The following Motions and Documents were considered by the Board of Governors during the Open Session of its Monday, May 30, 2022 meeting:

Agenda Title: **Management's Annual Audited Financial Statements (Draft) and review Financial Statement Discussion and Analysis (Draft)**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Audit and Risk Committee, approve the Audited Consolidated Financial Statements for the year ended March 31, 2022, as set forth in Attachment 2.

Final Item: 2

Item No. 2

Governance Executive Summary
Action Item

Agenda Title	**Management's Annual Audited Financial Statements (Draft) and review Financial Statement Discussion and Analysis (Draft)**

Motion

THAT the Board of Governors, on the recommendation of the Board Audit and Risk Committee, approve the Audited Consolidated Financial Statements for the year ended March 31, 2022, as set forth in Attachment 2.

Item

Action Requested	☒ Approval ☐ Recommendation
Proposed by	Todd Gilchrist, Vice-President (University Services and Finance)
Presenter(s)	Todd Gilchrist, Vice-President (University Services and Finance); Martin Coutts, Associate Vice-President (Finance, Procurement and Planning)

Details

Responsibility	Office of the Vice-President (University Services and Finance)
The Purpose of the Proposal is (*please be specific*)	To recommend to the Board the approval of the audited Consolidated Financial Statements as required by the *Post-Secondary Learning Act.*
Executive Summary (*outline the specific item – and remember your audience*)	Draft Financial Statement Discussion and Analysis (Attachment 1) is provided for review. Draft Audited Financial Statements (Attachment 2) are provided for approval. The university ended the year with an annual consolidated surplus of $153.6 million. Of this amount $23.3 million are donations directed to endowments and endowment capitalized investment income and therefore are not available for spending. The annual operating surplus was $130.3 million, which is 6.9% of total revenue (budgeted annual operating surplus: $3.2 million; 0.2% of total revenue). The increase of $94.8 million from the prior year annual operating surplus of $35.5 million was primarily due to the gain on sale of tangible capital assets ($34.9, primarily sale of Newton Place), the recovery of the temporary endowment encroachment ($31.2) and higher investment income due to higher realized gains on the sale of investments ($28.5). Net assets of $2,566.3 million increased from the prior year (2021: $2,407.9). The increase is mainly due to an increase in the fair value of endowments along with the increase in the annual surplus.
Supplementary Notes / context	Following distribution of material on May 20, 2022, and with permission of the BARC and Board Chairs, University Services and Finance has made the following revisions to the attached documents: **Attachment 1: Financial Statement Discussion and Analysis:** 1. On page 3 of 13 in the Summary of Financial Results section, an additional paragraph has been added providing more detail on the $130.3 million operating surplus 2. On page 11 of 13 in the Net Assets section a paragraph has been added to provide some detail on how the $48.0 amount for the investment income reserve is derived.

	Attachment 2: Consolidated Financial Statements: 1. On the Statement of Operations (page 6) there is a note 12 reference added to the Gain on Sale of Tangible Capital assets 2. In Note 12 (page 23) there is a statement added referencing the nature of the gain on sale of capital assets. 3. In Note 23 (page 29) there is a statement added providing some information on how the $48,000 amount for the investment income reserve is derived

Engagement and Routing (Include meeting dates)

Consultation and Stakeholder Participation (parties who have seen the proposal and in what capacity)	*Those who are actively **participating**:* ● Todd Gilchrist, Vice-President (University Services and Finance) ● Martin Coutts, Associate Vice-President, Finance, Procurement and Planning ● Brian Boytang, Director, Financial Reporting
	*Those who have been **consulted**:* ● N/A
	*Those who have been **informed**:* ● N/A
Approval Route (Governance) (including meeting dates)	Board Audit and Risk Committee, May 30, 2022 (recommendation) Board of Governors, May 30, 2022 (final approver)

Strategic Alignment

Alignment with *For the Public Good*	*For the Public Good (Sustain):* *Sustain our people, our work, and the environment by attracting and stewarding the resources we need to deliver excellence to the benefit of all Albertans.* *OBJECTIVE 22: Secure and steward financial resources to sustain, enhance, promote, and facilitate the university's core mission and strategic goals.* *iii. Strategy: Ensure responsible and accountable stewardship of the university's resources and demonstrate to government, donors, alumni, and community members the efficient and careful use of public and donor funds.*	
Alignment with Institutional Risk Indicator	Please note below the specific institutional risk(s) this proposal is addressing.	
	☐ Enrolment Management ☐ Faculty and Staff ☒ Funding and Resource Management ☐ IT Services, Software and Hardware ☐ Leadership and Change ☐ Physical Infrastructure	☐ Relationship with Stakeholders ☐ Reputation ☐ Research Enterprise ☐ Safety ☐ Student Success
Legislative Compliance and jurisdiction	*Post- Secondary Learning Act*, sections 70,71 and 79 Audit and Risk Committee Terms of Reference, sections 2(a); 3(a)	

Attachments

1. Financial Statement Discussion and Analysis (Draft) - REVISED (11 pages)
2. Consolidated Financial Statements (Draft) - REVISED (33 pages) **– for approval**
    - Statement of Management Responsibility
    - Independent Auditor's Report
    - Consolidated Statement of Financial Position

- Consolidated Statement of Operations
- Consolidated Statement of Change in Net Financial Assets
- Consolidated Statement of Remeasurement Gains and Losses
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

Prepared by: Martin Coutts, Associate Vice-President, Finance, Procurement and Planning (martin.coutts@ualberta.ca)

Brian Boytang, Director, Financial Reporting, Finance, Procurement and Planning (brian.boytang@ualberta.ca)

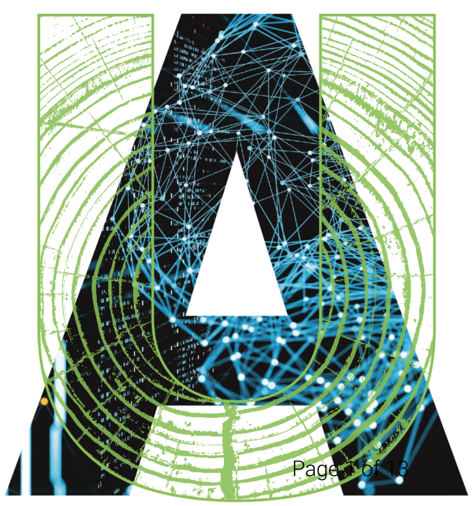
UNIVERSITY OF ALBERTA

Consolidated Financial Statements

Discussion & Analysis

DRAFT

For the year ended March 31, 2022



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The consolidated financial statement discussion and analysis should be read in conjunction with the University of Alberta audited financial statements. The university's financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. For more in-depth discussion and analysis of the university's goals and objectives please refer to the following documents:

For the Public Good, Investment Reports, Annual Report, University of Alberta for Tomorrow.
https://www.ualberta.ca/reporting
https://www.ualberta.ca/uofa-tomorrow/index.html

Summary of Financial Results

The consolidated financial statement discussion and analysis provides an overview of the university's:

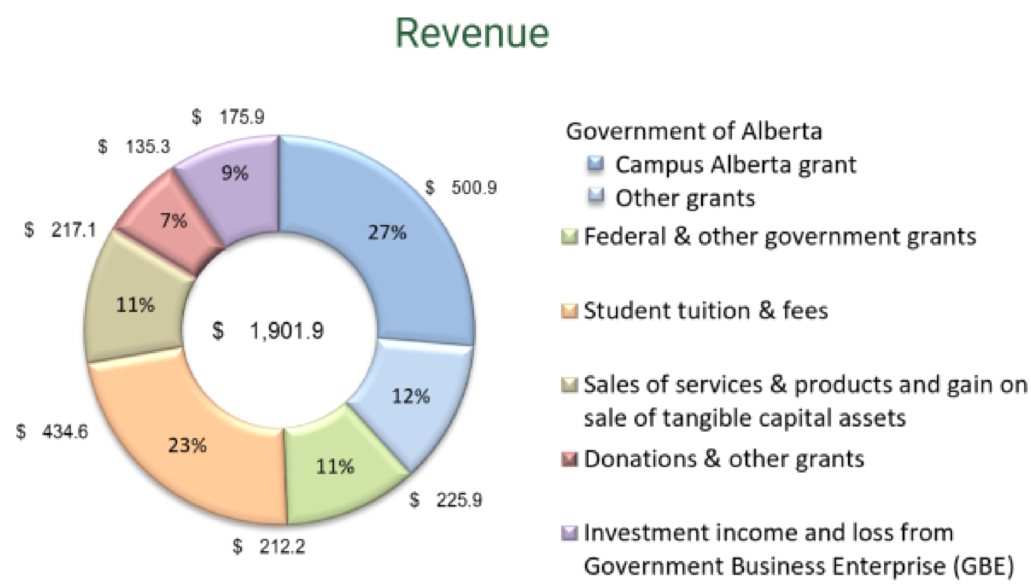
- Summary of Financial Results
- Revenue and Expense
- Capital Acquisitions
- Net Assets and Net Debt
- Areas of Significant Financial Risk

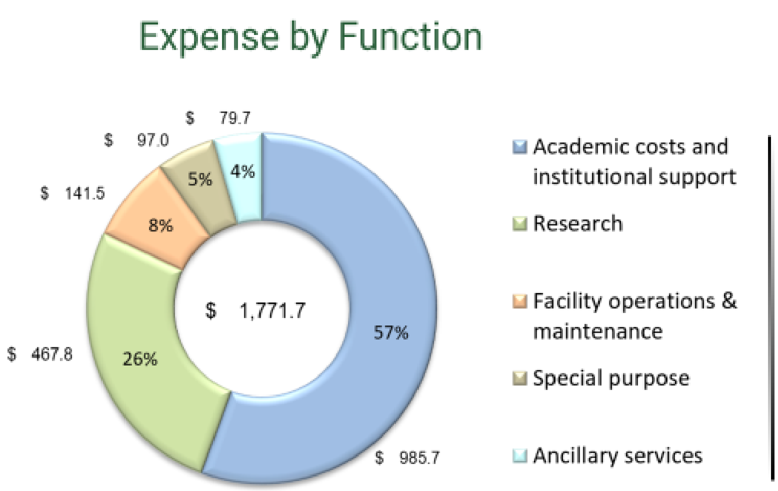
The university ended the year with an annual consolidated surplus of $153.6 million. Of this amount $23.3 million are donations directed to endowments and endowment capitalized investment income and therefore are not available for spending. The annual operating surplus was $130.3 million, which is 6.9% of total revenue (budgeted annual operating surplus: $3.2 million; 0.2% of total revenue). The increase of $94.8 million from the prior year annual operating surplus of $35.5 million was primarily due to the gain on sale of tangible capital assets ($34.9, primarily sale of Newton Place), the recovery of the temporary endowment encroachment ($31.2) and higher investment income due to higher realized gains on the sale of investments ($28.5).

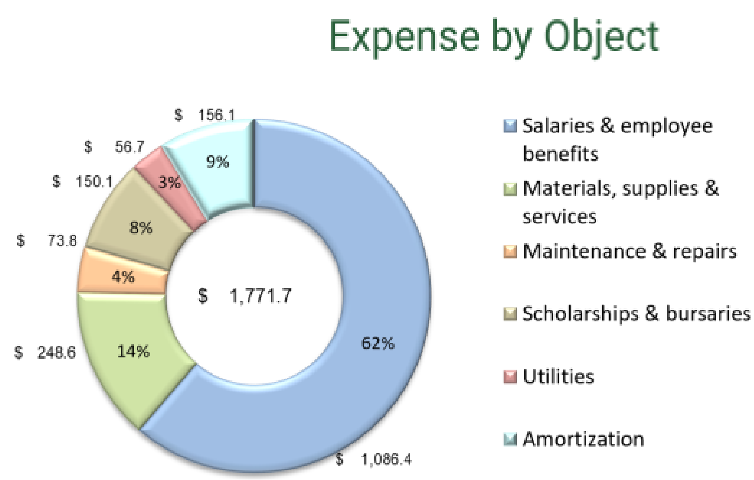
Most of the annual operating surplus amount of $130.3 million is not available to the university to fund current year activities. The gain on sale of tangible capital assets is designated to cover operating losses incurred by ancillary operations over the past two fiscal years due to the Covid-19 pandemic. The recovery of the temporary endowment encroachment must be used to repay endowment principal that was used to cover endowment expenditures from the past two fiscal years when insufficient investment income was earned to cover the expenditures. This repayment is per university policy. On the higher investment income due to realized gains, per university policy $48.0 million is transferred to an internally restricted investment income reserve which ultimately will be used in part to fund approved strategic initiatives. This amount is not available to fund day to day operations. When these factors are considered this leaves about $16.2 million available, in carry forwards, for day to day operations. Of this amount, $9.0 million has been used to fund the lump sum ratification payment on the NASA collective agreement reached on March 31, 2022.

Net assets of $2,566.3 million increased from the prior year (2021: $2,407.9). The increase is mainly due to an increase in the fair value of endowments along with the increase in the annual surplus.

The following figures provide an overview of the university revenue, expensive by object, and expense by function.



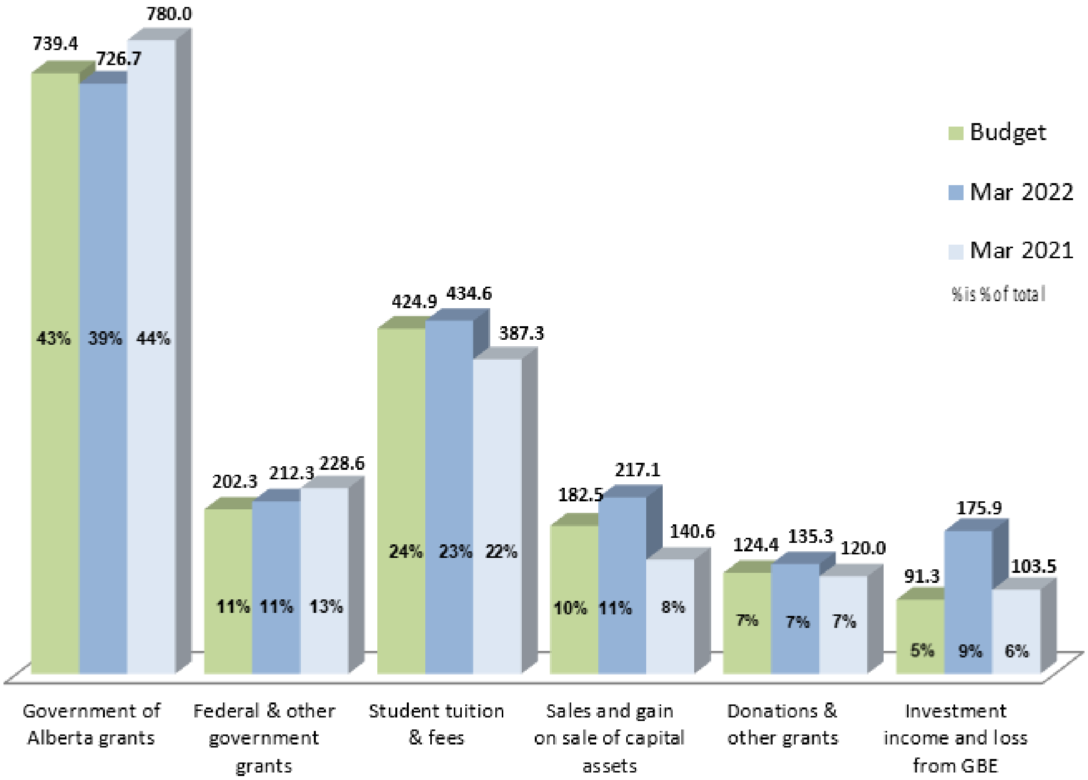




Revenue

Total revenue for the year was $1,901.9 million, an increase of $141.9 million over the prior year and $137.1 million (7.8%) more than budget.

Figure 1. University of Alberta Revenue



Government of Alberta Grants

Government of Alberta (GoA) grants represent the single largest source of funding for university activities at 39% of total revenue. GoA grant revenue of $726.7 million was $53.3 million lower than prior year and $12.7 million lower than budget. The decrease over prior year is mainly due to a 10.7 percent reduction in the Campus Alberta operating grant ($60.1 million). This was partially offset by higher revenue recognized on restricted funded projects due to increased research activity as staff slowly returned to campus. The decrease compared to budget is mainly due to lower spending on restricted funded projects.

Federal and Other Government Grants

Federal and other government grants primarily support the university's research activities. Federal and other government grants revenue of $212.3 million was $16.3 million lower than prior year and $10.0 million higher than budget. The decrease over prior year was mainly due to lower current year funding for COVID-19 research. The increase compared to budget is due to increased research funding from the Canada Foundation for Innovation (a Government of Canada agency).

Student Tuition and Fees

Student tuition and fees includes instructional fees, market modifiers, program differential fees, international student fees, and mandatory non-instructional fees. Student tuition and other fees revenue of $434.6 million was $47.3 million higher than prior year and $9.7 million higher than budget. The increase over prior year was mainly due to an increase of $34.2 million in the international program-based fee model and $10.0 million (7.0%) in domestic tuition along with an increase of 4.0% in international differential tuition fees. The increase compared to budget is mainly due to higher than budgeted student enrolment.

Sales of Services and Products / Gain on Sale of Tangible Capital Assets

Sales of services and products revenues are generated by ancillary services and faculties and administrative units to both individuals and external organizations to support university activities. Sales of services and products revenue of $217.1 million includes a gain on the sale of tangible capital assets of $34.9 million. Revenue was $76.5 million higher than prior year and $34.6 million higher than budget. The increase over prior year was mainly due to the gain on the sale of tangible capital assets and higher ancillary revenues related to residences and parking services. The increase compared to the budget was mainly due to the gain on the sale of tangible capital assets, which was not budgeted.

Donations and Other Grants

Donations and other grants support many university activities. Donations and other grants revenue of $135.3 million was $15.3 million higher than prior year and $10.9 million higher than budget. The increase over prior year and when compared to budget is mainly due to higher donations received for restricted research projects.

Investment Income and Loss from Government Business Enterprises (GBE)

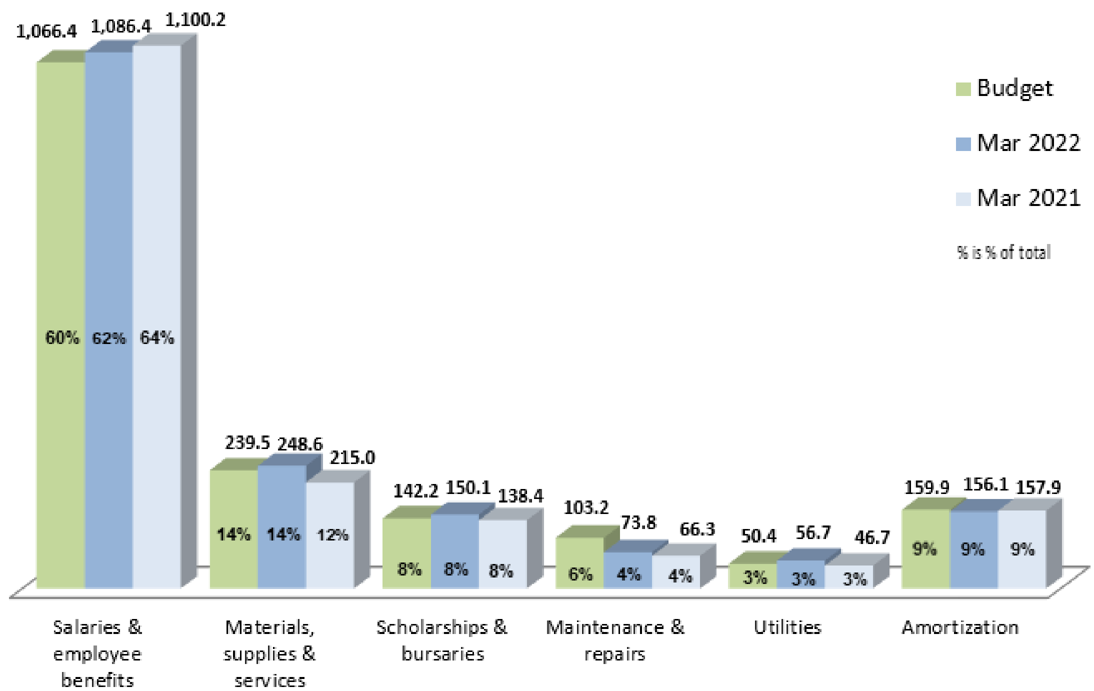
Investment income supports many university activities, both operating activities and a reserve for strategic and other initiatives. Investment income revenue, including the loss from GBE, of $175.9 million was $72.4 million higher than prior year and $84.6 million higher than budget. The increase over prior year and the favorable to budget was due to higher realized gains on disposal of investments and the recovery of the temporary endowment encroachment. Investments fall into two categories, the University Endowment Pool (UEP) and the Non-Endowed Investment Pool (NEIP). The UEP had a return of 9.5% (2021: 29.2%) and represents the majority of the university's long-term investment strategy. The NEIP investments which are allocated to short-term, mid-term and long-term investment strategies had a return of 4.2% (2021: 12.4%). In 2015 the university established a wholly owned government business enterprise, University of Alberta Properties Trust Inc. to act as trustee for the University of Alberta Properties Trust. During the year, the trust recorded a loss of $0.6 million.

Expense

Total expense for the year was $1,771.7 million, an increase of $47.2 million over the prior year and $10.1 million (0.6%) more than budget. Salaries and employee benefits are the single largest expense representing 62% of total expense. Overall, the increase in expenses can be attributed to an increase in materials and supplies and maintenance as staff slowly return to campus from working remotely.

Expense by Object

Figure 2. University of Alberta Expense



Salaries and Employee Benefits

Salaries and employee benefits of $1,086.4 million was $13.8 million less than prior year and $20.0 million more than budget. The decrease over prior year is mainly due to lower UAPP pension expense as a result of the decrease in the UAPP deficiency due to higher investment values. The increase compared to budget is mainly due to higher than budgeted salaries charged to research projects as research activity increased due to staff returning to campus.

Materials, Supplies and Services

Materials, supplies and services of $248.6 million was $33.6 million more than prior year and $9.1 million more than budget. The increase over prior year and when compared to budget is mainly due to higher materials and supplies in support of increased research activities as staff return to campus.

Scholarships and Bursaries

Scholarships and bursaries of $150.1 million was $11.7 million more than prior year and $7.9 million more than budget. The increase over prior year was due to an increase in undergraduate awards from operations and an increase in graduate awards funded by endowments and restricted grants. The increase over budget is mainly due to higher than budgeted awards from restricted funding (grants and endowments). It should be noted that while other areas of the university faced significant cost reductions due to the decrease in the GOA base operating grant, scholarships to students continued to see an increase. This aligns with the University's goal to attract and support undergraduate and graduate students.

Maintenance and Repairs

Maintenance and repairs of $73.8 million was $7.5 million more than prior year but $29.4 million less than budget. The increase over prior year was mainly due to renovation costs for Enterprise Square and the demolition of buildings in the Michener Park site to get it ready for new development. Maintenance and repairs was less than budget due to lower than budgeted work on several deferred maintenance projects funded by restricted capital grants.

Utilities

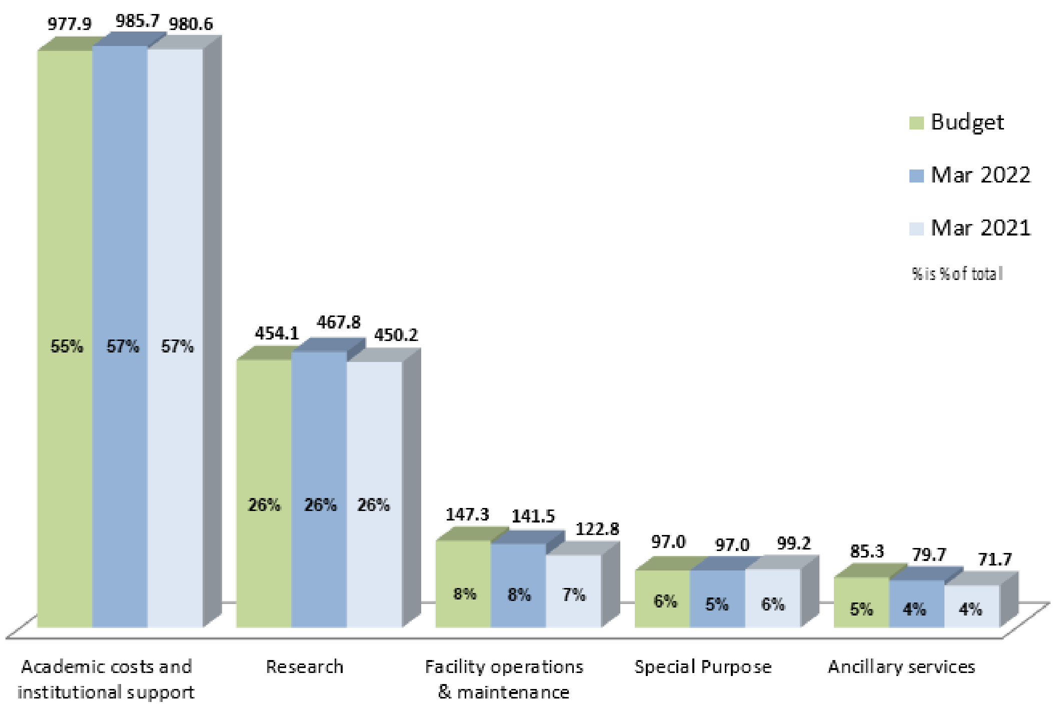
Utilities of $56.7 million was $10.0 million higher than prior year and $6.3 million higher than budget. The increase over prior year and the increase over budget was due to the higher than budgeted price for natural gas.

Amortization

Amortization of $156.1 million was $1.8 million less than prior year and $3.8 million less than budget. The decrease over prior year and the decrease over budget was mainly due to lower amortization expense for equipment and learning resources.

Expense by Function

Figure 3. University of Alberta Expense by Function



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 $985.7 million were $5.1 million more than prior year and $7.8 million more than budget. The variances are not significant and cannot be attributed to any particular event or expense.

Research

Research expenses are funded by restricted grants and donations along with internal funds designated for research related activities. Research expenses of $467.8 were $17.6 million more than prior year and $13.7 million more than budget. The decrease over prior year and the decrease over budget is mainly due to increased research activity on projects as staff began to return to campus as COVID-19 restrictions were reduced.

Facility Operations and Maintenance

Facility operations and maintenance represents the cost of maintaining university facilities and grounds. Facility operations and maintenance expense of $141.5 million was $18.7 million more than prior year and $5.8 million less than budget. The increase over prior year is mainly due to renovations to Enterprise Square and the demolition of buildings on the Michener Park site. The decrease over budget was mainly due to lower than budgeted deferred maintenance projects funded by restricted capital grants.

Special Purpose

Special purpose expenses are for student awards and bursaries and other programs involving teaching and learning, and community service specifically funded by restricted grants and donations. Special purpose expense of $97.0 million was $2.2 million less than prior year and comparable to budget. No one individually significant item is accountable for these variances.

Ancillary Services

Ancillary services include the university bookstore, parking services, utilities and student residences. Ancillary services expense of $79.7 million was $8.0 million more than prior year and was $5.6 million less than budget. The increase over prior year is mainly due to a return to activity on campus due to the gradual removal of COVID-19 restrictions. The decrease over budget is mainly due to lower than budgeted operating expenses for residences and parking services.

Capital Acquisitions

The university expended $197.1 million (2021: $187.7) on construction and other tangible capital asset acquisitions.

The most significant construction and capital asset acquisitions in 2022 are:

- University Commons Renewal and Repurpose (formerly Dentistry and Pharmacy) - a multi-year project to renovate the building.
- Lister Centre renewal – a multi-year project to upgrade three residence towers in the Lister Centre complex.

The university also sold two significant assets during the course of the year:

- Newton Place – a student residence tower
- Husfloen Centre – a building on Augustana Campus used for teaching purposes

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 $1,639.7 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 economic value of the endowment. Endowments are not available for spending. Of the remaining $926.6 million in net assets, $564.2 million represents funds invested in tangible capital assets.

Figure 4. University of Alberta Net Assets

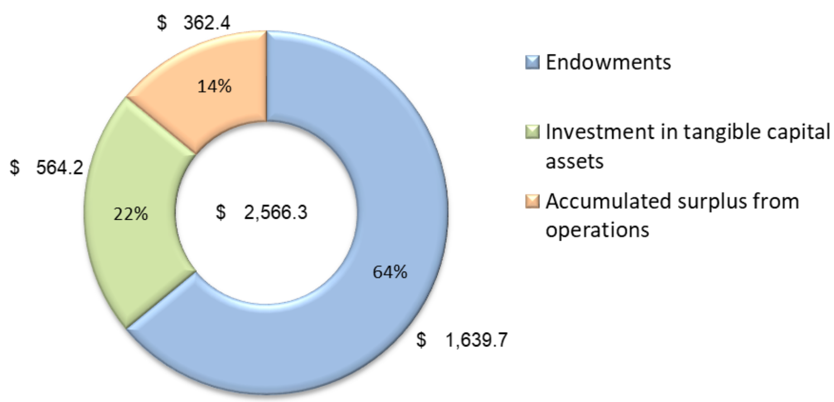


Table 1. University Net Assets	Unrestricted	Internally Restricted	Investment in Tangible Capital Assets	Endowments	Total
Net Assets, Beginning of Year	**$212.1**	**$55.0**	**$566.7**	**$1,574.0**	**$2,407.8**
Annual Operating Surplus	130.3	-	-	-	130.3
Transfer to Internally Restricted	(48.0)	48.0	-	-	-
Endowments Contributions and Capitalized Income	-	-	-	23.3	23.3
Transfer to Endowment	(0.6)	-	-	0.6	
Transfer to Endowments - Encroachment	(31.2)	-	-	31.2	
Tangible Capital Assets	2.5	-	(2.5)	-	-
Change in Accumulated Remeasurement Gains	(5.7)	-	-	10.6	4.9
Increase (Decrease)	**47.3**	**48.0**	**(2.5)**	**65.7**	**158.5**
Net Assets, End of Year	**$259.4**	**$103.0**	**$564.2**	**$1,639.7**	**$2,566.3**

The increase in unrestricted net assets is mainly due to the annual operating surplus ($130.3) and funding for tangible capital assets ($2.5), partially offset by transfers to the internally restricted reserve ($48.0), a transfer to recover the temporary endowment encroachment ($31.2), current year remeasurement loss on investments ($5.7), and a transfer capitalized to endowment principal ($0.6).

The university has an internally restricted reserve of $103.0 million, the current year transfer is $48.0 million. Of this amount $71.0 million is an investment income reserve while $32.0 million has been appropriated to a Strategic Initiatives Fund in support of various strategic initiatives in accordance with University Funds Investment Policy.

As per the University Funds Investment Policy, all realized Non-Endowed Investment Pool earnings not required for current budget purposes will be reinvested to build an investment income reserve. In the current year, this amounts to $48.0 million.

As at March 31, 2022 the market value of the Non-Endowed Investment Pool's yield and return seeking investments exceed their underlying obligations (cost) by $204 million or 24%. Of this amount, $103 million in realized gains have been set aside in internally restricted reserves; the remainder represents unrealized investment gains. 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 reserve target is 17% of the underlying obligations (investment cost), currently $147 million, which allows for fluctuations in capital and equity markets to the degree experienced during the financial crisis in 2008-09. Since the reserve target is currently being met, appropriations to a Strategic Initiatives Fund to support long-term institutional goals can be made. Details of the allocations can be seen in Table 2.

Table 2. University Investment Income and Strategic Reserves	**2022**	**2021**
Investment Income Reserve	$71.0	$55.0
Strategic Initiatives	$32.0	-
Total Reserves, End of Year	**$103.0**	**$55.0**

The decrease in investment in tangible capital assets of $2.5 million consists of additions ($68.8) and debt repayments ($19.3), less financing allocation ($26.8) and amortization ($63.8). These additions include construction projects, equipment, furnishings, computer hardware/software and library resources.

The university's endowment spending policy provides for an annual spending allocation (2022: $56.9; 2021: $55.8) to support a variety of key initiatives in the areas of academic programs, chairs and professorships, scholarships, bursaries and research. The increase in endowments of $65.7 million is due to an increase in fair value ($10.6), new contributions and capitalized investment income ($23.3), a transfer of miscellaneous sales revenue from unrestricted net assets ($0.6), and the recovery of the temporary endowment encroachment that funded prior year endowment expenditures ($31.2). During the year the university's investment income earned from endowment investments was $143.3 million (2021 - $70.7). This is sufficient to fund the annual spending allocation of $56.9 million (2021 - $55.8) along with the investment management and administration fees of $18.1 million (2021 - $19.4). The investment income earned was also sufficient to fund both the temporary endowment encroachment of the last two fiscal years of $31.2 million along with the unfunded spending allocation commitment of $31.4 million. This left $5.7 million that was capitalized to endowment net assets as it was not required to meet the university's spending allocation obligations.

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 $36.5 million surplus (2021: $48.8 deficiency). The surplus can be attributed to the accumulated operating surplus $362.4 million (2021 - $267.1), partially offset by the incurrence of prepaid expenses $12.1 million (2021 - $9.6) and tangible capital assets acquired by debt financing $313.8 million (2021 - $306.3). Net financial assets has increased mainly due to the annual surplus and unrealized gains on investments.

Areas of Significant Financial Risk

Fiscal Uncertainty

The Campus Alberta grant is the primary source of funding for the university's day-to-day operating activities. Government support continues to decline. The final cut to the operating grant will occur in fiscal 2022-23 and will be approximately $52 million. Grants, tuition and other revenue generation initiatives are largely under government control, which puts significant pressure on university finances. The impact to university revenue of a 1% change to the Campus Alberta base operating grant is $4.9 million and a 1% change to domestic tuition is $2.1 million.

In response to the pressures on provincial funding, during the year the university successfully completed the implementation of its major structural reorganization under the U of A for Tomorrow initiative. This two pronged reorganization strategy consists of both academic and administrative restructuring. It is expected that the restructuring will result in administrative efficiencies and will see overall cost savings of approximately $127 million.

The COVID-19 pandemic continues to have an impact in how the university conducts its operations. The university returned to in-person delivery of most instructional courses to students at the end of February 2022. This also meant the return to campus of staff who support the delivery of services to students. Other staff will return to campus in a phased approach during the remainder of 2022. With the return to campus the university saw improvement in its ancillary revenues – mainly in residences and parking services. The university also saw an increase in materials and supplies expenses as staff returned to campus. The liquidity position of the university remains strong so there are no immediate cash flow concerns due to the impact of the COVID-19 pandemic.

Unfunded Pension Liability

The university participates with other Alberta post-secondary institutions in the Universities Academic Pension Plan (UAPP) to provide pensions for the university's participating employees. The unfunded deficiency in the UAPP is currently being funded by a combination of employee and employer contributions and the Government of Alberta. The deficiency is required to be eliminated by 2043. At March 31, 2022, based on actuarial assumptions, the university has recorded a UAPP employee future benefit liability of approximately $126 million.

The impact to the university's share of the unfunded liability of a 1% increase in the inflation rate assumption would be an increase of approximately $10 million, a 1% increase in the salary escalation assumption would be an increase of approximately $3 million, while a decrease of 1% in the discount rate assumption would lead to an increase of approximately $23 million.

Deferred Maintenance

As the largest and oldest post-secondary institution in the province, the university's deferred maintenance obligations continue to increase. As of December 2021, the estimated liability stood at $350 million and is estimated to increase to approximately $1.035 billion by 2025. As part of the fiscal 2022 budget, the government provides a Capital Maintenance and Renewal (CMR) grant ($35 million) which is a main source of funding in dealing with the deferred maintenance liability. 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 is underpinned by the Integrated Asset Management Strategy.

Attachment 2

DRAFT

Consolidated Financial Statements

For the Year Ended March 31, 2022

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FINANCIAL REPORTING

University of Alberta • 3rd Floor Administration Building • Edmonton • Alberta • T6G 2M7

Fax: (780) 492-2846

Website: www.ualberta.ca/finance-procurement-planning

E-mail: fsglje@ualberta.ca

STATEMENT OF MANAGEMENT RESPONSIBILITY - DRAFT
YEAR ENDED MARCH 31, 2022

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, 2022 and the results of its operations, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that university assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the 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*. 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 to be signed by Bill Flanagan	*Original to be signed by Todd Gilchrist*
President and Vice-Chancellor	Vice-President (University Services and Finance)

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Auditor General OF ALBERTA

Independent Auditor's Report

To the Board of Governors of University of Alberta

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the University of Alberta (the Group) which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations, change in net financial assets, remeasurement gains and losses, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

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

Other information

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

W. Doug Wylie FCPA, FCMA, ICD.D
Auditor General

May 30, 2022
Edmonton, Alberta

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION - DRAFT
AS AT MARCH 31, 2022
(thousands of dollars)

	Note	2022	2021
Financial assets excluding portfolio investments restricted for endowments			
Cash and cash equivalents	3	**$ 19,183**	$ 96,308
Portfolio investments - non-endowment	4	**1,466,323**	1,220,291
Accounts receivable		**139,640**	136,446
Inventories held for sale		**2,931**	3,325
Investment in government business enterprise	7	**(768)**	(214)
		1,627,309	1,456,156
Liabilities			
Accounts payable and accrued liabilities	8	**207,081**	190,626
Employee future benefit liabilities	9	**233,193**	233,669
Debt	10	**380,433**	386,084
Deferred revenue	11	**770,075**	694,549
		1,590,782	1,504,928
Net financial assets (net debt) excluding portfolio investments restricted for endowments		**36,527**	(48,772)
Portfolio investments - restricted for endowments	4	**1,639,760**	1,573,993
Net financial assets		**1,676,287**	1,525,221
Non-financial assets			
Tangible capital assets	12	**2,703,428**	2,680,949
Prepaid expenses		**12,141**	9,614
		2,715,569	2,690,563
Net assets before spent deferred capital contributions		**4,391,856**	4,215,784
Spent deferred capital contributions	13	**1,825,517**	1,807,927
Net assets	14	**$ 2,566,339**	$ 2,407,857

Net assets is comprised of:		
Accumulated surplus	**$ 2,121,162**	$ 1,967,594
Accumulated remeasurement gains	**445,177**	440,263
	$ 2,566,339	$ 2,407,857

Contingent assets and contractual rights (note 16 and 18)

Contingent liabilities and contractual obligations (note 17 and 19)

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF OPERATIONS - DRAFT
YEAR ENDED MARCH 31, 2022
(thousands of dollars)

	Note	Budget (Note 21)	**2022**	2021
Revenue				
Government of Alberta grants	22	$ 739,412	**$ 726,710**	$ 779,987
Federal and other government grants	22	202,366	**212,289**	228,655
Student tuition and fees		424,908	**434,622**	387,315
Sales of services and products		182,482	**182,153**	140,635
Donations and other grants		124,361	**135,311**	119,957
Investment income	23	91,269	**176,489**	103,685
Investment loss from government business enterprise	7		**(554)**	(214)
Gain on sale of tangible capital assets	12		**34,917**	-
		1,764,798	**1,901,937**	1,760,020
Expense	24			
Academic costs and institutional support		977,945	**985,683**	980,618
Research		454,099	**467,814**	450,162
Facility operations and maintenance		147,304	**141,493**	122,764
Special purpose		97,020	**96,958**	99,235
Ancillary services		85,277	**79,721**	71,748
		1,761,645	**1,771,669**	1,724,527
Annual operating surplus		3,153	**130,268**	35,493
Endowment contributions and capitalized investment income				
Endowment contributions	14		**17,570**	18,059
Endowment capitalized investment income	14		**5,730**	98
			23,300	18,157
Annual surplus		$ 3,153	**153,568**	53,650
Accumulated surplus, beginning of year			**1,967,594**	1,913,944
Accumulated surplus, end of year	14		**$ 2,121,162**	$ 1,967,594

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS - DRAFT
YEAR ENDED MARCH 31, 2022
(thousands of dollars)

	Budget (Note 21)	**2022**	2021
Annual surplus	$ 3,153	**$ 153,568**	$ 53,650
Acquisition of tangible capital assets	(202,612)	**(197,122)**	(187,659)
Proceeds on disposal of tangible capital assets		**48,569**	5,159
Amortization of tangible capital assets	159,873	**156,133**	157,883
(Gain) loss on sale and disposal of tangible capital assets	-	**(30,059)**	748
Increase in prepaid expenses	(208)	**(2,527)**	(327)
Increase in spend deferred capital contributions	9,019	**17,590**	8,456
Increase in accumulated remeasurement gains	55,539	**4,914**	371,359
Increase in net financial assets	24,764	**151,066**	409,269
Net financial assets, beginning of year	1,525,221	**1,525,221**	1,115,952
Net financial assets, end of year	$ 1,549,985	**$ 1,676,287**	$ 1,525,221

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES - DRAFT
YEAR ENDED MARCH 31, 2022
(thousands of dollars)

	Note	2022	2021
Accumulated remeasurement gains, beginning of year		**$ 440,263**	$ 68,904
Unrealized gains attributable to:			
Portfolio investments - non-endowment:			
Quoted in an active market		**19,558**	70,446
Designated at fair value		**21,782**	48,092
Portfolio investments - restricted for endowments:			
Quoted in an active market		**83,546**	273,632
Designated at fair value		**43,585**	43,483
Amounts reclassified to consolidated statement of operations:			
Portfolio investments - non-endowment:			
Quoted in an active market		**(23,360)**	(15,058)
Designated at fair value		**(23,751)**	(2,747)
Portfolio investments - restricted for endowments:			
Quoted in an active market		**(76,525)**	(40,114)
Designated at fair value		**(39,921)**	(6,375)
Net change for the year		**4,914**	371,359
Accumulated remeasurement gains, end of year	14	**$ 445,177**	$ 440,263

	2022	2021
Accumulated remeasurement gains is comprised of:		
Portfolio investments - non-endowment	**$ 99,963**	$ 105,734
Portfolio investments - restricted for endowments	**345,214**	334,529
	$ 445,177	$ 440,263

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF CASH FLOWS - DRAFT
YEAR ENDED MARCH 31, 2022
(thousands of dollars)

	2022	2021
Operating transactions		
Annual surplus	**$ 153,568**	$ 53,650
Add (deduct) non-cash items:		
Amortization of tangible capital assets	**156,133**	157,883
Expended capital contributions recognized as revenue	**(92,331)**	(96,455)
Investment loss from government business enterprise	**554**	214
Gain on sale of portfolio investments	**(163,557)**	(64,294)
(Gain) loss on sale and disposal of tangible capital assets	**(30,059)**	748
(Decrease) increase in employee future benefit liabilities	**(476)**	14,612
Change in non-cash items	**(129,736)**	12,708
(Increase) decrease in accounts receivable	**(2,817)**	12,524
Decrease (increase) in inventories held for sale	**394**	(1,331)
Increase in accounts payable and accrued liabilities	**17,559**	802
Increase in deferred revenue	**75,526**	124,807
Increase in prepaid expenses	**(2,527)**	(327)
Cash provided by operating transactions	**111,967**	202,833
Capital transactions		
Acquisition of tangible capital assets, less in-kind donations	**(192,142)**	(183,746)
Proceeds on sale and disposal of tangible capital assets	**48,569**	5,159
Cash applied to capital transactions	**(143,573)**	(178,587)
Investing transactions		
Purchases of portfolio investments	**(409,095)**	(343,403)
Proceeds on sale of portfolio investments	**264,286**	256,590
Cash applied to investing transactions	**(144,809)**	(86,813)
Financing transactions		
Debt repayment	**(20,816)**	(17,466)
Debt - new financing	**15,165**	-
Increase in spent deferred capital contributions, less in-kind donations	**104,941**	100,998
Cash provided by financing transactions	**99,290**	83,532
(Decrease) increase in cash and cash equivalents	**(77,125)**	20,965
Cash and cash equivalents, beginning of year	**96,308**	75,343
Cash and cash equivalents, end of year	**$ 19,183**	$ 96,308

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*, 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 subsidiary, University of Alberta Properties Trust Inc.

2. Summary of significant accounting policies and reporting practices

(a) General – Canadian public sector accounting standards (PSAS) and use of estimates

These consolidated financial statements have been prepared in accordance with PSAS. 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 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.

(b) 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
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.

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.

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

(c) 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, revenue will be recognized over the useful life of the tangible capital assets.

Government grants without terms for the use of the grant are recognized as revenue when the university is eligible to receive the funds. 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, and tangible capital assets are recognized at fair value when a fair value can be reasonably determined. Transfers of tangible capital assets 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.

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.

(d) 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)

(d) Endowments (continued)

Under the *Post-secondary Learning Act*, 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.

(e) Inventories held for sale

Inventories held for sale are measured using the weighted average method.

(f) Tangible capital assets

Tangible capital asset acquisitions are recognized at cost, which includes 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, 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

Tangible capital asset 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 is less than their net book value. Net write-downs are recognized as expense.

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

(g) 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.

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

(h) 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.

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. 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 provides non-contributory defined contribution supplementary retirement benefits to eligible executive, academic, and management and professional staff based on 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.

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

(i) Investment in partnerships

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

- Northern Alberta Clinical Trials and Research Centre (50% interest) - a joint venture with Alberta Health Services to support the shared missions of Alberta Health Services and the university for collaborative clinical research.
- Western Canadian Universities Marine Sciences Society (20% interest) - provides research infrastructure in the marine sciences for member universities and the world-wide scientific community.

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

During the year there were changes in the status of two partnerships that were previously consolidated. TEC Edmonton partnership was wound down and ceased operations on June 30, 2021. Tri-University Meson Facility changed from a joint venture partnership to an independent not-for-profit corporate entity on June 1, 2021. Neither of these partnerships are consolidated in the current year but remain consolidated in the comparative figures.

(j) Investment in government business enterprises

Effective March 11, 2015, the university established the University of Alberta Properties Trust Inc. (UAPTI), a wholly-owned government business enterprise. In 2021, UAPTI commenced operations and is now 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.

(k) 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. 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.

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

Where an environmental standard does not exist or contamination does not exceed an environmental standard, a 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 transaction or events obligating the institution 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 clean up similar sites. These liabilities are reported in accounts payable and accrued liabilities in the consolidated statement of financial position.

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

(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.

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

In fiscal 2023, the university will adopt PS 3280 Asset retirement obligations. This accounting standard provides guidance on how to account for and report liabilities for retirement of a tangible capital asset. The university will adopt this accounting standard on a modified retroactive basis, consistent with the transitional provisions in PS 3280, and information presented for comparative purposes will be restated. The impact of the adoption of this accounting standard on the consolidated financial statements is currently being analyzed.

In addition to the above, the Public Sector Accounting Board has approved the following accounting standards, which are effective for fiscal years starting on or after April 1, 2023:

- PS 3400 Revenue. This accounting standard provides guidance on how to account for and report on revenue, and specifically, it differentiates between revenue arising from exchange transactions and non-exchange transactions.

- PS 3160 Public Private Partnerships. This accounting standard provides guidance on how to account for public private partnerships between public and private sector entities, where the public sector entity procures infrastructure using a private sector partner.

Management has not yet adopted these two standards and is currently assessing the impact of these new standards on the consolidated financial statements.

(thousands of dollars)

3. Cash and cash equivalents

	2022	2021
Cash	$ 3,595	$ 3,271
Money market holdings	15,588	93,037
	$ 19,183	$ 96,308

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

	2022	2021
Portfolio investments - non-endowment	$ 1,466,323	$ 1,220,291
Portfolio investments - restricted for endowments	1,639,760	1,573,993
	$ 3,106,083	$ 2,794,284

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

	2022				2021			
	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	$ 57,679	$ 397,207	$ -	$ 454,886	$ 98,086	$ 309,478	$ -	$ 407,564
Canadian bonds	-	57,136	-	57,136	-	110,120	-	110,120
Foreign bonds	-	265,015	-	265,015	-	274,499	-	274,499
Canadian equity	349,666	-	-	349,666	357,794	-	-	357,794
Foreign equity	1,086,732	-	-	1,086,732	1,074,053	-	-	1,074,053
Hedge funds	-	379,643	-	379,643	-	270,654	-	270,654
Private equity	-	-	326,969	326,969	-	-	156,772	156,772
Private credit	-	-	65,951	65,951	-	-	42,149	42,149
Private real estate	-	-	120,047	120,047	-	-	100,637	100,637
	1,494,077	1,099,001	512,967	3,106,045	1,529,933	964,751	299,558	2,794,242
Other at amortized cost				38				42
	$ 1,494,077	$ 1,099,001	$ 512,967	$ 3,106,083	$ 1,529,933	$ 964,751	$ 299,558	$ 2,794,284

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 equity and real estate fund managers. For investments where statements don't exist then valuation techniques 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:

	2022	2021
Balance, beginning of year	$ 299,558	$ 186,047
Unrealized gains	69,913	12,034
Purchases	156,637	112,905
Proceeds on sale	(13,141)	(11,428)
	$ 512,967	$ 299,558

(thousands of dollars)

5. Derivatives

Derivative financial instruments are used by the university to manage its commodity exposure with respect to portfolio investments. All outstanding contracts have a remaining term to maturity of less than one year. As at March 31, 2022, the university held commodity futures contracts for settlement between May 2022 and December 2022, with a notional amount of $43,320 (2021 - $38,845). The fair value of outstanding commodity futures contracts receivable is $3,912 (2021 - $3,535) and of commodity futures contracts payables is $nil (2021 - $1,104).

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 prior year.

The university assesses its portfolio sensitivity to a percentage increase or decrease in the market prices. The sensitivity rate is determined using the historical annualized standard deviation for the total University Endowment Pool over a five year period as determined by the university's investment performance measurement service provider. At March 31, 2022, if market prices had a 8.9% (2021 - 9.0%) increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains for the year would be $190,632 (2021 - $176,819).

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. The university does not hedge its foreign currency exposure with currency forward contracts or any other type of derivative financial instruments. Approximately 84% of the university's foreign currency exposure is in USD (2021 - 82%).

The impact of a change in value of the Canadian dollar against foreign currencies is as follows:

	Fair Value	2.5% decrease	1.0% decrease	1.0% increase	2.5% increase
Foreign currency exposure	$ 1,569,132	$ (39,228)	$ (15,691)	$ 15,691	$ 39,228

Credit risk
Counterparty credit risk is the risk of loss arising from the failure of a counterparty, debtor or issuer to fully honor 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. Management continues to monitor the situation.

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

- Money market holdings: R-1(high) 25.7% (2021 - 80.4%); R-1(mid) 69.7% (2021 - 16.4%); R-1(low) 4.6% (2021 - 3.2%).
- Bonds: AAA 39.2% (2021 - 46.8%); AA 5.5% (2021 - 6.2%); A 11.9% (2021 - 10.8%); BBB 22.4% (2021 - 18.8%); below BBB and not rated 21.0% (2021 - 17.4%).

(thousands of dollars)

6. Financial risk management (continued)

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 (2021 - $20,000) to ensure that funds are available to meet current and forecasted financial requirements. In 2022, the line of credit was not drawn upon (2021 - not drawn upon). The university believes, based on its assessment of future cash flows it will have access to sufficient capital through internally generated cash flows, external sources and the undrawn short-term line of credit to meet current spending forecasts. Management continues to monitor the university’s liquidity position on a regular basis.

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. This risk is managed by investment policies that limit the term to maturity of certain fixed income instruments that the university holds. If interest rates increase by 0.25% (2021 - 0.25%), and all variables are held constant, the potential loss in fair value to the university would be approximately $4,578 (2021 - $5,053). Interest rate risk on the university's debt is managed through fixed rate agreements with the Department of Treasury Board and Finance (note 10).

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	-	-	0.7
Canadian government, corporate and foreign bonds	14.6	39.1	46.3	3.1

7. Investment in government business enterprise

UAPTI is a wholly-owned subsidiary of the university. UAPTI operates as a trustee of the University of Alberta Properties Trust ("the trust"), which will lease 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 investment in government business enterprise owned by the university as at December 31.

Statement of Financial Position:

	2021	2020
Cash and cash equivalents	**$ 995**	$ -
Property and equipment	**3**	-
Property under development	**394**	-
	1,392	-
Liabilities		
Accounts payable and accrued liabilities	**160**	214
Loan payable	**2,000**	-
	2,160	214
Equity		
Deficit	**(768)**	(214)
	$ 1,392	$ -

(thousands of dollars)

7. Investment in government business enterprise (continued)

Statement of Operations:

		2021		2020
Revenue	**$**	**1**	$	-
Expense		**555**		214
Net loss	**$**	**(554)**	$	(214)

8. Accounts payable and accrued liabilities

		2022		2021
Trade payables	**$**	**99,505**	$	85,877
Accrued liabilities		**63,749**		64,672
Vacation liability		**30,855**		32,534
Environmental liability		**11,929**		6,500
Contaminated sites		**1,043**		1,043
	$	**207,081**	$	190,626

The increase to the environmental liability is due to an increase in the estimated reclamation costs for salt soil contamination at the university's two snow bank sites. The estimate was determined based on management's estimate derived from similar contractor costs.

9. Employee future benefit liabilities

	2022			2021		
	Academic staff	**Support staff**	**Total**	Academic staff	Support staff	Total
Universities Academic Pension Plan	**$ 125,541**	**$ -**	**$ 125,541**	$ 127,066	$ -	$ 127,066
Long-term disability	**11,404**	**25,679**	**37,083**	10,814	27,419	38,233
Early retirement	**-**	**26,019**	**26,019**	-	26,924	26,924
SRP (defined contribution)	**37,266**	**-**	**37,266**	33,829	-	33,829
SRP (defined benefit)	**4,929**	**-**	**4,929**	5,615	-	5,615
Administrative/professional leave	**868**	**-**	**868**	914	-	914
General illness	**823**	**664**	**1,487**	560	528	1,088
	$ 180,831	**$ 52,362**	**$ 233,193**	$ 178,798	$ 54,871	$ 233,669

(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, 2020 and was then extrapolated to March 31, 2022, resulting in a UAPP deficit of $247,933 (2021 - $817,447) consisting of a pre-1992 deficit of $797,730 (2021 - $832,342) and a post-1991 surplus of $549,797 (2021 - $14,895). The university's portion of the UAPP deficit 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 1.25% (2021 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 3.04% until June 30, 2022 and 3.57% thereafter of salaries required to eliminate the unfunded deficiency by December 31, 2043 (2021 - 3.04% of salaries until December 31, 2043). The Government of Alberta's obligation for the future additional contributions is $226,028 (2021 - $249,339) at March 31, 2022.

The unfunded deficiency for service after December 31, 1991 is financed by special payments of 2.50% of salaries until June 30, 2022, 0.00% thereafter, shared equally between employees and employers (2021 - 1.71% of salaries for 2022 and 2023; 0.70% of salaries for 2024 and 2025 and 0.25% of salaries for 2026 and 2027).

(thousands of dollars)

9. Employee future benefit liabilities (continued)

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

Long-term disability (LTD) and general illness (GI)
The university provides long-term disability and general illness defined benefits to its academic and support staff. An actuarial valuation of these benefits was carried out as at March 31, 2022. The long-term disability plan provides pension and non-pension benefits after employment, but before the employee's normal retirement date. The general illness 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 (2022 - $18,279; 2021 - $19,117) and a retirement allowance (2022 - $7,740; 2021 - $7,807). An actuarial valuation of these benefits was carried out as at March 31, 2022. 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 to executive. The SRP obligation is calculated based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries, which management has adopted as their best estimate. An actuarial valuation of these benefits was carried out as at March 31, 2022. 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 executive 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. The leave obligation is calculated based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries, which management has adopted as their best estimate. An actuarial valuation of these benefits was carried out as at March 31, 2022.

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

	2022				2021			
	UAPP	**LTD, GI (1)**	**Early retirement (1)**	**SRP, leave (1)**	UAPP	LTD,GI (1)	Early retirement (1)	SRP, leave (1)
Expense								
Current service cost	**$ 53,242**	**$ 14,159**	**$ 762**	**$ 200**	$ 48,434	$ 15,384	$ 969	$ 184
Interest cost, net of earnings	**8,377**	**1,694**	**608**	**209**	15,198	1,881	771	252
Amortization of actuarial losses (gains)	**1,223**	**504**	**(1,131)**	**(101)**	13,207	794	(547)	(4)
	$ 62,842	**$ 16,357**	**$ 239**	**$ 308**	$ 76,839	$ 18,059	$ 1,193	$ 432
Liability								
Accrued benefit obligation								
Balance, beginning of year	**$ 1,538,068**	**$ 41,522**	**$ 16,752**	**$ 6,009**	$ 1,396,194	$ 42,653	$ 19,618	$ 7,034
Current service cost	**53,242**	**14,159**	**762**	**200**	48,434	15,384	969	184
Interest cost	**80,952**	**1,694**	**608**	**209**	79,065	1,881	771	252
Benefits paid	**(69,089)**	**(17,108)**	**(1,144)**	**(1,028)**	(65,516)	(18,186)	(997)	(1,425)
Actuarial losses (gains)	**5,884**	**(891)**	**(1,087)**	**-**	79,891	(210)	(3,609)	(36)
Balance, end of year	**1,609,057**	**39,376**	**15,891**	**5,390**	1,538,068	41,522	16,752	6,009
Plan assets	**(1,603,705)**	**-**	**-**	**-**	(1,398,043)	-	-	-
Plan deficit	**5,352**	**39,376**	**15,891**	**5,390**	140,025	41,522	16,752	6,009
Unamortized actuarial (losses) gains	**120,189**	**(806)**	**10,128**	**407**	(12,959)	(2,201)	10,172	520
Accrued benefit liability	**$ 125,541**	**$ 38,570**	**$ 26,019**	**$ 5,797**	$ 127,066	$ 39,321	$ 26,924	$ 6,529

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

(thousands of dollars)

9. Employee future benefit liabilities (continued)

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

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

	2022			2021		
	UAPP	**SRP, leave**	**LTD, GI, early retirement**	UAPP	SRP, leave	LTD, GI, early retirement
	%	%	%	%	%	%
Accrued benefit obligation						
Discount rate	**5.1**	**3.6**	**3.6**	5.2	3.6	3.6
Long-term average compensation increase	**3.0**	**2.0**	**2.0**	3.0	2.0	2.0
Benefit cost						
Discount rate	**5.2**	**3.6**	**3.6**	5.6	3.8	3.6
Long-term average compensation increase	**3.0**	**2.0**	**2.0**	3.0	3.0	2.0
Alberta inflation (long-term)	**2.0**	**2.0**	**2.0**	2.0	2.0	2.0
Estimated average remaining service life	**10.6 yrs**	**Note**[1]	**1 - 8 yrs**	10.6 yrs	Note[1]	1 - 9 yrs

(1) SRP actuarial gains and losses are amortized over the remaining contract terms of the participants.

(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 $24,734 (2021 - $27,278).

An actuarial valuation of the PSPP was carried out as at December 31, 2020 and was then extrapolated to December 31, 2021. At December 31, 2021, the PSPP reported an actuarial surplus of $4,588,479 (2020 - $2,223,582). For the year ended December 31, 2021 PSPP reported employer contributions of $310,371 (2020 - $323,497). For the 2021 calendar year, the university's employer contributions were $25,815 (2020 calendar year - $27,932).

(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. The expense recognized in these consolidated financial statements is $5,963 (2021 - $6,685).

(thousands of dollars)

10. Debt

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

	Maturity Date	Weighted average interest rate %		2022		2021
Collateral						
Title to land, building	November 2027 - March 2048	3.642	**$**	**167,223**	$	178,689
General Security Agreement	December 2028 - June 2049	2.881		**163,766**		155,238
Cash flows from facility	September 2028 - December 2047	5.001		**37,746**		39,194
None	December 2025 - September 2036	4.761		**11,698**		12,963
Balance, end of year			**$**	**380,433**	$	386,084

Interest expense on debt recognized in these consolidated financial statements is $12,821 (2021 - $13,199).

Land and buildings pledged as collateral have a net book value of $254,671 (2021 - $274,701).

Principal and interest payments are as follows:

		Principal		Interest		Total
2023	$	16,555	$	13,125	$	29,680
2024		17,180		12,500		29,680
2025		17,831		11,849		29,680
2026		18,508		11,172		29,680
2027		18,900		10,470		29,370
Thereafter		291,459		90,949		382,408
	$	380,433	$	150,065	$	530,498

11. Deferred revenue

		2022						2021
		Unspent externally restricted grants and donations		**Student tuition and other revenue**		**Total**		Total
Balance, beginning of year	**$**	**633,476**	**$**	**61,073**	**$**	**694,549**	$	569,742
Net change for the year								
Grants, donations, endowment spending allocation and tuition		**751,267**		**454,799**		**1,206,066**		1,124,559
Transfers to spent deferred capital contributions		**(109,921)**		**-**		**(109,921)**		(104,911)
Recognized as revenue		**(571,667)**		**(448,952)**		**(1,020,619)**		(894,841)
Net change for the year		**69,679**		**5,847**		**75,526**		124,807
Balance, end of year	**$**	**703,155**	**$**	**66,920**	**$**	**770,075**	$	694,549

(thousands of dollars)

12. Tangible capital assets

	2022					2021
	Buildings and utilities	**Equipment, furnishings and systems**	**Learning resources**	**Land**	**Total**	Total
Cost						
Beginning of year	**$ 3,806,894**	**$ 1,390,634**	**$ 503,876**	**$ 81,607**	**$ 5,783,011**	$ 5,615,326
Acquisitions	**120,826**	**56,378**	**18,918**	**1,000**	**197,122**	187,659
Disposals	**(28,978)**	**(21,967)**	**(5,061)**	**(2,890)**	**(58,896)**	(19,974)
	3,898,742	**1,425,045**	**517,733**	**79,717**	**5,921,237**	5,783,011
Accumulated amortization						
Beginning of year	**1,585,018**	**1,130,562**	**386,482**	**-**	**3,102,062**	2,958,246
Amortization expense	**75,048**	**59,229**	**21,856**	**-**	**156,133**	157,883
Disposals	**(14,888)**	**(20,437)**	**(5,061)**	**-**	**(40,386)**	(14,067)
	1,645,178	**1,169,354**	**403,277**	**-**	**3,217,809**	3,102,062
Net book value, March 31, 2022	**$ 2,253,564**	**$ 255,691**	**$ 114,456**	**$ 79,717**	**$ 2,703,428**	$ 2,680,949
Net book value, March 31, 2021	$ 2,221,876	$ 260,072	$ 117,394	$ 81,607	$ 2,680,949	

Included in buildings and utilities is $250,739 (2021 - $152,633) recognized as construction-in-progress, which is not amortized as the assets are not in service.

Acquisitions include in-kind donations in the amount of $4,980 (2021 - $3,913).

Disposals include the sale of two ancillary services buildings which resulted in a gain of $34,917 (2021 - $nil).

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.

13. Spent deferred capital contributions

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

	2022	2021
Balance, beginning of year	**$ 1,807,927**	$ 1,799,471
Net change for the year		
Transfers from unspent externally restricted grants and donations	**109,921**	104,911
Expended capital contributions recognized as revenue	**(92,331)**	(96,455)
Net change for the year	**17,590**	8,456
Balance, end of year	**$ 1,825,517**	$ 1,807,927

(thousands of dollars)

14. Net assets

	Note	Unrestricted	Investment in tangible capital assets	Internally restricted	Endowments	Total
Net assets, March 31, 2020		$ 89,093	$ 569,136	$ 40,051	$ 1,284,568	$ 1,982,848
Annual operating surplus		35,493	-	-	-	35,493
Transfer to internally restricted	23	(14,949)	-	14,949	-	-
Endowments						
New contributions		-	-	-	18,059	18,059
Capitalized investment income		-	-	-	98	98
Transfer to endowments		(1,308)	-	-	1,308	-
Transfer from endowments - encroachment		666	-	-	(666)	-
Tangible capital assets						
Acquisitions		(76,902)	76,902	-	-	-
Debt repayment		(16,233)	16,233	-	-	-
Debt - financing allocation		34,125	(34,125)	-	-	-
Amortization		61,428	(61,428)	-	-	-
Change in accumulated remeasurement gains		100,733	-	-	270,626	371,359
Net assets, March 31, 2021		**$ 212,146**	**$ 566,718**	**$ 55,000**	**$ 1,573,993**	**$ 2,407,857**
Annual operating surplus		130,268	-	-	-	130,268
Transfer to internally restricted	23	(48,000)	-	48,000	-	-
Endowments						
New contributions		-	-	-	17,570	17,570
Capitalized investment income		-	-	-	5,730	5,730
Transfer to endowments		(594)	-	-	594	-
Transfer to endowments - encroachment		(31,188)	-	-	31,188	-
Tangible capital assets						
Acquisitions		(68,754)	68,754	-	-	-
Debt repayment		(19,301)	19,301	-	-	-
Debt - financing allocation		26,771	(26,771)	-	-	-
Amortization		63,802	(63,802)	-	-	-
Change in accumulated remeasurement gains		(5,771)	-	-	10,685	4,914
Net assets, March 31, 2022		**$ 259,379**	**$ 564,200**	**$ 103,000**	**$ 1,639,760**	**$ 2,566,339**

Net assets is comprised of:

Accumulated surplus	$ 159,416	$ 564,200	$ 103,000	$ 1,294,546	$ 2,121,162
Accumulated remeasurement gains [1]	99,963	-	-	345,214	445,177
	$ 259,379	**$ 564,200**	**$ 103,000**	**$ 1,639,760**	**$ 2,566,339**

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

(thousands of dollars)

14. Net assets (continued)

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, $32,000 has been appropriated by management 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 and do not have interest allocated to them.

	2022	2021
Investment income reserve	**$ 71,000**	$ 55,000
Strategic initiatives	**32,000**	-
	$ 103,000	$ 55,000

During the fiscal year, the university earned $143,365 (2021 - $70,682) of investment income from its endowment investments. This was sufficient to cover the current year endowment spending allocation of $75,077, the temporary endowment encroachment of $31,188, and the cumulative future commitment of $31,370 as provided per the University Endowment Pool (UEP) Spending policy. The remaining amount earned of $5,730 has been capitalized per university policy as it is not required to meet endowment spending obligations.

In fiscal years 2020 and 2021, the university incurred cumulative endowment expenditures of $31,188 but did not earn sufficient endowment income to fund these expenditures. These expenditures were funded by transfers from endowment net assets which resulted in a temporary encroachment on endowment principal. These funding transfers flowed through unrestricted net assets. The encroachment recovery transfer in the current year also flowed through unrestricted net assets to endowment net assets. Since the expenditures were funded by an encroachment on endowment principal at no time during the past three fiscal years was the university's unrestricted net assets position impacted.

15. Liability for contaminated sites

The university recognized an estimated liability of $1,043 (2021 - $1,043) for the remediation and monitoring of hydrocarbon and salt contaminants on a contaminated site resulting from a liner leak in a wastewater pond. The estimate was determined based on a professional assessment of the clean-up required for the site. The balance is recorded in accounts payable and accrued liabilities. The site’s remediation cost was previously recorded as an environmental liability but during the current year was no longer considered to be in productive use. No additional contaminated sites were identified in the year.

16. Contingent assets

The university has initiated a number of insurance claims arising in the normal course of business in which the outcomes may result in assets in the future. While the outcomes of these claims cannot be reasonably estimated at this time, the university 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.

(thousands of dollars)

17. Contingent liabilities

(a) 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, the university 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.

(b) The university has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the university may be required to take appropriate remediation procedures to remove the asbestos. The university has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk. The new Asset Retirement Obligation standard, which becomes effective April 1, 2022, will require the university to estimate the fair value of the asbestos removal obligation and record the obligations in its financial results.

18. 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
2023	$ 1,771	$ 2,853	**$ 4,624**
2024	1,041	2,790	**3,831**
2025	751	2,303	**3,054**
2026	530	678	**1,208**
2027	295	406	**701**
Thereafter	390	3,098	**3,488**
	$ 4,778	**$ 12,128**	**$ 16,906**
Total at March 31, 2021	$ 4,468	$ 15,233	$ 19,701

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

(thousands of dollars)

19. 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
2023	$ 60,771	$ 106,320	$ 2,262	**$ 169,353**
2024	31,698	39,731	2,080	**73,509**
2025	2,615	26,918	1,345	**30,878**
2026	-	7,294	806	**8,100**
2027	-	648	640	**1,288**
Thereafter	-	-	397	**397**
	$ 95,084	**$ 180,911**	**$ 7,530**	**$ 283,525**
Total at March 31, 2021	$ 332,858	$ 136,160	$ 9,573	$ 478,591

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 five contracts (2021 - three contracts) with expenditures totaling $22,319 (2021 - $10,472) expire over the next three years.
- Effective August 1, 2020, the university entered into an agreement with an external party for dining and catering services. The agreement has three years remaining with a total estimated cost of $34,667 (2021 - $44,990).
- The university entered into two agreements with an external party for information technology support effective June 1, 2021. Infrastructure management services has four years remaining with a cost of $4,671 (2021 - $664, two months remaining), and application management services has four years remaining with a cost of $8,078 (2021 - $734, three months remaining).
- Effective August 1, 2021, the university entered into an agreement with an external party for custodial services. The agreement has two years remaining with a cost of $24,258 (2021 - $2,373).

(b) The university is one of 64 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, 2021, CURIE had an accumulated surplus of $105,790 (2020 - $99,449), of which the university's pro rata share is approximately 7.38% (2021 - 7.36%). This accumulated surplus is not recognized in the consolidated financial statements.

20. 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 $6,242 (2021 - $6,520).

The university has debt with the Department of Treasury Board and Finance as described in note 10.

(thousands of dollars)

21. Budget

The university's 2021-22 budget was approved by the Board of Governors and submitted to the Minister of Advanced Education.

22. Government transfers

	2022	2021
Government of Alberta grants		
Advanced Education - Base operating grant	**$ 500,854**	$ 560,964
Advanced Education - other grants	**118,729**	129,191
Alberta Health Services - Academic Medicine and Health Sciences Program	**58,540**	55,476
Alberta Health Services - other grants	**5,815**	5,320
Jobs, Economy, and Innovation	**51,502**	44,410
Health	**26,796**	25,331
Other departments and agencies	**3,532**	9,367
	765,768	830,059
Expended capital contributions recognized as revenue	**59,210**	53,700
Deferred revenue	**(98,268)**	(103,772)
	$ 726,710	$ 779,987
Federal and other government grants		
Natural Sciences and Engineering Research Council	**$ 57,498**	$ 67,620
Canadian Institutes of Health Research	**51,952**	64,691
Social Sciences and Humanities Research Council	**33,768**	33,962
Canadian Foundation for Innovation	**19,518**	16,888
Canada Research Chairs	**16,057**	17,352
Canada First Research Excellence Fund	**11,972**	12,139
Other	**47,398**	62,992
	238,163	275,644
Expended capital contributions recognized as revenue	**17,075**	19,499
Deferred revenue	**(42,949)**	(66,488)
	$ 212,289	$ 228,655

(thousands of dollars)

23. Investment income

	Note	2022	2021
Portfolio investments - non-endowment			
In support of operations		**$ 20,302**	$ 24,879
Transfer to investment income reserve	14	**48,000**	14,949
Portfolio investments - restricted for endowments			
Spending allocation recognized as revenue		**76,999**	63,857
Encroachment recovery		**31,188**	-
		$ 176,489	$ 103,685

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.

Encroachment recovery
During the year the university earned additional investment income to cover the temporary encroachment on endowment principal used to fund endowment expenditures the prior two fiscal years. The total recovery is $31,188 and relates to endowment expenditures made in the prior two years (2021 - $666; 2020 - $30,522). This investment income, therefore, is not available to fund current university operations or initiatives.

24. Expense by object

	2022 Budget (Note 21)	2022	2021
Salaries	$ 873,496	**$ 891,931**	$ 891,502
Employee benefits	193,052	**194,447**	208,711
Materials, supplies and services	239,468	**243,735**	214,278
Scholarships and bursaries	142,179	**150,100**	138,443
Maintenance and repairs	103,194	**73,800**	66,264
Utilities	50,383	**56,665**	46,698
Amortization of tangible capital assets	159,873	**156,133**	157,883
Loss on disposal of tangible capital assets	-	**4,858**	748
	$ 1,761,645	**$ 1,771,669**	$ 1,724,527

Salaries and employee benefits include accrued termination benefits of $4,046 (2021 - $4,331) and $100 (2021 - $212) respectively.

25. Funds held on behalf of others

The university holds the following funds on behalf of others over which the university's Board of Governors has no power of appropriation. Accordingly, these funds are not included in the university's consolidated financial statements.

	2022	2021
Alberta Cancer Foundation	**$ 12,308**	$ -
Canadian Glycomics Network	**6,607**	5,391
Canadian Mountain Network	**4,847**	6,109
	$ 23,762	$ 11,500

(thousands of dollars)

26. Salaries and employee benefits

				2022		
	Base salary (8)	**Other cash benefits (9)**	**Non-cash benefits (10)**	**Non-cash benefits (DC SRP) (11)**	**Non-cash benefits (leave) (12)**	**Total**
Governance (1)						
Board of Governors	$ -	$ -	$ -	$ -	$ -	$ -
Executive						
President	**447**	**6**	**48**	**33**	**87**	**621**
Provost and Vice-President (Academic) (13)	**415**	**(4)**	**47**	**63**	**-**	**521**
Vice-President (Research and Innovation) (2) (13)	**313**	**3**	**44**	**13**	**-**	**373**
Vice-President (Facilities and Operations)	**370**	**4**	**46**	**35**	**17**	**472**
Vice-President (University Services and Finance)	**390**	**5**	**46**	**16**	**80**	**537**
Vice-President (External Relations)	**330**	**5**	**45**	**19**	**34**	**433**

				2021		
	Base salary (8)	Other cash benefits (9)	Non-cash benefits (10)	Non-cash benefits (DC SRP) (11)	Non-cash benefits (leave) (12)	Total
Governance (1)						
Board of Governors	$ -	$ -	$ -	$ -	$ -	$ -
Executive						
President (3)	449	47	49	51	88	684
Provost and Vice-President (Academic) (13)	415	(12)	44	52	-	499
Vice-President (Research and Innovation) (2)	283	11	41	16	-	351
Vice-President (Facilities and Operations)	370	9	43	33	44	499
Vice-President (University Services and Finance) (4)	402	13	57	22	59	553
Vice-President (External Relations) (5)	83	1	14	3	10	111
Vice-President (University Relations) (6)	105	59	22	5	-	191
Vice-President (Advancement) (7)	154	44	27	11	-	236

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

(2) In 2022, two individuals held this position (interim Vice-President for 3 months and current incumbent for 9 months). In 2021, two individuals held this position (previous incumbent for one month, and interim Vice-President for 11 months). The interim Vice-President did not participate in any executive benefit programs except the DC SRP.

(3) In 2021, two individuals held this position for 3 months and 9 months respectively.

(4) In 2021, three individuals occupied this role, one for the first 6 months, a second for 1 month (in an acting capacity) and the third for the final 5 months of the year. The acting Vice-President did not participate in any executive benefit programs except the DC SRP.

(5) On July 24, 2020, the university created this new role. The incumbent was appointed effective January 1, 2021.

(6) This position was eliminated January 1, 2021. The interim Vice-President, who served in this role on a part time basis, did not participate in any executive benefit programs except the DC SRP.

(7) This position was eliminated January 1, 2021. The interim Vice-President did not participate in any executive benefit programs except the DC SRP.

(8) Base salary includes pensionable base pay for all executive.

(9) Other cash benefits include academic executive allowances, market supplements, administrative supplements, vacation payouts, car allowances, mobile allowances and personal leave plan.

(10) Non-cash benefits include the university's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee and family assistance program, critical illness, supplementary health care, short and long term disability plans, and dental plan. Benefits for some of the executive also include supplemental life insurance and forgivable housing loans.

(thousands of dollars)

26. Salaries and employee benefits (continued)

(11) 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.

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

		2021	**2022**		
	Years of eligible University of Alberta service	DC SRP obligation	**Service costs**	**Interest and investment earnings** (11a)	**DC SRP obligation**
President	2.0	$ 25	**$ 32**	**$ 1**	**$ 58**
Provost and Vice-President (Academic)	7.0	228	**37**	**26**	**291**
Vice-President (Research and Innovation)	1.0	-	**13**	**-**	**13**
Interim Vice-President (Research and Innovation)	2.0	28	**(1)**	**1**	**28**
Vice-President (Facilities and Operations)	6.0	115	**22**	**13**	**150**
Vice-President (University Services and Finance)	1.0	8	**16**	**-**	**24**
Vice-President (External Relations)	1.0	3	**19**	**-**	**22**

(11a) 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 earnings are distributed to each plan participant based on the overall return of the plan's investments.

(12) The administrative/professional leave (leave) plan current service cost and accrued benefit obligation is as follows:

		2021	**2022**			
	Years of eligible University of Alberta service	Accrued benefit obligation	**Service costs**	**Interest and other costs**	**Actuarial (gain) loss**	**Accrued benefit obligation** (12a)
President	1.8	$ 61	**$ 82**	**$ 5**	**$ -**	**$ 148**
Vice-President (Facilities and Operations)	5.0	172	**10**	**7**	**(18)**	**171**
Vice-President (University Services and Finance)	1.4	32	**76**	**4**	**(8)**	**104**
Vice-President (External Relations)	1.3	10	**32**	**2**	**(5)**	**39**

(12a) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in note 9.

(13) The Provost and Vice-President (Academic) and the current Vice-President (Research and Innovation) 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.