutional initiatives	530	1,017
	\$ 1,501	\$ 2,142

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13. Contingent Assets

The University has no contingent assets as at June 30, 2020.

14. Contingent Liability

The University is a defendant in a legal proceeding concerning one student. While the ultimate outcome and liability of this proceeding cannot reasonably be estimated at this time, the University believes that any settlement will not have a materially adverse effect on its financial position or the results of operations. The University administration has concluded that the claim does not meet the criteria for being recorded under PSAS.

15. Contractual Rights

The University has no material rights arising from contracts or agreements that will result in both an asset and revenue in the future when the terms of those contracts or agreements are met.

16. Contractual Obligations

The University has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met. The estimated aggregate amount payable for the unexpired terms of these contractual obligations are as follows:

	Service contracts	Information systems and technology	Long - term leases	Total
2021	\$ 630	\$ 1,390	\$ 17	\$ 2,037
2022	543	1,138	15	1,696
2023	15	750	-	765
2024	5	396	-	401
2025	-	-	-	-
	<u>\$ 1,193</u>	<u>\$ 3,674</u>	<u>\$ 32</u>	<u>\$ 4,899</u>
Total at June 30, 2019	<u>\$ 1,881</u>	<u>\$ 3,463</u>	<u>\$ 63</u>	<u>\$ 5,407</u>

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17. Budget Figures

Budgeted figures have been provided for comparison purposes and have been derived from the University's Comprehensive Institutional Plan as approved by the Board of Governors.

18. Expense by Object

The following is a summary of expense by object:

	2020		2019
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u> Restated (note 3)
Employee salaries and benefits	\$ 18,407	\$ 17,039	\$ 17,054
Materials, supplies and services	5,381	5,195	5,587
Scholarships and bursaries	300	290	275
Maintenance and repairs	63	44	30
Utilities	1,044	862	1,009
Cost of goods sold	392	273	325
Amortization of tangible capital assets	873	707	680
	<u>\$ 26,460</u>	<u>\$ 24,410</u>	<u>\$ 24,960</u>

19. Related Parties

The University is a related party to organizations within the Government of Alberta reporting entity. Key management personnel of the University and their close family members are also considered related parties. The University may enter into arm's length transactions with these entities and individuals.

During the year, the University received the following services at nominal or reduced amounts:

- The University operates out of the Nellie McClung building owned by the Southern Alberta Institute of Technology (SAIT). The University has occupied the site for the past 34 years for a nominal sum in accordance with the terms of a short term lease agreement with SAIT which has been renewed regularly.
- The University service agreement with SAIT for the provision of certain computer and information systems support and maintenance. During the year, the University paid \$486 (2019 – \$335) for these services, but due to the unique physical and operating arrangements in place and the specialized integrated nature of operations, the fair value of this agreement cannot reasonably be determined. The University has a contractual obligation to SAIT for \$619 (2019 – \$106) included in Note 16 related to future computer and information systems support and maintenance.

During the year, the University conducted business transactions with related parties, including Ministries of the Government of Alberta, school district and other public colleges and universities. The revenues and expenses incurred for these business transactions have been included in the Statement of Operations, but have not been separately quantified.

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20. Government Transfers

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

	<u>2020</u>	<u>2019</u> Restated (note 3)
Grants from Government of Alberta		
Advanced Education:		
Campus Alberta grant	\$ 17,331	\$ 18,337
Capital grants	658	494
Other grants	11	189
Total Advanced Education	<u>18,000</u>	<u>19,020</u>
Other Government of Alberta departments and agencies	<u>10</u>	<u>14</u>
Total contributions received	18,010	19,034
Deferred revenue	(355)	(1,444)
Expended capital recognized as revenue	467	443
Revenue	<u>\$ 18,122</u>	<u>\$ 18,033</u>
Federal and other government grants		
Contributions received	\$ 19	\$ 76
Deferred revenue	18	(21)
Expended capital recognized as revenue	57	57
Revenue	<u>\$ 94</u>	<u>\$ 112</u>

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21. Salary and Employee Benefits

	2020				2019
	Base salary ⁽¹⁾	Other cash benefits ⁽²⁾	Other non-cash benefits ⁽³⁾	Total	Total
Governance ⁽⁴⁾					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	-	-	1
Executive					
President and Chief Executive Officer	248	34	32	314	311
Vice-Presidents:					
Vice-President Administration	180	-	45	225	222
Interim Vice-President Academic Affairs ⁽⁵⁾	-	-	-	-	23
Vice-President Academic and Provost ⁽⁶⁾	190	-	28	218	196
Vice-President Engagement ⁽⁷⁾	-	-	-	-	49
Interim Vice-President Advancement ⁽⁷⁾⁽⁸⁾	-	-	-	-	117
Vice-President Advancement ⁽⁸⁾	155	-	30	185	-
Associate Vice-President:					
Associate Vice-President Academic Affairs ⁽⁵⁾	103	20	25	148	140
Associate Vice-President Student Affairs ⁽⁹⁾	140	-	28	168	-

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include earnings such as vacation payouts, bonuses, vehicle allowances, honoraria, and cash payments in lieu of pension contributions. No bonuses were paid in 2020 or 2019.

(3) Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee family assistance program, critical illness, supplementary health care, short and long-term disability plans, dental plan, accidental disability, dismemberment, administration leave, professional memberships, tuition fees, and fair market value of parking.

(4) The Chair and Members of the Board of Governors receive no remuneration for participation on the Board.

(5) The Interim Vice-President Academic Affairs position became the Associate Vice-President Academic Affairs position effective August 15, 2018.

(6) The Vice-President Academic and Provost is a new position and was filled effective August 15, 2018.

(7) The Vice-President Engagement position terminated effective September 20, 2018 and was replaced by the Interim Vice-President Advancement position effective September 17, 2018.

(8) The Interim Vice-President Advancement position became the Vice-President Advancement effective July 1, 2019.

(9) The Associate Vice-President Student Affairs is a new position and was filled effective July 1, 2019.

22. Comparative Figures

Certain comparative figures have been reclassified to conform to current year presentation.

**ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(thousands of dollars)**

23. Impact of COVID-19 Pandemic

On March 11, 2020 the World Health Organization (WHO) characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. On March 17, 2020 the government of Alberta declared a state of public health emergency over the COVID-19. The University has been impacted in the following areas:

Campus

As part of the University's continuing efforts to minimize the spread of COVID-19, the campus building has been temporarily closed until further notice. Effective March 23, 2020 the University moved to the remote delivery model of classes and all planned in-person events on campus were cancelled. Future ancillary revenues are likely to be negatively impacted. No allowance has been made in the financial statements for this item.

Staff

Many University employees have successfully transitioned to working remotely during the COVID-19 pandemic. Subsequent to June 30, 2020, temporary layoffs and reductions in hours of work have been and will continue to be considered as staffing requirements change in response to reduced on-campus activities. No allowance has been made in the financial statements for this item.

Enrolment and fees

The announced closure of Canada's borders to non-essential international travel is expected to have an impact on enrolment, especially as this restriction is very likely to still be in place when the fall semester begins. This will have a negative impact on tuition revenue which cannot be reasonably estimated. No allowance has been made in the financial statements for this item.

Fundraising

The economic impacts of COVID-19 present uncertainty for fundraising in the year ahead. However, it is too early in the year to forecast specific implications to fundraising targets and results. No allowance has been made in the financial statements for this item.

Provincial government funding

Before the emergence of the COVID-19 pandemic, the University was operating under a general guidance of proposed funding cuts to its operating grant over this and the next two fiscal years. The emergence of this pandemic along with the historic drop in oil prices has resulted in uncertainty if the proposed guideline of cuts is still applicable. The overall impact to the University is uncertain and therefore cannot be reasonably estimated at this time. No allowance has been made in the financial statements for this item.

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