
Alberta College of Art + Design

2017-2018
ANNUAL REPORT

ALBERTA COLLEGE OF ART + DESIGN



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

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ACCOUNTABILITY STATEMENT

Alberta College of Art and Design's Annual Report for the year ended June 30, 2018 was prepared under the Board's direction in accordance with the Fiscal Planning and Transparency Act and ministerial guidelines established pursuant to the Post-Secondary Learning Act. All material economic, environmental or fiscal implications of which we are aware have been considered in the preparation of this report.

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

Alberta College of Art and Design's management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the Annual Report including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained by management to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, 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 Audit Committee as well as approved by the Board of Governors, and is prepared in accordance with the Fiscal Planning and Transparency Act and the Post-Secondary Learning Act.

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



MESSAGE FROM THE CHAIR OF THE BOARD OF GOVERNORS AND THE PRESIDENT AND CEO

Alberta University of the Arts represents many things for Alberta College of Art and Design. Most profoundly, becoming a university boosts student, alumni, faculty, staff and volunteer pride in being part of one of only four art, craft and design universities in Canada.

Becoming AUArts is a platform for us to better connect with stakeholders, and build a wider network of supporters. We look forward to more successfully achieving our mission and vision, while living our values.

With the support of the Alberta government, we have a balanced budget and solid operating base as a university. This is a very different picture than the past year where we had a wave of budgetary ups and downs, including plans for a potential budget cut.

We welcome Dr. André Plante, our new Vice President Academic and Provost. His team has begun the development of new curriculum by engaging in extensive community stakeholder consultation and by contracting market research to help guide future decisions. Our goal is to offer education aligned with the marketplace.

Performance Measures were achieved in many areas, with significant strides in others. For example, almost 8% of our student population is international students, and curriculum has internationalized through new courses in Asian art and Indigenous work. Our Lodgepole Center has presented extensive programming, from an oversubscribed Dene Language Revitalization Course, to having an Elder from our Elders Council on campus twice a week. We are developing more partnerships with strategic organizations and cultural communities. This led to a partnership with ATB to curate their downtown Calgary gallery space – ArtVault – with alumni and faculty art.

The study of visual art, craft and design continues at our institution. Alberta University of the Arts is now officially one of four universities in Canada exclusively dedicated to arts education.

Original signed by M. Carol Ryder

M. Carol Ryder

Chair of the Board of Governors

Original signed by Dr. Daniel Doz

Dr. Daniel Doz

President and CEO



PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

This section presents Alberta College of Art and Design's report concerning disclosures made during 2017-18 pursuant to the Public Interest Disclosure (Whistleblower Protection) Act. The Act applies to provincial agencies, boards, and commissions, and therefore applies to Alberta College of Art and Design. Under the Act, the Chief Officer of each agency, board, and commission is responsible for the preparation of an annual report detailing the number of disclosures received and investigated.

Amendments to Alberta's Public Interest Disclosure Act (PIPA) took effect March 1, 2018. In response, Alberta College of Art and Design initiated updates to its Public Interest Disclosure Policy and Procedures. No disclosures were reported in the past year.



OPERATIONAL OVERVIEW

Subsequent to submitting the 2017-2020 Comprehensive Institutional Plan, the Alberta government announced its intention to designate ACAD a university. This important milestone was accompanied with a generous increase to ACAD's base operating grant. These significant advancements have enabled ACAD to think about its future with a different and brighter outlook, and position its most recent CIP accordingly. We look forward to introducing Alberta University of the Arts to the community. In next year's annual report, we will report on a CIP that accurately reflects our new university name and begins to pave the road for our bright new future.

To that end, in 2017-18 an Academic Revitalization Committee was struck to undertake a prioritization of academic programs and consider long-term curricular programming that will shape the Academic Strategic Plan of AUArts. For the current fiscal year, the work of the ARC continues as does research into best practices at other institutions. ACAD's Elder Council has been engaged to provide advice on formulating an Indigenous Strategy, and under our new university status, promotion for the MFA program will ramp up significantly. Additionally, under a new strategic plan, our School of Continuing Education and Professional Development will be facilitating new program development in programming streams identified as strong growth prospects for AUArts and their focus is the creation of new certificates, diplomas, and certification courses. To ensure education continues to be aligned with the marketplace, extensive community stakeholder consultation and market research has begun which will inform new curriculum.

GOALS, PRIORITY INITIATIVES, EXPECTED OUTCOMES + PERFORMANCE MEASURES

GOAL 1 Invest in Academic Restructure					
TYPE	DESCRIPTION	EXPECTED COMPLETION DATE (FROM CIP)	STATUS	PROGRESS MADE IN LAST 12 MONTHS	REVISED EXPECTED COMPLETION DATE
PRIORITY INITIATIVES					
1.1	Realign enrollment with current resources and market needs	2020	Ongoing	Grant for university transition significantly increases capacity. Developing Strategic Enrollment Management Plan to optimize current physical capacity and new budget reality. The first discussion with the Ministry of Advanced Education regarding a corridor tuition model took place November 9, 2017.	2020
1.2	Build significant linkages and relevance between employers/market and societal needs with existing and new programs	2020	Ongoing	Further refining suite of professionalization courses designed to equip creative professionals with appropriate business skills. New internship models development to meet needs of employers and the potential for new revenue models.	2020
1.3	Develop new program curriculum in creative industries to support jobs of the future with appropriate and market value tuition levels	2019	Ongoing	Extensive community stakeholder consultation and market research is guiding future curriculum development decisions. The first Graduate Program (Craft Media) undergoing review for potential major changes and new program development. Formal internships to replace informal ones being explored.	2020
EXPECTED OUTCOMES & PERFORMANCE MEASURES					
TYPE	DESCRIPTION OF EXPECTED OUTCOMES	PERFORMANCE MEASURES	EXPECTED COMPLETION	STATUS	
1.11	Continued implementation of ACAD's strategic enrollment management plan with current resources and market demand information	Reallocate enrollments	Ongoing	<p>Developing Strategic Enrollment Management Plan for optimal current physical capacity and changed budgetary situation as of June 2018.</p> <p>While enrollment numbers did not change significantly, a long-term examination to find ways to deliver programs more efficiently began.</p> <p>Continue transfer agreements – most recently with Portage College – and dual credit opportunities to stabilize application rates and offset attrition in upper years.</p>	

GOALS, PRIORITY INITIATIVES, EXPECTED OUTCOMES + PERFORMANCE MEASURES

EXPECTED OUTCOMES & PERFORMANCE MEASURES CONTINUED				
TYPE	DESCRIPTION OF EXPECTED OUTCOMES	PERFORMANCE MEASURES	EXPECTED COMPLETION	STATUS
1.12	Move to live within ACAD's current funding envelope	Sustainable and balanced budget by 2020	Ongoing	Significant self-examination of program costs and optimal class sizes in 2017-18, including a program prioritization exercise. Combined with the supplemental grant approved for ACAD in July 2018, the College in much improved fiscal situation.
1.13	Approval of corridor tuition model	Implementation of corridor tuition model by fall 2019	Cancelled	Pending revised tuition fee regulation.
1.21	Improve opportunities for current and graduating students to interface with industry	Creation of curriculum to support entrepreneurial skills and endeavours	Ongoing	Maintaining mobility and exchange programming. Further refining a suite of professionalization courses designed to equip creative professionals with appropriate business skills.
1.22	Offer professional development opportunities in all programs	Internships, field placements, applied research projects, cooperative experiences and service-learning opportunities will be strengthened through the revisions in curriculum	Ongoing	Exploring formal internship relationships to replace current informal one to bring rigour, and possible fundraising opportunities. Continue to develop relationships – which have yet to be formalized – with entities such as the not-for-profit organization Calgary Technologies Inc.
1.23	Increased opportunities for student mobility both in Canada and internationally, to produce graduates with national and global perspectives and skills	New mobility/exchange agreements with global partners	Ongoing	Maintaining mobility and exchange programming, and further refining suite of professionalization courses designed to equip creative professionals with appropriate business skills.
1.31	Partner and collaborate with other post-secondary institutions to support credit transfer and advancement through accreditation tiers	Increase in number of articulation and transfer agreements signed and approved	Ongoing	Developing new curriculum by engaging in extensive community stakeholder consultation and market research. As with much of the CIP toward which this report is responding, much has changed since its initial submission.
1.32	Development and approval of programs/credentials in high market demand areas	Implementation of new programs/credentials in fall 2019	Fall 2020	Developing new curriculum by engaging in extensive community stakeholder consultation and market research.
1.33	Development of graduate degree programs	New program proposals submitted for system review	2020	First Graduate Program (Craft Media) is undergoing review for potentially major changes and new programs.

GOAL 2 Expand Market and Community Interface					
TYPE	DESCRIPTION	EXPECTED COMPLETION DATE (FROM CIP)	STATUS	PROGRESS MADE IN LAST 12 MONTHS	REVISED EXPECTED COMPLETION DATE
PRIORITY INITIATIVES					
2.1	Seek to attain university status by fall 2017	2017	Complete	Robust discussions occurred through Campus Alberta about the requests made by several institutions, including ACAD. By spring 2018, approval for university status was granted.	Complete
2.2	Internationalize curriculum	2020	Ongoing	<p>In February 2017, Academic Council approved a series of primarily pre-Modern Art History courses intended to diversify Art History offerings beyond a Eurocentric paradigm.</p> <p>Rather than take a survey lecture course spanning several thousand years of art history, students now have the option of choosing from among several smaller seminar courses that focus more specifically on topics such as Asian art, Indigenous work, and others, while teaching principles of art historical discipline.</p> <p>Overall revisions to curriculum put us in the position of offering these courses for the first time in Fall 2019.</p> <p>In March 2017 Academic Council approved a course dedicated to teaching manga (Japanese comics), which will also be offered for the first time in the 2019-20 academic year.</p>	2020
2.3	Enhance community-building by developing collaborative initiatives with strategic organizations	2020	Ongoing	<p>University status and rebranding gives ACAD an opportunity to build stronger and strategic community relationships.</p> <p>ACAD is proud of its further strengthening of relationships with Indigenous communities and being a vehicle to offer Indigenous education and exposure opportunities for the wider community.</p>	2020
EXPECTED OUTCOMES & PERFORMANCE MEASURES					
TYPE	DESCRIPTION OF EXPECTED OUTCOMES	PERFORMANCE MEASURES	EXPECTED COMPLETION	STATUS	
2.11	Establish academic parity with other provincial and Canadian institutions	Mandate as per the PSLA changed to recognize ACAD as a university and application to Universities Canada was accepted	Complete	In Fall 2018, legislative approval was received. Expect official status transfer in winter 2019.	
2.21	Increased number of international students and experiences	Grow international undergraduate and graduate students to a minimum of 8% of the student population by 2020	2018-19	Significant strides made. International student population in 2017-18 represents 7.67% of headcount, and likely to surpass 8% goal for 2020. Curriculum diversification occurring.	
2.31	Develop partnerships with strategic organizations and cultural communities	Launch Perrenoud Ranch programming	Cancelled	After investing resources to explore many options, it was determined the opportunity did not fit ACAD's requirements.	

EXPECTED OUTCOMES & PERFORMANCE MEASURES CONTINUED				
TYPE	DESCRIPTION OF EXPECTED OUTCOMES	PERFORMANCE MEASURES	EXPECTED COMPLETION	STATUS
2.31	Continued: Develop partnerships with strategic organizations and cultural communities	Increase number of community collaborative initiatives by 20%	Ongoing	<p>University status affords many opportunities to build and enhance relationships in the community that will easily allow us to exceed the objective.</p> <p>Examples:</p> <ul style="list-style-type: none"> • ATB's ArtVault space in downtown Calgary provides opportunity to curate their gallery space and exhibit work of alumni and faculty, fund raise for scholarship endowment, and give ATB's exclusive guests exposure to ACAD. • Partnered with Glenbow and the National Gallery of Canada on Alex Janvier exhibits. • Continued partnership with Beakerhead. • Village Brewery design competition.
		Increase programming that supports education and community understanding of Indigenous culture through the Lodgepole Center	Ongoing	<p>Busy year for Indigenous programming through events, courses and collaborations.</p> <ul style="list-style-type: none"> • <i>Dene Language Revitalization Course</i> Collaboration with Tsuut'ina Language Institute, Brenda Strafford Society, MRU, St. Mary's University, SAIT, U of C and Bow Valley College. • <i>1st Indigenous Students Orientation "Creating the Fire 2018"</i> Collaboration with MRU, St. Mary's University, SAIT, U of C and Bow Valley College hosted at St. Mary's University. • <i>Aahwaatkamooksi Indigenous Peer Mentorship program</i> Set to begin Sept 2019. • <i>Sacred Weft Exhibition</i> Collaboration with Stardale Women's Group, Lodgepole Center and ACAD Fibre Dept. • <i>TRC Task Team</i> Leadership of all PSI's in the Treaty 7 Territory meet regularly to discuss Indigenous strategy and support each other in this journey of ReconciliACTION. • <i>Kairos Blanket Exercise</i> Over 35 staff, faculty and students participated. • <i>Orange Shirt Day Sunday Sept 30, 2018</i> Observed at ACAD on Friday Sept 28, 2018. • <i>Elder on Campus Program</i> Two times a week for 3 hours an Elder on the ACAD Elders Council is on campus and visits classrooms to discuss a variety of topics at the request of faculty members. • <i>Tutors and Writing Centre</i> are now offering services out of the Lodgepole Center Monday to Friday from noon to 7pm, to serve ACAD Community who have late classes, studio time or commitments. • <i>2018 Alberta Culture Days</i> Programming included Traditional smudge, Drum making demo and traditional food teachings. This was in coordination with the provincial government, ACAD's IKG Gallery, ceramics department and Lodgepole Center. • <i>3rd Annual ACAD Community Sweat Ceremony</i> In collaboration with the Stoney Nakoda ACAD Elder Paul A. Daniels.

GOAL 3 Create Opportunities for New Revenue Streams					
TYPE	DESCRIPTION	EXPECTED COMPLETION DATE (FROM CIP)	STATUS	PROGRESS MADE IN LAST 12 MONTHS	REVISED EXPECTED COMPLETION DATE
PRIORITY INITIATIVES					
3.1	Diversifying revenue sources	N/A	Ongoing	Institution-wide focus with number of efforts trialed.	Ongoing
EXPECTED OUTCOMES & PERFORMANCE MEASURES					
TYPE	DESCRIPTION OF EXPECTED OUTCOMES	PERFORMANCE MEASURES	EXPECTED COMPLETION	STATUS	
3.11	Implementation of the School of Continuing Education and Professional Development strategic plan	Increased revenues from non-credit programming and expansion into cSPACE as a pilot for future expansion	Ongoing	Established off-site Extended Studies location at cSPACE but premises ill suited. Lease off-loaded effective Sept 1, 2018 and new tenant found. Issues include limited access to cleaning utilities and two solid walls of windows, which compromised an already small classroom. To achieve cost neutral position required dedicated resource which funds do not support. Attention focused on development of dual-credit design programming with Calgary Board of Education.	
3.12	Develop different credential offerings	Introduction and launch of new credentials by fall 2019	Fall 2019	Major program structures were revised for internal consistency and for consistency with National Association of Schools of Art and Design accreditation standards at the 300-level. A Course Credit Matrix introduced linking credit hours to student workload. Extended Studies piloting blended learning. Credit course developed and delivered using block week model. 18 students registered for and completed this course. Decision made to reposition this course under academic programming because of for-credit focus. Object Design Minor approved.	
3.13	Work in close partnership with Government of Alberta to increase our ancillary capabilities	Ownership of Southern Alberta Jubilee Parkade is transferred to ACAD by 2019	On hold	N/A	

GOAL 4 Invest in 21st Century Learning Infrastructure					
TYPE	DESCRIPTION	EXPECTED COMPLETION DATE (FROM CIP)	STATUS	PROGRESS MADE IN LAST 12 MONTHS	REVISED EXPECTED COMPLETION DATE
PRIORITY INITIATIVES					
4.1	Ensure the physical infrastructure including building and technology reflect a 21st Century education environment to provide a safe and relevant learning environment	N/A	Ongoing	Funding received for roof replacement and upgrading fire alarm and suppression systems. Roof work will be completed by December 2018.	Ongoing
EXPECTED OUTCOMES & PERFORMANCE MEASURES					
TYPE	DESCRIPTION OF EXPECTED OUTCOMES	PERFORMANCE MEASURES	EXPECTED COMPLETION	STATUS	
4.11	Identify and review options for a “back-up campus” should ACAD’s building experience critical failure	Space audit complete	Ongoing	Internal space audit complete. Swing-space review continues.	
4.12	Identify priority facility improvements that specifically prioritize academic needs and sustainability of the institution	Upgrades to teaching spaces and equipment and enhanced support for the deferred maintenance needs of our building	Ongoing	Renovations planned for two classrooms by 2020.	
4.13	Develop effective, efficient technological and administrative systems that support ACAD’s core business	Review of ERP and Banner systems complete	Ongoing	Review complete and business case being evaluated. Current priority upgrade to Banner 9.	



FINANCIAL + BUDGET INFORMATION

ALBERTA COLLEGE OF ART AND DESIGN YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

The June 30, 2018 Annual Report includes the financial statements for the Alberta College of Art and Design (ACAD) prepared in accordance with Canadian public sector accounting standards (PSAS).

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

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

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

SIGNIFICANT TRENDS AND RISKS

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

1. Budgetary Pressure

67.7% of ACAD's annual revenues are received from the Government of Alberta; this makes ACAD vulnerable to any decreases in the annual Campus Alberta grant as well as other government funding. However, subsequent to the government announcement in spring 2018 that ACAD was to become a university, supplementary funding for university transition was added to ACAD's Campus Alberta Grant. This additional funding allowed ACAD to revise its budgetary outlook for the next three years and anticipate modest surpluses through to 2021.

ACAD's financial sustainability is now built on a more solid foundation, but given the limited number of supplementary and ancillary resources available to ACAD, significant efforts still need to be made to mitigate the budgetary risk as the Institution meets the new challenges of becoming a university. Budgetary pressures still represent a significant strategic risk for ACAD.

2. Tuition Fees

Tuition fees are at risk given the Government's decision to freeze tuition fees and rollback market modifier fees. This puts significant pressure on ACAD to sustain or grow current levels of enrollment without the necessary funding to provide additional support for recruitment or growth of the student population.

3. Negotiations with Collective Bargaining Units

72.6% of ACAD's annual operating expenses are payroll related costs. ACAD's financial viability is dependent on its ability to negotiate reasonable salary and benefit terms with two bargaining units. The current agreement with Alberta Union of Provincial Employees Local 071/006 expired on June 30, 2017. Negotiations for a new contract are ongoing. The three year collective agreement with the Alberta College of Art and Design Faculty Association for the period from July 1, 2016 to June 30, 2019 was ratified in September 2016.

4. Information Technology

ACAD spends approximately \$1,507 of operating funds and internally sourced capital funds per year on information technology to develop and support systems. Although there is a significant operating contribution towards Information Technology, the number of cyber risks including malware and ransomware continue to increase. If ACAD was impacted by one of these cyber risks, there could be significant financial and reputational impact.

STATEMENT OF FINANCIAL POSITION - HIGHLIGHTS

Overall Results

ACAD's Net Assets (net financial assets – non-financial assets and spent deferred capital contributions) increased by \$1,170 to \$13,171. The change in net assets is due to the annual operating surplus of \$845 as well as \$96 in endowment capitalized investment income, \$133 of endowment contributions and a \$96 increase in accumulated remeasurement gains.

Net financial asset balance has improved slightly over the past year from \$10,664 to \$11,953. ACAD's presentation of net financial assets includes \$6,391 of portfolio investments that are restricted for endowments. Endowment restricted investments represent contributions from donors that are required to be maintained intact in perpetuity, as well as capitalized investment income that is also required to be maintained in perpetuity to protect the economic value of the endowment. Therefore, these investments cannot be used to pay for liabilities or future operating or capital purchases. Other major components of financial assets are cash, cash equivalents and non-endowment investments totaling \$15,861.

FINANCIAL ASSETS

Total financial assets increased by \$3,535 to \$16,246 at June 30, 2018. This is an increase of 27.8% from the prior year.

Cash and cash equivalents

ACAD's cash position comprises cash and temporary investments. Temporary investments are used to ensure that sufficient cash and liquid assets are available to manage the timing of ACAD's operating and capital expenditures. The cash position has increased by \$3,030 to \$9,041, an increase of 50.4% from the prior year. ACAD allocated \$2,523 in capital grants in March of 2018 for essential infrastructure work on the roof as well as upgrades to the fire alarm system. These were invested in short term GICs to ensure the cash is available as the projects progress.

The statement of Cash Flows summarizes the sources and uses of cash in the fiscal year. During the fiscal year, \$3,693 cash was raised from operating transactions, and cash decreased due to capital and investing activities -\$543 and -\$407 respectively.

Portfolio investments

Portfolio investments increased by \$845 to \$13,211 at June 30, 2018, an increase of 6.8% from the prior year. The unrealized gain on unrestricted and restricted investments represents the increase in market value of the investment portfolios during the year (see note 5 and 6 of the financial statements for additional information relating to investment holdings and financial risk management).

	2018	2017	CHANGE
Net transfer from cash and cash equivalents	\$407	\$389	18
Unrealized gain (loss) investments	230	392	(161)
Realized gain (loss) on sale of portfolio investment	208	141	66
Change in portfolio investments	845	922	(77)
Portfolio investment, beginning of year	12,366	11,444	922
Portfolio investment, end of year	\$13,211	\$12,366	\$845

LIABILITIES - HIGHLIGHTS

Total liabilities increased by \$2,546 to \$10,684 at June 30, 2018, an increase of 31.3% from the prior year.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by \$52 to \$2,178 at June 30, 2018, a decrease of 2.3% from the prior year.

Deferred revenue

Deferred revenue consists of the following components (see note 9 of the financial statements for additional information and see note 3 for the remeasurement gain/loss correction):

	2018	2017	CHANGE
Deferred research and special purpose	\$4,550	\$4,591	(\$41)
Unspent deferred capital contributions	3,330	586	2,744
Student tuition and fees	449	546	(97)
	<u>\$8,329</u>	<u>\$5,723</u>	<u>2,606</u>

a) Deferred research and special purpose includes a number of one-time and conditional funding supporting program development, research, capital, scholarships and other operating requirements.

b) Unspent deferred capital contributions represent grants and donations received to fund capital acquisitions. At June 30, 2018, \$3,330 was held for capital purchases that had not yet been made.

c) Student and tuition fees represent operating revenues received in the current year relating to services which will be provided in the next fiscal year. Registration for the new fiscal year began in July 2017 for the academic year 2017/18 hence there were no deferred credit tuition fees at year end 2016/17. Credit course enrollment began in June 2018 resulting in a balance of deferred credit tuition fees for the 2018/19 academic year being held in deferred revenue as at June 30, 2018.

NON-FINANCIAL ASSETS**Tangible capital assets**

Tangible capital assets decreased by \$312 to \$4,786 at June 30, 2018, a decrease of 6.1% from the prior year (see note 11 in the financial statements for information on the changes during the year), which are summarized below:

	2018	2017
Acquisition of tangible capital assets	\$552	\$1,076
Net book value of assets disposed during the year:		
Cost	(83)	(189)
Accumulated amortization	81	144
Amortization expense	(862)	(784)
Change in tangible capital assets	(312)	247
Tangible capital assets, beginning of year	5,098	4,851
Tangible capital assets, end of year	\$4,786	\$5,098

Acquisition of tangible capital assets includes:

- » Furnishing and equipment - \$73
- » Computer hardware and software - \$134
- » Leasehold improvements - \$345

Spent Deferred Capital Contributions

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

NET ASSET HIGHLIGHTS

The net assets for ACAD increased by \$1,170 or 9.7% (see note 12 of the financial statements for additional details). Net assets are comprised of the following:

Endowments

Endowment net assets increased by \$229 or 4.7%.

Accumulated surplus from operations

Accumulated operating surplus increased by \$1,649 from \$4,250 in 2017 to \$5,899 at June 30, 2018. Changes to accumulated surplus from operations are comprised of the following (see note 3 in financial statements for the remeasurement gains and losses):

	2018	2017
Operating surplus	\$845	1,242
Add back:		
Amortization of internally funded capital assets	340	261
Operating expenses funded from internally restricted surplus	544	249
Net book value of tangible capital asset disposals	3	1
	1,732	1,753
Less:		
Net Board appropriation to internally restricted surplus	-	(1,223)
Adjustments – transfers to spent capital contribution	-	(192)
	-	1,415
Capital activities		
Internally funded acquisition of tangible capital assets	(179)	(221)
Change in accumulated remeasurement gains	96	159
Change in accumulated surplus from operations	-	-
Accumulated surplus from operations, beginning of year	4,250	3,974
Accumulated surplus from operations, end of year	\$5,899	\$4,250

Investment in tangible capital assets

In 2018, capital assets decreased by, net of depreciation, \$312.

	2018	2017	CHANGE
Investment in tangible capital assets, opening balance	\$758	\$500	258
Amortization of internally funded capital assets	(340)	(261)	(79)
Internally funded acquisition of tangible capital assets	240	328	(88)
Net book value of tangible capital asset disposals	(3)	(1)	(2)
Adjustments – transfers to spent capital contributions	-	192	(192)
Investment in tangible capital assets, ending balance	655	\$758	\$(103)

Internally restricted surplus

Internally restricted surplus represent amounts set aside by ACAD'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. Currently the use of those funds has been appropriated as follows:

	2018	2017
Appropriation for capital activities:		
Campus renovations and facility upgrades	\$125	\$195
Equipment, technology and program upgrades	730	782
	<hr/> \$855	<hr/> \$977
Appropriation for operating activities:		
Operating programs	\$434	\$865
Sustainability planning	223	275
	<hr/> 657	<hr/> 1,140
Total	<hr/> \$1,512	<hr/> \$2,117

Accumulated remeasurement gains and losses

Accumulated remeasurement gains and losses represent the unrealized gain on unrestricted financial investments as at June 30, 2018. As at June 30, 2018 the College had \$1,156 (2017 - \$1,060) accumulated remeasurement gains.

During the year, ACAD completed a review of the composition of its investment portfolio and identified an incorrect attribution between restricted and unrestricted investments. This had resulted in a misstatement of the amount of deferred revenue attributable to remeasurement gains or losses on investment portfolio balances in prior years. Changes were made retroactively at June 30, 2018 and the prior year balances have been restated. The impact was that:

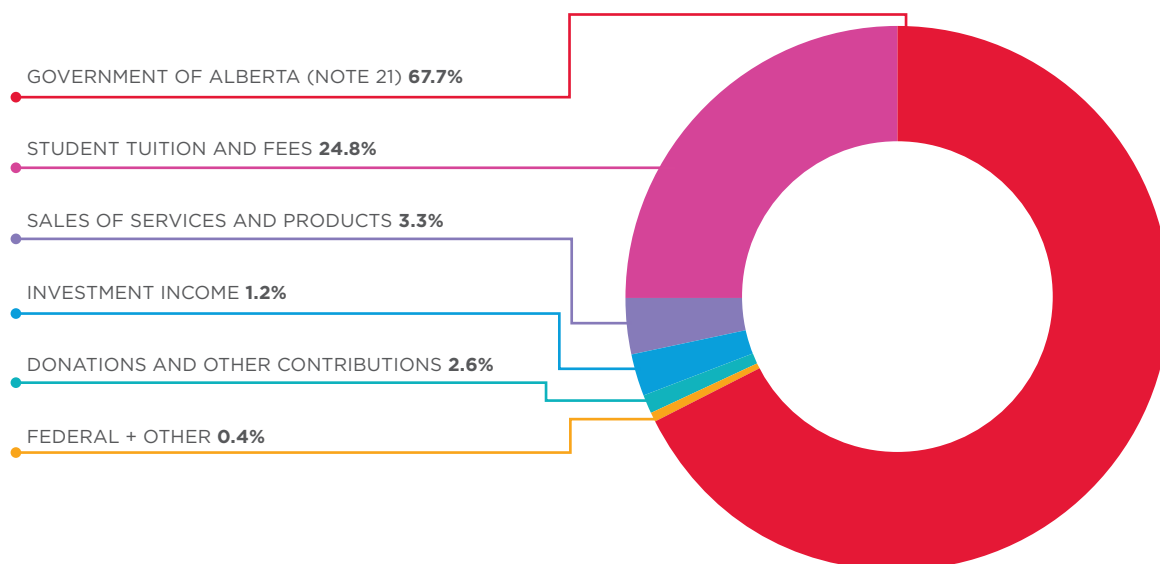
- » Accumulated remeasurement gains increased by \$901 with effect from June 30, 2016
- » Remeasurement gains increased by \$67 for 2017 and \$157 for 2018.

STATEMENT OF OPERATIONS

Overall Results

Fiscal Year 2018 ended with a final operating surplus of \$845 (2017 - \$1,242). See note 3 in financial statements for the remeasurement gains and losses. The surplus decreased by \$397 from the prior year.

REVENUE HIGHLIGHTS



	2018		2017		CHANGE FROM 2017	
	\$	%	\$	%	\$	%
Government of Alberta grants	16,415	67.7%	17,131	69.3%	(716)	(4.2)%
Federal and other government grants	103	0.4%	187	0.8%	(84)	(44.9)%
Student tuition and fees	6,022	24.8%	6,029	24.4%	(7)	(0.1)%
Sales of services and products	800	3.3%	806	3.3%	(6)	(0.7)%
Donations and other contributions	636	2.6%	307	1.2%	329	107.2%
Investment income	281	1.2%	256	1.0%	25	9.8%
	24,257	100.0%	24,716	100.0%	(459)	(1.9)%

SUMMARY OF KEY VARIANCES

Revenues

Total revenues for the period ending June 30, 2018 were \$24,257 compared to \$24,716 for the previous fiscal year. This represents a decrease of 1.9% in overall revenues. Actual revenues exceeded budgeted revenues by 2.7% or \$632. The largest changes to ACAD's revenue base year over year were as follows:

- » In 2018, ACAD's Campus Alberta Base Grant increased by 2% or \$274. However, overall grant revenue from the Government of Alberta was lower than in the prior year. 2016/17 was a year in which many projects and initiatives funded with AFF and other Advanced Education grants were completed and revenue from these grants recognized in full. There were fewer new operating grants in 2017/18.
- » Student tuition and fees decreased by \$7. Fees and tuition for credit students remained very close to prior year. Non credit courses faced another challenging year with an ongoing weak economy and new leadership in this area. Revenues were \$12 less than in the prior year for non-credit courses.
- » Bookstore sales continue to correlate closely with enrollment for credit courses and as with student tuition and fees remained very stable year over year.
- » Revenue released from endowment gifts and donations to pay student awards, bursaries and scholarships remained consistent year over year, but cash donations and other operating fund revenues increased by \$329.

The largest differences between ACAD's revenue budget and its actual results for the year 2018 were as follows:

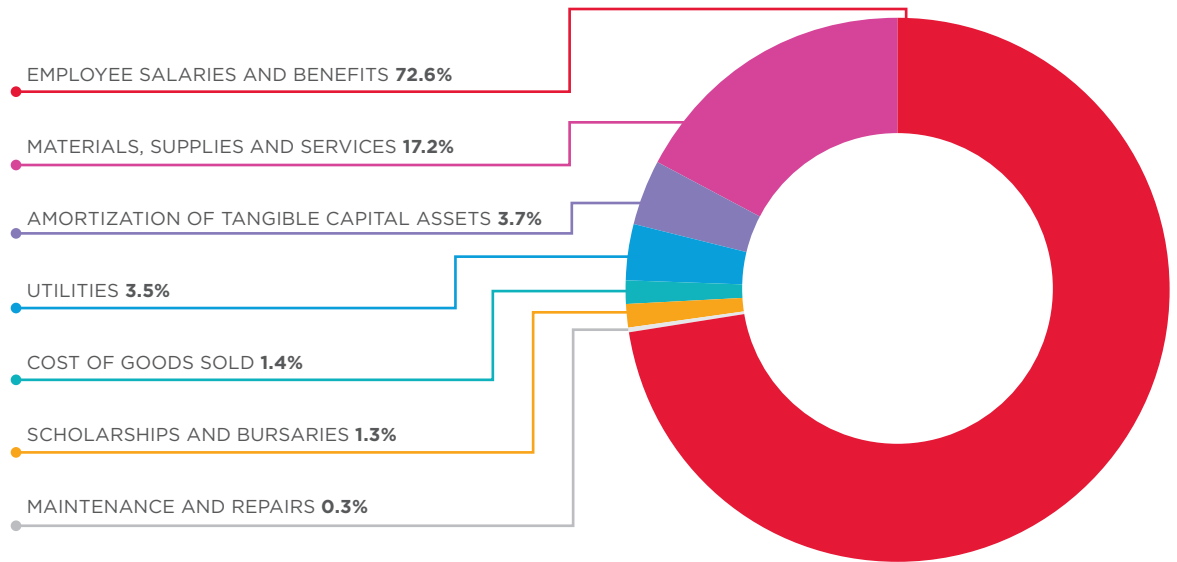
	2018 BUDGET	2018 ACTUALS	VARIANCE FROM BUDGET
Government of Alberta Grants	\$15,660	\$16,415	\$755
Federal and other government grants	100	103	3
Student tuition and fees	6,452	6,022	(430)
Sales of services and products	893	800	(93)
Donations and other contributions	400	636	236
Investment income	120	281	161
	<u>\$23,625</u>	<u>\$24,257</u>	<u>\$632</u>

- » ACAD budgeted conservatively for the Campus Alberta grant (formal notification of the grant for 2017/18 was only received in July 2017). More funding than expected was received for Disability funding and Tuition Freeze funding (\$160 for the year). Furthermore, revenue was received and / or recognized from other Advanced Education grants that were not part of the Operating budget. These included funds in support of student mental health, IT projects, the graduate program and various Target Enrollment Expansion Grant and Access to the Future Fund approved initiatives.
- » Shortfalls in student fees and tuition arose in three areas – undergraduate tuition fees for credit courses were \$187 or 3.7% less than budget, miscellaneous student fees such as application, processing, transfer, graduation, network fees were \$49 or 14 % less than budget and overall continuing education fees for non-credit courses were \$79 or 14% less than budget.

Continued >

- » The majority of fundraising activities prioritize endowment and scholarship gifts. These amount to approximately \$300 annually. Other donations and contributions in 2017/18 included \$76 for IKG exhibits and activities, \$82 revenue recognized at the end of a three year sponsorship agreement with Enbridge and \$33 revenue recognized from a private foundation gift in support of academic research activities.
- » One of the assumptions with respect to investment income in the 2017/18 operating budget was that close to 100% of the funds in the investment portfolio were restricted. At year end, this assumption was found to be incorrect. The balance of restricted to operating funds is 59% to 41%. As a result of the correction of this error, a larger portion of investment income flowed from the investment portfolio directly to operating fund revenues.

EXPENSE HIGHLIGHTS



Expenses by object

	2018		2017		CHANGE FROM 2017	
	\$	%	\$	%	\$	%
Employee salaries and benefits	16,993	72.6%	16,862	71.8%	131	0.8%
Materials, supplies and services	4,020	17.2%	4,310	18.4%	(290)	(6.7)%
Scholarships and bursaries	307	1.3%	310	1.3%	(3)	(1.0)%
Maintenance and repairs	69	0.3%	68	0.3%	1	1.5%
Utilities	822	3.5%	782	3.3%	40	5.1%
Cost of goods sold	339	1.4%	358	1.5%	(19)	(5.3)%
Amortization of tangible capital assets	862	3.7%	784	3.4%	78	10.0%
	23,412	100.0%	23,474	100.0%	(62)	(0.3)%

COMPARISON TO 2017

Total expenses for the period ending June 30, 2018 were \$23,412. This represents a decrease of \$62 or 0.3% over total operating expenses for the previous year (2017 - \$23,474). The most significant changes were as follows:

Payroll costs in 2018 were only \$131 higher than in the previous year. There was significant turnover at a senior management level and some lengthy vacancies during the course of the year. All vacancies were closely scrutinized to ensure they were essential and a number of non-core positions that existed in 2017 were not filled in 2018. Savings from staff turnover and vacancies covered the costs of an early retirement incentive program that was offered in 2018.

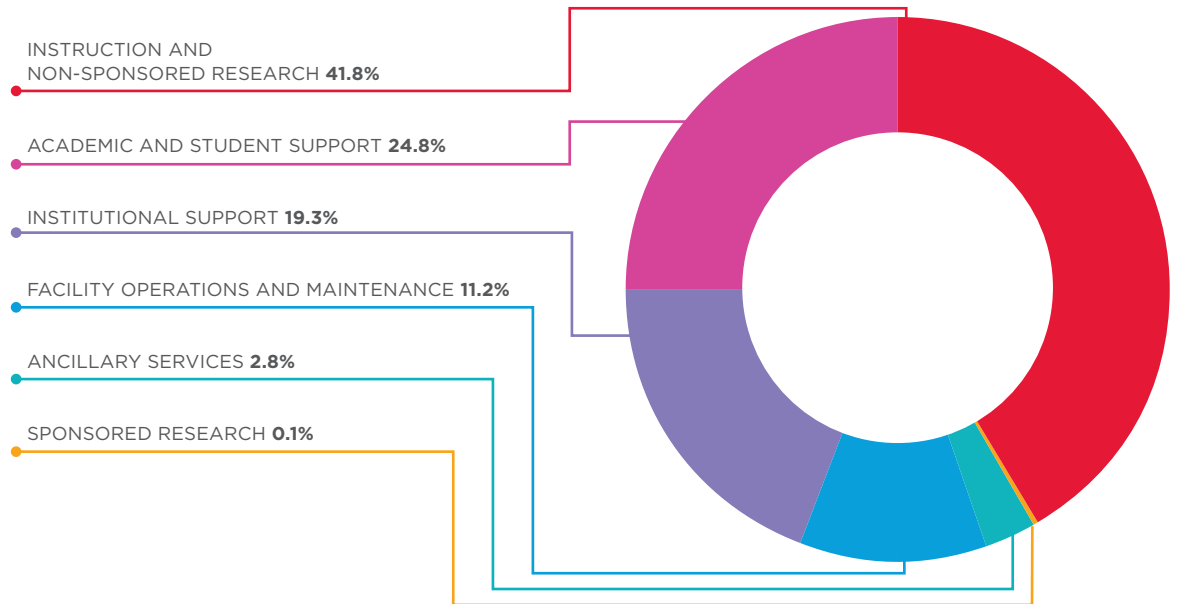
Materials, services and supplies have decreased year over year. There were higher contract expenses in 2017 pertaining to work on the Sustainability Plan and Access to the Future grant funded initiatives.

	2018 BUDGET	2018 ACTUALS	VARIANCE FROM BUDGET
Employee salaries and benefits	\$17,099	\$16,993	(106)
Materials, supplies and services	4,126	4,020	(106)
Scholarships and bursaries	300	307	7
Maintenance and repairs	65	69	4
Utilities	879	822	(57)
Cost of goods sold	393	339	(54)
Amortization of tangible capital assets	763	862	99
	\$23,625	\$23,412	(\$213)

Comparison to Approved Operating Budget:

- » Despite some significant budget variances both favourable and unfavourable, salary and benefit costs ended the year within \$106 of budget. The average pay increase for the year was 4.53%. This included increases for new and restructured management positions, grid movements for staff and faculty and a cost of living increase for faculty. There was significant staff turnover at senior level during the year and many positions were vacant for long periods of time or not filled at all. These savings offset unbudgeted costs of the early retirement incentive program and other severance payments. A contingency in the budgeted benefit rates also helped offset some of these unbudgeted salary costs.
- » Materials, supplies and services were under budget by \$106 of 2.6% at year end. The most significant factor affecting this outcome was an unused contingency budgeted for \$236.
- » ACAD's annual utilities budget always contains a significant contingency provision to ensure that ACAD is protected from the impact of adverse rate and usage fluctuations.
- » Lower gross revenues resulted in a slightly lower COGS than budgeted.
- » Two significant software assets were released from WIP and amortized during the course of 2017/18.

Expenses by Function



	2018 BUDGET		2018 ACTUALS		CHANGE FROM BUDGET	
	\$	%	\$	%	\$	%
Instruction and non-sponsored research	10,135	42.9%	9,780	41.8%	355	3.5%
Academic and student support	5,577	23.6%	5,807	24.8%	(230)	(4.1)%
Institutional support	4,470	18.9%	4,508	19.3%	(38)	(0.9)%
Facility operations and maintenance	2,655	11.2%	2,615	11.2%	40	1.5%
Ancillary services	788	3.4%	669	2.8%	119	15.1%
Sponsored research			33	0.1%	(33)	
	23,625	100.0%	23,412	100.0%	213	(0.00)%

COMPARISON TO OPERATING BUDGET

- » The majority of costs in the Instruction and non-sponsored research function are payroll related. Costs of instruction are \$355 under budget for the year after payment of \$284 through the early retirement incentive program which was not part of the operating budget for 2017/18. Savings to fund this incentive were found through staff turnover and vacancies, the hiring of term faculty to replace permanent faculty who left during the year and the use of sessionals. A contingency for payroll costs was also built into the benefits budget. The number of continuing education classes was down in 2017/18 with associated staff savings of \$95.
- » Academic and student support activities exceeded their overall operating budgets by \$230. However spending from internally and externally restricted funds not included in the operating budget was \$262. The Illingworth Kerr Gallery and support for students with disabilities were the main initiatives to benefit from the receipt of supplementary grants during the years and have supplemented exhibits and services provided to students accordingly. Although there have been a number of unbudgeted staffing changes with associated costs this year in the student affairs cost centres, overall student affairs payroll expenses remain within budget. Vacancies in two management level positions for much of the year have offset other expenses.
- » Institutional support costs are \$38 below budget after absorbing spending of \$481 from restricted fund initiatives which were not included in the operating budget. Most of the cuts that were made as a result of the December 2017 Government directive to restrict discretionary spending were made in institutional support so as not to impact instruction or student support.
- » The most significant savings in Institutional support costs were:
 - unused contingencies - \$236
 - savings in communications, advertising and other engagement projects - \$277
 - Computing and technical services also found savings in their contracting budget - \$63
- » Ancillary services includes bookstore, parkade services and food services. The bookstore was under budget for the year. Gross margins remain consistent, but bookstore revenue was lower than expected. Parkade service expenses of \$66 were also included in this operating budget. However, with effect from July 1, 2017, ACAD was no longer responsible for parkade services and these expenses were not incurred.

ENROLLMENT PLAN + PROGRAM CHANGES

ACAD has begun the development of new curriculum by engaging in extensive community stakeholder consultation and by contracting market research to help guide future decisions. Our goal is to offer education aligned with the marketplace. While enrollment numbers remain steady in most areas, we recognize the need to increase our competitiveness in the marketplace.

Full Load Equivalent: Estimate and Actuals 2017-18		
PROGRAM NAME	2017-18 FLE ESTIMATE	2017-18 FLE ACTUAL
Bachelor of Design	262	269.9
Bachelor of Fine Arts	648	606.25
Open Studies including ArtStream	22	20.4
Master of Fine Arts in Craft Media	8	7.6
Total	940	904.2

Our new Provost position was created to oversee integrated planning which includes a detailed strategic enrollment plan. A thorough examination of ACAD's curricular mix and outcomes structures will serve as a foundation of a revised CIP.

While the work is ongoing, the committee charged with this examination released a series of recommendations about undergraduate programming to Academic Council, intended to improve student experience within fiscal limitations, and to respond to the varying levels of student demand among programs.

In anticipation of university status, ACAD struck an Academic Revitalization Committee in 2017-18, as a step toward the creation of a more formalized university planning committee. ARC submitted its recommendations for consideration to Academic Council in April 2018, several of which flag desirable program changes upon which ACAD immediately began to act. These include the generation of improved learning outcomes, and alterations to 100-level programming, 400-level BFA programming, and the Bachelor of Design program in Photography.

At the end of the 2017-2018 year, ARC recommended the reconsideration of its foundation year programming, citing issues both of cost and teaching effectiveness. While it began to draft a foundation-year design, it quickly became apparent that an overhaul of learning outcomes across ACAD's degrees was necessary.

Thus, ARC has taken the program learning outcomes developed through the Office of Teaching and Learning in 2015 and revised, simplified, and clarified outcomes at the degree level and at the foundation level. Degree level and foundation level outcomes have since been circulated to internal stakeholder groups for further refinement before their consideration by Academic Council. It will do the same with second- and third-year outcomes, as well as program outcomes.

ARC recommended the generation of a suite of common 400-level courses for all BFA students. Developing a common fourth year will likely be a lengthy and intensively consultative process. Nevertheless, there are significant fiduciary efficiencies to be gained in a common fourth year, while there are pedagogical advantages in allowing for greater interdisciplinarity among at least some of our fine arts programs.

Continued >

Lastly, faced with declining enrollments and concerns with respect to curriculum design in its Photography Bachelor of Design, ACAD took steps toward renovating this program. First steps included the situation of the program within the School of Communication Design, where similarities between the programs will be better able to provide collaborative support, and the designation of key faculty as leads in the program redesign.

All of this undergraduate curricular redesign work was begun in 2017-18, and continues into the 2018-19 year.

Our graduate degree – Master of Fine Art in Craft Media – has run for three years now, which has given faculty and students a sense of what works and what should be considered for change. Overall the program is functioning well and is of good quality, with clear feedback emerging about improvements to the quality of the program.

The current program is five semesters in length over two years (two fall semesters, two winter semesters and one summer semester), and comprised of five liberal studies courses spread over the two years, five Graduate Studio courses spread over the two years, and two elective courses, one in the summer and one in the fall semester of the second year.

Revisions under consideration would be to move the program to six semesters over two years (two fall semesters, two winter semesters, and two summer semesters). Options see the semester distribution of the five liberal studies courses, and/or rewrite one of them, and/or eliminate one of them; to rethink the two elective courses, and either eliminate them or rewrite them. The Graduate Studio courses would remain unchanged.

A larger philosophical change under consideration is to shift from the program specific and narrow focus of the four craft areas (fibre, glass, ceramics, and jewelry and metals), to one of Material Studies, or Materiality. This shift would permit ACAD to retain the craft elements of the program, while at the same time better serve students whose practice and research takes them to the outer edges of craft practice and beyond. Such a shift reflects more broadly the research focus of the BFA at ACAD, and distinguishes the unique program at ACAD from those of OCADU, ECUAD and NSCADU, as well as other post-secondary programs in Canada.



RESEARCH, APPLIED RESEARCH + SCHOLARLY ACTIVITIES

Scholarly Research and Creative Activities is of primary importance to ACAD. There are two ongoing internal funds to support Faculty Research: The Faculty Professional Affairs Fund and the Professional Expense Reimbursement Allowance. With the Start Up Research Fund for new faculty exhausted, ACAD is now in the process of developing a new internal research fund to support Faculty seeking Federal Tri-Council Funding. We expect to have this fund in place at the end of 2018.

Permanent Faculty reported 15 successful external grants, for a total of \$173,360, from the Alberta Foundation for the Arts, Canada Council for the Arts, Calgary Arts Development, Banff Centre, and the Jarislowsky Institute for Studies in Canadian Art.

Internal grants to Permanent Faculty amounted to \$44,995. Permanent Faculty had 13 solo exhibitions, published two books, published 12 chapters/articles, participated in 102 peer reviewed group exhibitions/residencies, presented papers in 25 conferences, gave 57 visiting artist or lecturer talks, and were cited in 52 published articles. These numbers grow significantly if Faculty with sessional contracts are included.

COMMUNITY OUTREACH + UNDERREPRESENTED LEARNERS

ACAD continues to be active in responding to underrepresented learners with diverse initiatives. Examples include exhibitions and public programming at the Illingworth Kerr Gallery such as the Future Memories/ Present Tense exhibition of Indigenous art, and public programming with respect to Afrofuturism; the hiring of a Wellness coordinator with funds generously supplied by the Government of Alberta; the hosting of a symposium and launch for Handbook: Supporting Queer and Trans Students in Art and Design Education; participation in the Day Without Art film screening in response to the AIDS crisis; ongoing and developing programming at the Lodgepole Center; further integration of Indigenous perspectives in teaching, hiring, and public events including convocation; and the development of summer residency programming for community members.

INTERNATIONALIZATION

ACAD continues to offer a robust mobility exchange program for its students, with steady continuing intake of undergraduates from post-secondary institutions outside of Canada, and with undergraduates at ACAD taking advantage of the opportunity to study abroad. ACAD has also developed a procedure for international field trips, and is developing a field course procedure. ACAD's size, fiscal constraints and current priorities have otherwise limited activity in this area.



CAPITAL PLAN

Alberta College of Art and Design is grateful for the \$2.49 million the Government of Alberta invested to bring its roof and fire system to code.

The institution occupies an aging facility it does not own, with various mechanical systems nearing or surpassing the expected end of their lifecycle. Much of the facility has not been upgraded in nearly half a century. There is continued concern about the likelihood of experiencing a critical failure in one or more systems.

Updated classroom technology is required, as well as the appropriate replacement of furniture and studio equipment required to provide students an education meeting 21st century standards. The current situation limits planning and student programming.

ACAD annual capital budget process allocates internal resources to established priorities. Capital priorities are based on: lifecycle replacement needs for technology and equipment; health and safety; academic and institutional service support needs essential to maintain ongoing services to student and staff; building improvements and enhancements; and, research and innovation.

ACAD's 2017-18 consolidated budgets included \$358,589 of internally funded capital expenditures from internal reserves and cash flows generated each year from amortization of funded assets. This amount is consistent with expenditure levels for 2015-16.

The total expenditure is expected to remain below required levels and will potentially decline in future years as ACAD's reserves continue to be depleted or used in funding equipment and technology renewal. Support for capital replacement needs are mostly related to lifecycle and technology upgrades and to the need for safe and functional equipment.

CAPITAL PLAN

TYPE	DESCRIPTION	FUNDING SOURCES	PROGRESS OF FUNDING COLLECTION	EXPECTED COMPLETION DATE (FROM CIP)	STATUS	PROGRESS MADE IN LAST 12 MONTHS	REVISED EXPECTED COMPLETION DATE
PRIORITY PROJECTS							
Preservation	Replace fire alarm and public address systems	100% GoA	Complete	N/A	In process	Initial planning has occurred	November 2019
Preservation	Roof Replacement	100% GoA	Complete	N/A	In process, nearing completion	95% complete	December 2018
Preservation	Classroom HVAC Replacement	100% GoA	None	N/A	Not initiated, no funding received	N/A	N/A
Preservation	Flood Remediation	100% IMP	Complete	N/A	In process	Has moved to Engineering phase	May 2019
Preservation	Power Panels and Transformers	100% GoA	None	N/A	Not initiated, no funding received	N/A	N/A
Preservation	Washroom Upgrades	100% GoA	None	N/A	Not initiated, no funding received	N/A	N/A
Preservation	Access Control	100% GoA	None	N/A	Not initiated, no funding received	N/A	N/A
Preservation	Mechanical Room Retrofit	100% GoA	None	N/A	Not initiated, no funding received	N/A	N/A
Preservation	Flooring Replacement	100% GoA	None	N/A	Not initiated, no funding received	N/A	N/A
Expansion	Roof Top Addition	100% GoA	None	N/A	Not initiated, no funding received	N/A	N/A



INFORMATION TECHNOLOGY

Continuity of administrative and academic services to staff, faculty, and students of ACAD is paramount. Strategic progress requires maintaining robust information technology and related services, while making investments in improving administrative and academic systems and processes. In 2017-18, ACAD spent \$1.9 million of its operations budget on Information Technology. An additional \$150,000 was allocated for IT related capital expenditures. Project initiatives were further supported with \$120,000 from other grant funding and an allocation of \$230,000 from net unrestricted reserves. A systemic lack of funding for technology has increased the risk to ACAD as it strives to maintain a secure and modern technology infrastructure.

The priorities for investment reflect the following:

- » Ensuring technology tools meet the academic needs of students within the resource constraints of ACAD;
- » Supporting technology solutions that offer the benefit of improved service to students for program requirements and course registration;
- » Supporting infrastructure that improves on the security, reliability and sustainability of services including cybersecurity, business continuity and recovery management;
- » Updating administrative applications for new versions that address productivity and maintenance ease;
- » Providing a balance of outsourcing and insourcing support for the technology investments required for sustainability; and
- » Providing collaborative communication platforms and solutions that are relevant, flexible and usable.

INFORMATION TECHNOLOGY

The table below lists a number of the key initiatives at ACAD and the progress that was made in the 2017-18 year.

INITIATIVE	KEY ACTIVITIES IN 2017-18
Student Program Planning and Audit System	Completed a review of the options available in Banner 8; determined the Banner 9 upgrade will provide an opportunity to address program planning and audit.
E-mail System Replacement	Completed the cutover to a new email system in Aug 2017. 2018 focused on increasing user adoption, applying robust security policies, improving on-boarding and off-boarding processes, and laying the groundwork for future collaboration opportunities.
Content and Process Delivery for Students on Smart Phones	Increased internal communication with students through the delivery of mobile email, contacts, and calendars. Assisted with a mobile campus safe alert system, and identified additional mobile content delivery opportunities available through the Banner 9 implementation.
Cyber Security / Endpoint Protection [System Recovery Management Plan (SRMP)]	Hardened Windows and Apple devices with the latest operation systems and patches, and applied hard drive encryption on laptops and MacBooks. Received funding to hire a cybersecurity specialist to help design, control and monitor the computing and infrastructure environment. All network switches, firewalls and wireless access points were updated, patched, and had passwords changed. A pilot program for phishing awareness was completed and approved for internal rollout.
Student System Renewal	Participated in a coordinated initiative to update the provincial standard for high school transcripts (PASI), as well as a new data standard for sharing student record information with all Alberta Post-Secondary Institutions (ApplyAlberta). Operationalized the support of Elevate for Continuing Education course registration and implemented an online payment solution.
Enterprise Resource Planning (ERP) System Review	Completed a review of ERP options and created a business case that identified a preferred direction and strategy.
Infrastructure Maintenance / Evergreen	Replaced all Faculty MacBook devices and applied hard drive encryption. Updated all virtual server hosts with the latest firmware and patches, and updated 45 virtual server operating systems. Updated the firmware on firewalls, storage, and backup recovery systems. Additional switches were installed and configured to provide redundancy and future growth. All switches were updated to the latest version.

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



APPENDIX

ALBERTA COLLEGE OF ART AND DESIGN FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2018

Alberta College of Art and Design

FINANCIAL STATEMENTS

For the Year ended June 30, 2018

Independent Auditor's Report

Statement of Management Responsibility

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

Independent Auditor's Report

To the Board of Governors of Alberta College of Art and Design

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta College of Art and Design, which comprise the statement of financial position as at June 30, 2018, and the statements of operations, change in net financial assets, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta College of Art and Design as at June 30, 2018, 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.

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

October 31, 2018
Edmonton, Alberta

**ALBERTA COLLEGE OF ART AND DESIGN
FINANCIAL STATEMENTS
STATEMENT OF MANAGEMENT RESPONSIBILITY
YEAR ENDED JUNE 30, 2018**

The financial statements of the Alberta College of Art and Design have been prepared by management in accordance with Canadian public sector accounting standards. The financial statements present fairly the financial position of the college as at June 30, 2018 and the results of its operations, change in net financial assets, remeasurement gains and losses 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 college assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

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

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

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

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

Original signed by Jill Brown
Vice-President, Administration

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018
(thousands of dollars)

	2018	2017 (note 3 restated)
Financial assets excluding portfolio investments restricted for endowments		
Cash and cash equivalents (note 4)	\$ 9,041	\$ 6,011
Portfolio investments – non-endowment (note 5)	6,820	6,275
Accounts receivable	195	243
Inventories held for sale	190	182
	<u>16,246</u>	<u>12,711</u>
Liabilities		
Accounts payable and accrued liabilities	2,178	2,230
Employee future benefit liabilities (note 7)	87	70
Debt (note 8)	90	115
Deferred revenue (note 9)	8,329	5,723
	<u>10,684</u>	<u>8,138</u>
Net financial assets excluding portfolio investments restricted for endowments	<u>5,562</u>	<u>4,573</u>
Portfolio investments – restricted for endowments (note 5)	6,391	6,091
Net financial assets	<u>11,953</u>	<u>10,664</u>
Non-financial assets		
Tangible capital assets (note 11)	4,786	5,098
Inventories of supplies	300	293
Prepaid expenses	173	171
	<u>5,259</u>	<u>5,562</u>
Net assets before spent deferred capital contributions	<u>17,212</u>	<u>16,226</u>
Spent deferred capital contributions (note 10)	4,041	4,225
Net Assets (note 12)	<u>\$ 13,171</u>	<u>\$ 12,001</u>
Net Assets is comprised of:		
Accumulated surplus	\$ 12,015	\$ 10,941
Accumulated remeasurement gains	1,156	1,060
	<u>\$ 13,171</u>	<u>\$ 12,001</u>

Contingent assets and contractual rights (notes 14 and 16)
Contingent liability and contractual obligations (notes 15 and 17)

Approved by the Board of Governors:

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

Original signed by J.M. Stanford
Chair, Finance and Audit Committee

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

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2018
(thousands of dollars)

	<u>Budget</u>	<u>2018</u>	<u>2017</u>
	(note 18)		(note 3 restated)
Revenues			
Government of Alberta grants (note 21)	\$ 15,660	\$ 16,415	\$ 17,131
Federal and other government grants (note 21)	100	103	187
Sales of services and products	893	800	806
Student tuition and fees	6,452	6,022	6,029
Donations and other contributions	400	636	307
Investment income	120	281	256
	<u>23,625</u>	<u>24,257</u>	<u>24,716</u>
Expenses			
Instruction and non-sponsored research	10,135	9,780	9,308
Academic and student support	5,577	5,807	6,085
Institutional support	4,470	4,508	4,789
Facility operations and maintenance	2,655	2,615	2,499
Ancillary services	788	669	750
Sponsored research	-	33	43
	<u>23,625</u>	<u>23,412</u>	<u>23,474</u>
Annual operating surplus	-	845	1,242
Endowment contributions (note 12)	-	133	67
Endowment capitalized investment income (note 12)	-	96	95
	<u>-</u>	<u>229</u>	<u>162</u>
Annual surplus	-	1,074	1,404
Accumulated surplus, beginning of year	-	10,941	9,537
Accumulated surplus, end of year	<u>\$ -</u>	<u>\$ 12,015</u>	<u>\$ 10,941</u>

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

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED JUNE 30, 2018
(thousands of dollars)

	2018	2017
		(note 3 restated)
Annual surplus	\$ 1,074	\$ 1,404
Acquisition of tangible capital assets, net of proceeds on disposals	(543)	(1,063)
Amortization of tangible capital assets	862	784
(Gain) loss on disposal of tangible capital assets	(7)	32
Change in inventories of supplies	(7)	(52)
Change in prepaid expenses	(2)	(22)
Change in spent deferred capital contributions	(184)	273
Change in accumulated remeasurement gains	96	159
Increase in net financial assets	1,289	1,515
 Net financial assets, beginning of year	 10,664	 9,149
 Net financial assets, end of year	 \$ 11,953	 \$ 10,664

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

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED JUNE 30, 2018
(thousands of dollars)

	<u>2018</u>	<u>2017</u> (note 3 restated)
Accumulated remeasurement gains, beginning of year	\$ 1,060	\$ 901
Unrealized gains attributable to:		
Portfolio investments – non-endowment	353	356
Amounts reclassified to the statement of operations:		
Portfolio investments – non-endowment	<u>(257)</u>	<u>(197)</u>
Accumulated remeasurement gains, end of year	<u>\$ 1,156</u>	<u>\$ 1,060</u>

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

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
(thousands of dollars)

	2018	2017 (note 3 restated)
Operating Transactions		
Annual surplus	\$ 1,074	\$ 1,404
Add (deduct) non-cash items:		
Amortization of tangible capital assets	862	784
Gain on sale of portfolio investments	(208)	(141)
(Gain) loss on disposal of tangible capital assets	(7)	32
Expended capital recognized as revenue	(496)	(503)
Increase in employee future benefit liabilities	17	70
Change in non-cash items	168	242
Decrease in accounts receivable	48	35
(Increase) decrease in inventories held for sale	(8)	40
Decrease in accounts payable and accrued liabilities	(52)	(221)
Increase (decrease) in deferred revenue	2,472	(1,124)
Increase in inventories of supplies	(7)	(52)
Increase in prepaid expenses	(2)	(22)
Cash provided by operating transactions	3,693	302
Capital transactions		
Acquisition of tangible capital assets	(552)	(1,076)
Proceeds on sale of tangible capital assets	9	13
Cash applied to capital transactions	(543)	(1,063)
Investing transactions		
Purchase of portfolio investments	(977)	(993)
Proceeds on sale of portfolio investments	570	604
Cash applied to investing transactions	(407)	(389)
Financing transactions		
Debt - repayment	(25)	(64)
Debt - new financing	-	117
Increase in spent deferred capital contributions, less expended capital recognized as revenue	312	776
Cash provided by financing transactions	287	829
Increase (decrease) in cash and cash equivalents	3,030	(321)
Cash and cash equivalents, beginning of year	6,011	6,332
Cash and cash equivalents, end of year	\$ 9,041	\$ 6,011

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

ALBERTA COLLEGE OF ART AND DESIGN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018
(thousands of dollars)

1. Authority and Purpose

The Board of Governors of the Alberta College of Art and Design is a corporation which manages and operates the Alberta College of Art and Design ("the College") 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, who is an *ex officio* member. Under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, the College is a specialized arts and culture institution mandated to offer four-year undergraduate and graduate degrees in visual art and design. The College is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

2. Summary of Significant Accounting Policies and Reporting Practices

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

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

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. The College's management uses judgment to determine such estimates. 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 College's financial assets and liabilities are generally classified and measured as follows:

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash and cash equivalents	Amortized cost
Portfolio investments	Fair value
Inventories held for resale	Lower of cost or net realizable value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized 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. Upon settlement, the cumulative gain or loss is reclassified from the Statement of Remeasurement Gains and Losses and recognized in the Statement of Operations.

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

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

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

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

**ALBERTA COLLEGE OF ART AND DESIGN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018
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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 College's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities. The College does not have any embedded derivatives that require separate measurement in the financial statements.

c) Revenue Recognition

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

Government Grants, Non-government Grants and Donations
Government transfers are referred to as government grants.

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

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

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

Endowment Donations

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

Investment Income

Investment income includes dividends, interest income, and realized gains or losses on the sale of non-endowment 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 College and internal allocations by the College's Board of Governors, the principal of which is required to be maintained intact in perpetuity.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as College policy stipulates that the economic value of the endowments must be protected by limiting the amount of income that may be expended and the reinvesting of unexpended income.

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

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

ALBERTA COLLEGE OF ART AND DESIGN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018
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- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the College and does not impair the long-term value of the fund.

Twenty five percent of the investment income earned on endowments is re-invested along with the principal donation ("Principal"). The remaining seventy five percent is held to fund scholarship awards ("Expendable"). During 2017-2018, a small number of individual expendable funds were insufficient to cover the scholarship award. In these cases the College allocated funds from the General Scholarship Endowment Fund for Scholarships to fund the shortfall. The College does not draw against the principal of the endowment to fund student awards.

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

e) Inventories

Inventories held for 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 cost.

f) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets, and costs associated with asset retirement obligations. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Work in progress, which includes facilities and improvement projects and development of information systems, is not amortized until after the project is complete and the asset is in service.

Capital lease obligations are recorded at the present value of future minimum lease payments at the inception of the lease excluding executor costs (e.g. insurance, maintenance costs, etc.). Leased equipment is reflected as an asset and a liability in the Statements of Financial Position. The discount rate used to determine the present value of the lease payments is the interest rate implicit in the lease.

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

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the College'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 a basis that is consistent with the above for purchased assets.

Contributed capital assets are recorded as revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at the carrying value.

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

g) 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.

**ALBERTA COLLEGE OF ART AND DESIGN
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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.

h) Employee Future Benefits

Pension

The College 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 College's participating employees based on years of service and earnings.

The College 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.

Long-Term Disability

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

Early Retirement Assistance and Incentive Program

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

Other Employee Benefit Plans

The College 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 College's sabbatical plan is charged to expense in full when the event occurs which obligates the College to provide the benefits. These benefits are disclosed as part of the salaries and benefits.

Administrative Leave

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

l) Expense by Function

The College uses the following categories of functions on its Statement of Operations:

Instruction and non-sponsored research

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

Academic and student support

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

ALBERTA COLLEGE OF ART AND DESIGN
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Institutional support

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

Facility operations and maintenance

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

Ancillary services

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

Sponsored research

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

j) Internally Restricted Funds and Reserves

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

k) Future Accounting Changes

In June 2015, the Public Sector Accounting Board issued PS 3430 Restructuring transactions. This accounting standard is effective for fiscal years starting on or after April 1, 2018. PS 3430 Restructuring transactions defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

In March 2018, the Public Sector Accounting Board approved PS 3280 Asset Retirement Obligations. This accounting standard is effective for fiscal years starting on or after April 1, 2021. PS 3280 Asset Retirement Obligations provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

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

3. Correction of Prior Year Financial Statement Error and Adoption of New Accounting Standards

a) Correction of prior year financial statement error.

During the fiscal year, the College completed a review of the composition of its portfolio investments. The review identified an incorrect attribution between restricted and unrestricted investments which resulted in a misstatement of the amount of deferred revenue attributable to remeasured gains and losses on investment portfolio balances in prior years. The College retroactively corrected the error and the balances have been restated.

	Previously Reported	Adjustment	Adjusted Reporting
Accumulated remeasurement gains as at June 30, 2016	\$ -	\$ 901	\$ 901
Change in unrealized gains	92	67	159
Accumulated remeasurement gains as at June 30, 2017	\$ 92	\$ 968	\$ 1,060

	Previously Reported	Adjustment	Adjusted Reporting
Deferred revenue as at June 30, 2016	\$ 7,515	\$ (901)	\$ 6,614
Change in unrealized gains	299	(226)	73
Other changes in deferred revenue	(964)	-	(964)
Deferred revenue as at June 30, 2017	\$ 6,850	\$ (1,127)	\$ 5,723

ALBERTA COLLEGE OF ART AND DESIGN
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The impact of the adjustment on investment income and accumulated surplus in 2017 is \$159.

b) The College has prospectively adopted standards from April 1, 2017:

- PS 2200 – Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS 3420 – Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.
- PS 3210 – Assets provides guidance for applying the definition of assets set out in PS 1000, Financial statement concepts, and establishes general disclosure standards for assets.
- PS 3320 – Contingent assets defines and establishes disclosure standards for contingent assets.
- PS 3380 – Contractual rights defines and establishes disclosure standards on contractual rights.

4. Cash and Cash Equivalents

	2018	2017
Cash	\$ 5,018	\$ 4,993
Cash equivalents	4,023	1,018
	<u>\$ 9,041</u>	<u>\$ 6,011</u>

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

5. Portfolio Investments

	2018	2017
Portfolio investments – non-endowment	\$ 6,820	\$ 6,275
Portfolio investments – restricted for endowments	6,391	6,091
	<u>\$ 13,211</u>	<u>\$ 12,366</u>

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

	2018			
	Level 1	Level 2	Level 3	Total
Pooled investments at fair value:				
Portfolio managed money market	\$ -	\$ 700	\$ -	\$ 700
Portfolio managed fixed income	-	4,910	-	4,910
Portfolio managed equity	-	7,601	-	7,601
	<u>\$ -</u>	<u>\$ 13,211</u>	<u>\$ -</u>	<u>\$ 13,211</u>

ALBERTA COLLEGE OF ART AND DESIGN
NOTES TO THE FINANCIAL STATEMENTS
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(thousands of dollars)

	2017			
	Level 1	Level 2	Level 3	Total
Pooled investments at fair value:				
Portfolio managed money market	\$ -	\$ 554	\$ -	\$ 554
Portfolio managed fixed income	-	4,536	-	4,536
Portfolio managed equity	-	7,276	-	7,276
	<u>\$ -</u>	<u>\$ 12,366</u>	<u>\$ -</u>	<u>\$ 12,366</u>

The fair value measurements are those derived from:

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

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

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

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

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

6. Financial Risk Management

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

The College is exposed to the following risks:

Market risk

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

The following details the College's portfolio sensitivity to a 5.89% 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, 2018, if market prices had a 5.89% (2017: 5.80%) increase or decrease with all other variables held constant, the increase or decrease in remeasurement gains and losses, deferred revenue, and endowment net assets – externally restricted contributions for the year would have been a total of \$166 (2017: \$150).

ALBERTA COLLEGE OF ART AND DESIGN
NOTES TO THE FINANCIAL STATEMENTS
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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 College's exposure to foreign exchange risk is very low due to minimal business activities conducted in a foreign currency.

Credit risk

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

The credit risks on investments held are as follows:

	2018	2017
Credit rating		
AAA	40.55%	42.8%
AA	29.11%	25.4%
A	20.41%	20.9%
BBB	9.93%	10.9%
	100.0%	100.0%

Liquidity risk

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

Interest rate risk

Interest rate risk is the risk to the College's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates. The risk is managed by various banking arrangements and other internal policies, guidelines and procedures.

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

Asset class	< 1 year	1 - 5 years	> 5 years	Average effective market yield
Portfolio investments, money market funds	\$ 1,723	\$ -	\$ -	0.91%
Portfolio investments, fixed income	\$ 24	\$ 1,531	\$ 3,355	2.68%

Commodity price risk

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

ALBERTA COLLEGE OF ART AND DESIGN
NOTES TO THE FINANCIAL STATEMENTS
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7. Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2018	2017
Administrative leave	80	63
Long-term disability	7	7
	<u>\$ 87</u>	<u>\$ 70</u>

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

Multi-Employer Pension Plan

Local Authorities Pension Plan (LAPP)

The LAPP is a multi-employer contributory defined benefit pension plan for support staff members and is accounted for on a defined contribution basis. At December 31, 2017, the LAPP reported an actuarial surplus of \$4,836 (2016: \$637 deficiency). An actuarial valuation of LAPP was carried out at December 31, 2016 and then extrapolated to December 31, 2017. The pension expense recorded in these financial statements is \$1,247 (2017: \$1,298). Other than the requirement to make additional contributions, the College does not bear any risk related to the LAPP deficiency.

b) Long-term disability

The College provides certain extended health benefits to employees leaving the employment of the College under specific conditions. Liabilities for future benefit payments are recorded by the College in the year the application is approved. The remaining liability recorded in these financial statements is \$7 (2017: \$7).

c) Administrative leave

One executive of the College has administrative leave provided under their contract of employment. This employee is entitled to accumulate one-fifth of a year of administrative leave for each year served. If it is not practical or feasible for this leave to be taken, the employee is entitled to a payment in lieu on a pro rata basis up to a maximum of fifty percent of current base pay to be paid at the conclusion of the term of employment. A liability is recorded annually equal to the amount of administrative leave accrued to June 30 each year as defined in the employee's terms of employment.

8. Debt

The College has obligations under capital lease agreements for the lease of certain copier and printing equipment. The following outstanding amounts relate to these obligations:

	Interest rate	2018	2017
Obligations under capital leases	5%	<u>\$ 90</u>	<u>\$ 115</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	21	4	25
2020	23	3	26
2021	24	2	26
2022	22	1	23
Thereafter	-	-	-
	<u>\$ 90</u>	<u>\$ 10</u>	<u>\$ 100</u>

ALBERTA COLLEGE OF ART AND DESIGN
NOTES TO THE FINANCIAL STATEMENTS
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9. Deferred Revenue

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

	2018				2017	
	Deferred research and special purpose	Unspent deferred capital contributions	Tuition and other fees	Total	Total (note 3 restated)	
Balance, beginning of year	\$ 4,591	\$ 586	\$ 546	\$ 5,723	\$ 6,614	
Grants, tuition, donations received during the year	1,779	3,016	5,260	10,055	7,671	
Restricted investment income	414	59	-	473	362	
Change in unrealized gains	40	-	-	40	73	
Other transfers	19	(19)	-	-	-	
Transfers to spent deferred capital contributions	-	(312)	-	(312)	(968)	
Recognized as revenue	(2,028)	-	(5,357)	(7,385)	(7,739)	
Scholarships, bursaries issued	(265)	-	-	(265)	(280)	
Balance, end of year	\$ 4,550	\$ 3,330	\$ 449	\$ 8,329	\$ 5,723	

10. Spent Deferred Capital Contributions

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

	2018	2017
Spent Deferred Capital Contributions		
Spent deferred capital contributions, beginning of year	\$ 4,225	\$ 3,952
Transfers from unspent deferred capital contributions	312	968
Adjustments – transfers from accumulated surplus	-	(192)
Expended capital recognized as revenue	(496)	(503)
Net change for the year	(184)	273
Spent deferred capital contributions, end of year	\$ 4,041	\$ 4,225

ALBERTA COLLEGE OF ART AND DESIGN
NOTES TO THE FINANCIAL STATEMENTS
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(thousands of dollars)

11. Tangible Capital Assets

	2018				2017
	Building Improvements	Furnishings and Equipment ⁽¹⁾	Computer Hardware and Software	Total	Total
Cost					
Beginning of year	\$ 7,044	\$ 2,877	\$ 2,779	\$ 12,700	\$ 11,813
Acquisitions	345	73	134	552	1,076
Disposals, including write-downs	-	(43)	(40)	(83)	(189)
	<u>\$ 7,389</u>	<u>\$ 2,907</u>	<u>\$ 2,873</u>	<u>\$ 13,169</u>	<u>\$ 12,700</u>
Accumulated Amortization					
Beginning of year	\$ 2,805	\$ 2,472	\$ 2,325	\$ 7,602	\$ 6,962
Amortization expense	470	136	256	862	784
Effects on disposals, including write-downs	-	(42)	(39)	(81)	(144)
	<u>\$ 3,275</u>	<u>\$ 2,566</u>	<u>\$ 2,542</u>	<u>\$ 8,383</u>	<u>\$ 7,602</u>
Net book value at June 30, 2018	<u>\$ 4,114</u>	<u>\$ 341</u>	<u>\$ 331</u>	<u>\$ 4,786</u>	
Net book value at June 30, 2017	<u>\$ 4,239</u>	<u>\$ 405</u>	<u>\$ 454</u>		<u>\$ 5,098</u>

No interest was capitalized by the College in 2018.

Cost includes work-in-progress at June 30, 2018 totaling \$0 (2017: \$139) comprised of computer hardware and software. These amounts are not amortized as they are not yet available for use.

(1) Included in furnishings and equipment are assets under capital leases that have a cost of \$118 (2017: \$118) and accumulated amortization of \$28 (2017: \$3).

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

The College 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 COLLEGE OF ART AND DESIGN
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(thousands of dollars)

12. Net Assets

2018					
	Accumulated surplus from operations	Investment in tangible capital assets	Internally restricted surplus	Endowments	Total
Net assets, opening balance	\$ 4,250	\$ 758	\$ 2,117	\$ 4,876	\$ 12,001
Annual operating surplus	845	-	-	-	845
Endowments:					
New donations	-	-	-	133	133
Capitalized investment income	-	-	-	96	96
Tangible capital assets					
Amortization of tangible capital assets	340	(340)	-	-	-
Acquisition of tangible capital assets	(179)	240	(81)	-	-
Net book value of tangible capital asset disposals	3	(3)	-	-	-
Operating expenses funded from internally restricted surplus	544	-	(544)	-	-
Change in accumulated remeasurement gains	96	-	-	-	96
Net assets, end of year	\$ 5,899	\$ 655	\$ 1,512	\$ 5,105	\$ 13,171
Net assets is comprised of:					
Accumulated surplus	\$ 4,743	\$ 655	\$ 1,512	\$ 5,105	\$ 12,015
Accumulated remeasurement gains and losses	1,156	-	-	-	1,156
	\$ 5,899	\$ 655	\$ 1,512	\$ 5,105	\$ 13,171
2017 (note 3 restated)					
	Accumulated surplus from operations	Investment in tangible capital assets	Internally restricted surplus	Endowments	Total
Net assets, opening balance	\$ 3,974	\$ 600	\$ 1,250	\$ 4,714	\$ 10,438
Annual operating surplus	1,242	-	-	-	1,242
Endowments:					
New donations	-	-	-	67	67
Capitalized investment income	-	-	-	95	95
Tangible capital assets					
Amortization of tangible capital assets	261	(261)	-	-	-
Acquisition of tangible capital assets	(221)	328	(107)	-	-
Net book value of tangible capital asset disposals	1	(1)	-	-	-
Adjustments – transfers to spent capital contributions	(192)	192	-	-	-
Operating expenses funded from internally restricted surplus	249	-	(249)	-	-
Net board appropriation to internally restricted surplus	(1,223)	-	1,223	-	-
Change in accumulated remeasurement gains	159	-	-	-	159
Net assets, end of year	\$ 4,250	\$ 758	\$ 2,117	\$ 4,876	\$ 12,001
Net assets is comprised of:					
Accumulated surplus	\$ 3,190	\$ 758	\$ 2,117	\$ 4,876	\$ 10,941
Accumulated remeasurement gains and losses	1,060	-	-	-	1,060
	\$ 4,250	\$ 758	\$ 2,117	\$ 4,876	\$ 12,001

ALBERTA COLLEGE OF ART AND DESIGN
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13. Internally Restricted Surplus

Internally restricted surplus represent amounts set aside by the College'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:

	2018	2017
Appropriation for capital activities:		
Campus renovations and facility upgrades	\$ 125	\$ 195
Equipment, technology and program upgrades	730	782
	<u>\$ 855</u>	<u>\$ 977</u>
Appropriation for operating activities:		
Operating programs	\$ 434	\$ 865
Sustainability planning	223	275
	<u>\$ 657</u>	<u>\$ 1,140</u>
Total	<u>\$ 1,512</u>	<u>\$ 2,117</u>

14. Contingent Assets

The College has no contingent assets as at June 30, 2018.

15. Contingent Liability

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

16. Contractual Rights

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

17. Contractual Obligations

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

	Service contracts	Information systems and technology	Long-term leases	Total
2019	\$ 918	\$ 222	\$ 51	\$ 1,191
2020	473	124	21	618
2021	459	42	21	522
2022	430	-	20	450
Thereafter	-	-	-	-
	<u>\$ 2,280</u>	<u>\$ 388</u>	<u>\$ 113</u>	<u>\$ 2,781</u>
Total on June 30, 2017	<u>\$ 465</u>	<u>\$ 678</u>	<u>\$ 179</u>	<u>\$ 1,322</u>

ALBERTA COLLEGE OF ART AND DESIGN
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18. Budget Figures

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

19. Expense by Object

The following is a summary of expense by object:

	2018		2017
	Budget	Actual	Actual
Employee salaries and benefits	\$ 17,099	\$ 16,993	\$ 16,862
Materials, supplies and services	4,126	4,020	4,310
Scholarships and bursaries	300	307	310
Maintenance and repairs	65	69	68
Utilities	879	822	782
Cost of goods sold	393	339	358
Amortization of tangible capital assets	763	862	784
	<u>\$ 23,625</u>	<u>\$ 23,412</u>	<u>\$ 23,474</u>

20. Related Parties

The College is a related party to organizations within the Government of Alberta reporting entity. Key management personnel and Board of Governors of the College and their close family members are also considered related parties. The College may enter into transactions with these entities and individuals in the normal course of operations and on normal terms.

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

- The College operates out of the Nellie McClung building owned by the Southern Alberta Institute of Technology (SAIT). The college has occupied the site for the past 33 years for a nominal sum in accordance with the terms of a short term lease agreement with SAIT which has been renewed regularly.
- The College service agreement with SAIT for the provision of certain computer and information systems support and maintenance. During the year, the College paid \$1,078 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 College has a 23 year lease agreement for a historic site owned by the Province of Alberta. This site has been leased to the College for a nominal sum. ACAD has initiated the early termination clause within the agreement and will be terminating this lease as of August 31, 2018.

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

ALBERTA COLLEGE OF ART AND DESIGN
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(thousands of dollars)

21. Government Transfers

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

	<u>2018</u>	<u>2017</u>
Grants from Government of Alberta		
Advanced Education:		
Campus Alberta grant	\$ 14,273	\$ 14,192
Other grants	4,670	1,596
Total Advanced Education	<u>18,943</u>	<u>15,788</u>
Other Government of Alberta departments and agencies	<u>16</u>	<u>73</u>
Total contributions received	18,959	15,861
Deferred revenue	(2,961)	659
Expended capital recognized as revenue	417	611
Revenue	<u>\$ 16,415</u>	<u>\$ 17,131</u>
 Federal and other government grants		
Contributions received	\$ 46	\$ 10
Deferred revenue	-	120
Expended capital recognized as revenue	<u>57</u>	<u>57</u>
Revenue	<u>\$ 103</u>	<u>\$ 187</u>

ALBERTA COLLEGE OF ART AND DESIGN
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22. Salary and Employee Benefits

	2018				2017
	Base salary (1)	Other cash benefits (2)	Other non-cash benefits (3)	Total	Total
Governance⁽⁴⁾					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	1	-	1	1
Executive					
President and Chief Executive Officer	252	22	49	323	352
Vice-Presidents:					
Vice-President Finance and Corporate Services ^(5 & 6)	-	-	-	-	147
Vice-President Administration ^(5 & 6)	170	-	32	202	86
Acting Vice-President Research and Academic Affairs	144	1	30	175	195
Vice-President Engagement ⁽⁷⁾	141	-	29	170	-
Associate Vice-President:					
Associate Vice-President Student Affairs ⁽⁸⁾	71	110	16	197	163

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include earnings such as vacation payouts, bonuses, vehicle allowances, honoraria, and cash payments in lieu of pension contributions. No bonuses were paid in 2018 or 2017..

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

(4) The Chair and Members of the Board of Governors, other than the student representative, receive no remuneration for participation on the Board.

(5) The Vice-President Administration position was replaced by the Interim Vice-President Administration effective December 1, 2017.

(6) The position Interim Vice-President Administration was created subsequent to the departure of the Vice-President Finance and Corporate Services and was filled with effect from January 23, 2017 to November 30, 2017.

(7) The Vice-President Engagement position was filled effective December 1, 2017.

(8) The Associate Vice-President Student Affairs position departed effective January 19, 2018. This position has been vacant since January 19, 2018.

23. Approval of Financial Statements

The financial statements were approved by the Board of Governors of the Alberta College of Art and Design.

24. Comparative Figures

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

Alberta College of Art + Design

ALBERTA COLLEGE OF ART + DESIGN



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