



UNIVERSITY
OF ALBERTA

Consolidated Financial Statements: Discussion & Analysis

For the year ended March 31, 2026



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

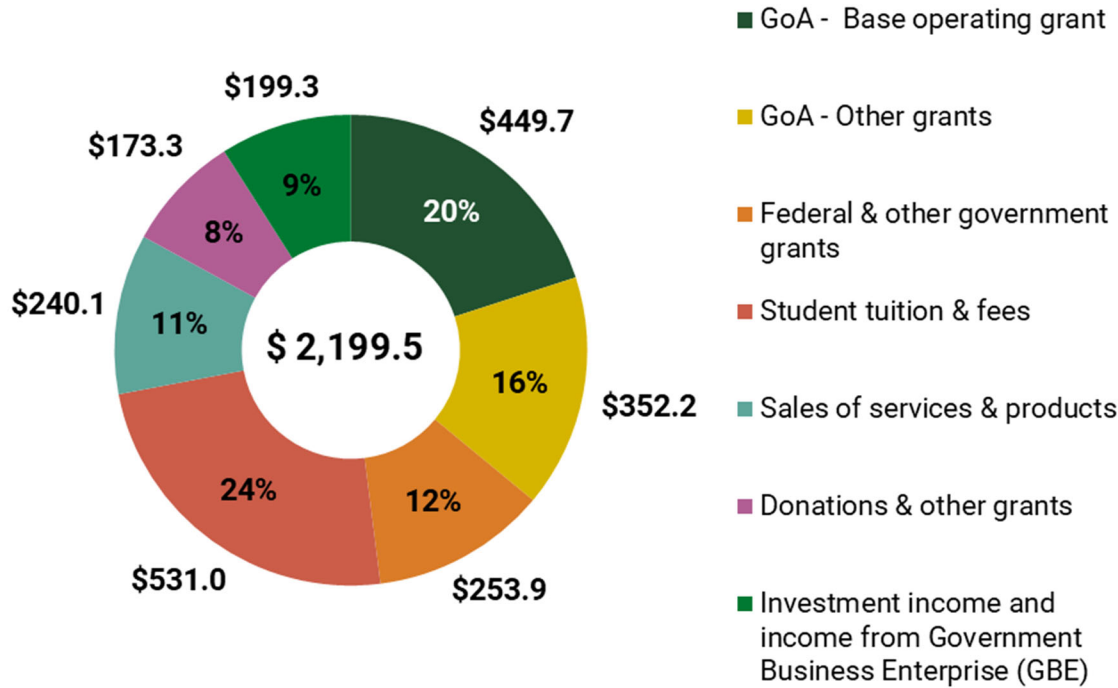
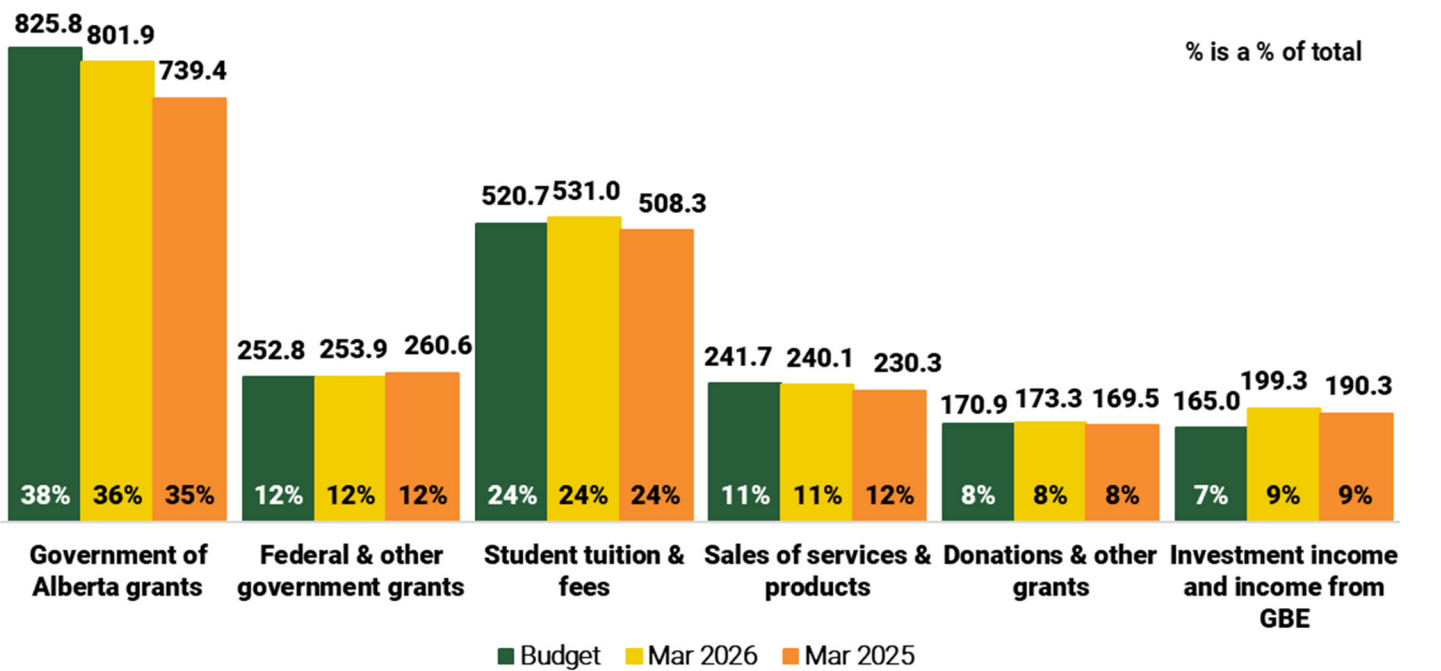


Figure 2. University of Alberta Revenue - Comparison to Budget and Prior year



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 \$240.1 million, an increase of \$9.8 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. (UAPTl)}, 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, UAPTl, 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

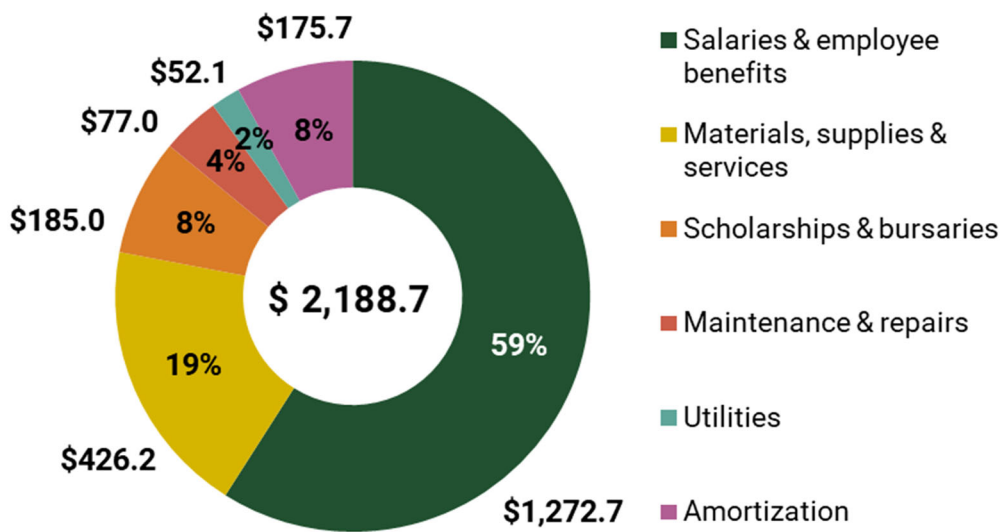
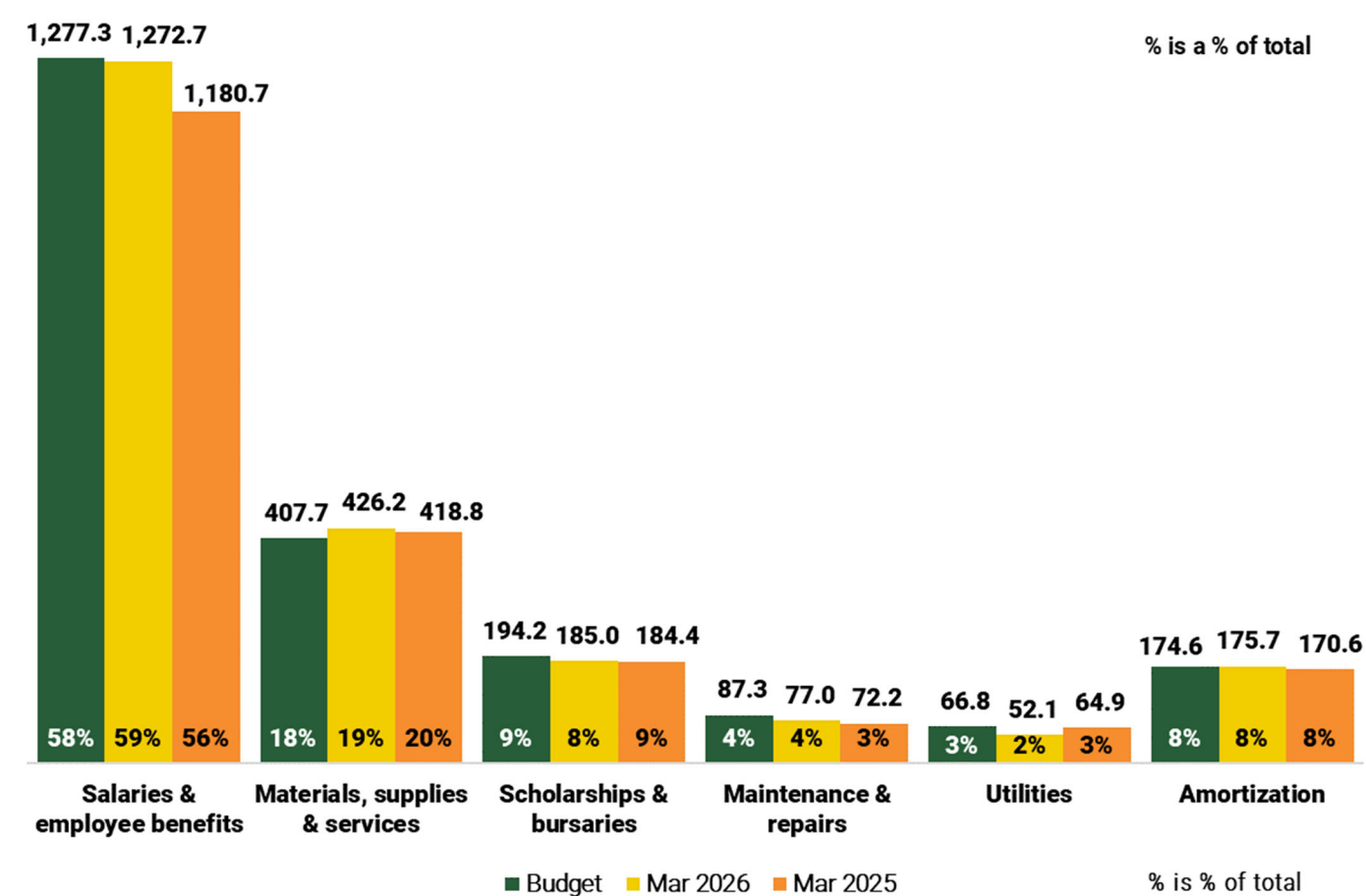


Figure 4. University of Alberta Expense - Comparison to Budget and Prior year



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

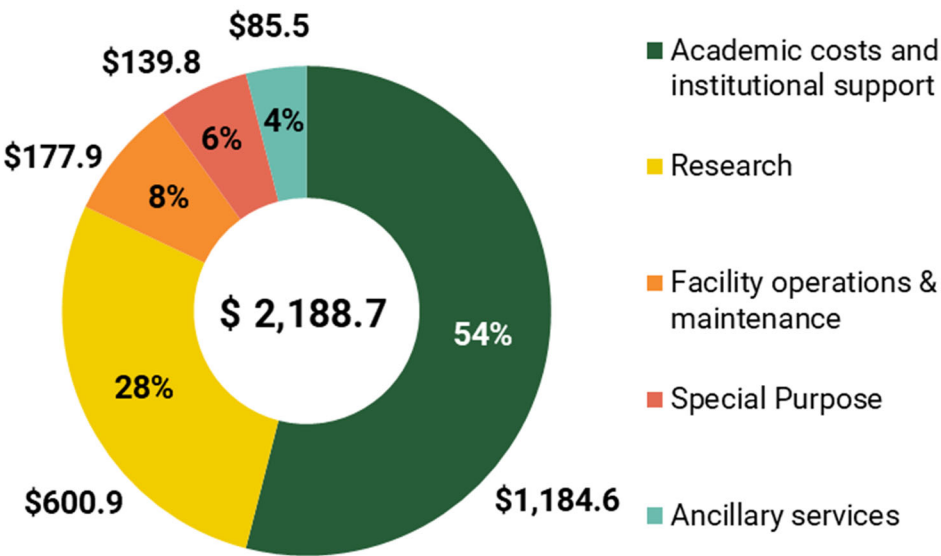
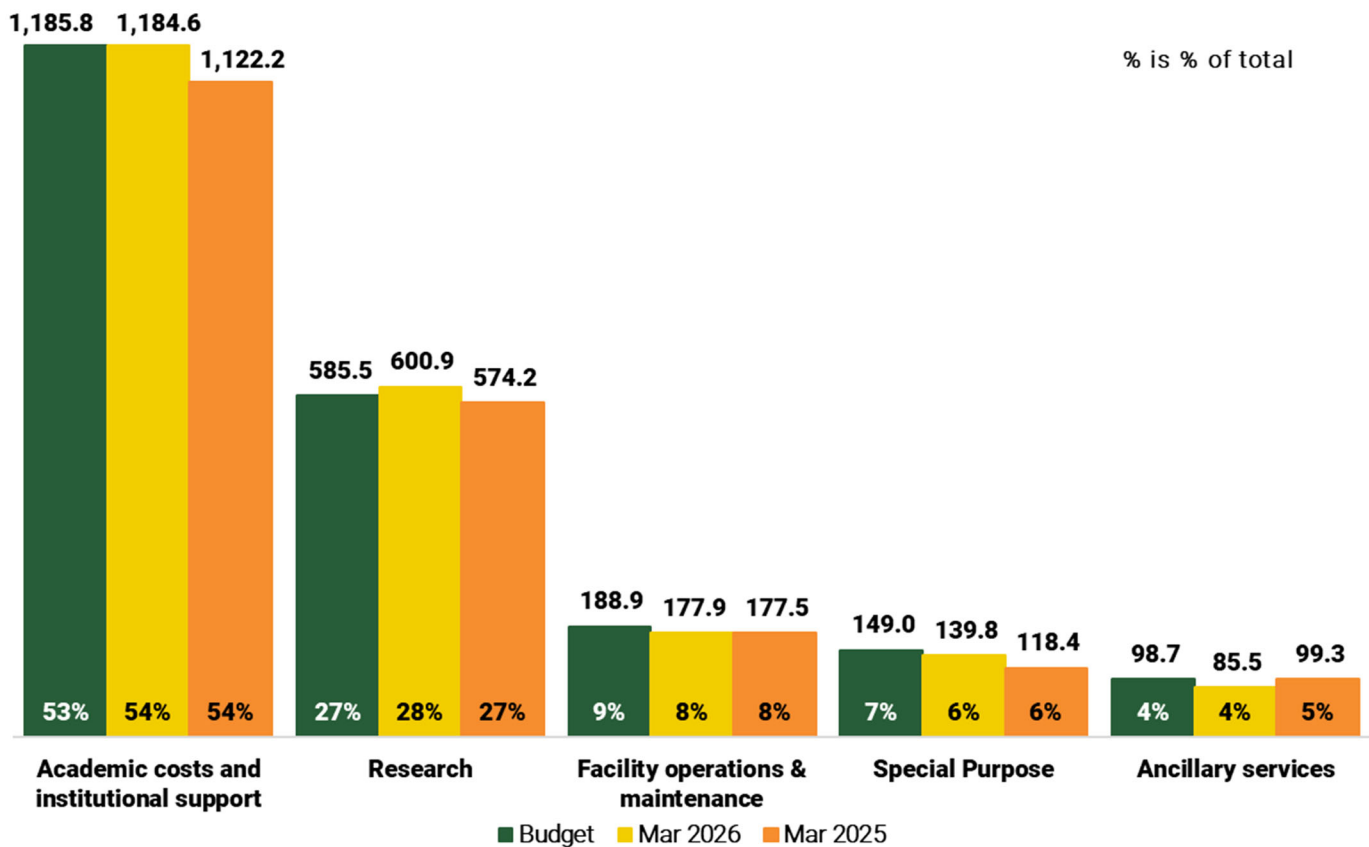


Figure 6. University of Alberta Expense by Function - Comparison to Budget and Prior year



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

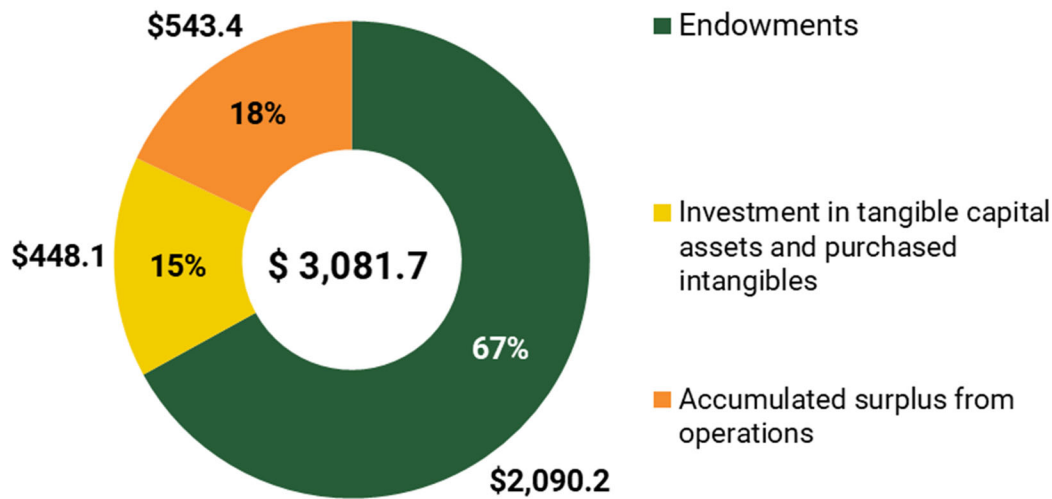


Table 1. University Net Assets (millions)

	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 prior year balance of \$92.0 plus \$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.