UNIVERSITY OF ALBERTA

BOARD OF GOVERNORS

MOTION AND FINAL DOCUMENT SUMMARY

The following Motions and Documents were considered by the Board of Governors during the open session of its Monday, June 1, 2026 meeting:

Agenda Title: Management's Annual Audited Financial Statements

Approved MOTION: THAT The Governors of The University of Alberta (the "Board"), on the recommendation of the Board Audit and Risk Committee, approve the Audited Consolidated Financial Statements for the year ended March 31, 2026, in the form as disseminated to the Board.

☑ **Decision** ☐ **Discussion** ☐ **Information**

ITEM OBJECTIVE: To obtain the Board of Governors' approval of the fiscal year (FY) 2025-26 Audited Consolidated Financial Statements as required by the *Post-secondary Learning Act*.

DATE	June 1, 2026
TO	Board of Governors
RESPONSIBLE PORTFOLIO	University Services, Operations and Finance

MOTION: THAT The Governors of The University of Alberta (the "**Board**"), on the recommendation of the Board Audit and Risk Committee, approve the Audited Consolidated Financial Statements for the year ended March 31, 2026, in the form as disseminated to the Board.

Background

- At fiscal year end, the draft audited financial statements (Attachment 1) are provided for recommendation by the Board Audit and Risk Committee (BARC). A draft Consolidated Financial Statements Discussion and Analysis Report (Attachment 2) is provided for BARC's review.

Analysis / Discussion

- The university ended the year with an annual consolidated surplus of $115.7 million.
    - Of this amount, $79.0 million is the result of capitalized endowment investment income and $25.9 million comes from donations directed to endowments.
    - This means $104.9 million of the consolidated surplus is unavailable to spend.
- This year's annual operating surplus was $10.8 million which is $41.8 million higher than the budgeted operating deficit of $31.0 million.
    - Non-endowed investment income, which was higher than budgeted by $35.0 million, was the largest contributor to the year-end variance.
    - There was also an increase to the Government of Alberta base operating grant of $13.1 million which was provided at the end of the fiscal year.
- The university's net assets at the end of the fiscal year were $3,081.7 million, an increase of $219.7 million from the prior year (2025: $2,862.0 million).
    - This is due to an increase in the fair market value of portfolio investments of $104.0 million, combined with the annual surplus of $115.7 million.
    - The $3,081.7 million consists of:
        - $543.4 million in accumulated surplus (unrestricted and internally restricted) from operations;

- $448.1 million in investment capital assets and purchased intangibles; and
- $2,090.2 million in endowments.

Risk Discussion / Mitigation of the Risk

- Financial statements are required as part of legislative compliance.
- The accompanying audit report provides assurance over the completeness and accuracy of financial statements.

Legislation

- The *Post-Secondary Learning Act*, sections 70 (Fiscal Year), 71 (Auditor) and 79 (Annual Report) are relied upon and adhered to in the preparation of fiscal year end financial statements and reports.

Next Steps

- June 1, 2026: The approved audited financial statements are submitted to the Ministry of Advanced Education for consolidation purposes (extension granted from May 31, 2026).
- June 2026: The audited financial statements and the Consolidated Financial Statement Discussion and Analysis Report are published on the University Services, Operations and Finance website and provided to External Relations for inclusion in the university's submission to the *2025-26 Post-Secondary Institution Annual Report*.

SUPPORTING MATERIALS:

1. DRAFT Consolidated Financial Statements *(30 pages)* *For approval.*
    a. Statement of Management Responsibility
    b. Independent Auditor's Report
    c. Consolidated Statement of Financial Position
    d. Consolidated Statement of Operations
    e. Consolidated Statement of Change in Net Financial Assets
    f. Consolidated Statement of Remeasurement Gains and Losses
    g. Consolidated Statement of Cash Flows
    h. Notes to the Consolidated Financial Statements
2. DRAFT Consolidated Financial Statement Discussion and Analysis Report *(15 pages)*

STATEMENT OF MANAGEMENT RESPONSIBILITY
YEAR ENDED MARCH 31, 2026

The consolidated financial statements of the University of Alberta have been prepared by management in accordance with Canadian Public Sector Accounting Standards as described in note 2 to the consolidated financial statements. The consolidated financial statements present fairly the financial position of the University as at March 31, 2026 and the results of its operations, remeasurement gains and losses, change in net financial assets and cash flows for the year then ended.

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

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

The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Audit and Risk Committee. With the exception of the President, all members of the Audit and Risk Committee are not employees of the University. The Audit and Risk Committee meets with management and the external auditors and internal auditors to discuss the results of audit examinations and financial reporting matters. The external and internal auditors have full access to the Audit and Risk Committee, with and without the presence of management.

These consolidated financial statements have been reported on by the Auditor General of Alberta, the auditor appointed under the *Post-secondary Learning Act (Alberta)*. 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 consolidated financial statements.

Original signed by Bill Flanagan

President and Vice-Chancellor

Original signed by Todd Gilchrist

Vice-President (University Services, Operations and Finance)

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UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2026
(thousands of dollars)

	Note	2026	2025
Financial assets excluding portfolio investments restricted for endowments			
Cash and cash equivalents	3	**$ 40,140**	$ 67,400
Portfolio investments - non-endowment	4	**1,592,451**	1,546,017
Accounts receivable	7	**228,795**	208,585
Inventories held for sale		**2,355**	2,287
Investment in government business enterprise	8	**(1,912)**	(504)
		1,861,829	1,823,785
Liabilities			
Accounts payable and accrued liabilities	9	**189,847**	219,026
Employee future benefit liabilities	10	**136,467**	169,203
Debt	11	**322,610**	336,502
Deferred revenue	12	**941,945**	901,738
Asset retirement obligations and environmental liabilities	13	**189,071**	187,159
		1,779,940	1,813,628
Net financial assets excluding portfolio investments restricted for endowments		**81,889**	10,157
Portfolio investments - restricted for endowments	4	**2,090,155**	1,912,949
Net financial assets		**2,172,044**	1,923,106
Non-financial assets			
Tangible capital assets and purchased intangibles	14	**2,720,230**	2,773,320
Prepaid expenses		**14,228**	14,750
		2,734,458	2,788,070
Net assets before spent deferred capital contributions		**4,906,502**	4,711,176
Spent deferred capital contributions	15	**1,824,827**	1,849,192
Net assets	16	**$ 3,081,675**	$ 2,861,984

Net assets are comprised of:		
Accumulated surplus	**$ 2,352,752**	$ 2,237,052
Accumulated remeasurement gains	**728,923**	624,932
	$ 3,081,675	$ 2,861,984

Contingent assets and contractual rights (notes 17 and 19)

Contingent liabilities and contractual obligations (notes 18 and 20)

Approved by the Board of Governors (note 27)

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2026
(thousands of dollars)

	Note	Budget (Note 22)	**2026**	2025
Revenue				
Government of Alberta grants	23	$ 825,792	**$ 801,947**	$ 739,418
Federal and other government grants	23	252,790	**253,906**	260,553
Student tuition and fees		520,668	**531,030**	508,282
Sales of services and products		241,746	**240,101**	230,308
Donations and other grants		170,921	**173,313**	169,520
Investment income	24	160,935	**198,418**	188,869
Investment income from government business enterprise	8	4,080	**770**	1,417
		2,176,932	**2,199,485**	2,098,367
Expense	25			
Academic costs and institutional support		1,185,729	**1,184,636**	1,122,216
Research		585,492	**600,822**	574,190
Facility operations and maintenance		188,942	**177,916**	177,522
Special purpose		148,992	**139,790**	118,393
Ancillary services		98,747	**85,490**	99,255
		2,207,902	**2,188,654**	2,091,576
Annual operating (deficit) surplus		(30,970)	**10,831**	6,791
Endowment contributions and capitalized investment income				
Endowment contributions	16	22,440	**25,887**	26,424
Endowment capitalized investment income	16	-	**78,982**	59,080
		22,440	**104,869**	85,504
Annual (deficit) surplus		$ (8,530)	**115,700**	92,295
Accumulated surplus, beginning of year			**2,237,052**	2,144,757
Accumulated surplus, end of year	16		**$ 2,352,752**	$ 2,237,052

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2026
(thousands of dollars)

	Budget (Note 22)	**2026**	2025
Annual (deficit) surplus	$ (8,530)	**$ 115,700**	$ 92,295
Acquisition of tangible capital assets and purchased intangibles	(215,970)	**(123,094)**	(162,638)
Proceeds on sale of tangible capital assets and purchased intangibles	-	**401**	187
Amortization of tangible capital assets and purchased intangibles	174,562	**175,715**	170,646
Loss on sale and disposal of tangible capital assets and purchased intangibles	-	**68**	46
(Increase) decrease in prepaid expenses	(339)	**522**	326
Increase (decrease) in spent deferred capital contributions	14,888	**(24,365)**	(4,438)
Increase in accumulated remeasurement gains	48,975	**103,991**	45,969
Increase in net financial assets	13,586	**248,938**	142,393
Net financial assets, beginning of year	1,923,106	**1,923,106**	1,780,713
Net financial assets, end of year	$ 1,936,692	**$ 2,172,044**	$ 1,923,106

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2026
(thousands of dollars)

	Note	2026	2025
Accumulated remeasurement gains, beginning of year		**$ 624,932**	$ 578,963
Unrealized gains attributable to:			
Portfolio investments - non-endowment:			
Quoted in an active market		**36,344**	33,357
Designated at fair value		**63,182**	61,057
Portfolio investments - restricted for endowments:			
Quoted in an active market		**110,508**	66,030
Designated at fair value		**92,916**	57,289
Amounts reclassified to consolidated statement of operations:			
Portfolio investments - non-endowment:			
Quoted in an active market		**(24,256)**	(20,894)
Designated at fair value		**(42,896)**	(39,001)
Portfolio investments - restricted for endowments:			
Quoted in an active market		**(71,603)**	(59,900)
Designated at fair value		**(60,204)**	(51,969)
Net change for the year		**103,991**	45,969
Accumulated remeasurement gains, end of year	16	**$ 728,923**	$ 624,932

	2026	2025
Accumulated remeasurement gains is comprised of:		
Portfolio investments - non-endowment	**$ 200,404**	$ 168,030
Portfolio investments - restricted for endowments	**528,519**	456,902
	$ 728,923	$ 624,932

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2026
(thousands of dollars)

	2026	2025
Operating transactions		
Annual surplus	**$ 115,700**	$ 92,295
Add (deduct) non-cash items:		
Amortization of tangible capital assets and purchased intangibles	**175,715**	170,646
Expended capital contributions recognized as revenue	**(102,504)**	(94,528)
Investment income from government business enterprise	**(770)**	(1,417)
Gain on sale of portfolio investments	**(198,959)**	(171,764)
Loss on sale and disposal of tangible capital assets and purchased intangibles	**68**	46
Decrease in employee future benefit liabilities	**(32,736)**	(24,843)
Decrease (increase) in asset retirement obligations and environmental liabilities	**239**	(176)
Change in non-cash items	**(158,947)**	(122,036)
Increase in accounts receivable	**(17,250)**	(34,241)
Increase in inventories held for sale	**(68)**	(411)
(Decrease) increase in accounts payable and accrued liabilities	**(29,412)**	17,078
Increase in deferred revenue	**40,207**	57,683
Decrease in prepaid expenses	**522**	326
Asset retirement obligations abatement	**(1,932)**	(2,001)
Cash (applied to) provided by operating transactions	**(51,180)**	8,693
Capital transactions		
Acquisition of tangible capital assets and purchased intangibles, less in-kind donations and asset retirement additions	**(114,214)**	(152,999)
Proceeds on sale of tangible capital assets and purchased intangibles	**401**	187
Cash applied to capital transactions	**(113,813)**	(152,812)
Investing transactions		
Purchases of portfolio investments	**(266,305)**	(336,678)
Proceeds on sale of portfolio investments	**345,066**	440,138
Cash provided by investing transactions	**78,761**	103,460
Financing transactions		
Debt repayment	**(18,892)**	(18,195)
Debt - new financing	**5,000**	-
Increase in spent deferred capital contributions, less in-kind donations	**72,864**	86,127
Cash provided by financing transactions	**58,972**	67,932
(Decrease) increase in cash and cash equivalents	**(27,260)**	27,273
Cash and cash equivalents, beginning of year	**67,400**	40,127
Cash and cash equivalents, end of year	**$ 40,140**	$ 67,400

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

1. Authority and purpose

The Governors of The University of Alberta is a corporation that manages and operates the University of Alberta (the University) under the *Post-secondary Learning Act (Alberta)*. All members of the Board of Governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education, with the exception of the Chancellor and President, who are *ex officio* members. Under the *Post-secondary Learning Act (Alberta)*, the University is a comprehensive academic and research institution offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity, and under section 149 of the *Income Tax Act (Canada)*, is exempt from the payment of income tax. This tax exemption does not extend to its wholly-owned subsidiaries, University of Alberta Properties Trust Inc. (UAPTI) and University of Alberta Innovation Fund Ltd. (UAIF).

2. Summary of significant accounting policies and reporting practices

These consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as recommended by the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the University are as follows:

(a) Basis of consolidation

The consolidated financial statements include the financial results of the UAIF. UAIF was established for the purpose of managing an investment fund to support research and innovation in Alberta and is wholly-owned by the University and dependent on the University for its continuing operations. These consolidated financial statements reflect the assets, liabilities, revenues and expenses of UAIF. Inter-organizational transactions, balances and activities have been eliminated upon consolidation.

Proportionate consolidation is used to recognize the University's share of the following partnerships:

- Northern Alberta Clinical Trials and Research Centre (50.0% interest) - a joint venture with Alberta Health Services to support the shared missions of Alberta Health Services and the University for collaborative clinical research.
- Pacific Marine Science Alliance Society (formerly Western Canadian Universities Marine Sciences Society) (20.0% interest) - provides research infrastructure in the marine sciences for member universities and the world-wide scientific community.

These partnerships and UAIF are not material to the University's consolidated financial statements; therefore, separate condensed financial information is not presented.

UAPTI is a government business enterprise wholly-owned by the University but not dependent on the University for its continuing operations. UAPTI follows Accounting Standards for Private Enterprises (ASPE) and is therefore included in the consolidated financial statements using the modified equity method. Under the modified equity method, the accounting policies of UAPTI are not adjusted to conform to those of the University. Thus, the University’s investment in the entity is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. There are no significant differences between ASPE and PSAS that would materially affect the University's consolidated financial statements.

(b) Use of estimates

The measurement of certain assets, liabilities, revenues and expenses is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. Employee future benefit liabilities, amortization of tangible capital assets and purchased intangibles, asset retirement obligations, and valuation of level 3 portfolio investments 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 consolidated financial statements and, together with the following notes, should be considered an integral part of the consolidated financial statements.

2. Summary of significant accounting policies and reporting practices (continued)

(c) Valuation of financial assets and liabilities

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

Cash and cash equivalents - cost
Portfolio investments - fair value and amortized cost
Accounts receivable - lower of cost and net recoverable value
Inventories held for sale - lower of cost and expected net realizable value
Accounts payable and accrued liabilities - cost
Asset retirement obligations and environmental liabilities - cost or present value
Debt - amortized cost
Derivatives - fair value

Unrealized gains and losses from changes in the fair value of financial assets and liabilities are recognized in the consolidated statement of remeasurement gains and losses.

All financial assets are assessed annually for impairment. Impairment losses are recognized in the consolidated statement of operations. A write-down of a financial asset to reflect a loss that is other than temporary in value is not reversed for a subsequent increase in value.

For financial assets and liabilities measured at amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial assets and liabilities that are measured at cost or amortized cost and expensed when 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.

Level 3 investments consist of direct private co-investments, limited partnerships, and externally managed pooled funds, with underlying investments in equities, debt, real estate assets, and infrastructure assets. The investment managers of these interests perform and provide valuations of the underlying investments on a periodic basis. Annual financial statements of the private investment interests are audited and are also provided by the investment managers. The value of the investments in these interests is based on the latest valuations provided (typically December 31), adjusted for subsequent cash receipts and distributions from the fund, and cash disbursements to the fund through March 31. The University believes that the carrying amount of these financial instruments is a reasonable estimate of fair value. Because private investments are not readily traded, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

Derivatives are recorded at fair value in the consolidated statement of financial position. Derivatives with a positive or negative fair value are recognized as financial assets or liabilities. Unrealized gains and losses from changes in the fair value of derivatives are recognized in the consolidated statement of remeasurement gains and losses. Upon settlement, the realized gains and losses are reclassified as revenue or expense in the consolidated statement of operations.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either measure the entire contract at fair value or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the University’s normal course of business are not recognized as financial assets or liabilities.

(d) Revenue recognition

All revenues are reported on an accrual basis. Cash received for which services and products have not been provided is recognized as deferred revenue.

Government grants, non-government grants and donations
Government transfers are referred to as government grants.

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

2. Summary of significant accounting policies and reporting practices (continued)

(d) Revenue recognition (continued)

Government grants without terms for the use of the grant are recognized as revenue when the University is eligible to receive the funds. Non-government grants and donations with no restrictions are recognized as revenue in the year received or in the year the funds are committed to the University if the amount can be reasonably estimated and collection is reasonably assured.

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

Grants and donations related to land
Grants and donations for the purchase of land are recognized as deferred revenue when received and recognized as revenue when the land is purchased. An in-kind grant or donation of land is recognized as revenue at the fair value of the land when a fair value can be reasonably determined. When the fair value cannot be reasonably determined, the in-kind grant or donation is recognized at nominal value. Land transferred from related parties is recognized as revenue at the carrying value or nominal amount.

Student tuition and fees
Student tuition and fees represent revenues for the programs offered by the University, including credit and non-credit course tuition, and non-instructional fees including student academic support, health and wellness, and athletics fees. These revenues are considered exchange transactions and are recognized as revenue when or as the University fulfils its performance obligation(s) by delivering the programs. The University fulfills its performance obligation for credit course tuition and non-instructional fees over each academic term. As such, some performance obligations for the winter term are outstanding at March 31, and therefore a portion of student tuition and fees revenue is deferred.

Sales of services and products
Sales of services and products represent revenues from non-tuition related services and products, including parking fees, bookstore sales, residential occupancy, retail leasing, utilities sales, clinical operations and other general sales. These revenues are considered exchange transactions and are recognized as revenue when or as the University fulfils its performance obligation(s) and transfers control of the promised goods or services to the payor. If a performance obligation is outstanding at March 31, the remaining revenue is deferred. Sales without a performance obligation, including parking fines, are non-exchange transactions and are recognized when the University has the authority to claim or retain the revenue.

Endowment contributions
Endowment contributions are recognized as revenue in the consolidated 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 and losses on the sale of portfolio investments. Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as revenue when the 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 use by the endowment create a liability. Investment income earned by endowments in excess of the endowment spending allocation is recognized as revenue in the consolidated statement of operations (realized income) and the consolidated statement of remeasurement gains and losses (unrealized gains and losses), and is capitalized and maintained intact in perpetuity.

(e) Endowments

Endowments consist of:

- Externally restricted contributions received by the University and internal allocations by the University's Board of Governors, the principal of which is required to be maintained intact in perpetuity.
- Investment income earned (excluding unrealized income) by the endowments in excess of the amount required for spending allocation, which is capitalized to maintain and grow the real value of the endowments. Benefactors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and by reinvesting unexpended income.

2. Summary of significant accounting policies and reporting practices (continued)

(e) Endowments (continued)

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

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

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the accumulated capitalized investment income. However, for individual endowments without sufficient accumulated capitalized investment income, endowment principal is used in that year and is expected to be recovered by future investment income.

(f) Inventories held for sale

Inventories held for sale are valued at the lower of cost and expected net realizable value and are determined using the weighted average method.

(g) Tangible capital assets and purchased intangibles

Tangible capital assets and purchased intangibles are recognized at cost. Tangible capital assets include amounts that are directly related, such as 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. Construction in progress is not amortized until after the project is complete and the asset is in service.

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

Buildings and utilities	10 - 50 years
Equipment, furnishings and systems	5 - 10 years
Learning resources	10 years

Purchased intangibles are non-monetary economic resources without physical substance and are recorded at cost less accumulated amortization. Learning resources includes purchased intangibles and includes electronic books and serials.

Tangible capital asset and purchased intangible write-downs are recognized when conditions indicate the asset no longer contributes to the University's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets and purchased intangibles is less than their net book value. Net write-downs are recognized as expense.

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

(h) Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the consolidated statement of financial position date. Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains and losses. In the period of settlement, foreign exchange gains and losses are reclassified to the consolidated statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains and losses.

(i) Employee future benefits

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

2. Summary of significant accounting policies and reporting practices (continued)

(i) Employee future benefits (continued)

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service. The UAPP activity and financial position are allocated to each participating employer based on their respective percentage of employer contributions. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

The University does not have sufficient plan information on the PSPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recognized for the PSPP 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, along with investment income, to provide the plan's future benefits.

Long-term disability
The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plan is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of this benefit is actuarially determined using the accumulated benefit method, a discount rate based on the University's cost of borrowing and management's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains and losses on the accrued benefit obligation are amortized over the average expected period the benefit will be paid.

Early retirement
The cost of providing accumulating post-employment benefits under the University's early retirement plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially determined using the projected benefit method prorated on services, a discount rate based on the University's cost of borrowing and management's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

Supplementary retirement plans
The University provides non-contributory defined benefit supplementary retirement benefits to certain former executive staff based on years of service and earnings. The expense for this plan is actuarially determined using the projected benefit method prorated on service.

The University provides non-contributory defined contribution supplementary retirement benefits to eligible executive, academic, and management and professional staff based on age, years of service and earnings. The expense for these plans is the employer's current year contribution to the plan as calculated in accordance with the plan rules.

Administrative/professional leave
The University provides for certain executive staff to accrue a paid leave of absence at the end of their executive appointment. The expense for this plan is actuarially determined using the projected benefit method prorated on service. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

General illness
The cost of providing non-vesting and non-accumulating compensated absences to a maximum of 26 weeks (academic staff) or 120 days (support staff) under the University's general illness plan is charged to expense in full when the event occurs which obligates the University to provide the benefit. The cost of this benefit is actuarially determined using the accumulated benefit method and management's best estimate of the period of employee disability.

(j) Liability for contaminated sites

Contaminated sites are a result of contamination of a chemical, organic or radioactive material, or live organism that exceeds an environmental standard being introduced into soil, water or sediment. It does not include airborne contaminates. A liability results when environmental standards are exceeded from operations that are either considered in productive use or no longer in productive use. It will also arise when an unexpected event occurs resulting in contamination that exceeds an environmental standard. The University recognizes a liability for remediation of contaminated sites when all of the following criteria are met:

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

2. Summary of significant accounting policies and reporting practices (continued)

(j) Liability for contaminated sites (continued)

Where an environmental standard does not exist or contamination does not exceed an environmental standard, an environmental liability for remediation/reclamation of a site is recognized by the University when the following criteria have been met:

- the University has a duty or responsibility to others, leaving little or no discretion to avoid the obligation;
- the duty or responsibility to others entails settlement by future transfer or use of assets, or a provision of services at a specified or determinable date, or on demand; and
- the transactions or events obligating the University have already occurred.

These liabilities reflect the University's best estimate, as of March 31, of the amount required to remediate the sites to the current minimum standard of use prior to contamination. Where possible, provisions for remediation are based on environmental assessments completed on a site; for those sites where an assessment has not been completed, estimates of the remediation are completed using information available for the site and by extrapolating from the cost to remediate similar sites.

(k) Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. Asset retirement activities include all activities relating to an asset retirement obligation. These may include but are not limited to:

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

A liability for an asset retirement obligation is recognized when all of the following criteria are met:

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

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

When the future retirement date is unknown, the asset retirement obligation is measured at the current estimated cost to settle or otherwise extinguish the liability. When the future retirement date is known, a present value technique is used to measure the liability; the liability is adjusted for the passage of time and is recognized as accretion expense in the consolidated statement of operations.

These liabilities reflect the University's best estimate, as of March 31, of the amount required to retire tangible capital assets. Estimates are made by management using professional judgment, similar contractor costs, and third-party quotes, and are subsequently remeasured taking into account any new information and the appropriateness of assumptions used.

(l) Expense by function

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

Academic costs and institutional support
Expenses relating to support for the academic functions of the University both directly and indirectly. This function includes expenses incurred by faculties for their scholarly activities and learning administrative services.

Research
Expenses for research activities funded by externally sponsored research funds intended for specific research purposes as well as internal funds designated for research related spending. Other expenses associated with this function include costs such as research administration and research related amortization.

2. Summary of significant accounting policies and reporting practices (continued)

(l) Expense by function (continued)

Facility operations and maintenance
Expenses relating to maintenance and renewal of facilities that house the teaching, research and administrative activities within the University. These include utilities, facilities administration, building maintenance, custodial services, landscaping and grounds keeping, as well as major repairs and renovations.

Special purpose
Expenses for student awards and bursaries and other programs involving teaching and learning, and community service specifically funded by restricted grants and donations.

Ancillary services
Expenses relating to services and products provided to the University community and to external individuals and organizations. Services include the University bookstore, parking services, utilities and student residences.

(m) 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.

(n) Future changes in accounting standards

Effective April 1, 2026, the University will adopt the following standard and new Conceptual Framework as approved by the Public Sector Accounting Board:

- **PS 1202: *Financial Statement Presentation***
  This standard sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework.

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

Effective April 1, 2029, the University will adopt the following standard as approved by the Public Sector Accounting Board:

- **PS 3251: *Employee Benefits***
  This standard establishes requirements for the recognition, measurement, presentation and disclosure of employee benefits. It replaces PS 3250, *Retirement Benefits*, and PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits.*

Effective April 1, 2030, the University will adopt amendments to the following standard as approved by the Public Sector Accounting Board:

- **PS 3150: *Tangible Capital Assets***
  The amendments standardize capital asset accounting by incorporating government not-for-profit standards, clarifying recognition and disclosure requirements related to collections, works of art and historical treasures.

The University is currently assessing the impact of these standards and the Conceptual Framework on the consolidated financial statements.

(thousands of dollars)

3. Cash and cash equivalents

	2026	2025
Cash	**$ 15,277**	$ 27,218
Money market holdings	**24,863**	40,182
	$ 40,140	$ 67,400

Money market holdings also include short-term notes and treasury bills with a maturity less than three months from the date of acquisition.

4. Portfolio investments

	2026	2025
Portfolio investments - non-endowment	**$ 1,592,451**	$ 1,546,017
Portfolio investments - restricted for endowments	**2,090,155**	1,912,949
	$ 3,682,606	$ 3,458,966

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

	2026				2025			
	Level 1 (1)	**Level 2 (2)**	**Level 3 (3)**	**Total**	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Cash and money market holdings	**$ 54,568**	**$ 225,607**	**$ -**	**$ 280,175**	$ 43,509	$ 251,718	$ -	$ 295,227
Canadian bonds	**-**	**93,326**	**-**	**93,326**	-	79,309	-	79,309
Foreign bonds	**-**	**200,968**	**-**	**200,968**	-	215,367	-	215,367
Canadian equity	**250,634**	**-**	**-**	**250,634**	256,244	-	-	256,244
Foreign equity	**1,347,000**	**-**	**-**	**1,347,000**	1,239,926	-	-	1,239,926
Hedge funds	**-**	**465,999**	**-**	**465,999**	-	449,083	-	449,083
Private equity	**-**	**-**	**641,748**	**641,748**	-	-	536,474	536,474
Private credit and mortgages	**-**	**-**	**248,505**	**248,505**	-	-	237,724	237,724
Private real estate and infrastructure	**-**	**-**	**150,401**	**150,401**	-	-	147,684	147,684
	1,652,202	**985,900**	**1,040,654**	**3,678,756**	1,539,679	995,477	921,882	3,457,038
Other at amortized cost				**3,850**				1,928
	$ 1,652,202	**$ 985,900**	**$1,040,654**	**$ 3,682,606**	$1,539,679	$ 995,477	$ 921,882	$3,458,966

The fair value measurements are those derived from:

(1) Quoted prices in active markets for identical assets.

(2) Inputs other than quoted prices included within level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(3) Third-party financial statements from private asset managers. For investments where statements do not exist then valuation techniques are used that include inputs for the assets that are not based on observable market data.

The changes in fair value of level 3 portfolio investments are as follows:

	2026	2025
Balance, beginning of year	**$ 921,882**	$ 752,516
Unrealized gains	**22,886**	43,334
Purchases	**174,597**	168,360
Proceeds on sale	**(78,711)**	(42,328)
	$ 1,040,654	$ 921,882

There were no transfers between level 1, level 2 and level 3 investments during the current year (2025 - no transfers).

5. Derivatives

Derivative financial instruments are used by the University to manage its exposure to commodities. As at March 31, 2026, the University held commodity futures contracts for settlement between May and December 2026, with a notional amount of $79,470 (2025 - $51,518). The fair value of outstanding commodity futures contracts included in accounts receivable is $3,212 (2025 - $2,430) and of commodity futures contracts included in accounts payable and accrued liabilities is $732 (2025 - $499).

6. Financial risk management

The University is exposed to the following risks:

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the University has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The University's Investment Committee, a standing committee of the Board of Governors, has the delegated authority for oversight of the University's portfolio investments. The University's management of this risk has not changed from the prior year.

At March 31, if market prices for portfolio investments had a 10.0% increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains for the year would be $357,230 (2025 - $336,846).

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The University is exposed to foreign exchange risk on portfolio investments that are denominated in foreign currencies. At March 31, the University did not hedge its foreign currency exposure with currency forward contracts or any other type of derivative financial instruments. The fair value of portfolio investments with foreign currency exposure is $2,744,305 (2025 - $2,505,439), with approximately 75.8% in USD (2025 - 74.0%). If the value of foreign currency decreased by 10% and all other variables are held constant, the potential decrease in accumulated remeasurement gains would be $274,431 (2025 - $250,544) or approximately 7.5% of total investments (2025 - 7.2%).

Credit risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty, debtor or issuer to fully honour its financial obligations with the University. The University is exposed to credit risk on investments and has established an investment policy with required minimum credit quality standards and issuer limits to manage this risk. The University's exposure, based on the risk rating of money market holdings and bonds, has not changed significantly year over year.

The credit risk from accounts receivable is low as the majority of balances are due from government agencies and corporate sponsors with small amounts due from students and various vendors. Management has established a provision for receivables and assesses it annually to address any new concerns that may arise. Given the nature of the University's accounts receivable balances, management has assessed that, based on the current economic outlook, the change to expected credit losses is not considered material.

The distribution of money market holdings and bonds by risk rating is as follows:

- Money market holdings: R-1(high) 72.2% (2025 - 72.1%); R-1(mid) 27.8% (2025 - 27.9%).
- Bonds: AAA 39.3% (2025 - 43.6%); AA 20.3% (2025 - 12.2%); A 13.4% (2025 - 12.4%); BBB 16.0% (2025 - 20.3%); below BBB and not rated 11.0% (2025 - 11.5%).

Liquidity risk

Liquidity risk is the risk that the University will encounter difficulty in meeting obligations associated with its financial liabilities. The University maintains a portfolio of short-term investments with rolling maturity dates to manage short-term cash requirements. The University maintains a short-term line of credit of $20,000 (2025 - $20,000) to ensure that funds are available to meet current and forecasted financial requirements. In 2026, the line of credit was not drawn upon (2025 - not drawn upon). Management believes, based on its assessment of future cash flows, it will have sufficient cash from internally generated cash flows, external sources and the undrawn short-term line of credit to meet its forecast obligations. Management continues to monitor the University’s liquidity position on a regular basis.

(thousands of dollars)

6. Financial risk management (continued)

Interest rate risk

Interest rate risk is the risk that the University's earnings will be affected by the fluctuation and degree of volatility in interest rates. To manage this risk, the University has policies and procedures in place that limit the term to maturity of certain fixed income instruments that the University holds. Interest rate risk on the University's debt is managed through fixed rate agreements with the Department of Treasury Board and Finance (note 11). If interest rates increased by 1.0% and all other variables are held constant, the potential decrease in accumulated remeasurement gains for the year would be $15,250 (2025 - $16,359).

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

	< 1 year	**1 - 5 years**	**> 5 years**	**Average effective market yield**
	%	%	%	%
Money market holdings	100.0	-	-	2.6
Canadian government, corporate and foreign bonds	4.2	40.5	55.3	3.9

7. Accounts receivable

	2026	2025
Grants receivable	**$ 140,096**	$ 113,413
Loans and promissory note receivable [1]	**43,851**	51,784
Student receivables	**13,496**	11,978
Investment income receivable [2]	**10,950**	10,282
Other receivables	**27,829**	27,926
	236,222	215,383
Allowance for doubtful accounts	**(7,427)**	(6,798)
	$ 228,795	$ 208,585

(1) Loans receivable were issued for building construction and improvements by loan agreements between the University and the University of Alberta Students' Union of $19,700 (2025 - $20,863), and the University and St. Joseph's College of $24,151 (2025 - $24,922). The loans have terms ranging from 8 to 20 years at interest rates between 2.48% and 4.29% per annum.

During the year, UAPTI fully repaid the promissory note issued to the University in 2023. No balance remains as at March 31, 2026 (2025 - $5,999).

(2) Included in investment income receivable is $2,178 (2025 - nil) in distributions receivable from UAPTI (note 8).

8. Investment in government business enterprise

UAPTI is a wholly-owned subsidiary of the University. UAPTI operates as the trustee of the University of Alberta Properties Trust ("the trust"), which leases land to developers for the purpose of residential and commercial development. The University is the beneficiary of the trust and will receive distributions from the trust once leases are in place with developers and net proceeds are available.

The following table provides condensed supplementary financial information for the University's investment in government business enterprise as at December 31. As the fiscal periods of UAPTI and the University differ, any significant financial transactions that occur during the intervening period are recorded in these financial statements based on the fiscal year of the University. No significant transactions occurred during the intervening period.

(thousands of dollars)

8. Investment in government business enterprise (continued)

Statement of Financial Position:

	December 31, 2025	December 31, 2024
Assets		
Cash	**$ 2,780**	$ 519
Land sales and lease receivable	**213**	7,775
Holdbacks receivable	**670**	-
Property and equipment	**17**	9
Property under development and held for resale	**33,302**	23,639
Other assets	**219**	152
	37,201	32,094
Liabilities		
Operating line of credit	**3,023**	8,616
Accounts payable and accrued liabilities	**3,699**	3,138
Construction financing	**30,213**	14,845
Note payable	**-**	5,999
Distributions payable	**2,178**	-
	39,113	32,598
Equity		
Deficit	**(1,912)**	(504)
	$ 37,201	$ 32,094

Statement of Operations:

	December 31, 2025	December 31, 2024
Revenue	**$ 9,500**	$ 8,679
Cost of sales	**7,446**	6,474
Gross profit	**2,054**	2,205
Expenses	**1,397**	831
	657	1,374
Other income	**113**	43
Net income	**$ 770**	$ 1,417

9. Accounts payable and accrued liabilities

	2026	2025
Trade payables	**$ 98,986**	$ 107,763
Accrued liabilities	**56,617**	79,550
Vacation liability	**34,244**	31,713
	$ 189,847	$ 219,026

(thousands of dollars)

10. Employee future benefit liabilities

	2026			2025		
	Academic staff	**Support staff**	**Total**	Academic staff	Support staff	Total
Universities Academic Pension Plan	**$ 9,616**	**$ -**	**$ 9,616**	$ 55,559	$ -	$ 55,559
Long-term disability	**18,568**	**36,084**	**54,652**	15,575	30,528	46,103
SRP (defined contribution)	**41,320**	**-**	**41,320**	38,511	-	38,511
Early retirement	**-**	**20,931**	**20,931**	-	22,322	22,322
SRP (defined benefit)	**3,431**	**-**	**3,431**	3,525	-	3,525
General illness	**2,353**	**3,007**	**5,360**	1,342	762	2,104
Administrative/professional leave	**1,157**	**-**	**1,157**	1,079	-	1,079
	$ 76,445	**$ 60,022**	**$ 136,467**	$ 115,591	$ 53,612	$ 169,203

(a) Defined benefit plans accounted for on a defined benefit basis

Universities Academic Pension Plan (UAPP)
The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2024 and was then extrapolated to March 31, 2026, resulting in a UAPP surplus of $612,697 (2025 - $426,781) consisting of a pre-1992 deficit of $816,020 (2025 - $832,113) and a post-1991 surplus of $1,428,717 (2025 - $1,258,894). The University's portion of the UAPP surplus has been allocated based on its percentage of the plan's total employer contributions for the year.

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.3% (2025 - 1.3%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 4.0% of salaries until June 20, 2026 and 4.2% thereafter (2025 - 4.0%) required to eliminate the unfunded deficiency by December 31, 2043. The Government of Alberta's obligation for the future additional contributions is $219,515 (2025 - $202,844) as at March 31, 2026.

Long-term disability (LTD) and general illness (GI)
The University provides LTD and GI defined benefits to its academic and support staff. An actuarial valuation of these benefits was carried out as at March 31, 2026. The LTD plan provides pension and non-pension benefits after employment, but before the employee's normal retirement date. The GI plan provides similar benefits but for a maximum of 26 weeks (academic staff) or 120 days (support staff).

Early retirement
The early retirement benefits for support staff include a bridge benefit liability of $14,439 (2025 - $15,655) and a retirement allowance liability of $6,492 (2025 - $6,667). An actuarial valuation of these benefits was carried out as at March 31, 2026. The bridge benefit allows eligible employees who retire early to continue participating in several staff benefit programs between the date of early retirement and the end of the month in which the former employee turns 65. Benefits include group life insurance, employee family assistance program, supplementary health care and dental care. The support staff retirement allowance provides eligible employees (those with 20 years of pensionable service at retirement date) one week's base pay per full year of employment to a maximum 25 days pay.

Supplementary retirement plan (SRP)
The University provides a non-contributory defined benefit supplementary retirement benefit for executives. An actuarial valuation of these benefits was carried out as at March 31, 2026. The SRP was closed to new members effective June 30, 2014, as part of the approval of the new defined contribution SRP for executives.

Administrative/professional leave (leave)
The University provides for certain executives to accrue a paid leave at the end of their executive appointment. Upon completing their term of service, the individual's salary and benefits in effect at the end of the service are paid for the duration of the leave. An actuarial valuation of these benefits was carried out as at March 31, 2026.

(thousands of dollars)

10. Employee future benefit liabilities (continued)

(a) Defined benefit plans accounted for on a defined benefit basis (continued)

The expense and liability of these defined benefit plans are as follows:

	2026				2025			
	UAPP	**LTD, GI (1)**	**Early retirement (1)**	**SRP, leave (1)**	UAPP	LTD, GI (1)	Early retirement (1)	SRP, leave (1)
Expense								
Current service cost	**$ 54,252**	**$ 30,109**	**$ 625**	**$ 104**	$ 50,191	$ 21,247	$ 595	$ 216
Interest (recovery) cost, net of earnings	**(8,457)**	**1,504**	**443**	**156**	(1,806)	2,038	434	157
Amortization of actuarial (gains) losses	**(18,416)**	**838**	**(1,735)**	**(33)**	(11,466)	984	(1,755)	(18)
	$ 27,379	**$ 32,451**	**$ (667)**	**$ 227**	$ 36,919	$ 24,269	$ (726)	$ 355
Liability								
Accrued benefit obligation								
Balance, beginning of year	**$ 1,670,869**	**$ 50,159**	**$ 12,609**	**$ 4,540**	$ 1,570,176	$ 46,917	$ 12,404	$ 4,580
Current service cost	**54,252**	**30,109**	**625**	**104**	50,191	21,247	595	216
Interest cost	**102,561**	**1,504**	**443**	**156**	97,980	2,038	434	157
Benefits paid	**(87,581)**	**(20,646)**	**(724)**	**(243)**	(80,091)	(18,994)	(947)	(380)
Actuarial losses (gains)	**38,748**	**15,373**	**309**	**(34)**	32,613	(1,049)	123	(33)
Balance, end of year	**1,778,849**	**76,499**	**13,262**	**4,523**	1,670,869	50,159	12,609	4,540
Plan assets	**(1,987,957)**	**-**	**-**	**-**	(1,827,098)	-	-	-
Plan (surplus) deficit	**(209,108)**	**76,499**	**13,262**	**4,523**	(156,229)	50,159	12,609	4,540
Unamortized actuarial gains (losses)	**218,724**	**(16,487)**	**7,669**	**65**	211,788	(1,952)	9,713	64
Accrued benefit liability	**$ 9,616**	**$ 60,012**	**$ 20,931**	**$ 4,588**	$ 55,559	$ 48,207	$ 22,322	$ 4,604

(1) The University plans to use its working capital to finance these future obligations.

The significant actuarial assumptions used to measure the accrued benefit obligation are as follows:

	2026			2025		
	UAPP	**SRP, leave**	**LTD, GI, early retirement**	UAPP	SRP, leave	LTD, GI, early retirement
	%	%	%	%	%	%
Accrued benefit obligation						
Discount rate	**5.9**	**3.5**	**3.5**	6.1	3.5	3.5
Long-term average compensation increase	**3.0**	**2.0**	**3.0**	3.0	2.0	2.0
Benefit cost						
Discount rate	**6.1**	**3.5**	**3.5**	6.2	3.5	3.5
Long-term average compensation increase	**3.0**	**2.0**	**3.0**	3.0	2.0	2.0
Alberta inflation (long-term)	**Note(2)**	**Note(1)**	**Note(1)**	Note(2)	Note(1)	Note(1)
Estimated average remaining service life	**11.5 yrs**	**Note(3)**	**5.5 - 9.8 yrs**	11.5 yrs	Note(3)	1 - 5.5 yrs

(1) The inflation assumption for plans excluding UAPP is 2.0% for 2026 and 2.0% thereafter (2025: 2.5% for 2025 and 2.0% thereafter).
(2) The inflation assumption for the UAPP plan is 2.25% for 2026 and 2.0% thereafter (2025: 2.5% for 2025 and 2.0% thereafter).
(3) Leave actuarial gains and losses are amortized over the remaining contract terms of the participants.
There are no active employees under the defined benefit SRP.

(thousands of dollars)

10. Employee future benefit liabilities (continued)

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

Public Service Pension Plan (PSPP)
The PSPP is a multi-employer contributory defined benefit pension plan for support staff members. As the University does not have sufficient information to follow the accounting standards for defined benefit plans, it is accounted for on a defined contribution basis. The pension expense recognized in these consolidated financial statements is $25,484 (2025 - $22,448).

An actuarial valuation of the PSPP was carried out as at December 31, 2024 and was then extrapolated to December 31, 2025. At December 31, 2025, the PSPP reported an actuarial surplus of $7,706,238 (2024 - $6,473,956). For the year ended December 31, 2025 PSPP reported employer contributions of $299,440 (2024 - $279,451). For the 2025 calendar year, the University's employer contributions were $24,998 (2024 calendar year - $22,235).

(c) Defined contribution plans

Supplementary retirement plans (SRP)
The University provides non-contributory defined contribution supplementary retirement benefits to eligible executive and academic staff members. This year, an expense has been recognized in these consolidated financial statements of $6,251 (2025 - $5,951).

11. Debt

The following debt is with the Department of Treasury Board and Finance:

	Maturity Date	Weighted average interest rate %	2026	2025
Collateral				
Title to land, building	November 2027 - March 2048	3.541	**$ 138,912**	$ 146,429
General Security Agreement	December 2028 - June 2049	3.016	**146,523**	149,606
Cash flows from facility	September 2028 - December 2047	4.939	**31,142**	32,924
None	September 2027 - September 2036	5.007	**6,033**	7,543
Balance, end of year			**$ 322,610**	$ 336,502

Interest expense on debt recognized in these consolidated financial statements is $10,420 (2025 - $10,960).

Land and buildings pledged as collateral have a net book value of $298,594 (2025 - $311,168).

Principal and interest payments are as follows:

	Principal	Interest	Total
2027	$ 19,557	$ 11,025	$ 30,582
2028	20,168	10,272	30,440
2029	19,130	9,493	28,623
2030	17,603	8,791	26,394
2031	17,442	8,181	25,623
Thereafter	228,710	58,089	286,799
	$ 322,610	$ 105,851	$ 428,461

(thousands of dollars)

12. Deferred revenue

	Note	2026 Unspent externally restricted grants and donations	2026 Student tuition, fees and other revenue	2026 Total	2025 Total
Balance, beginning of year		**$ 792,514**	**$ 109,224**	**$ 901,738**	$ 844,055
Net change for the year					
Grants, donations, endowment spending allocation and tuition		**778,079**	**563,142**	**1,341,221**	1,314,052
Transfers to spent deferred capital contributions	15	**(78,139)**	**-**	**(78,139)**	(90,090)
Recognized as revenue		**(666,993)**	**(555,882)**	**(1,222,875)**	(1,166,279)
Net change for the year		**32,947**	**7,260**	**40,207**	57,683
Balance, end of year		**$ 825,461**	**$ 116,484**	**$ 941,945**	$ 901,738

13. Asset retirement obligations and environmental liabilities

	2026	2025
Asset retirement obligations	**$ 174,968**	$ 173,331
Environmental liabilities	**12,970**	12,716
Contaminated sites	**1,133**	1,112
	$ 189,071	$ 187,159

The University's estimated contaminated sites liability is for the remediation of hydrocarbon and salt contamination resulting from a liner leak in a wastewater pond. The estimate was based on a professional environmental assessment. The site is not in productive use.

The University's estimated environmental liability relates to reclamation costs for salt impacted soil at two snow storage sites. The contamination does not exceed an environmental standard. The estimate is based on management's assessment using comparable contractor pricing. These sites remain in productive use.

The changes in asset retirement obligations are as follows:

	2026	2025
Balance, beginning of year	**$ 173,331**	$ 170,170
Net change for the year		
Revision in estimates	**3,537**	4,698
Liabilities settled	**(1,932)**	(2,001)
Additions	**-**	442
Accretion expense	**32**	22
Net change for the year	**1,637**	3,161
Balance, end of year	**$ 174,968**	$ 173,331

Tangible capital assets with associated retirement obligations include buildings, equipment, and leasehold improvements agreements.

The University has asset retirement obligations to remove various hazardous materials including asbestos, lead, mercury, and PCBs from various buildings under its control. Regulations require the University to handle and dispose of these materials in a prescribed manner when they are disturbed, such as when the building undergoes renovations or is demolished. Although the timing of the removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the University to remove the materials when asset retirement activities occur.

The extent of the liability is limited to costs directly attributable to the removal of the listed hazardous materials from various buildings under the University's control in accordance with the legislation establishing the liability. The University estimated the nature and extent of hazardous materials in its buildings based on the potential square feet affected and the average costs per square foot to remove and dispose of the hazardous materials.

(thousands of dollars)

13. Asset retirement obligations and environmental liabilities (continued)

Asset retirement obligations of $174,968 (2025 - $173,331) include $917 (2025 - $664) measured using the present value technique. The undiscounted estimated cash flows to settle these obligations is $1,534 (2025 - $911), using an average discount rate of 3.8% (2025 - 3.5%), and are expected to be settled between 2030 and 2050. The remaining obligations of $174,051 (2025 - $172,667) are measured at the current estimated cost due to the uncertainty about when the hazardous materials will be removed.

14. Tangible capital assets and purchased intangibles

	2026						2025
	Buildings and utilities	**Equipment, furnishings and systems**	**Learning resources**	**Land**	**Asset retirement obligations**	**Total**	Total
Cost							
Beginning of year	**$ 4,055,156**	**$ 1,629,176**	**$ 568,803**	**$ 63,000**	**$ 175,811**	**$ 6,491,946**	$ 6,341,937
Acquisitions	**44,980**	**61,243**	**13,266**	**-**	**3,605**	**123,094**	162,638
Disposals	**(605)**	**(18,296)**	**(730)**	**-**	**(68)**	**(19,699)**	(12,629)
	4,099,531	**1,672,123**	**581,339**	**63,000**	**179,348**	**6,595,341**	6,491,946
Accumulated amortization							
Beginning of year	**1,859,870**	**1,301,233**	**462,107**	**-**	**95,416**	**3,718,626**	3,560,376
Amortization expense	**86,104**	**62,423**	**21,109**	**-**	**6,079**	**175,715**	170,646
Disposals	**(605)**	**(17,827)**	**(730)**	**-**	**(68)**	**(19,230)**	(12,396)
	1,945,369	**1,345,829**	**482,486**	**-**	**101,427**	**3,875,111**	3,718,626
Net book value, March 31, 2026	**$ 2,154,162**	**$ 326,294**	**$ 98,853**	**$ 63,000**	**$ 77,921**	**$ 2,720,230**	$ 2,773,320
Net book value, March 31, 2025	$ 2,195,286	$ 327,943	$ 106,696	$ 63,000	$ 80,395	$ 2,773,320	

Buildings and utilities include $36,869 (2025 - $49,875) recognized as construction-in-progress, which is not amortized as the assets are not in service.

Equipment, furnishings and systems acquisitions include in-kind donations in the amount of $5,275 (2025 - $3,963).

Learning resources includes purchased intangibles. Acquisitions of purchased intangibles in the current year are $12,930 (2025 - $16,569). The net book value of purchased intangibles included in learning resources is $95,296 (2025 - $102,222).

Land includes a parcel of the University's South Campus lands with a nominal cost that is held for sale as at March 31.

Net book value of tangible capital assets with associated retirement obligations include $77,872 (2025 - $80,339) in buildings and utilities and $49 (2025 - $56) in equipment, furnishings and systems.

The University holds library permanent collections and other permanent collections, which include works of art, museum specimens, archival materials and maps. These collections are expensed and therefore are not included in tangible capital assets and purchased intangibles.

15. Spent deferred capital contributions

Spent deferred capital contributions is comprised of externally restricted grants and donations spent on tangible capital assets and purchased intangibles, less amortization recognized as revenue.

	Note	**2026**	2025
Balance, beginning of year		**$ 1,849,192**	$ 1,853,630
Net change for the year			
Transfers from unspent externally restricted grants and donations	12	**78,139**	90,090
Expended capital contributions recognized as revenue		**(102,504)**	(94,528)
Net change for the year		**(24,365)**	(4,438)
Balance, end of year		**$ 1,824,827**	$ 1,849,192

(thousands of dollars)

16. Net assets

	Note	Unrestricted	Investment in tangible capital assets and purchased intangibles	Internally restricted	Endowments	Total
Net assets, March 31, 2024		$ 323,455	$ 452,990	$ 132,200	$ 1,815,075	$ 2,723,720
Annual operating surplus		6,791	-	-	-	6,791
Transfer to internally restricted	24	(55,000)	-	55,000	-	-
Transfer from internally restricted		15,795	-	(15,795)	-	-
Endowments						
New contributions		-	-	-	26,424	26,424
Capitalized investment income		-	-	-	59,080	59,080
Transfer to endowments		(920)	-	-	920	-
Tangible capital assets and purchased intangibles						
Acquisitions		(72,388)	72,388	-	-	-
Debt repayment		(16,264)	16,264	-	-	-
Debt - financing allocation		1,135	(1,135)	-	-	-
Amortization		76,118	(76,118)	-	-	-
Change in asset retirement obligations	13	3,161	(3,161)	-	-	-
Change in accumulated remeasurement gains		34,519	-	-	11,450	45,969
Net assets, March 31, 2025		$ 316,402	$ 461,228	$ 171,405	$ 1,912,949	$ 2,861,984
Annual operating surplus		**10,831**	**-**	**-**	**-**	**10,831**
Transfer to internally restricted	24	**(32,000)**	**-**	**32,000**	**-**	**-**
Transfer from internally restricted		**71,600**	**-**	**(71,600)**	**-**	**-**
Endowments						
New contributions		**-**	**-**	**-**	**25,887**	**25,887**
Capitalized investment income		**-**	**-**	**-**	**78,982**	**78,982**
Transfer to endowments		**(720)**	**-**	**-**	**720**	**-**
Tangible capital assets and purchased intangibles						
Acquisitions		**(44,564)**	**44,564**	**-**	**-**	**-**
Debt repayment		**(16,889)**	**16,889**	**-**	**-**	**-**
Debt - financing allocation		**(268)**	**268**	**-**	**-**	**-**
Amortization		**73,211**	**(73,211)**	**-**	**-**	**-**
Change in asset retirement obligations	13	**1,637**	**(1,637)**	**-**	**-**	**-**
Change in accumulated remeasurement gains		**32,374**	**-**	**-**	**71,617**	**103,991**
Net assets, March 31, 2026		**$ 411,614**	**$ 448,101**	**$ 131,805**	**$ 2,090,155**	**$ 3,081,675**

(thousands of dollars)

16. Net assets (continued)

Net assets is comprised of:

		Unrestricted		Investment in tangible capital assets and purchased intangibles		Internally restricted		Endowments	Total
Accumulated surplus	$	211,210	$	448,101	$	131,805	$	1,561,636	$ 2,352,752
Accumulated remeasurement gains [(1)]		200,404		-		-		528,519	728,923
	$	**411,614**	**$**	**448,101**	**$**	**131,805**	**$**	**2,090,155**	**$ 3,081,675**

[(1)] Accumulated remeasurement gains are unrealized gains, which are not recognized as revenue until realized.

Investment in tangible capital assets and purchased intangibles is reduced by the accumulated amortization of the University's asset retirement obligations that are included in tangible capital assets and purchased intangibles of $97,047 (2025 - $92,936). A funding source for this obligation has not been determined.

Internally restricted net assets
Internally restricted net assets represent amounts set aside by the University's Board of Governors for an investment income reserve to ensure that future obligations can be fulfilled in the event of significant investment losses. Of the total reserve, $62,805 (2025 - $79,405) has been appropriated by the University's Board of Governors to the Strategic Initiatives Fund per the University Funds Investment Policy. These amounts are not available for other purposes without the approval of the Board of Governors and do not have interest allocated to them.

		2026		2025
Investment income reserve	**$**	**69,000**	$	92,000
Strategic initiatives		**62,805**		79,405
	$	**131,805**	$	171,405

17. Contingent assets

The University has initiated a number of insurance claims arising in the normal course of business in which the outcomes vary and may result in assets in the future. Management believes that any settlement will not have a material effect on the financial position or the results of operations of the University. These contingent assets are not recognized in the consolidated financial statements.

18. Contingent liabilities

The University is a defendant in a number of legal proceedings arising in the normal course of business. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, management believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Management has concluded that none of the claims meet the criteria for recognizing a liability.

(thousands of dollars)

19. Contractual rights

Contractual rights are rights of the University to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	Operating leases	Other contracts	Total
2027	$ 2,219	$ 8,484	**$ 10,703**
2028	1,386	8,507	**9,893**
2029	610	8,737	**9,347**
2030	332	8,263	**8,595**
2031	104	7,153	**7,257**
Thereafter	195	31,395	**31,590**
Total at March 31, 2026	**$ 4,846**	**$ 72,539**	**$ 77,385**
Total at March 31, 2025	$ 5,930	$ 10,836	$ 16,766

Effective August 1, 2025, the University entered into an agreement with an external party for dining and catering services in which it will earn commission-based revenue. The agreement has nine years remaining (2025 - four months remaining) with estimated total future revenues of $59,236 (2025 - $117).

The University also has contractual rights that cannot be reasonably estimated due to the nature of the individual agreements. The total of these rights is not material.

20. Contractual obligations

(a) The University has contractual obligations that will result in liabilities in the future when the terms of the contracts are met. The estimated aggregate amount payable for the unexpired terms of these contractual obligations is as follows:

	Capital projects	Service contracts	Long-term leases	Total
2027	$ 55,403	$ 144,311	$ 1,493	**$ 201,207**
2028	12,279	51,862	754	**64,895**
2029	1,551	29,331	374	**31,256**
2030	775	19,724	360	**20,859**
2031	200	12,548	175	**12,923**
Thereafter	-	52,509	890	**53,399**
Total at March 31, 2026	**$ 70,208**	**$ 310,285**	**$ 4,046**	**$ 384,539**
Total at March 31, 2025	$ 82,722	$ 216,042	$ 3,881	$ 302,645

The significant service contracts are as follows:

- In order to manage its exposure to the volatility in the electrical industry, the University has entered into contracts to fix a portion of its electrical cost. The twelve contracts (2025 - nine contracts) with expenditures totaling $47,323 (2025 - $33,695) expire over the next four years.
- Effective August 1, 2025, the University entered into an agreement with an external party for dining and catering services. The agreement has nine years remaining with total estimated payments of $103,506 (2025 - $3,467).
- Effective June 1, 2021, the University entered into two agreements with an external party for information technology support. Infrastructure management services has two months remaining with a cost of $172 (2025 - $2,072), and application management services has two months remaining with a cost of $282 (2025 - $2,002).
- Effective August 1, 2024, the University entered into an agreement with an external party for custodial services. The agreement has two years remaining with a cost of $16,856 (2025 - $29,497).

(thousands of dollars)

20. Contractual obligations (continued)

(b) The University is one of 78 members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2025, CURIE had an accumulated surplus of $133,886 (2024 - $130,337), of which the University's pro rata share is approximately 7.2% (2025 - 7.2%). This accumulated surplus is not recognized in the consolidated financial statements.

21. Related parties

The University is a related party to organizations within the Government of Alberta reporting entity. Related parties also include key management personnel, including the Board of Governors, and their close family members. Transactions with these entities and individuals are considered to be in the normal course of operations and are recorded at the exchange amount.

The University utilizes space provided by other related parties, mainly Alberta Health Services. This space is provided at a nominal cost. Due to the unique physical and operating arrangements in place, the specialized nature of the space and the integrated nature of operations, the fair value of these lease arrangements cannot be reasonably determined.

In 2020, the University entered into a 25 year lease to provide space to an entity under common control for a nominal amount. The remaining fair value over the lease term is estimated to be $4,841 (2025 - $5,119).

The University has debt with the Department of Treasury Board and Finance as described in note 11.

22. Budget

The University's 2025-26 budget was approved by the Board of Governors and submitted to the Minister of Advanced Education.

23. Government transfers

	2026	2025
Government of Alberta grants		
Advanced Education - Base operating grant	**$ 449,781**	$ 436,595
Advanced Education - other grants	**181,505**	125,628
Alberta Health Services	**75,027**	68,539
Technology and Innovation	**53,192**	52,969
Primary and Preventative Health Services [1]	**30,271**	35,482
Other departments and agencies	**9,422**	9,441
	799,198	728,654
Expended capital contributions recognized as revenue	**69,559**	64,191
Deferred revenue	**(66,810)**	(53,427)
	$ 801,947	$ 739,418

[1] During the year, Alberta Health was separated into two ministries: Primary and Preventative Health Services, and Hospital and Surgical Health Services. All grants to the University are from Primary and Preventative Health Services.

(thousands of dollars)

23. Government transfers (continued)

		2026		2025
Federal and other government grants				
Natural Sciences and Engineering Research Council	**$**	**58,084**	$	69,230
Canadian Institutes of Health Research		**39,482**		41,651
Social Sciences and Humanities Research Council		**38,082**		39,371
Triagency Institutional Program Secretariat		**23,999**		26,875
Canada Research Chairs		**19,075**		20,455
Canadian Foundation for Innovation		**15,176**		31,681
Other		**60,794**		65,188
		254,692		294,451
Expended capital contributions recognized as revenue		**18,145**		16,869
Deferred revenue		**(18,931)**		(50,767)
	$	**253,906**	$	260,553

24. Investment income

	Note		2026		2025
Portfolio investments - non-endowment					
In support of operations		**$**	**74,327**	$	49,732
Transfer to internally restricted net assets	16		**32,000**		55,000
Portfolio investments - restricted for endowments					
Spending allocation recognized as revenue			**92,091**		84,137
		$	**198,418**	$	188,869

Investment income reserve

Per University policy, all realized Non-Endowed Investment Pool earnings that are not required for current year budget purposes are reinvested to build an investment income reserve.

25. Expense by object

		2026 Budget (Note 22)		2026		2025
Salaries	$	1,075,152	**$**	**1,068,306**	$	985,613
Employee benefits		202,187		**204,291**		195,026
Materials, supplies and services		407,712		**426,208**		418,747
Scholarships and bursaries		194,186		**185,007**		184,411
Maintenance and repairs		87,268		**77,020**		72,246
Utilities		66,835		**52,107**		64,887
Amortization of tangible capital assets and purchased intangibles		174,562		**175,715**		170,646
	$	2,207,902	**$**	**2,188,654**	$	2,091,576

(thousands of dollars)

26. Salaries and employee benefits

2026	Base salary [6]	Other cash benefits [7]	Non-cash benefits [8]	Non-cash benefits (DC SRP) [9]	Non-cash benefits (leave) [10]	Total
Governance [1]						
Board of Governors	$ -	$ -	$ -	$ -	$ -	$ -
Executive						
President	**470**	**6**	**83**	**60**	**41**	**660**
Provost and Vice-President (Academic) [11]	**440**	**6**	**54**	**52**	**-**	**552**
Vice-President (Research) [2] [11]	**360**	**6**	**52**	**40**	**-**	**458**
Vice-President (International, Innovation and Enterprise) [3] [11]	**214**	**5**	**38**	**2**	**-**	**259**
Vice-President (University Services, Operations and Finance)	**436**	**7**	**55**	**47**	**66**	**611**
Vice-President (External Relations)	**368**	**6**	**53**	**30**	**35**	**492**

2025	Base salary [6]	Other cash benefits [7]	Non-cash benefits [8]	Non-cash benefits (DC SRP) [9]	Non-cash benefits (leave) [10]	Total
Governance [1]						
Board of Governors	$ -	$ -	$ -	$ -	$ -	$ -
Executive						
President	459	6	51	51	92	659
Provost and Vice-President (Academic) [11]	435	6	50	49	-	540
Vice-President (Research and Innovation) [11]	354	6	48	35	-	443
Former Vice-President (Facilities and Operations) [4]	8	409	1	7	(9)	416
Vice-President (University Services, Operations and Finance) [5]	429	6	50	42	85	612
Vice-President (External Relations)	363	6	48	29	37	483

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

(2) This position name was changed on June 20, 2025.

(3) This position was created on June 14, 2024 and the incumbent's term began on July 1, 2025.

(4) This position was eliminated on April 8, 2024.

(5) The name and scope of this position were changed on June 14, 2024.

(6) Base salary includes pensionable base pay for all executives.

(7) Other cash benefits for certain executive include academic executive allowances, car allowances, and mobile allowances. Other cash benefits in 2025 also include a lump sum severance payment, pay in lieu of benefits, and a vacation payout totaling $409 for the former Vice-President (Facilities and Operations).

(8) Non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of eligible employees including pension, group life insurance, employee and family assistance program, critical illness, supplementary health care, short and long term disability plans, dental plan, and parking. Benefits for some of the executive also include supplemental life insurance and market value rent on the personal use space of a university owned residence.

(9) Under the terms of the executive Defined Contribution Supplementary Retirement Plan (DC SRP), the executive may receive supplemental payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expenses for the rights to future compensation. Costs shown reflect the total cost to provide supplementary retirement benefits. The DC SRP provides future benefits to participants based on the value of the contributions at the end of their service. The cost of these benefits is calculated based on pensionable salary multiplied by a factor based on age and service. The DC SRP was introduced effective July 1, 2014, for all executives commencing employment on or after that date.

(thousands of dollars)

26. Salaries and employee benefits (continued)

The DC SRP current service cost and obligation is as follows:

	2025	2026				
	DC SRP obligation	**Service costs**	**Interest and investment earnings** [9a]	**Benefits paid**	**DC SRP obligation**	**Years of eligible University of Alberta service**
President	$ 178	**$ 31**	**$ 29**	**$ -**	**$ 238**	**5.8**
Provost and Vice-President (Academic)	97	**36**	**16**	**-**	**149**	**3.8**
Vice-President (Research)	101	**23**	**17**	**-**	**141**	**4.8**
Vice-President (International, Innovation and Enterprise)	-	**2**	**-**	**-**	**2**	**0.8**
Vice-President (University Services, Operations and Finance)	126	**27**	**20**	**-**	**173**	**5.4**
Vice-President (External Relations)	71	**19**	**11**	**-**	**101**	**5.3**

[9a] Contributions are made on an annual basis at the end of the plan (calendar) year. Interest is paid in lieu of contributions being made every month. Investment income or losses are distributed to each plan participant based on the overall return of the plan's investments.

[10] Under the terms of the administrative/professional leave (leave) plan, certain executive are entitled to receive supplemental payments. Service costs are the actuarial present value of the benefits earned in the fiscal year. Interest and other costs include current year amortization of actuarial gains and losses, and interest accruing on the obligation.

The administrative/professional leave (leave) plan current service costs and accrued benefit obligation are as follows:

	2025	2026					
	Accrued benefit obligation	**Service costs**	**Interest and other costs**	**Net change in actuarial losses**	**Benefits paid**	**Accrued benefit obligation** [10a]	**Years of eligible University of Alberta service**[10b]
President	$ 459	**$ 24**	**$ 17**	**$ 9**	**$ -**	**$ 509**	**5.8**
Vice-President (University Services, Operations and Finance)	395	**51**	**15**	**(49)**	**-**	**412**	**5.0**
Vice-President (External Relations)	161	**29**	**6**	**(25)**	**-**	**171**	**5.0**

[10a] The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in note 10.

[10b] The employment contracts for the Vice-President (University Services, Operations and Finance) and the Vice-President (External Relations) stipulate a maximum of five years of eligible service.

[11] The Provost and Vice-President (Academic), the Vice-President (Research) and the Vice-President (International, Innovation and Enterprise) participate in the administrative leave program available to faculty members in eligible administrative positions. Under that administrative leave program, an individual must apply for and receive approval for a leave; therefore, there is no leave accrual.

27. Approval of financial statements

The consolidated financial statements were approved by the Board of Governors.

28. Comparative figures

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

UNIVERSITY OF ALBERTA

Consolidated Financial Statements: Discussion & Analysis

For the year ended March 31, 2026

Prepared by:
University Services, Operations and Finance

Date:
June 1, 2026

Table of Contents

Summary of Financial Results 3
Revenue 4
Expense 6
Net Assets and Net Financial Assets / Net Debt 11
Areas of Significant Financial Risk 14

The Consolidated Financial Statements: Discussion and Analysis should be read in conjunction with the University of Alberta's audited consolidated financial statements. The University's consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

For more in-depth discussion and analysis of the University's goals and objectives, please refer to the following documents: *Shape: A Strategic Plan of Impact, 2023-2033*, Investment Reports and Annual Report:

https://www.ualberta.ca/reporting
https://www.ualberta.ca/strategic-plan

Summary of Financial Results

This report discusses the financial results of the University of Alberta for the fiscal year ended March 31, 2026. The consolidated financial statement discussion and analysis provides an overview of the University's:

- summary of financial results;
- revenue and expense;
- capital acquisitions;
- net assets and net financial assets/net debt; and
- areas of significant financial risk.

Driven by our institutional commitments within *Shape: A Strategic Plan of Impact, 2023-2033*, the university successfully balanced intentional internal investments with robust fiscal responsibility, closing the year in a resilient economic position.

The university concluded the fiscal year with an annual consolidated surplus of $115.7 million. However, to understand the true 'spendable' reality of our financial state, this figure must be parsed into endowments and operating:

1. Restricted endowments ($104.9 million): A vast majority of the annual surplus ($79.0 million from capitalized endowment investment income and $25.9 million from directed endowment donations) is legally restricted in perpetuity. This capital directly supports future generations of scholars, chairs and research space but is unavailable for current institutional spending.
2. Operating surplus ($10.8 million): The true baseline operational performance resulted in an operating surplus of $10.8 million, representing a precision-managed variance of just 0.5% of the university's total $2,199.5 million revenue base.

Entering 2025-26, the university budgeted an operating deficit of $31.0 million. This deficit was a deliberate, Government of Alberta (GoA)-approved strategy designed to draw down on the accumulated operating surplus to fund critical, one-time investments into the university's academic and structural foundation. The pivot from a planned $31.0 million deficit to a modest $10.8 million surplus was not driven by operational underspending on core pillars, but rather by outstanding institutional asset performance and macro-environmental shifts:

1. Investment outperformance: Non-endowed investment income outpaced budget expectations by $35.0 million, generated primarily by timely rebalancing and realized gains across our return-seeking and yield strategies.
2. Utilities: A more-favourable regulatory regime led to a significant $14.7 million savings in budgeted utility and carbon levy expense.

Reflecting these positive investment adjustments, the university's total net assets expanded by $219.7 million, reaching a total valuation of $3,081.7 million. This total baseline reflects both the annual consolidated surplus ($115.7 million) and a healthy $104.0 million expansion in the fair value of our total portfolio investments.

The University's consolidated financial statements are available on the University of Alberta website.

Revenue

Total revenue for the year was $2,199.5 million, an increase of $101.1 million (4.8%) over the prior year and $22.5 million (1.0%) more than budget. Figures 1 and 2 provide a breakdown of the University's revenue.

Figure 1. University of Alberta Revenue - March 2026

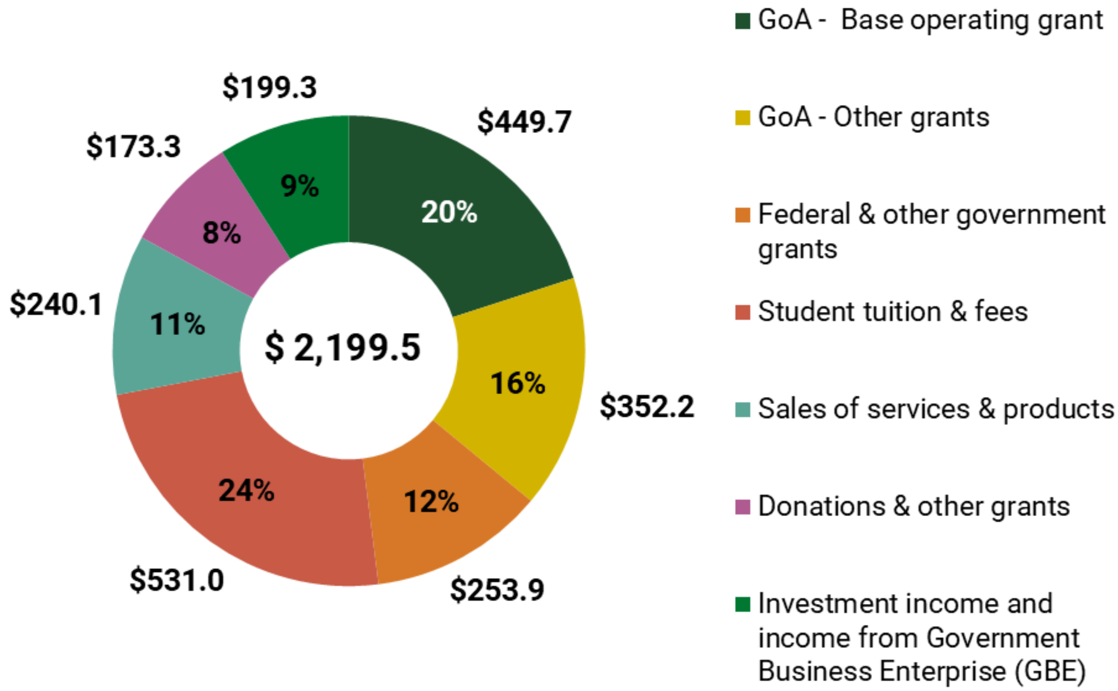
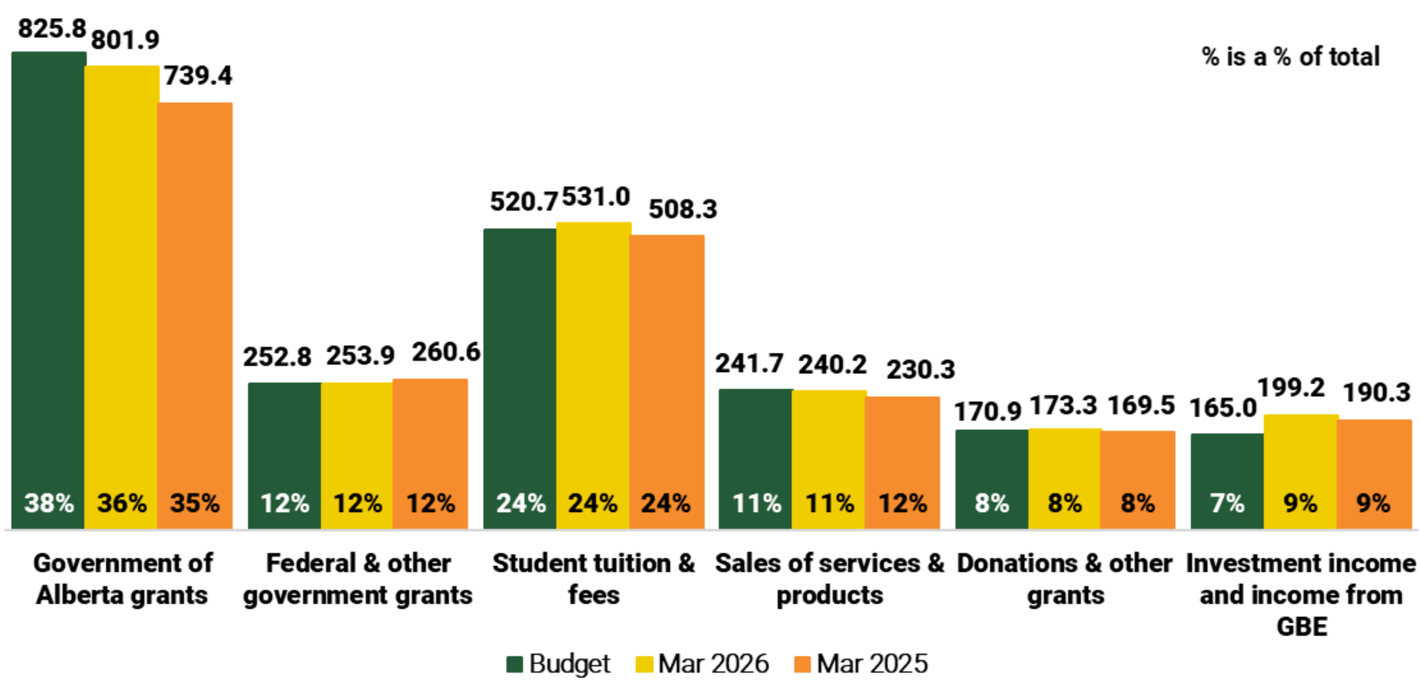


Figure 2. University of Alberta Revenue - Comparison to Budget and Prior year



Government of Alberta Grants

Government of Alberta (GoA) grants represent the single largest source of funding for university activities at 36% of total revenue. This year's GoA grant revenue of $801.9 million was $62.5 million higher than the prior year mainly due to an increase in the base operating grant ($13.1 million), increase in targeted enrolment expansion grants ($11.0 million), and increase in funding for capital projects including the Life Sciences Innovation and Future Technologies (LIFT) Centre ($30 million). GoA grant revenue was $23.9 million less than budget due to higher deferral of the capital grants due to timing of capital expenditures as restricted capital grants are recognized only when the funds are spent.

Federal and Other Government Grants

Federal and other government grants primarily support the University's research activities. Revenue from these grants totaled $253.9 million, a decrease of $6.7 million from the prior year. This decrease from the prior year is primarily in restricted research with no single grant as the primary driver. Federal and other government grants revenue was comparable to budget.

Student Tuition and Fees

Student tuition and fees includes instructional fees, market modifiers, program differential fees, international student fees and mandatory non-instructional fees. Revenue from student tuition and fees totaled $531.0 million, an increase of $22.7 million over the prior year and $10.3 million more than budget. The increase from the prior year was mainly due to higher domestic tuition rates (2.0%) and enrolment. The positive variance from budget was mainly due to higher than planned domestic enrolment.

Sales of Services and Products

Sales of services and products to individuals and external organizations are generated by ancillary services, faculties and administrative units to support university activities. Sales of services and products revenue totaled $240.2 million, an increase of $9.9 million over the prior year, mainly due to various on-campus activities. Sales of services and products revenue was comparable to budget.

Donations and Other Grants

Donations and other grants support many university activities. Donations and other grants revenue totaled $173.3 million and was comparable to the prior year and budget.

Investment Income and Income from Government Business Enterprises (GBE)

Investment income supports many university activities including both operating activities and a reserve for strategic and other initiatives. Total investment income, including the income from Government Business Enterprise (GBE) {University of Alberta Properties Trust Inc. (UAPTI)}, was $199.2 million, an increase of $8.9 million over the prior year, and $34.2 million more than budget. The increase over the prior year is mainly due to higher endowment spending allocation. This increase over budget was primarily driven by higher realized gains due to rebalancing (selling) under the return-seeking and yield strategies.

University investments fall into two categories: the University Endowment Pool (UEP) and the Non-Endowed Investment Pool (NEIP). The UEP, which represents the majority of the University's long-term investment strategy, achieved a return of 12.0% (2025: 8.2%). The NEIP, which includes short, mid and long-term investment strategies, returned 7.8% (2025: 8.0%). These returns reflect both realized and unrealized gains. The University's wholly owned GBE, UAPTI, contributed $0.8 million in income during the year.

Expense

Total expense for the year was $2,188.7 million, an increase of $97.1 million (4.6%) over the prior year and $19.2 million (0.8%) less than budget. Salaries and employee benefits remain the University's single largest expense, representing 59% of total expenses. The overall increase from the prior year was driven primarily by higher salary costs due to retroactive pay for across-the-board increases and increased spending on materials and supplies to support approved initiatives, which was offset by decreased utilities costs due to a reduced carbon levy rate on heat exports by the university's district energy system. Figures 3 and 4 provide a breakdown of the University's expense by object.

Expense by Object

Figure 3. University of Alberta Expense - March 2026

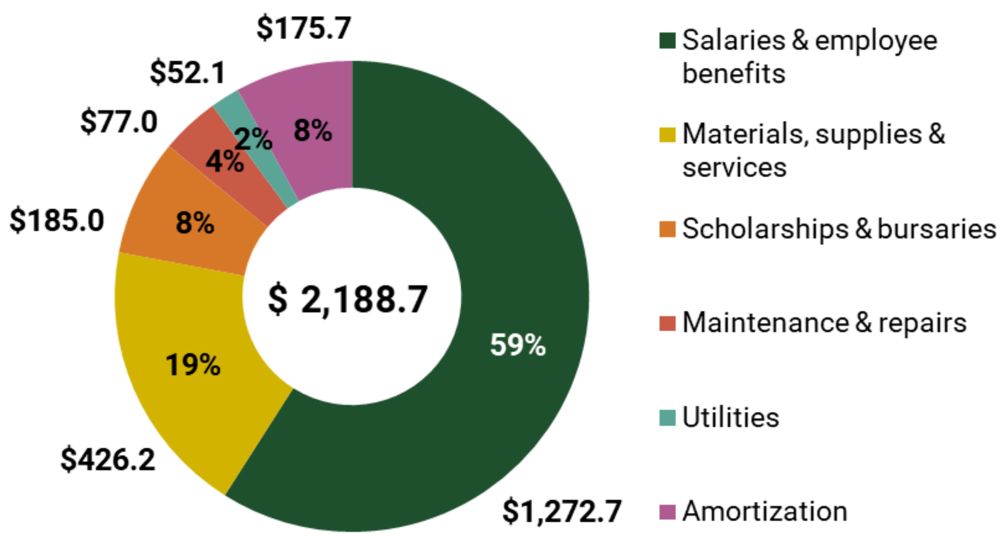
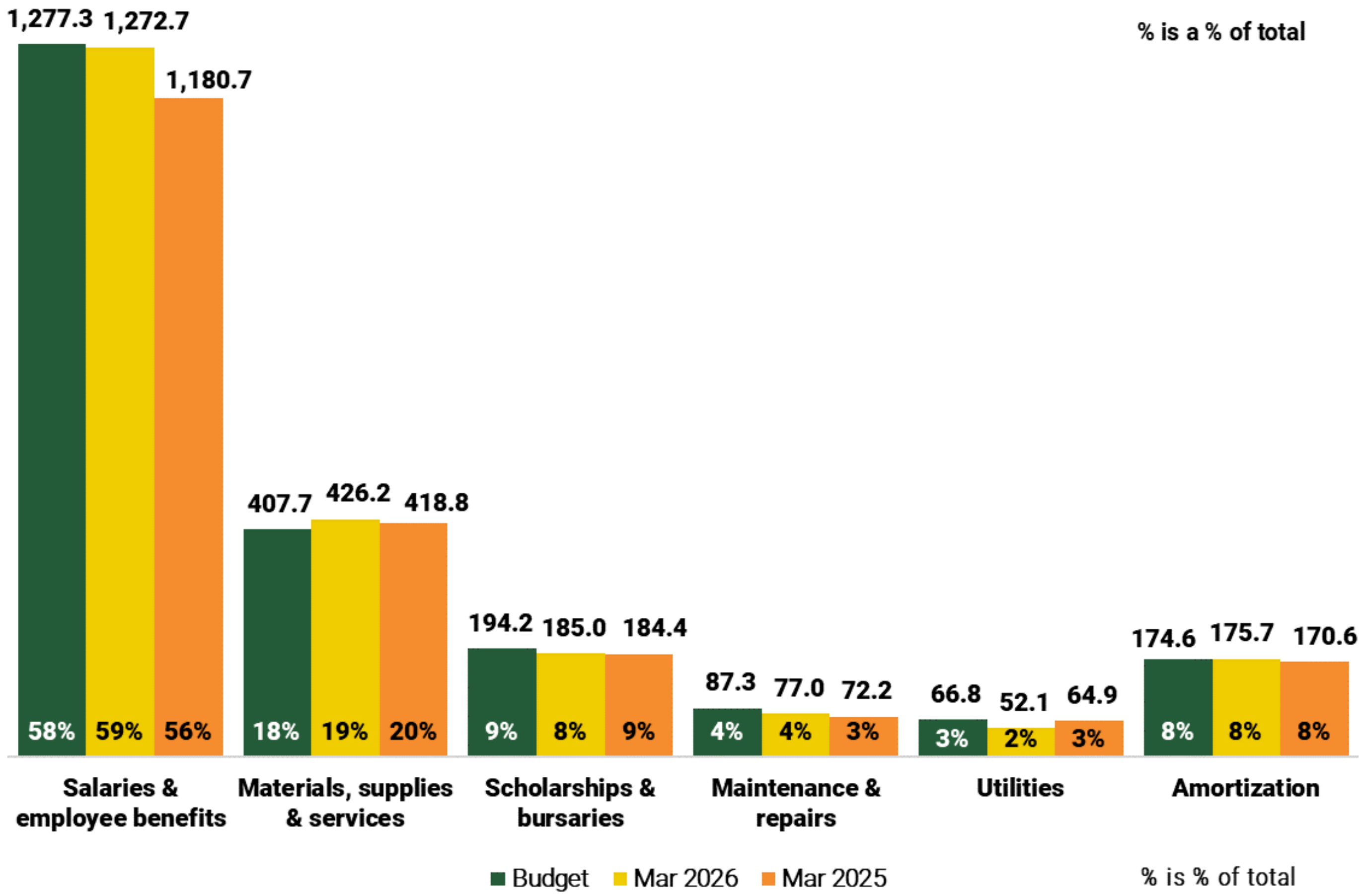


Figure 4. University of Alberta Expense - Comparison to Budget and Prior year



Salaries and Employee Benefits

Salaries and employee benefits totaled $1,272.7 million, an increase of $92.0 million over the prior year. The increase from the prior year was primarily due to across-the-board increases under both academic and support staff agreements, including retroactive across-the-board increases to July 1, 2024 and April 1, 2024 respectively. Salaries and employee benefits were comparable to budget.

Materials, Supplies and Services

Materials, supplies and services expenses totaled $426.2 million, an increase of $7.4 million over the prior year and $18.5 million more than budget. This increase from the prior year and budget was mainly due to increased spending on approved carryforward initiatives, increased investment management fees and increased professional service fees.

Scholarships and Bursaries

Scholarships and bursaries of $185.0 million were $0.6 million more than the prior year and $9.2 million less than budget. The decrease from budget was due to timing differences in the distribution of endowment-funded and tuition-supported awards, including those related to exceptional tuition increases (ETI).

Maintenance and Repairs

Maintenance and repairs of $77.0 million was comparable to the prior year with an increase of $4.8 million and was $10.3 million less than budget. The decrease from budget was mainly due to the timing of progress of various Capital Maintenance and Renewal (CMR) supported projects.

Utilities

Utilities of $52.1 million was $12.8 million lower than the prior year and $14.7 million less than budget. The decrease over the prior year and from budget were due to a facility-specific benchmark rate granted by the GoA that significantly reduced carbon levy costs for heat exports by the university's district energy system.

Amortization

Amortization of $175.7 million was $5.1 million more than the prior year mainly due to the amortization of various buildings, utilities, equipment and furnishings. Amortization expenses were comparable to budget.

Expense by Function

Figures 5 and 6 provide a breakdown of the University's expense by function.

Figure 5. University of Alberta Expense by Function - March 2026

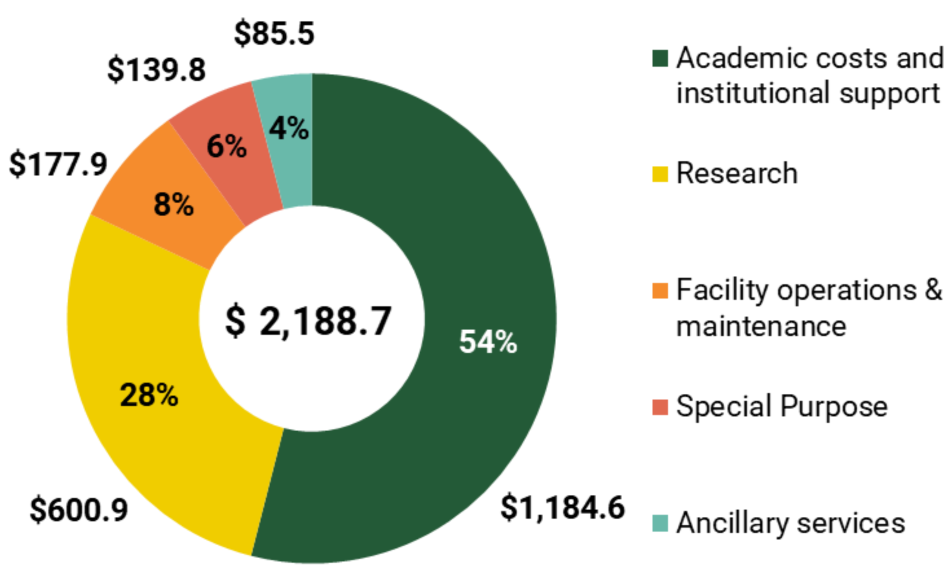
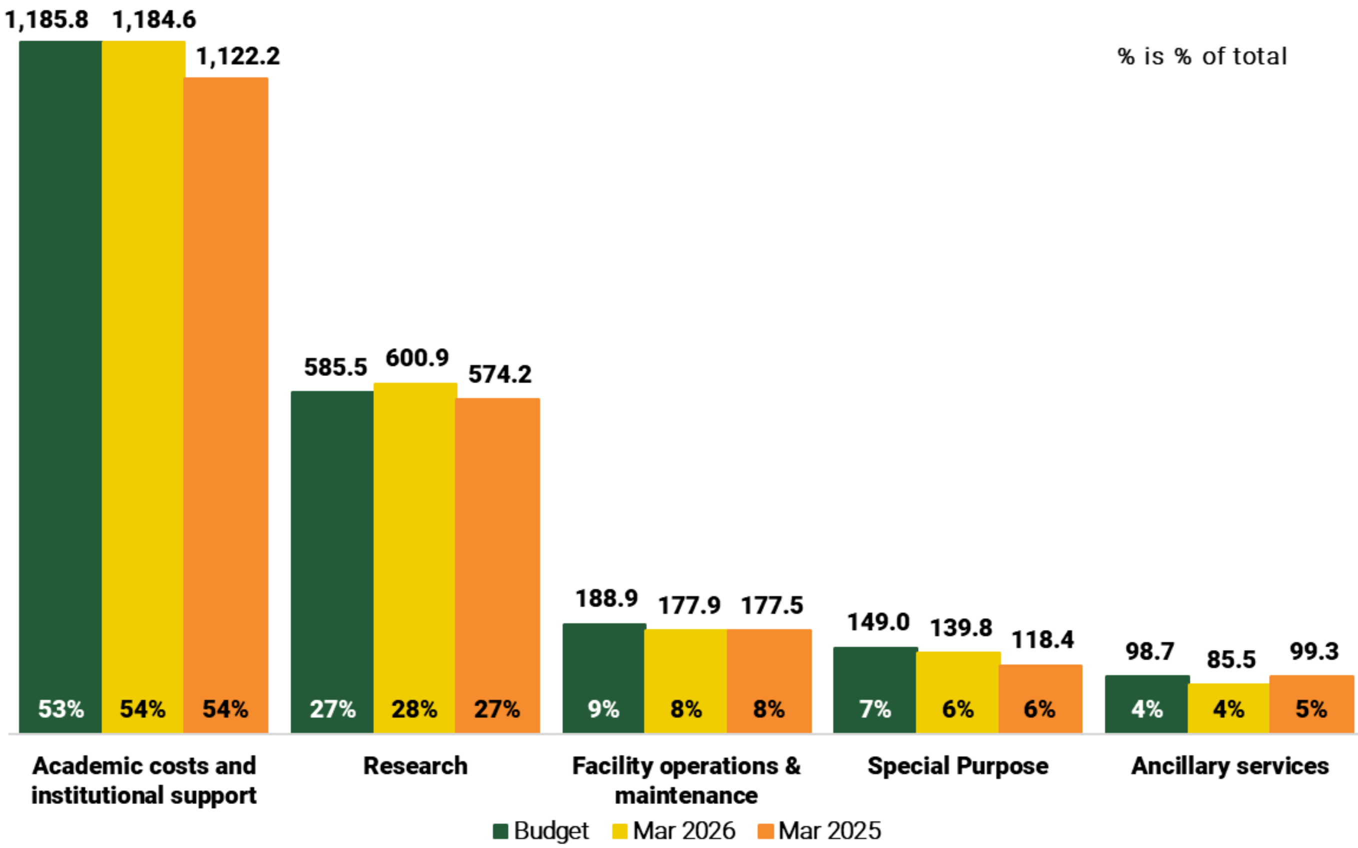


Figure 6. University of Alberta Expense by Function - Comparison to Budget and Prior year



Academic Costs and Institutional Support

Academic costs and institutional support expenses effectively represent the operating activities of the University. A significant component of this category is salary and employee benefit costs. Expenses for this category of $1,184.6 million were $62.4 million more than the prior year mainly due to increases in salaries and benefits due to the academic and support staff collective agreement settlements. Academic costs and institutional support expenses were comparable to budget.

Research

Research expenses are funded by restricted grants and donations along with internal funds designated for research-related activities. Research expenses of $600.9 million were $26.7 million more than the prior year and $15.4 million more than budget mainly due to increased research activity, which includes increased salaries and benefits from the staff collective bargaining settlements; there is no one individually significant project to note.

Facility Operations and Maintenance

Facility operations and maintenance represent the cost of maintaining the University's facilities and grounds. Facility operations and maintenance expense of $177.9 million was comparable to the prior year with an increase of $0.4 million. Facility operations and maintenance expense was $11.0 million less than budget, mainly due to the timing of progress of various CMR supported projects.

Special Purpose

Special purpose expenses are for student awards, bursaries, other programs involving teaching and learning and community service specifically funded by restricted grants and donations. Special purpose expense of $139.8 million was $21.4 million more than the prior year. The increase is mainly due to costs associated with the Rural Medical Education Program Training Centre and MD Program Seat Expansion programs, which include increases in salaries and benefits due to the academic and support staff settlements. Special purpose expenses were $9.2 million less than budget with no one individually significant project.

Ancillary Services

Ancillary services include the University's bookstore, parking services, utilities and student residences. Ancillary services expense of $85.5 million was $13.8 million less than the prior year and $13.2 million less than budget. These decreases from the prior year and from budget are due to the reduced carbon levy costs for heat exports by the university's district energy system.

Capital Acquisitions

The University expended $123.1 million (2025: $162.6 million) on construction and other tangible and intangible capital assets acquisitions.

The most significant construction and capital asset acquisitions in 2026 continue to be:

- University Commons Renewal and Repurpose (formerly Dentistry and Pharmacy): a multi-year project to renovate the building (in use);
- Biological Sciences Building Z Wing Laboratory Renovation: a three-year project to transform the space into a wet laboratory;
- District Energy System: a multi-year project to upgrade the capacity of the district energy system to service the needs of the greater campus area;
- Life Sciences Innovation and Future Technologies (LIFT) Centre: a multi-year project to transform the Biological Sciences Building to the LIFT Centre; and
- Universiade Pavilion (commonly known as the Butterdome): a multi-year project to upgrade this facility with sustainable features, a renewed exterior, and improved safety.

Net Assets and Net Financial Assets / Net Debt

Net Assets

The net asset balance is an important indicator of financial health for the University. The net assets measure provides the economic position of the University from all years of operations. The University's net assets include endowments of $2,090.2 million. Endowments represent contributions from donors that are required to be maintained in perpetuity, as well as capitalized investment income that is also required to be maintained in perpetuity to protect the future economic value of the endowment. Endowments are not available for spending. Of the remaining $991.5 million in net assets, $448.1 million represents funds invested in tangible capital assets and purchased intangibles. Figure 7 and Table 1 below provide a breakdown of the University's net assets.

Figure 7. University of Alberta Net Assets - March 2026

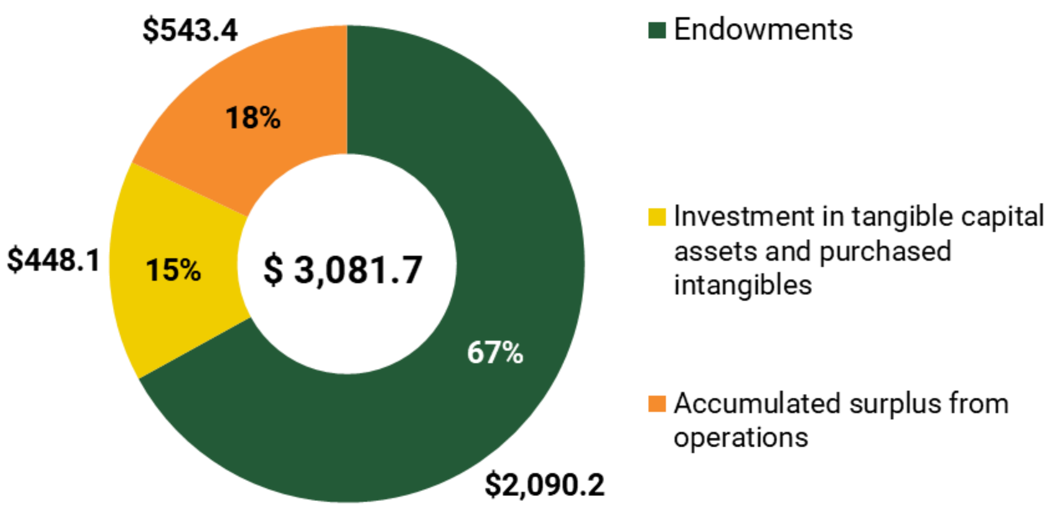


Table 1. University Net Assets (millions)

	Unrestricted	Internally Restricted	Investment in Tangible Capital Assets and Purchased Intangibles	Endowments	Total
Net Assets, Beginning of Year	**$ 316.4**	**$ 171.4**	**$ 461.2**	**$ 1,913.0**	**$ 2,862.0**
Annual Operating Surplus	10.8	-	-	-	10.8
Transfer to Internally Restricted	(32.0)	32.0	-	-	-
Transfer from Internally Restricted	71.6	(71.6)	-	-	-
Endowments Contributions and Capitalized Income	-	-	-	104.9	104.9
Transfer to Endowment	(0.7)	-	-	0.7	-
Tangible Capital Assets and Purchased Intangibles	(13.1)	-	13.1	-	-
Change in Accumulated Remeasurement Gains	32.4	-	-	71.6	104.0
Increase (Decrease)	**95.2**	**(39.6)**	**(13.1)**	**177.2**	**219.7**
Net Assets, End of Year	**$ 411.6**	**$ 131.8**	**$ 448.1**	**$ 2,090.2**	**$ 3,081.7**

The increase in unrestricted net assets is mainly due to net transfers from the internally restricted reserve ($39.6 million), current year remeasurement gain on investments ($32.4 million), funding for tangible capital assets ($13.1 million) and the operating surplus ($10.8 million), offset by funds capitalized to endowment principal ($0.7 million).

The decrease in investment in tangible capital assets and purchased intangibles of $13.1 million consists of amortization ($73.2 million), change in asset retirement obligations ($1.6 million), offset by the change in debt financing ($17.1 million) and current year additions ($44.6 million). The additions include construction projects, equipment, furnishings, computer hardware/software and library resources.

The increase in endowments of $177.2 million is due to new contributions and capitalized investment income ($104.9 million), an increase in fair value ($71.6 million) and board-approved transfers from unrestricted net assets ($0.7 million).

The University's *UEP Spending Policy* provides for an annual spending allocation to support a variety of key initiatives in the areas of academic programs, chairs and professorships, scholarships, bursaries and research. During the year, the University's investment income earned from endowment investments was $171.1 million. This was sufficient to fund the annual spending allocation of $65.2 million along with the investment management and administration fees of $26.9 million. This left $79.0 million that was capitalized to endowment net assets as it was not required to meet the University's spending allocation obligations.

As at March 31, 2026, the market value of the NEIP yield and return-seeking investments exceed their underlying obligations (cost) by $535.0 million or 68.0%. Of this amount, $131.8 million in realized gains have been set aside in internally restricted reserves. The purpose of the investment income reserve is to create a buffer for risk management purposes, that is, to ensure that all future financial obligations can be fulfilled in the event of unplanned liquidity requirements and significant investment losses occurring concurrently. The policy target is for the market value of these investment strategies to exceed the underlying obligations (investment cost) by 17%, currently $134.0 million, which allows for fluctuations in capital and equity markets to the degree experienced during the financial crisis in 2008-09. Since the policy target is currently being met, appropriations to the Strategic Initiatives Fund (SIF) to support long-term institutional goals can be made. A breakdown of reserves can be seen in Table 2.

Table 2. University Investment Income and Strategic Reserves

	2026	**2025**
Investment Income Reserve	$ 69.0	$ 92.0
Strategic Initiatives	62.8	79.4
Total Reserves, End of Year	**$ 131.8**	**$ 171.4**

As per the *University Funds Investment Policy,* all realized NEIP earnings not required for current budget purposes will be reinvested to build an investment income reserve. In the current year, this amounts to $32.0 million.

The University's internally restricted reserve of $131.8 million decreased $39.6 million. The decrease is due $71.6 million transferred at the start of the 2025-26 year from the SIF towards various board-approved one-time projects, offset by the current year reinvestment of $32.0 million.

Of the total reserve, $69.0 million remains in the investment income reserve, made up of the $32.0 million reinvestment less the board approved $55.0 million appropriated to SIF. The SIF reserve of $62.8 million decreased from the prior year by $16.6 million, due to the $71.6 million transfer out at the start of the year to support various strategic initiatives in accordance with the *University Funds Investment Policy*, net the current year $55.0 million appropriation from the investment income reserve.

Net Financial Assets (Net Debt)

The University's liquidity needs are met primarily through operating cash flows, working capital balances and capital expansion funding received through grants or long-term debt. Net financial assets (net debt) is a measure of an organization's ability to use its financial assets to cover liabilities and fund future operations.

The net financial assets position (excluding portfolio investments restricted for endowments) indicates that the University has a $81.9 million financial excess. The excess can be attributed to the accumulated operating surplus (unrestricted and internally restricted) of $543.4 million, offset by tangible capital assets and purchased intangibles acquired by debt financing of $272.3 million, asset retirement obligations of $175.0 million and the incurrence of prepaid expenses of $14.2 million. Net financial assets (excluding portfolio investments restricted for endowments) increased $71.7 million from the prior year mainly due to increased investments not restricted for endowments and a decrease in employee future benefit liabilities.

Areas of Significant Financial Risk

Fiscal Uncertainty

The provincial base operating grant is the primary source of funding for the University's day-to-day operating activities. Government base operating support had a small increase of $13.1 million. Grants, tuition and other revenue-generating initiatives are constrained keeping pressure on the University's finances. The impact on the University's revenue of a 1% change to the base operating grant is $4.5 million, and a 1% change to domestic tuition is $2.6 million.

Unfunded Pension Liability

The University, along with other Alberta post-secondary institutions, participates in the Universities Academic Pension Plan (UAPP) to provide pensions for the University's participating employees. The UAPP is in a $612.7 million surplus, consisting of a post-1991 surplus of $1,428.7 million offset by a pre-1992 deficit of $816.0 million. The unfunded pre-1992 deficiency in the UAPP is currently being funded by a combination of employee and employer contributions and the GoA. The pre-1992 deficiency is required to be eliminated by 2043.

As at March 31, 2026, based on actuarial assumptions, the University has recorded a UAPP employee future benefit liability of approximately $9.6 million which consists of the University's share of UAPP's funded status of $209.1 million, less unamortized actuarial gains of $218.7 million.

The impact of changes in key actuarial assumptions on the University's share of the UAPP deficiency, as measured following PSAS, is as follows: a 1% increase in the inflation rate assumption would increase the deficiency by approximately $88.0 million and a 1% increase in the salary escalation assumption would result in a $30.0 million increase. Conversely, a 1% decrease in the discount rate assumption would lead to an increase in the deficiency of approximately $208.0 million.

Deferred Maintenance

As the largest and oldest post-secondary institution in the province, the University's deferred maintenance obligations continue to increase. The deferred maintenance liability is estimated to be approximately $1.5 billion by 2031, with a Facility Condition Index (FCI) of 0.12 for Supported and Campus Services buildings. An FCI below 0.15 indicates that buildings are, on average, in "good" condition. Note that this is an average and that the University has some buildings in "poor" condition that continue to require investment into infrastructure renewal, as well as some buildings in "good" condition. As of March 2026, $175.0 million of this liability is recorded in the University's financial statements due to the Asset Retirement Obligation accounting standard.

The University continues to identify and address priority deferred maintenance issues through joint renewal and repurposing projects to maintain the functionality of our building inventory. This is also being done in the context of achieving our facility and space optimization objectives, which are underpinned by the Integrated Asset Management Strategy.

In fiscal 2026, the GoA provided a CMR Grant ($34.9 million; year 2 of 3) as part of a 3-year agreement that is a main source of funding in addressing the deferred maintenance liability. During the year, the GoA amended the total of this grant agreement to $87.3 million over 3 years. $17.5 million is remaining in the agreement.