

Alberta
University
of the
Arts



2024 Annual Report

Contents

Values	1
Vision	1
Mission	1
Land Acknowledgement	2
Accountability Statement	3
Management’s Responsibility for Reporting	3
Message from the Chair of the Board of Governors and the President and CEO	4
Public Interest Disclosure Act	5
Operational Overview	5
Goals and Performance Measures	7
Strategic Goals	7
Academic Priorities	7
Financial Statement Discussion Analysis	11
Financial Highlights	12
Revenues	12
Expenses	14
Capital	15
Net Assets and Net Financial Assets	15
Areas of Significant Financial Risk	16
Capital Plan	17
Type of Project and Funding Sources	17
Project Timelines and Status	17
Appendix	18
Financial Statements	19

Alberta University of the Arts' Values

At AUArts, we are a diverse community of critical thinkers driven by curiosity and inspired by imagination. We create, make, shape, explore and help emerging artists, craftspeople and designers find a career path while finding themselves.

Together, our students, alumni, faculty, staff, and our many collaborators transform perspectives, spark discussion, and ignite change. We use visual art, craft and design as powerful vehicles to change the world.

And that is our real masterpiece, the work we are most **P.R.O.U.D.** of.

PASSION We are curious and thoughtful risk takers; we celebrate our creative process.

RESPECT We build relationships based on trust and accountability; we are connected to one another's success and wellness.

OPENNESS We embrace diversity and inclusivity in culture, identity and perspective; we are transparent, confident, approachable and welcoming.

UNIQUE We pursue excellence in our studio-based practices, and in our support for our learners, faculty, staff, and external partners.

DARING We are courageous and deeply committed to experimentation, free enquiry, and research.

Vision

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

Mission

Alberta University of the Arts is a diverse and inclusive community committed to leading education and research in creative practices.

Accountability Statement

This Alberta University of the Arts annual report for the year ended June 30, 2024, was prepared under the Board of Governors' direction per the Fiscal Planning and Transparency Act and ministerial guidelines established according 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's 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 Post-Secondary Learning Act, performs an annual independent audit of the financial statements which are prepared in accordance with Canadian Public Sector Accounting Standards.



Photo: Dave Portigal

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

2023-24 was the fourth year of our Strategic Plan Moving Forward 2026, and there continue to be proud achievements towards Goals.

Most notably, our student headcount is the highest since 2011. This is important for the province, as AUArts is the only art, craft and design university in Alberta and the Prairies and one of only four in Canada. AUArts plays a distinct role, with our alumni influencing visual culture in the province, nationally and beyond. We also employ the largest number of creatives in the region.

Other significant progress is evolving academic programs to enhance the student education experience. A new Concentrations model complements Minors, allowing students much desired flexibility to take courses in other Degree areas.

Also, rather than second year, a first year entry into our Bachelor of Design program was approved, helping attract students in a competitive market in post-secondary Design education. Additionally, Advanced Education approved a new Studio Art specialization in the Bachelor of Fine Arts degree program for entry in 2025.

However, without a doubt, fiscal constraints are putting pressure on our institution's ability to invest in progress and growth. With high inflation, the impact of recent cuts (20.4%) to our base grant are greatly amplified. The federal government's decision to reduce international students was a blunt instrument that immediately impacted revenues within a budget year, and damaged Alberta and Canada's reputation as an attractive and welcoming place to study. The impact on public education is perhaps an unintended consequence, but regardless, unplanned decreases in international enrollment impacts revenue, and maybe more importantly, the culture and diversity of our student population and university.

As noted previously, in a competitive market, we must continue to focus our attention on growth by reaching an economy-of-scale status with predictable funding, approval of capital submissions, and continued improvements to all our areas of study – undergraduate, graduate and professional development.

This fiscal year we thanked M. Carol Ryder for her 10 years of leadership as Chair of the Board of Governors, during which we transitioned from a college to a university. We are particularly proud of the appointment of Adrian Stimson as our new Chair because he is an alum (Bachelor of Fine Arts with distinction, 2003, painting) with an outstanding professional career as a multidisciplinary artist. Stimson is also our first Indigenous Chair.

We have been planning for another major transition. President and Chief Executive Officer Dr. Daniel Doz will end a 15-year term in April 2025 – the longest leadership tenure in the history of our institution. This is a major change for the university, as well as an exciting opportunity when a new leader joins us.

Adrian Stimson
Chair of the Board of Governors

Dr. Daniel Doz
President and CEO

Public Interest Disclosure Act

This section presents Alberta University of the Arts' disclosures made during 2023-24 according to the Public Interest Disclosure Act. The Act applies to provincial agencies, boards, and commissions. Under the Act, each agency, board, and commission is responsible for annually reporting on the number of disclosures received and investigated.

Amendments to the Alberta Public Interest Disclosure Act (PIDA) took effect on 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

This past year at Alberta University of the Arts (AUArts) has underscored the university's definite commitment to growth, innovation, and adaptability. We are focused on advancing our strategic priorities to strengthen AUArts' long-term sustainability, equip our students for a dynamic future, and maintain a leading position in arts, craft and design education in Alberta and the Prairies and beyond. Key operational highlights reflect our dedication to much needed modernization of campus facilities as well as expanding our curricular emphasis on skills critical for tomorrow's flexible workforce.

Growth for Long-Term Sustainability and Facility Modernization

A critical priority for AUArts is fostering sustainable growth by expanding our enrollment and enhancing the university's facilities to 21st century standards. With Alberta's rapidly growing population, coupled with the understanding that creativity and innovation are core to the new knowledge economy, AUArts is well-positioned to attract a new generation of students. Thus, modernizing our facilities to create state-of-the-art, adaptable teaching and learning spaces is essential to this growth. This year, we have made strides in planning and initial work to transform campus spaces, with upgrades and expansions to support larger cohorts of students and enhance the learning experience for all.

Our commitment to growth is not only about attracting more students but also creating an economy of scale that will drive financial resilience. To that end, we have refined our long-term projections and evaluated facility needs to align with anticipated enrollment growth. By expanding capacity and updating our infrastructure, AUArts will be better equipped to deliver a world-class education and fulfill its mission as a leader in the art, craft, and design.

Preparing Students with Essential Future Skills

The rapid evolution of industries requires a shift from job-specific training to a focus on core skills that will remain valuable across changing careers. At AUArts, we pride ourselves on cultivating adaptability, problem-solving, and creative thinking — skills that are central to navigating the challenges of a rapidly evolving future. By emphasizing these abilities, AUArts prepares students not only for today's job market, but for the demands of emerging fields we may not yet envision.

Incorporating design thinking, collaboration, and innovative methodologies into our curriculum, we foster a learning environment where students become versatile, resilient, and socially engaged citizens. AUArts graduates possess a unique combination of artistic talent, critical analysis, and creative problem-solving abilities. This year, our faculty have further enriched programs to highlight these skills, ensuring that students leave AUArts with the capacity to drive change and succeed in a variety of career paths.

Looking Ahead

AUArts' operational focus continues to emphasize strategic growth and an education that empowers our students to lead in a rapidly evolving world. We will maintain momentum on facility upgrades, foster essential skills for the future, and build the robust foundation necessary to support our university community for generations to come. In addition, as Dr. Daniel Doz, our dedicated President and CEO for the past 15 years, prepares for his well-deserved next adventure, a comprehensive and thoughtful selection process is underway to find his successor. This transition marks an exciting new chapter for AUArts, as we seek a leader who will build on Dr. Doz's legacy of excellence and further our commitment to sustainable growth and innovation in arts education.



Photo: Damien Gramlich

Goals and Performance Measures

AUArts is pleased to report progress toward accomplishing the University's Strategic Plan* Goals and Academic Plan* priorities over the past year. This progress contributes to fulfilling AUArts' roles and mandates under the PSLA, programming, and student support to meet the needs of students and employees, strategic research priorities, and collaborations with other educational institutions.

Strategic Goals

1 Align programming and curriculum to the evolving needs of students and communities.

2 Enable innovation and experimentation through teaching, applied and scholarly research, and creative activities.

3 Expand relationships with strategic partners and communities that enrich and improve students' learning outcomes.

4 Drive sustainable growth through revenue diversification, an engaging academic environment and a high-performance organization.

Academic Priorities

1 Advance quality sustainable programming that prepares students for life and work beyond graduation.

2 Promote research and career skills development throughout AUArts.

3 Build strong relationships.

4 Commit to a culture of inclusion and respect.

*Alberta University of the Arts' 2020-2026 Strategic Plan and 2020-2025 Academic Plan can be found at <https://www.auarts.ca/about-auarts/publications/strategic-plans>

Goals and Performance Measures

Strategic Goal	1. Align programming and curriculum to the evolving needs of students and communities
Strategy	2023–2024 Accomplishments
Curriculum and credential framework	<ul style="list-style-type: none"> • Obtained governance approvals and developed implementation plan for BFA concentration structure • Developed BDes Direct Entry programming and implementation plan • Completed Cyclical Program Review for MFA and completed institutional self-study for CAQC • Defined and continue to define new areas of curriculum and programming • Creative Industries Centres’ Micro-credentials underway. Non-Credit Credential Framework approved by GFC, inclusive of governance process for approval of all non-credit programming; Micro/Certificate approval forms reviewed by APOC; Development schedule and enrollment rollout plans ready to launch • 7 micro courses fully developed and 7 new micros underway; 3 confirmed partnership to aid in micro development and or delivery; jointly with the 3 partners - 15 partner-based micros prepared and scheduled for APOC approval and enrollment roll-out in early fall
Attract and retain students	<ul style="list-style-type: none"> • Expanded faculty / staff, programming options and technology / equipment in Object Design and Fabrication • Established 2 English Language Pathway programs with external partners: (a) Anne’s Language House (in-person), and (b) Oxford International Digital Institute (online) • Completed pilot of new course delivery format with expanded Block Course offerings • Implemented Phase 1 of plan to upgrade digital presentation systems in studios / classrooms • Signed agreements with two North American institutions and updated articulation agreements with Portage College, MacEwan University, Medicine Hat College, North Island College, and Red Deer Polytechnic • Signed international agreements: 1 new (LASALLE, Singapore); 2 renewals (Australia National U., U. South Australia) • Established international student recruitment partnerships with ApplyBoard • Obtained Council of International Schools (CIS) membership providing access to qualified international students globally • Approved 2 additional English tests as proof of ELP for INTL students: (a) Cambridge English Qualifications, and (b) Pearson Test of English • Increased usage of student awards and financial aid (35% increase in government financial aid; 33% increase of eligible applicants for Travel and Experience Awards; 26% increase in applications for Annual General Awards) • Increased scholarship options: Funded MFA entrance scholarships and secured new donors for scholarships; submitted endowment request to create additional international student entrance scholarships • Centennial Full Ride Scholarship program introduced • Boost-A-Student continued to support retention • Initiated AIR project (incl. Slate CRM) to enhance digital communications and outreach and improve applicant experience through self-service portal (AUArts Apply) • Launched new recruitment marketing and communication (incl. social media and poster campaigns, print, videos, content; and 3 email campaigns with SchoolFinder) • Adjusted Academic Alert procedure to align process to an Early Alert structure (incl. Faculty / Instructor observations , simplified steps, increased connection to students on probation/academic withdrawal)
Equity, diversity and inclusion	<ul style="list-style-type: none"> • Provided promotion and event for launch of Indigenous Pathways • Provided new signage for new Land Acknowledgement • Continual evolution of language and protocol in respect of EDIA

Strategic Goal 2. Enable innovation and experimentation through teaching, applied and scholarly research, and creative activities	
Strategy	2023–2024 Accomplishments
Teaching and learning	<ul style="list-style-type: none"> Hosted a T&L symposium with external keynote speaker and internal faculty/community research presentations, held T&L sessions, and implemented a T&L internal communications site as resource for faculty Implemented third WIL opportunity in BDes, taking WIL opportunities for AUArts to 100% Implemented and tested WIL Orbis software (however volume of students is lacking to justify purchase or lease/license at the end of the 3-year free term) Pivoted WIL plan to develop resources that can support and encourage WIL in the degree programs. Developed 1 work readiness course (self-directed voluntary study) Developed legal contracts for student placements, evaluation document for WIL using Moodle, and site visit documentation Developed online learning resources to replace the PPRL – 70% complete (the professional practice course)
Scholarly research and creative activities	<ul style="list-style-type: none"> Continued development of a research strategy statement Developed 2–3 research centres and process for administrative policy and procedure Cultivated relationships with MITACS as basis of graduate student placement and future research relationships with industry and cultural sector partners Continued to enhance promotion of ongoing research initiatives, faculty research conversation opportunities on-campus and off-campus Continued development of research mandate of Illingworth Kerr Gallery Worked to sustain growth of current MFA in Craft Media program Provided funding for MFA entrance scholarship Ongoing promotion of IKG Continual promotion of faculty creative works and initiatives

Strategic Goal 3. Expand relationships with strategic partners and communities that enrich and improve students learning outcomes	
Strategy	2023–2024 Accomplishments
Integrating external communities and strategic partnerships	<ul style="list-style-type: none"> Transformational project selected – full ride scholarships Centennial planning and infrastructure continued Community projects continued to raise profile for AUArts, work experiments for students and alumni, and profile of their talents Supported formation of UAD4 (OCADU initiative for joint advocacy with NSCADU, Emily Carr and AUArts) Contributed to success of Convocation and Grad Show with promotion and event support
Internal partnerships	<ul style="list-style-type: none"> Continued support of Students' Association work through event organizing and promotion (Show + Sale and Food Pantry) and funding of work experiences Continued support of Boost-A-Student to fund student needs through emergency bursaries and food security (Student Services and Students' Association organized many food security events using Boost-A-Student funding) Financial investment in the Students' Association Food Shelf program Provided Marketing and Communications and event supports to internal events like Gallery Crawl and exhibitions

Goals and Performance Measures

Strategic Goal	4. Drive sustainable growth through revenue diversification, an engaging academic environment and a high performance organization	
Strategy	2023–2024 Accomplishments	
High performance organization	<ul style="list-style-type: none"> • Introduced competency framework for Management & Exempt staff • Completed a Request for Quote process; Selected and implemented new EAP provider (Telus Health; Implemented February 2024) • Served notice to commence bargaining April 9, 2024; Active bargaining has commenced with AUAFSA • Continued issues management monitoring, preparation and response 	
Funding aligned with vision and mandate	<ul style="list-style-type: none"> • Received support for Centennial plan (Board, Advancement Comm., Cabinet, Deans' Council) • Terms of Reference approved for Centennial Campaign Team to be part of Advancement Committee • Centennial transformative projects selected – full ride scholarships. No other funder ready projects moving forward • Used celebration of Carol Ryder's retirement at Board of Governors' luncheon to trial centennial scholarships at Board of Governors' luncheon • Increased funds raised • Provided government relations and support of Alberta Post-Secondary Network 	
Facility master plan	<ul style="list-style-type: none"> • Plans for Learning Commons developed, approved and presentations made to internal community • Met with Ministry officials to advocate for facility expansion funding; Obtained feedback on proposals and recommendation to update architectural Master plan • Engaged Kisan Architects to refresh campus master plan and costing • Evaluated Ministry approval for borrowing to fund facility expansion and acquisition. Discussed process and University's financial capacity with FAC • Evaluated current facility utilization, potential future space need from Creative Industries and defined options to renovate existing facility, lease offsite, acquire offsite, or acquire land for future development 	

Financial Statement Discussion Analysis

Financial Statement Discussion Analysis

The financial statement discussion and analysis should be read in conjunction with the audited financial statements of Alberta University of the Arts (AUArts) for the year ended June 30, 2024 and accompanying notes. The AUArts financial statements have been 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 in Alberta's Post-Secondary Learning Act.

The financial statement 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.

All amounts are expressed in thousands of dollars unless otherwise noted.

The Board of Governors of AUArts is a corporation which manages and operates AUArts under the Post-Secondary Learning Act (Alberta). AUArts is a specialized arts and culture institution mandated to offer four-year undergraduate and graduate degrees in visual art, craft and design.

Financial Highlights

In 2023-24, AUArts remained committed to fiscal responsibility, concluding the year with an operating surplus of \$815 (2023: \$1,513). Revenue exceeded the budget by \$730 or 3 per cent, primarily due to higher utilization of Government of Alberta grants and better-than-expected investment income. Expenses were under budget by \$685 or 3 per cent, mainly driven by delays in launching the Creative Industries Initiative and associated program investments.

Net assets of \$21,002 increased from the prior year (2023: \$19,478). The increase is mainly due to the increase in the fair value of portfolio investments (\$551) along with the annual operating surplus (\$815).

Revenues

Total revenues for the year ending June 30, 2024, were \$27,222, exceeding the budgeted amount of \$26,492 and surpassing the prior year's total of \$25,808. This represents a 3% increase compared to the budget and a 5% increase compared to the previous year.

	2024 Actual	2024 Budget	Variance to Budget	2023 Actual	Variance to Prior Year
Government of Alberta grants	\$16,130	\$15,641	\$489	\$15,629	\$501
Federal and other government grants	88	72	16	62	26
Sales of services and products	696	563	133	662	34
Student tuition and fees	8,620	8,658	(38)	7,956	664
Donations and other contributions	761	833	(72)	629	132
Investment income	927	725	202	870	57
	\$27,222	\$26,492	\$730	\$25,808	\$1,414

Government of Alberta Grants

Grants from the Government of Alberta represent the University's largest source of revenue. Total revenues from Government of Alberta grants, including expended capital, increased by \$501, or 3 per cent, compared to the prior year, and exceeded the budget by \$489, also representing a 3 per cent increase. The increase in Government of Alberta grants was primarily due to higher utilization compared to both the prior year and the budget.

Federal and Other Government Grants

Total revenues from federal and other government grants, including expended capital, were \$26 or 42 per cent higher compared to the prior year and \$16 or 22 per cent higher than the budget. This increase was also driven by higher utilization of federal and other government grants compared to both the prior year and the budget.

Sales of Services and Products

Sales of services and products, which include revenue from bookstore art supplies, were \$34 or 5 per cent higher than the prior year and \$133 or 24 per cent higher than the budget. These increases were driven by stronger-than-expected sales and higher student enrollment compared to both the prior year and the budget.

Student Tuition and Fees

Student tuition and fees, which include instructional fees, international student fees, and mandatory non-instructional fees, were \$664 or 8 per cent higher compared to the prior year and in line with the budget. The increase was driven by a combination of tuition fee increases and increased student enrollment.

Donations and Other Contributions

In 2023-24, AUArts continued to receive and utilize support from both new and existing donors. Total revenues from donations and contributions were \$132 or 21 per cent higher than the prior year but fell \$72 or 9 per cent short of the budget. The year-over-year increase was driven by greater utilization of available donation funds, though overall contributions were underutilized compared to the budget.

Investment Income

Investment income supports both AUArts operating activities and a reserve for strategic and other initiatives. Investment income revenue was \$57 or 7 per cent higher than the prior year and \$202 or 28 per cent higher than the budget. This increase was primarily due to higher returns on account balances and GICs, as well as increased dividends. The variance from the budget is explained by the actual rates of return exceeding initial projections.

Expenses

For the fiscal year ending June 30, 2024, total expenses amounted to \$26,407, representing an increase of \$2,112, or 9 percent, compared to the prior year. Employee salaries and benefits, which constitute 66 percent of total expenditures, remain the University’s most significant cost driver. The overall rise in expenses was primarily attributable to increased employee compensation, higher amortization, and elevated costs for materials, supplies, and services. Despite this, total expenses were \$685, or 3 percent, below budget, largely due to delays in the launch of the Creative Industry Initiative and realized energy savings. These savings were partially offset by higher-than-anticipated employee compensation and amortization expenses.

	2024 Actual	2024 Budget	Variance to Budget	2023 Actual	Variance to Prior Year
Employee salaries and benefits	\$17,533	\$17,119	\$414	\$16,308	\$1,225
Materials, supplies and services	5,850	7,087	(1,237)	5,571	279
Amortization of tangible capital assets	1,338	1,211	127	924	414
Utilities	758	984	(226)	768	(10)
Cost of goods sold	308	317	(9)	280	28
Scholarships and bursaries	554	312	242	380	174
Maintenance and repairs	66	62	4	64	2
	\$26,407	\$27,092	\$(685)	\$24,295	\$2,112

Employee Salaries and Benefits

Employee salaries and benefits were \$1,225 or 8 per cent higher than prior year and comparable to budget. In 2023-24, AUArts had to hire more sessional instructors to address the increased enrollment of students and the resulting demand for direct instruction.

Materials, Supplies and Services

Materials, supplies, and services were \$279 or 5 per cent higher than the prior year but \$1,237 or 17 per cent lower than budgeted. The year-over-year increase is primarily due to higher security expenditures related to managing the growing transient population around campus, increased spending on Equity, Diversity, and Inclusion training, and costs associated with the Creative Industries Initiative launched in 2023-24. The negative variance against the budget is attributed to the delayed start of the Creative Industries Initiative, as well as lower-than-expected general service contract expenses.

Amortization of Tangible Capital Assets

Amortization expenses were \$414, a 45 per cent increase over the prior year, and \$127, or 10 per cent, higher than budgeted. This increase is primarily due to the completion of the mechanical room retrofit project at the end of fiscal 2022-23 and higher-than-anticipated capital spending compared to the original budget.

Utilities

Utility expenses totalled \$758, remaining consistent with the prior year, and were \$226 or 23 per cent lower than budgeted. The variance is primarily driven by energy savings from the mechanical room retrofit and electrical upgrade project, which more than offset the average increases in utility costs.

Cost of Goods Sold

The cost of goods sold was \$28 or 10 per cent higher than the prior year and in line with the original budget. This increase is tied to bookstore operations and is primarily driven by stronger-than-expected sales and higher student enrollment.

Scholarships and Bursaries

Scholarships and bursaries were \$174 or 46 per cent higher than the prior year and exceeded the budget by \$242 or 78 per cent. The year-over-year increase is primarily attributable to a change in the accounting treatment of certain grants and enhanced support for the growing student population. The variance against budget is driven by both the change in grant accounting treatment and the distribution of a higher-than-anticipated number of graduate awards. These awards were funded through restricted funds, including grants, endowments, and the AUArts gem collection.

Maintenance and Repairs

Maintenance and repairs expenses were consistent with both the prior year and the budget.

Capital

AUArts capital acquisitions are funded by internal operating funds, government grants, and donations.

	2024	2023	Variance
Building improvement	\$1,407	\$4,721	\$(3,314)
Computer hardware and software	368	234	134
Furnishings and equipment	742	147	595
	\$2,517	\$5,102	\$(2,585)

Significant capital asset acquisitions in 2023-24 included the following:

- Heating, ventilation, and air conditioning system replacement of \$374
- Library Common Area of \$353
- Data cabling project of \$325
- Data storage project of \$257
- Other evergreening and studio expenditure

Net Assets and Net Financial Assets

Net Assets

The net asset balance is an important indicator of financial health for the university. The net assets measure provides the economic position of the university from all years of operations. AUArts net assets include endowments of \$9,289. Endowments represent contributions from donors that are required to be maintained in perpetuity, as well as capitalized investment income that is also required to be maintained in perpetuity to protect the future economic value of the endowment. Endowments are not available for spending. Of the remaining \$11,713 in net assets, \$2,601 represents funds invested in tangible capital assets.

	2024	2023	Variance
Accumulated surplus from operations	\$7,314	\$8,143	\$(829)
Investment in tangible capital assets	2,601	1,238	1,363
Internally restricted surplus	243	512	(269)
Endowments	9,289	8,581	708
Accumulated remeasurement gains	1,555	1,004	551
	\$21,002	\$19,478	\$1,524

Financial Statement Discussion Analysis

In 2023-24, AUArts' net assets increased due to changes in the accumulated surplus from operations, the acquisition of new tangible capital assets, additional endowment contributions, and a rise in remeasurement gains. The latter was primarily due to higher returns earned on long-term managed portfolio investments.

Net Financial Assets

AUArts meets its liquidity needs primarily through operating cash flows, working capital balances, and capital expansion funding received via grants. Net financial assets serve as a key indicator of the institution's ability to cover liabilities and support future operations using available financial resources.

As of June 30, 2024, the University's net financial assets position remained stable, with no significant change compared to the previous year.

Areas of Significant Financial Risk

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 significant risks that can affect AUArts from a financial perspective are as follows:

Budgetary Pressure

AUArts relies on the Government of Alberta's Operations and Program Support Grant for 60 per cent of its revenue. In recent years, the Government introduced the Investment Management Agreement, which sets performance metrics that must be achieved to maintain this funding. To date, AUArts has successfully achieved these metrics. However, any future reduction to this grant poses a significant financial risk to the university. With limited flexibility to increase tuition due to regulatory constraints and a narrow capacity to expand ancillary revenue streams, AUArts must prioritize meeting the Government of Alberta's performance metrics and implementing operational efficiencies to mitigate this risk.

Inflation Pressures and Escalating Costs

During the year, AUArts faced increased costs due to macro inflationary pressures. This trend will continue into subsequent years, particularly for labour costs due to the ratification of the AUArts Faculty Association and Alberta Union of Employees collective agreements. These escalating costs may challenge AUArts' ability to maintain service excellence and ongoing operational efficiencies.

Information Technology

AUArts allocates a substantial portion of its operating budget, internally sourced capital funds, and restricted reserve funds to information technology annually, supporting system requirements across the university. Despite significant investments in IT security and insurance, cyber risks continue to grow broadly. A cyber incident affecting AUArts could result in significant financial losses and reputational damage.

Investment Performance

AUArts held \$21 million in portfolio investments at June 30, 2024. The value of AUArts investments increased by 16 per cent in 2023-24 compared to 2022-23. However, a decline in investment value could negatively impact AUArts' ability to sustain its services and programs.

Capital Plan

Type of Project and Funding Sources					
Type	Project Description	Project Cost	Funding Sources ¹	Funding Received and Source ²	Revised Funding Sources
Maintenance	Classroom/ studio HVAC replacement	\$2,858	GoA	\$2,858 (CMR funded)	No change
Maintenance	2nd & 3rd floor SW window replacement	\$1,100	GoA	\$1,100* (CMR funded)	No change
Proposed	Sixth-floor expansion	\$90,744	GoA	–	No change
Proposed	Learning commons	\$38,141	GoA	–	No change
Proposed	Classroom/ studio modernization	\$11,473	GoA	–	No change

Project Timelines and Status					
Project Description	Estimated Timeline	Expected Start	Expected Completion	Project Status	Progress in Last 12 Months
Classroom / studio HVAC replacement	Apr 2023 to Aug 2024	Jul 2023	Aug 2025	Construction	Construction underway
2nd & 3rd floor SW window replacement	May 2024 to Aug 2025	May 2024	Aug 2025	Design	Planning and design underway
Sixth-floor south-side expansion	May 2026 to May 2028	May 2026	May 2028	Pending approval and funding	N/A
Learning commons	Jun 2027 to May 2029	May 2027	May 2029	Pending approval and funding	N/A
Classroom/ studio modernization	May 2024 to Sept 2026	Estimated May 2024	Estimated Sept 2026	Pending approval and funding	N/A

¹ GOA = Government of Alberta

² Amounts received to June 30, 2024

Appendix

Financial Statements

Alberta University of the Arts

FINANCIAL STATEMENTS

For the Year Ended
June 30, 2024

Alberta University of the Arts
FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Statement of Management Responsibility

Independent Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Change in Net Financial Assets

Statement of Remeasurement Gains and Losses

Statement of Cash Flows

Notes to the Financial Statements

**ALBERTA UNIVERSITY OF THE ARTS
FINANCIAL STATEMENTS
STATEMENT OF MANAGEMENT RESPONSIBILITY
YEAR ENDED JUNE 30, 2024**

The financial statements of the Alberta University of the Arts ("University") have been prepared by management in accordance with Canadian public sector accounting standards as described in note 2 to the financial statements. The financial statements present fairly the financial position of the University as at June 30, 2024 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 the 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, 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 Scott Powell
Vice-President, Finance and Operations

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, 2024, 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, 2024, 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 22, 2024
Edmonton, Alberta

**ALBERTA UNIVERSITY OF THE ARTS
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024
(thousands of dollars)**

	<u>2024</u>	<u>2023</u>
Financial assets excluding portfolio investments restricted for endowments		
Cash and cash equivalents (note 4)	\$ 12,472	\$ 14,965
Portfolio investments – non-endowment (note 5)	9,542	7,992
Accounts receivable	1,882	533
Inventories held for sale	295	275
	<u>24,191</u>	<u>23,765</u>
Liabilities		
Accounts payable and accrued liabilities	3,356	3,061
Employee future benefit liabilities (note 7)	190	71
Debt (note 8)	64	84
Deferred revenue (note 9)	14,115	12,812
	<u>17,725</u>	<u>16,028</u>
Net financial assets excluding portfolio investments restricted for endowments	<u>6,466</u>	<u>7,737</u>
Portfolio investments – restricted for endowments (note 5)	11,035	9,764
Net financial assets	<u>17,501</u>	<u>17,501</u>
Non-financial assets		
Tangible capital assets (note 11)	12,935	11,756
Inventories of supplies	274	287
Prepaid expenses	560	365
	<u>13,769</u>	<u>12,408</u>
Net assets before spent deferred capital contributions	<u>31,270</u>	<u>29,909</u>
Spent deferred capital contributions (note 10)	10,268	10,431
Net assets (note 12)	<u>\$ 21,002</u>	<u>\$ 19,478</u>
Net assets are comprised of:		
Accumulated surplus	\$ 19,447	\$ 18,474
Accumulated remeasurement gains	1,555	1,004
	<u>\$ 21,002</u>	<u>\$ 19,478</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 Adrian Stimson
Chair, Board of Governors

Original signed by Tom Graham
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, 2024
(thousands of dollars)**

	Budget (note 22)	2024	2023
Revenues			
Government of Alberta grants (note 19)	\$ 15,641	\$ 16,130	\$ 15,629
Federal and other government grants (note 19)	72	88	62
Sales of services and products (note 20)	563	696	662
Student tuition and fees (note 20)	8,658	8,620	7,956
Donations and other contributions	833	761	629
Investment income	725	927	870
	<u>26,492</u>	<u>27,222</u>	<u>25,808</u>
Expenses (note 17)			
Instruction and non-sponsored research	9,946	9,787	8,833
Institutional support	7,389	6,906	6,921
Academic and student support	5,427	5,553	5,023
Facility operations and maintenance	3,500	3,326	2,777
Ancillary services	680	734	639
Sponsored research	150	101	102
	<u>27,092</u>	<u>26,407</u>	<u>24,295</u>
Annual operating surplus	(600)	815	1,513
Endowment contributions and capitalized investment income			
Endowment contributions (note 12)	-	34	92
Endowment capitalized investment income (note 12)	90	124	150
	<u>90</u>	<u>158</u>	<u>242</u>
Annual surplus	(510)	973	1,755
Accumulated surplus, beginning of year	<u>18,474</u>	<u>18,474</u>	<u>16,719</u>
Accumulated surplus, end of year (note 12)	<u>\$ 17,964</u>	<u>\$ 19,447</u>	<u>\$ 18,474</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, 2024
(thousands of dollars)

	<u>Budget</u> (note 22)	<u>2024</u>	<u>2023</u>
Annual surplus	\$ (510)	\$ 973	\$ 1,755
Acquisition of tangible capital assets		(2,517)	(5,102)
Amortization of tangible capital assets	1,211	1,338	924
Decrease in inventories of supplies		13	21
(Increase) in prepaid expenses		(195)	(118)
(Decrease) increase in spent deferred capital contributions		(163)	3,755
Increase in accumulated remeasurement gains		551	580
Increase in net financial assets	701	-	1,815
Net financial assets, beginning of year	<u>17,501</u>	<u>17,501</u>	<u>15,686</u>
Net financial assets, end of year	<u>\$ 18,202</u>	<u>\$ 17,501</u>	<u>\$ 17,501</u>

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, 2024
(thousands of dollars)

	<u>2024</u>	<u>2023</u>
Accumulated remeasurement gains, beginning of year	\$ 1,004	\$ 424
Unrealized gains attributable to:		
Quoted in active market financial instruments:		
Portfolio investments — non-endowment	788	867
Amounts reclassified to the statement of operations:		
Quoted in active market financial instruments:		
Portfolio investments — non-endowment	<u>(237)</u>	<u>(287)</u>
Change in accumulated remeasurement gains	551	580
Accumulated remeasurement gains, end of year	<u>\$ 1,555</u>	<u>\$ 1,004</u>

The accompanying notes are an integral part of these financial statements

ALBERTA UNIVERSITY OF THE ARTS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)

	<u>2024</u>	<u>2023</u>
Operating transactions		
Annual surplus	\$ 973	\$ 1,755
Add (deduct) non-cash items:		
Amortization of tangible capital assets	1,338	924
(Gain) on sale of portfolio investments	(659)	(453)
Expended capital contributions recognized as revenue	(1,039)	(721)
Change in employee future benefit liabilities	119	(5)
Change in non-cash items	(241)	(255)
(Increase) in accounts receivable	(1,349)	(351)
(Increase) decrease in inventories held for sale	(20)	19
Increase (decrease) in accounts payable and accrued liabilities	295	(227)
Increase (decrease) in deferred revenue	1,303	(267)
Decrease in inventories of supplies	13	21
(Increase) in prepaid expenses	(195)	(118)
Cash provided by operating transactions	<u>779</u>	<u>577</u>
Capital transactions		
Acquisition of tangible capital assets, less in-kind donations	(2,517)	(5,102)
Cash applied to capital transactions	<u>(2,517)</u>	<u>(5,102)</u>
Investing transactions		
Purchase of portfolio investments	(2,114)	(2,567)
Proceeds on sale of portfolio investments	503	989
Cash applied to investing transactions	<u>(1,611)</u>	<u>(1,578)</u>
Financing transactions		
Debt – repayment	(20)	(21)
Increase in spent deferred capital contributions	876	4,476
Cash provided by financing transactions	<u>856</u>	<u>4,455</u>
(Decrease) in cash and cash equivalents	(2,493)	(1,648)
Cash and cash equivalents, beginning of year	<u>14,965</u>	16,613
Cash and cash equivalents, end of year	<u>\$ 12,472</u>	<u>\$ 14,965</u>

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, 2024
(thousands of dollars)

1. Authority and Purpose

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* 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

These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) as recommended by the Chartered Professional Accountants of Canada (CPA Canada). Significant aspects of the accounting policies adopted by the University are as follows:

a) Use of estimates

The measurement of certain assets, liabilities, revenues and expenses 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 sale	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

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 that is other than temporary is not reversed for a subsequent increase in value.

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)

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

b) Valuation of financial assets and liabilities (continued)

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 recognized 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 recognized as revenue when the University is eligible to receive the funds. Unrestricted non-government grants and donations are recognized as revenue in the year received or in the year the funds are committed to the University if the amount can be reasonably estimated and collection is reasonably assured.

In-kind donations of services, materials and tangible capital assets are recognized at fair value when such value can reasonably be determined. Transfers of tangible capital assets from related parties are recognized 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.

**ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)**

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

c) Revenue recognition (continued)

Grants and donations related to land

Grants and donations for the purchase of land are recognized as deferred revenue when received, and recognized as revenue when the land is purchased.

The University recognizes in-kind contributions of land as revenue at the fair value of the land when a fair value can be reasonably determined. When the University cannot determine the fair value, it recognizes such in-kind contributions at nominal value.

Sales of services and products

Sales of services and products represent revenues from non-tuition related services and/or products such as bookstore sales, media production, rental income, other administrative charges.

These revenues, with the exception of fines and surcharges, and some administrative fees, are considered revenues arising from exchange transactions. Revenue from these transactions is recognized when or as the University fulfils its performance obligations and transfers control of the promised goods and services to the payor. If the performance obligation is outstanding at year end, the remaining revenue is deferred.

Revenue without performance obligations is a non-exchange transaction with a payor and is recognized when the University has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event that gives rise to an asset.

Student tuition and fees

Student tuition and fees are charged for the programs offered by the University such as program registration and application fees, course delivery fees, student ID card replacement fees, locker rental fees, student services fees, network access fees, and studio materials and services fees.

These fees, with the exception of forfeited confirmation deposits, are considered revenue arising from exchange transactions with performance obligations. The University recognizes revenue from program registration and application fees when received as the performance obligations of registering the student are met when paid. Revenue from course delivery and other student services and materials fees are recognized over the course of each academic period/semester as the University fulfils its performance obligations by delivering the courses. If the performance obligation is outstanding at year-end, the remaining revenue is deferred. Revenue from student ID fees is recognized when the performance obligation to provide the student ID cards to the student has been met.

Endowment contributions

Endowment contributions 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.

**ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)**

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

c) Revenue recognition (continued)

Investment income (loss)

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 by 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 investment 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.

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. 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.

**ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)**

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

e) Inventories for sale

Inventories held for sale 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 the lower of cost or replacement cost.

f) Tangible capital assets

Tangible capital assets are recognized 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.

All leases are recorded in the financial statements as either a capital or operating lease. Any lease which transfers substantially all the benefits and risks of ownership associated with the leased asset are accounted for as leased tangible capital assets. Capital lease assets and liabilities are recognized at the lesser of the present value of the future minimum lease payments and the asset's fair market value 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 statement of financial position. The discount rate used to determine the present value of the lease payments is the interest rate implicit in the lease. Note 8 provides a schedule of repayments and amount of interest on 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.

Assets under capital lease are amortized on the same basis as tangible capital 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.

**ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)**

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

g) Purchased intangibles

Purchased intangibles are recorded at cost less accumulated amortization. The cost, less any residual value, of purchased intangibles with a finite life is amortized on a straight-line basis over its useful life in a manner appropriate to its nature and use, which is normally the shortest of the technological, commercial, and legal life. Purchased intangibles with an indefinite life are not amortized.

The University's purchased intangibles have estimated finite useful lives as follows:

Licenses and course content	Lesser of expected useful life or the date at which the license expires
-----------------------------	---

Write-downs are recognized for finite and indefinite life intangibles when conditions indicate they no longer contribute to the University's ability to provide services, or when the value of future economic benefits associated with the purchased intangibles are less than their net book value. Net write-downs are recognized as expenses.

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.

**ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)**

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

i) Employee future benefits (continued)

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 is 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.

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.

j) Liability for contaminated sites

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. It does not include airborne contaminants. The University recognizes a liability for remediation of contaminated sites when the following criteria have been met:

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

A liability for a contaminated site may arise from operations that are either considered in productive use or no longer in productive use when environmental standards are exceeded. It will also arise when an unexpected event occurs resulting in contamination that exceeds an environmental standard.

A liability for remediation of a site is recognized by the University when the University has accepted responsibility for remediation costs, even where an environmental standard does not exist or contamination does not exceed an environmental standard. The University recognizes a liability for the remediation of these sites using the liability for contaminated sites criteria.

As at June 30, 2024 there are no contaminated sites.

**ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)**

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

k) Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. The tangible capital assets include but not limited to assets in productive use, assets no longer in productive use, and leased tangible capital assets. Asset retirement activities include all activities relating to an asset retirement obligation. These may include, but are not limited to:

- i. decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
- ii. remediation of contamination of a tangible capital asset created by its normal use;
- iii. post-retirement activities such as monitoring; and
- iv. constructing other tangible capital assets to perform post-retirement activities.

A liability for an asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- (a) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (b) the past transaction or event giving rise to the liability has occurred;
- (c) it is expected that future economic benefits will be given up; and
- (d) a reasonable estimate of the amount can be made.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

Where a present value technique is used to measure a liability, the liability is adjusted for the passage of time and is recognized as accretion expense in the statement of operations. This expense ensures that the time value of money is considered when recognizing outstanding liabilities at each reporting date. When a present value technique is not used, the asset retirement obligation is measured at the current estimated cost to settle or otherwise extinguish the liability.

As at June 30, 2024 there are no asset retirement obligations.

l) Expense by function

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

Instruction and non-sponsored research

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

**ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)**

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

l) Expense by function (continued)

Institutional support

Expenses relating to executive management, corporate insurance premiums, corporate finance, human resources, information technology, communications and fund development, and other University-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 relating 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.

m) Funds and reserves (PSG-4)

Certain amounts, as approved by the Board of Governors, are set aside in accumulated operating 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.

n) Future changes in accounting standards

The University will adopt the following new conceptual framework and accounting standard approved by the Public Sector Accounting Board:

Effective April 1, 2026, *The Conceptual Framework for Financial Reporting in the Public Sector*. The Conceptual Framework is the foundation for public sector financial reporting standards. It replaces the conceptual aspects of Section PS 1000, *Financial Statement Concepts*, and Section PS 1100, *Financial Statement Objectives*. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.

Effective April 1, 2026, PS 1202 *Financial Statement Presentation*. Section PS 1202 sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework.

The University is currently assessing the impact of the new conceptual framework and standard, and the extent of the impact of their adoption on the financial statements has not yet been determined.

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)

3. Adoption of new accounting policies and guidelines

PS 3400: *Revenue*

Effective July 1, 2023, the University adopted the new accounting standard PS 3400, *Revenue*, a standard establishing guidance on how to account for and report on revenue. The standard provides a framework for recognizing, measuring and reporting revenues that arise from transactions that include performance obligations and transactions that do not have performance obligations. Performance obligations are enforceable promises to provide specific goods or services to a specific payer.

The University adopted this standard on a prospective basis. Note 20 provides further disclosures as required by the standard for disaggregated revenues. The adoption of the standard did not have an impact on the balances in the University's financial statements.

PSG-8: *Purchased Intangibles*

Effective July 1, 2023, the University adopted the principles in the new guideline PSG-8, *Purchased intangibles*. The guideline provides direction on accounting for and reporting on purchased intangibles. It provides clarity on the recognition criteria, along with instances of assets that would not meet this definition.

The University adopted this standard prospectively and as a result 2023 comparatives are not restated. The University did not purchase any intangibles in the year so there was no impact on the financial statements at this time.

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)

4. Cash and cash equivalents

	<u>2024</u>	<u>2023</u>
Cash	\$ 4,348	\$ 6,891
Cash equivalents	8,124	8,074
	<u>\$ 12,472</u>	<u>\$ 14,965</u>

Cash and cash equivalents are comprised of cash on hand and short-term investments held for the purpose of meeting short-term commitments.

5. Portfolio investments

	<u>2024</u>	<u>2023</u>
Portfolio investments – non-endowment	\$ 9,542	\$ 7,992
Portfolio investments – restricted for endowments	11,035	9,764
	<u>\$ 20,577</u>	<u>\$ 17,756</u>

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

	<u>2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Portfolio managed money market	\$ 1,299	\$ -	\$ -	\$ 1,299
Portfolio managed fixed income	7,665	-	-	7,665
Portfolio managed equity	11,613	-	-	11,613
	<u>\$ 20,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,577</u>
	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Portfolio managed money market	\$ 1,330	\$ -	\$ -	\$ 1,330
Portfolio managed fixed income	6,552	-	-	6,552
Portfolio managed equity	9,874	-	-	9,874
	<u>\$ 17,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,756</u>

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 prices included within 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).

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)

5. Portfolio investments (continued)

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 the 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 the following risks:

Market price risk

The University is exposed to market price risk – the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the University has established an investment policy with a target asset mix that is diversified by asset class with individual issuer limits and is designed to achieve a long-term rate of return that in real terms equals or exceeds total endowment expenditures with an acceptable level of risk.

The following details the University's portfolio sensitivity to a 8.2% 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, 2024, if market prices had a 8.2% (2023 – 8.85%) increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains and losses and deferred revenue for the year would be \$1,688 (2023 – \$1,571).

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 does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. The University's exposure to foreign exchange risk is very low due to minimal business activities conducted in a foreign currency.

The impact of a change in the most material value of the portfolio investment denominated in foreign currency is shown below:

	Fair value	2.5% decrease	1.0% decrease	1.0% increase	2.5% increase
US dollar	\$ 4,004	\$ (100)	\$ (40)	\$ 40	\$ 100
Euro	1,103	(28)	(11)	11	28
British pound	792	(20)	(8)	8	20
Japanese yen	381	(10)	(4)	4	10

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)

6. Financial risk management (continued)

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 issuer 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>2024</u>	<u>2023</u>
Credit rating		
AAA	19.55%	17.29%
AA	32.27%	38.24%
A	28.29%	30.88%
BBB	19.89%	13.59%
	<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. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the University's fixed income portfolio would be approximately 6.7% (2023 – 6.9%).

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

<u>Asset class</u>	<u>< 1 year</u>	<u>1 - 5 years</u>	<u>> 5 years</u>	<u>Average effective market yield</u>
Cash and cash equivalents	100%	0%	0%	4.65%
Portfolio managed funds, fixed income	1.21%	39.00%	59.79%	4.28%

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)

7. Employee future benefits

a) 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. As at June 30, 2024, the University had a liability associated with these benefits totalling \$190 (2023 - \$71).

b) 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, 2023, the LAPP reported an actuarial surplus of \$15,057 million (2022 – \$12,671 million). An actuarial valuation of the LAPP was carried out as at December 31, 2022 and the results were then extrapolated to December 31, 2023. The pension expense recognized in these financial statements is \$1,021 (2023 – \$951).

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	2024	2023
Liabilities under capital leases	4%	\$ 64	\$ 84

Principal and interest repayments are as follows:

	Principal	Interest	Total
2025	\$ 20	\$ 2	\$ 22
2026	21	2	23
2027	21	1	22
2028	2	-	2
	\$ 64	\$ 5	\$ 69

Interest expense on debt is \$1 (2023 - \$0) and is included in the statement of operations.

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)

9. Deferred revenue

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

	2024				2023
	Deferred research and special purpose	Unspent deferred capital contributions	Student tuition, fees and other revenue	Total	Total
Balance, beginning of year	\$ 6,038	\$ 6,225	\$ 549	\$ 12,812	\$ 13,079
Grants, tuition, and other donations	956	1,386	8,010	10,352	11,749
Restricted investment income	414	129	-	543	615
Unrealized gains	571	-	-	571	194
Other transfers	(210)	210	-	-	(37)
Transfers to spent deferred capital contributions	-	(876)	-	(876)	(4,476)
Recognized as revenue	(1,242)	(25)	(7,613)	(8,880)	(8,003)
Scholarships, bursaries issued	(407)	-	-	(407)	(309)
Balance, end of year	\$ 6,120	\$ 7,049	\$ 946	\$ 14,115	\$ 12,812

10. Spent deferred capital contributions

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

	2024	2023
Balance, beginning of year	\$ 10,431	\$ 6,676
Transfers from unspent deferred capital contributions	876	4,476
Expended capital contributions recognized as revenue	(1,039)	(721)
Net change for the year	(163)	3,755
Balance, end of year	\$ 10,268	\$ 10,431

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)

11. Tangible capital assets

	2024				2023
	Building Improvements	Furnishings and Equipment⁽¹⁾	Computer Hardware and Software	Total	Total
Cost					
Beginning of year	\$ 17,359	\$ 1,478	\$ 1,400	\$ 20,237	\$ 15,647
Acquisitions	1,407	368	742	2,517	5,102
Disposals, including write-downs	(671)	(56)	-	(727)	(512)
	<u>18,095</u>	<u>1,790</u>	<u>2,142</u>	<u>22,027</u>	<u>20,237</u>
Accumulated Amortization					
Beginning of year	\$ 6,239	\$ 972	\$ 1,270	\$ 8,481	\$ 8,069
Amortization expense	1,079	187	72	1,338	924
Effects on disposals, including write-downs	(671)	(56)	-	(727)	(512)
	<u>6,647</u>	<u>1,103</u>	<u>1,342</u>	<u>9,092</u>	<u>8,481</u>
Net Book Value at June 30, 2024	<u>\$ 11,448</u>	<u>\$ 687</u>	<u>\$ 800</u>	<u>\$ 12,935</u>	
Net Book Value at June 30, 2023	<u>\$ 11,120</u>	<u>\$ 506</u>	<u>\$ 130</u>		<u>\$ 11,756</u>

No interest was capitalized by the University in 2024.

Cost includes work-in-progress at June 30, 2024 totaling \$1,114 (2023 – \$67) comprised of building improvements \$743 (2023 – \$67) and computer hardware and software \$371 (2023 - \$0). 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 \$105 (2023 – \$105) and accumulated amortization of \$40 (2023 – \$21).

The land and buildings which house the University are owned by the Southern Alberta Institute of Technology (SAIT) and are occupied by the University under a master service agreement.

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.

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)

12. Net assets

	Accumulated surplus from operations	Investment in tangible capital assets	Internally restricted surplus	Endowments	Total
Net Assets as at June 30, 2022	\$ 7,597	\$ 794	\$ 863	\$ 7,889	\$ 17,143
Annual operating surplus	1,513	-	-	-	1,513
Endowments:					
New donations	-	-	-	92	92
Capitalized investment income	-	-	-	150	150
Transfer to (from) endowments	(450)	-	-	450	-
Tangible capital assets:					
Amortization of tangible capital assets	182	(182)	-	-	-
Acquisition of tangible capital assets	(362)	626	(264)	-	-
Operating expenses funded from internally restricted surplus	87	-	(87)	-	-
Change in accumulated remeasurement gains	580	-	-	-	580
Net assets, beginning of year	\$ 9,147	\$ 1,238	\$ 512	\$ 8,581	\$ 19,478
Annual operating surplus	815	-	-	-	815
Endowments:					
New donations	-	-	-	34	34
Capitalized investment income	-	-	-	124	124
Transfer to (from) endowments	(550)	-	-	550	-
Tangible capital assets:					
Amortization of tangible capital assets	279	(279)	-	-	-
Acquisition of tangible capital assets	(1,538)	1,642	(104)	-	-
Operating expenses funded from internally restricted surplus	165	-	(165)	-	-
Change in accumulated remeasurement gains	551	-	-	-	551
Net assets, end of year	\$ 8,869	\$ 2,601	\$ 243	\$ 9,289	\$ 21,002
Net assets is comprised of:					
Accumulated surplus	\$ 7,314	\$ 2,601	\$ 243	\$ 9,289	\$ 19,447
Accumulated remeasurement gains and losses	1,555	-	-	-	1,555
	\$ 8,869	\$ 2,601	\$ 243	\$ 9,289	\$ 21,002

Internally restricted surplus

Internally restricted accumulated surplus represents 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:

	2024	2023
Capital and infrastructure	\$ 19	\$ 129
Academic and institutional initiatives	224	383
	\$ 243	\$ 512

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)

13. Contingent assets

The University has no contingent assets as at June 30, 2024.

14. Contingent liability

The University has no contingent liability as at June 30, 2024.

15. Contractual rights

The University has no material contractual 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:

	<u>Service contracts</u>	<u>Information systems and technology</u>	<u>Total</u>
2025	\$ 1,181	\$ 985	\$ 2,166
2026	775	327	1,102
2027	229	176	405
2028	14	71	85
2029	3	63	66
Total at June 30, 2024	<u>\$ 2,202</u>	<u>\$ 1,622</u>	<u>\$ 3,824</u>
Total at June 30, 2023	<u>\$ 2,352</u>	<u>\$ 2,660</u>	<u>\$ 5,012</u>

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)

17. Expense by object

The following is a summary of expense by object:

	2024		2023
	Budget (note 22)	Actual	Actual
Employee salaries and benefits	\$ 17,119	\$ 17,533	\$ 16,308
Materials, supplies and services	7,087	5,850	5,571
Amortization of tangible capital assets	1,211	1,338	924
Utilities	984	758	768
Cost of goods sold	317	308	280
Scholarships and bursaries	312	554	380
Maintenance and repairs	62	66	64
	<u>\$ 27,092</u>	<u>\$ 26,407</u>	<u>\$ 24,295</u>

18. 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 building owned by SAIT. The University has occupied the site for the past 38 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 has a service agreement with SAIT for the provision of certain computer and information systems support and maintenance. During the year, the University paid \$360 (2023 – \$341) 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 amount due to SAIT as at June 30, 2024 is \$1,247 (2023 - \$927).

The University has a contractual obligation to SAIT for \$380 (2023 – \$698) 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 districts 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.

ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)

19. 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>2024</u>	<u>2023</u>
Grants from Government of Alberta		
Advanced Education:		
Operating grants	\$ 14,686	\$ 14,745
Capital grants	1,386	3,516
Total Advanced Education contributions received	<u>16,072</u>	<u>18,261</u>
Deferred revenue	(914)	(3,287)
Expended capital contributions recognized as revenue	972	655
	<u>\$ 16,130</u>	<u>\$ 15,629</u>
Federal and other government grants		
Contributions received	\$ 43	\$ 16
Deferred revenue	(12)	(12)
Expended capital contributions recognized as revenue	57	58
	<u>\$ 88</u>	<u>\$ 62</u>

20. Revenue

The main source and type of revenue making up student tuition and fees, as well as sales of services and products are summarized below.

	<u>2024</u>	<u>2023</u>
Student tuition and fees		
Undergraduate tuition fees	\$ 6,831	\$ 6,338
Continuing education course fees	507	420
Graduate tuition fees	188	122
Artstream tuition fees	53	62
Other student fees	1,041	1,014
	<u>\$ 8,620</u>	<u>\$ 7,956</u>
Sales of services and products		
Bookstore	\$ 533	\$ 469
Other	163	193
	<u>\$ 696</u>	<u>\$ 662</u>

The University recognizes revenue of \$22 (2023 - \$78) which is considered non-recurring.

**ALBERTA UNIVERSITY OF THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(thousands of dollars)**

21. Salary and employee benefits

	2024				2023
	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	-	-	-	-	-
Executive					
President and Chief Executive Officer	241	6	37	284	278
Vice-Presidents:					
Vice-President Finance and Operations	176	-	32	208	206
Vice-President Advancement	167	-	31	198	193
Deans:					
Dean, Academic Programs	147	-	27	174	170
Dean, Innovation, Learning & Development	146	-	28	174	173
Dean of Students ⁽⁵⁾	148	-	26	174	151
Acting Dean of Students ⁽⁵⁾	-	-	-	-	17
Associate Vice-Presidents:					
Executive Director, People and Culture	149	-	28	177	173
University Secretary	135	-	30	165	160

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include earnings such as vacation payouts, vehicle allowances, and other lump sum payments. No bonuses were paid in 2024 or 2023.

(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, health care, short and long-term disability plans, dental coverage, accidental disability, dismemberment, professional memberships, tuition fees, fair market value of parking, and other taxable benefits.

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

(5) Dean of Students held this position effective August 16, 2022. The previous Dean of Students position terminated effective March 23, 2022 and was replaced by the Acting Dean of Students who held this position from April 13, 2022 to August 15, 2022.

22. Budget figures

The University's 2023-24 budget was approved by the Board of Governors and submitted to the Minister of Advanced Education.

**Alberta
University
of the
Arts**

Alberta University of the Arts

1407 14 Avenue NW, Calgary, Alberta, Canada T2N 4R3 AUArts.ca

[f](#) [t](#) [@](#) [in](#) @AlbertAUArts