UNIVERSITY OF ALBERTA

Consolidated Financial Statements

For the Year Ended
March 31, 2021

TABLE OF CONTENTS

FINANCIAL REPORTING

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STATEMENT OF MANAGEMENT RESPONSIBILITY
YEAR ENDED MARCH 31, 2021

The consolidated financial statements of the University of Alberta have been prepared by management in accordance with Canadian public sector accounting standards. The consolidated financial statements present fairly the financial position of the university as at March 31, 2021 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 signed by Bill Flanagan

President and Vice-Chancellor

Original signed by Todd Gilchrist

Vice-President (University Services and Finance)

Auditor General OF ALBERTA

Independent Auditor's Report

To the Board of Governors of the 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, 2021, 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, 2021, 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 Consolidated 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

May 31, 2021
Edmonton, Alberta

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021
(thousands of dollars)

	Note	2021	2020
Financial assets excluding portfolio investments restricted for endowments			
Cash and cash equivalents	3	**$ 96,308**	$ 75,343
Portfolio investments - non-endowment	4	**1,220,291**	989,681
Accounts receivable		**136,446**	145,435
Inventories held for sale		**3,325**	1,994
Investment in government business enterprise	7	**(214)**	-
		1,456,156	1,212,453
Liabilities			
Accounts payable and accrued liabilities	8	**190,626**	188,720
Employee future benefit liabilities	9	**233,669**	219,057
Debt	10	**386,084**	403,550
Deferred revenue	11	**694,549**	569,742
		1,504,928	1,381,069
Net debt excluding portfolio investments restricted for endowments		**(48,772)**	(168,616)
Portfolio investments - restricted for endowments	4	**1,573,993**	1,284,568
Net financial assets		**1,525,221**	1,115,952
Non-financial assets			
Tangible capital assets	12	**2,680,949**	2,657,080
Prepaid expenses		**9,614**	9,287
		2,690,563	2,666,367
Net assets before spent deferred capital contributions		**4,215,784**	3,782,319
Spent deferred capital contributions	13	**1,807,927**	1,799,471
Net assets	14	**$ 2,407,857**	$ 1,982,848

Net assets is comprised of:		
Accumulated surplus	**$ 1,967,594**	$ 1,913,944
Accumulated remeasurement gains	**440,263**	68,904
	$ 2,407,857	$ 1,982,848

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
YEAR ENDED MARCH 31, 2021
(thousands of dollars)

	Note	Budget (Note 21)	2021	2020
Revenue				
Government of Alberta grants	22	$ 827,563	**$ 779,987**	$ 872,029
Federal and other government grants	22	208,037	**228,655**	213,653
Student tuition and fees		395,417	**387,315**	362,593
Sales of services and products		216,284	**140,635**	209,786
Donations and other grants		133,676	**119,957**	144,367
Investment income		90,519	**103,685**	52,596
Investment loss from government business enterprise	7		**(214)**	-
		1,871,496	**1,760,020**	1,855,024
Expense				
Academic costs and institutional support		1,040,163	**980,618**	1,100,086
Research		478,245	**450,162**	471,604
Facility operations and maintenance		151,877	**122,764**	142,927
Special purpose		100,914	**99,235**	99,546
Ancillary services		99,312	**71,748**	81,107
		1,870,511	**1,724,527**	1,895,270
Annual operating surplus (deficit)		$ 985	**35,493**	(40,246)
Endowment contributions	14		**18,059**	25,506
Endowment capitalized investment income	14		**98**	84
			18,157	25,590
Annual surplus (deficit)		$ 985	**53,650**	(14,656)
Accumulated surplus, beginning of year			**1,913,944**	1,928,600
Accumulated surplus, end of year	14		**$ 1,967,594**	$ 1,913,944

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2021
(thousands of dollars)

	Budget (Note 21)	**2021**	2020
Annual surplus (deficit)	$ 985	**$ 53,650**	$ (14,656)
Acquisition of tangible capital assets	(225,201)	**(187,659)**	(157,590)
Proceeds on disposal of tangible capital assets		**5,159**	257
Amortization of tangible capital assets	183,871	**157,883**	182,376
Loss on disposal of tangible capital assets	-	**748**	1,967
Change in prepaid expenses	(166)	**(327)**	(1,169)
Change in spent deferred capital contributions	4,550	**8,456**	(47,716)
Change in accumulated remeasurement gains	58,788	**371,359**	(182,010)
Increase (decrease) in net financial assets	22,827	**409,269**	(218,541)
Net financial assets, beginning of year	1,115,952	**1,115,952**	1,334,493
Net financial assets, end of year	$ 1,138,779	**$ 1,525,221**	$ 1,115,952

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2021
(thousands of dollars)

	Note	2021	2020
Accumulated remeasurement gains, beginning of year		**$ 68,904**	$ 250,914
Unrealized gains (losses) attributable to:			
Portfolio investments - non-endowment:			
Quoted in an active market		**70,446**	(15,794)
Designated at fair value		**48,092**	(25,427)
Portfolio investments - restricted for endowments:			
Quoted in an active market		**273,632**	(38,002)
Designated at fair value		**43,483**	(123,096)
Amounts reclassified to consolidated statement of operations:			
Portfolio investments - non-endowment:			
Quoted in an active market		**(15,058)**	683
Designated at fair value		**(2,747)**	3,659
Portfolio investments - restricted for endowments:			
Quoted in an active market		**(40,114)**	3,767
Designated at fair value		**(6,375)**	12,200
Net change for the year		**371,359**	(182,010)
Accumulated remeasurement gains, end of year	14	**$ 440,263**	$ 68,904

	2021	2020
Accumulated remeasurement gains is comprised of:		
Portfolio investments - non-endowment	**$ 105,734**	$ 5,001
Portfolio investments - restricted for endowments	**334,529**	63,903
	$ 440,263	$ 68,904

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2021
(thousands of dollars)

	2021	2020
Operating transactions		
Annual surplus (deficit)	$ 53,650	$ (14,656)
Add (deduct) non-cash items:		
Amortization of tangible capital assets	157,883	182,376
Expended capital recognized as revenue	(96,455)	(115,828)
Investment loss from government business enterprise	214	-
(Gain) loss on sale of portfolio investments	(64,294)	20,309
Loss on disposal of tangible capital assets	748	1,967
Increase in employee future benefit liabilities	14,612	1,283
Change in non-cash items	12,708	90,107
Decrease (increase) in accounts receivable	12,524	(341)
(Increase) decrease in inventories held for sale	(1,331)	139
Increase in accounts payable and accrued liabilities	802	17,177
Increase (decrease) in deferred revenue	124,807	(9,016)
Increase in prepaid expenses	(327)	(1,169)
Cash provided by operating transactions	202,833	82,241
Capital transactions		
Acquisition of tangible capital assets, less in-kind donations	(183,746)	(150,112)
Proceeds on disposal of tangible capital assets	5,159	257
Cash applied to capital transactions	(178,587)	(149,855)
Investing transactions		
Purchases of portfolio investments	(343,403)	(403,015)
Proceeds on sale of portfolio investments	256,590	398,004
Cash applied to investing transactions	(86,813)	(5,011)
Financing transactions		
Debt repayment	(17,466)	(15,747)
Debt - new financing		83,500
Increase in spent deferred capital contributions, less in-kind donations	100,998	60,634
Cash provided by financing transactions	83,532	128,387
Increase in cash and cash equivalents	20,965	55,762
Cash and cash equivalents, beginning of year	75,343	19,581
Cash and cash equivalents, end of year	$ 96,308	$ 75,343

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 and liabilities 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. When the restricted nature of a financial instrument and any related changes in fair value create a liability, unrealized gains and losses are recognized as deferred revenue.

All financial assets are 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 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 revenue is 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

In accordance with PSAS, the university reviews on a regular basis the estimated useful life of the remaining unamortized portion of tangible capital assets. During the year the university conducted a review of the estimated useful life of its core buildings and parkades. The review concluded that the useful life for buildings and parkades can be extended from 40 to 50 years and from 18 to 30 years respectively. This change in estimate was applied prospectively and resulted in an approximate $19.7 million reduction in amortization expense in the current year.

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 the 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 government partnerships

Proportionate consolidation is used to recognize the university's share of the following government 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.
- TEC Edmonton (50% interest) - a joint venture with Edmonton Economic Development Corporation to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society.
- Tri-University Meson Facility (TRIUMF) (7.14% interest) - a joint venture with thirteen other universities to operate a sub-atomic physics research facility.
- 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 government partnerships are not material to the university's consolidated financial statements; therefore, separate condensed financial information is not presented.

(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 (GBE). During the year, UAPTI commenced operations. GBEs are included in the consolidated financial statements using the modified equity method, with equity being computed in accordance with accounting standards applicable to those entities. Under the modified equity method, the accounting policies of the GBEs 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. Contaminated sites occur when an environmental standard exists and contamination exceeds the environmental standard.

A liability for remediation of contaminated sites from an operation in productive use is recognized net of any expected recoveries when all of the following criteria are 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.

A liability for remediation of contaminated sites from an operation no longer in productive use, and/or an unexpected event occurs resulting in contamination, is recognized net of any expected recoveries when all of the following criteria are met:

- the university is directly responsible or accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

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

(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 accounting changes

In August 2018, the Public Sector Accounting Board (PSAB) issued PS 3280 Asset retirement obligations. This accounting standard has been deferred by PSAB, and is effective for fiscal years starting on or after April 1, 2022. Asset retirement obligations provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

In November 2018, PSAB issued PS 3400 Revenue. This accounting standard has been deferred by PSAB, and is effective for fiscal years starting on or after April 1, 2023. Revenue provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions.

In November 2020, PSAB issued PSG-8 Purchased intangibles. This accounting guideline is effective for fiscal years starting on or after April 1, 2023. Purchased intangibles provides guidance on how to recognize intangibles as non-financial assets.

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

(thousands of dollars)

3. Cash and cash equivalents

	2021	2020
Cash	**$ 3,271**	$ 26,917
Money market holdings	**93,037**	48,426
	$ 96,308	$ 75,343

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

	2021	2020
Portfolio investments - non-endowment	**$ 1,220,291**	$ 989,681
Portfolio investments - restricted for endowments	**1,573,993**	1,284,568
	$ 2,794,284	$ 2,274,249

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

	2021				2020			
	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	**$ 98,086**	**$ 309,478**	**$ -**	**$ 407,564**	$ 81,686	$ 469,590	$ -	$ 551,276
Canadian bonds	**-**	**110,120**	**-**	**110,120**	-	120,910	-	120,910
Foreign bonds	**-**	**274,499**	**-**	**274,499**	-	253,630	-	253,630
Canadian equity	**357,794**	**-**	**-**	**357,794**	204,758	-	-	204,758
Foreign equity	**1,074,053**	**-**	**-**	**1,074,053**	776,892	-	-	776,892
Hedge funds	**-**	**270,654**	**-**	**270,654**	-	179,703	-	179,703
Private equity	**-**	**-**	**156,772**	**156,772**	-	-	92,085	92,085
Private credit	**-**	**-**	**42,149**	**42,149**	-	-	9,190	9,190
Private real estate	**-**	**-**	**100,637**	**100,637**	-	-	84,772	84,772
	1,529,933	**964,751**	**299,558**	**2,794,242**	1,063,336	1,023,833	186,047	2,273,216
Other at amortized cost				**42**				1,033
	$ 1,529,933	**$ 964,751**	**$ 299,558**	**$ 2,794,284**	$ 1,063,336	$ 1,023,833	$ 186,047	$ 2,274,249

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) 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:

	2021	2020
Balance, beginning of year	**$ 186,047**	$ 166,803
Unrealized gains (losses)	**12,034**	(14,008)
Purchases	**112,905**	52,250
Proceeds on sale	**(11,428)**	(18,998)
	$ 299,558	$ 186,047

(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 one year or less. As at March 31, 2021, the university held commodity futures contracts for settlement between May 2021 and March 2022, with a notional amount of $38,845 (2020 - no contracts). The fair value of outstanding commodity futures contracts receivable is $3,535 (2020 - $nil) and of commodity futures contracts payables is $1,104 (2020 - $nil).

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, 2021, if market prices had a 9.0% (2020 - 8.4%) increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains for the year would be $176,819 (2020 - $127,531). The economic uncertainty experienced in March 2020 with regards to markets surrounding COVID-19 has abated. Most markets, as measured by major capital market indices, have recovered. Management continues to monitor the situation as uncertainties related to the pandemic and economy continue.

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 82% of the university's foreign currency exposure is in USD (2020 - 77%).

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

Currency	Fair Value	2.5% decrease	1.0% decrease	1.0% increase	2.5% increase
Foreign currency exposure	$ 1,265,664	$ (31,642)	$ (12,657)	$ 12,657	$ 31,642

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 current economic outlook and the impact of COVID-19 over the past year, 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) 80.4% (2020 - 72.9%); R-1(mid) 16.4% (2020 - 27.1%); R-1(low) 3.2% (2020 - 0.0%).
- Bonds: AAA 46.8% (2020 - 54.3%); AA 6.2% (2020 - 5.2%); A 10.8% (2020 - 10.3%); BBB 18.8% (2020 - 19.9%); below BBB and not rated 17.4% (2020 - 10.3%).

(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 (2020 - $20,000) to ensure that funds are available to meet current and forecasted financial requirements. In 2021, the line of credit was not drawn upon (2020 - not drawn upon). The university believes, based on its assessment of future cash flows that have incorporated the effects of COVID-19, 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% (2020 - 0.25%), and all variables are held constant, the potential loss in fair value to the university would be approximately $5,053 (2020 - $5,420). 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	-	-	0.5
Canadian government, corporate and foreign bonds	21.5	33.5	45.0	2.4

7. Investment in government business enterprises

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:

	2020	2019
Liabilities		
Accounts payable and accrued liabilities	**$ 7**	$ -
Amount due to the University of Alberta	**207**	-
	214	-
Equity		
Deficit	**(214)**	-
	$ -	$ -

Statement of Operations:

	2020	2019
Revenue	**$ -**	$ -
Expense	**214**	-
Net loss	**$ (214)**	$ -

(thousands of dollars)

8. Accounts payable and accrued liabilities

	2021	2020
Trade payables	**$ 85,877**	$ 89,555
Accrued liabilities	**64,672**	55,381
Vacation liability	**32,534**	30,510
Environmental liability	**6,500**	13,274
Contaminated sites	**1,043**	-
	$ 190,626	$ 188,720

9. Employee future benefit liabilities

	2021			2020		
	Academic staff	**Support staff**	**Total**	Academic staff	Support staff	Total
Universities Academic Pension Plan	**$ 127,066**	**$ -**	**$ 127,066**	$ 115,671	$ -	$ 115,671
Long-term disability	**10,814**	**27,419**	**38,233**	10,708	27,203	37,911
Early retirement	**-**	**26,924**	**26,924**	-	26,728	26,728
SRP (defined contribution)	**33,829**	**-**	**33,829**	29,688	-	29,688
SRP (defined benefit)	**5,615**	**-**	**5,615**	6,328	-	6,328
Administrative/professional leave	**914**	**-**	**914**	1,194	-	1,194
General illness	**560**	**528**	**1,088**	716	821	1,537
	$ 178,798	**$ 54,871**	**$ 233,669**	$ 164,305	$ 54,752	$ 219,057

(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, 2018 and was then extrapolated to March 31, 2021, resulting in a UAPP deficit of $817,447 (2020 - $1,304,243) consisting of a pre-1992 deficit of $832,342 (2020 - $885,533) and a post-1991 surplus of $14,895 (2020 - deficit of $418,710). 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% (2020 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 3.04% (2020 - 2.90%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The Government of Alberta's obligation for the future additional contributions is $249,339 (2020 - $267,201) at March 31, 2021.

The following special payments apply to the post-1991 period, and are shared equally between employees and employers:

- 3.24% of salaries until December 31, 2021 (2020 - 3.38% of salaries until June 30, 2020, then 3.24% of salaries until December 31, 2021)
- 1.71% (2020 - 1.71%) of salaries for 2022 and 2023
- 0.70% (2020 - 0.70%) of salaries for 2024 and 2025
- 0.25% (2020 - 0.25%) of salaries for 2026 and 2027

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, 2021. 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).

(thousands of dollars)

9. Employee future benefit liabilities (continued)

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

Early retirement
The early retirement benefits for support staff include a bridge benefit (2021 - $19,117; 2020 - $19,204) and a retirement allowance (2021 - $7,807; 2020 - $7,524). An actuarial valuation of these benefits was carried out as at March 31, 2021. 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, 2021. 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, 2021.

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

	2021				2020			
	UAPP	**LTD, GI (1)**	**Early retirement (1)**	**SRP, leave (1)**	UAPP	LTD,GI (1)	Early retirement (1)	SRP, leave (1)
Expense								
Current service cost	**$ 48,434**	**$ 15,384**	**$ 969**	**$ 184**	$ 48,489	$ 17,815	$ 929	$ 349
Interest cost, net of earnings	**15,198**	**1,881**	**771**	**252**	10,955	1,812	749	317
Amortization of actuarial losses (gains)	**13,207**	**794**	**(547)**	**(4)**	6,019	328	(588)	79
	$ 76,839	**$ 18,059**	**$ 1,193**	**$ 432**	$ 65,463	$ 19,955	$ 1,090	$ 745
Liability								
Accrued benefit obligation								
Balance, beginning of year	**$ 1,396,194**	**$ 42,653**	**$ 19,618**	**$ 7,034**	$ 1,327,412	$ 38,136	$ 19,095	$ 9,564
Current service cost	**48,434**	**15,384**	**969**	**184**	48,489	17,815	929	349
Interest cost	**79,065**	**1,881**	**771**	**252**	75,406	1,812	749	317
Benefits paid	**(65,516)**	**(18,186)**	**(997)**	**(1,425)**	(58,743)	(17,854)	(1,110)	(3,162)
Actuarial losses (gains)	**79,891**	**(210)**	**(3,609)**	**(36)**	3,630	2,744	(45)	(34)
Balance, end of year	**1,538,068**	**41,522**	**16,752**	**6,009**	1,396,194	42,653	19,618	7,034
Plan assets	**(1,398,043)**	**-**	**-**	**-**	(1,140,526)	-	-	-
Plan deficit	**140,025**	**41,522**	**16,752**	**6,009**	255,668	42,653	19,618	7,034
Unamortized actuarial (losses) gains	**(12,959)**	**(2,201)**	**10,172**	**520**	(139,997)	(3,205)	7,110	488
Accrued benefit liability	**$ 127,066**	**$ 39,321**	**$ 26,924**	**$ 6,529**	$ 115,671	$ 39,448	$ 26,728	$ 7,522

(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:

	2021			2020		
	UAPP	**SRP, leave**	**LTD, GI, early retirement**	UAPP	SRP, leave	LTD, GI, early retirement
	%	%	%	%	%	%
Accrued benefit obligation						
Discount rate	**5.2**	**3.6**	**3.6**	5.6	3.8	3.8
Long-term average compensation increase	**3.0**	**2.0**	**2.0**	3.0	3.0	3.0
Benefit cost						
Discount rate	**5.6**	**3.8**	**3.6**	5.6	3.9	3.8
Long-term average compensation increase	**3.0**	**3.0**	**2.0**	3.0	3.0	3.0
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 - 9 yrs**	10.6 yrs	Note(1)	1 - 13 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 $27,278 (2020 - $29,602).

An actuarial valuation of the PSPP was carried out as at December 31, 2019 and was then extrapolated to December 31, 2020. At December 31, 2020, the PSPP reported an actuarial surplus of $2,223,582 (2019 - surplus of $2,759,320). For the year ended December 31, 2020 PSPP reported employer contributions of $323,497 (2019 - $321,306). For the 2020 calendar year, the university's employer contributions were $27,932 (2019 calendar year - $29,728).

(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 $6,685 (2020 - $4,680).

(thousands of dollars)

10. Debt

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

	Maturity Date	Weighted average interest rate %	2021	2020
Collateral				
Title to land, building	August 2024 - March 2048	3.726	**$ 178,689**	$ 185,918
Cash flows from facility	September 2028 - December 2047	5.011	**39,194**	41,988
General Security Agreement	December 2028 - June 2049	2.922	**155,238**	161,470
None	December 2025 - September 2036	4.733	**12,963**	14,174
Balance, end of year			**$ 386,084**	$ 403,550

Interest expense on debt recognized in these consolidated financial statements is $13,199 (2020 - $13,380).

Land and buildings pledged as collateral have a net book value of $274,701 (2020 - $283,262).

Principal and interest payments are as follows:

	Principal	Interest	Total
2022	$ 16,678	$ 13,650	$ 30,328
2023	17,336	12,991	30,327
2024	18,024	12,304	30,328
2025	18,741	11,587	30,328
2026	18,024	10,839	28,863
Thereafter	297,281	97,732	395,013
	$ 386,084	$ 159,103	$ 545,187

11. Deferred revenue

	2021			2020
	Unspent externally restricted grants and donations	**Student tuition and other revenue**	**Total**	Total
Balance, beginning of year	**$ 536,542**	**$ 33,200**	**$ 569,742**	$ 578,758
Net change for the year				
Grants, donations, endowment spending allocation and tuition	**703,444**	**421,115**	**1,124,559**	910,337
Transfers to spent deferred capital contributions	**(104,911)**	**-**	**(104,911)**	(68,112)
Recognized as revenue	**(501,599)**	**(393,242)**	**(894,841)**	(851,241)
Net change for the year	**96,934**	**27,873**	**124,807**	(9,016)
Balance, end of year	**$ 633,476**	**$ 61,073**	**$ 694,549**	$ 569,742

(thousands of dollars)

12. Tangible capital assets

	2021					2020
	Buildings and utilities	**Equipment, furnishings and systems**	**Learning resources**	**Land**	**Total**	Total
Cost						
Beginning of year	**$ 3,701,957**	**$ 1,339,177**	**$ 490,165**	**$ 84,027**	**$ 5,615,326**	$ 5,493,009
Acquisitions	**108,930**	**57,783**	**20,946**	**-**	**187,659**	157,590
Disposals	**(3,993)**	**(6,326)**	**(7,235)**	**(2,420)**	**(19,974)**	(35,273)
	3,806,894	**1,390,634**	**503,876**	**81,607**	**5,783,011**	5,615,326
Accumulated amortization						
Beginning of year	**1,511,283**	**1,075,069**	**371,894**	**-**	**2,958,246**	2,808,919
Amortization expense	**74,625**	**61,435**	**21,823**	**-**	**157,883**	182,376
Disposals	**(890)**	**(5,942)**	**(7,235)**	**-**	**(14,067)**	(33,049)
	1,585,018	**1,130,562**	**386,482**	**-**	**3,102,062**	2,958,246
Net book value, March 31, 2021	**$ 2,221,876**	**$ 260,072**	**$ 117,394**	**$ 81,607**	**$ 2,680,949**	$ 2,657,080
Net book value, March 31, 2020	$ 2,190,674	$ 264,108	$ 118,271	$ 84,027	$ 2,657,080	

Included in buildings and utilities is $152,633 (2020 - $68,683) 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 $3,913 (2020 - $7,478).

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.

	2021	2020
Balance, beginning of year	**$ 1,799,471**	$ 1,847,187
Net change for the year		
Transfers from unspent externally restricted grants and donations	**104,911**	68,112
Expended capital recognized as revenue	**(96,455)**	(115,828)
Net change for the year	**8,456**	(47,716)
Balance, end of year	**$ 1,807,927**	$ 1,799,471

(thousands of dollars)

14. Net assets

	Unrestricted	Investment in tangible capital assets	Internally restricted	Endowments	Total
Net assets, March 31, 2019	$ 138,328	$ 553,831	$ 55,051	$ 1,432,304	$ 2,179,514
Annual operating deficit	(40,246)	-	-	-	(40,246)
Transfer from internally restricted	15,000	-	(15,000)	-	-
Endowments					
New contributions	-	-	-	25,506	25,506
Capitalized investment income	-	-	-	84	84
Transfer to endowments	(2,327)	-	-	2,327	-
Transfer from endowments	30,522	-	-	(30,522)	-
Tangible capital assets					
Acquisitions	(87,313)	87,313	-	-	-
Debt repayment	(14,564)	14,564	-	-	-
Debt - financing allocation	20,024	(20,024)	-	-	-
Amortization	66,548	(66,548)	-	-	-
Change in accumulated remeasurement gains	(36,879)	-	-	(145,131)	(182,010)
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	**(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	**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**

Net assets is comprised of:

Accumulated surplus	$ 106,412	$ 566,718	$ 55,000	$ 1,239,464	$ 1,967,594
Accumulated remeasurement gains (1)	105,734	-	-	334,529	440,263
	$ 212,146	**$ 566,718**	**$ 55,000**	**$ 1,573,993**	**$ 2,407,857**

(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. This amount is not available for other purposes without the approval of the Board and does not have interest allocated to it.

	2021	2020
Investment income reserve	**$ 55,000**	$ 40,051

The university's investment income earned from endowment investments was not sufficient to fund the current year's endowment spending allocation. Investment income earned was $70,682 (2020 - $13,822) leaving an unfunded allocation of $4,514 (2020 - $58,044). Of that amount, $666 (2020 - $30,522) was spent by endowment holders. As such, the university recorded a temporary encroachment on its endowment net assets of $666 (2020 - $30,522). As at March 31, 2021, the university has a cumulative temporary encroachment balance of $31,188 (2020 - $30,522).

The university also has a cumulative future commitment of $31,370 (2020 - $27,522) representing the unspent allocation provided per the University Endowment Pool (UEP) Spending policy. Since this $31,370 represents a future commitment at March 31, 2021, it has not been recorded in the consolidated financial statements.

15. Liability for contaminated sites

The university recognized an estimated liability of $1,043 (2020 - $nil) 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 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.

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 a potential liability 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. As 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 fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these facilities will be recognized in the period in which there is certainty that the renovation or demolition project will proceed and there is sufficient information to estimate fair value of the obligation.

(thousands of dollars)

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
2022	$ 1,793	$ 2,863	**$ 4,656**
2023	1,150	2,815	**3,965**
2024	697	2,761	**3,458**
2025	465	2,276	**2,741**
2026	204	742	**946**
Thereafter	159	3,776	**3,935**
	$ 4,468	**$ 15,233**	**$ 19,701**
Total at March 31, 2020	$ 4,896	$ 15,244	$ 20,140

In the prior year, 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 $6,520 (2020 - $6,797).

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.

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
2022	$ 191,920	$ 81,798	$ 2,374	**$ 276,092**
2023	83,677	23,841	2,080	**109,598**
2024	57,261	13,706	1,977	**72,944**
2025	-	12,129	1,324	**13,453**
2026	-	4,530	789	**5,319**
Thereafter	-	156	1,029	**1,185**
	$ 332,858	**$ 136,160**	**$ 9,573**	**$ 478,591**
Total at March 31, 2020	$ 415,707	$ 96,267	$ 13,081	$ 525,055

19. Contractual obligations (continued)

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 three contracts (2020 - two contracts) with expenditures totaling $10,472 (2020 - $7,199) expire over the next two years.

- Effective August 1, 2020, the university entered into an agreement with an external party for dining and catering services. The agreement has four years remaining with a total estimated cost of $44,990 (2020 - $3,467).

- The university entered into agreements with two external parties for information technology support. The first agreement, effective July 1, 2020 for infrastructure management services, has two months remaining with a cost of $664 (2020 - $934, three months remaining). The second agreement, effective July 1, 2019 for application management services, has three months remaining with a cost of $734 (2020 - $3,667). One external party will be used for infrastructure (renewal effective June 1, 2021) and application management services (new agreement is effective July 1, 2021).

- Effective August 1, 2019, the university entered into an agreement with an external party for custodial services. The agreement has four months remaining with a cost of $2,373 (2020 - $13,032). The agreement will be renewed effective August 1, 2021.

(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, 2020, CURIE had an accumulated surplus of $99,449 (2019 - $90,185), of which the university's pro rata share is approximately 7.36% (2020 - 7.33%). 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.

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

21. Budget

The university's 2020-21 budget was approved by the Board of Governors and submitted to the Minister of Advanced Education.

(thousands of dollars)

22. Government transfers

	2021	2020
Government of Alberta grants		
Advanced Education - Campus Alberta grant	**$ 560,964**	$ 626,861
Advanced Education - other grants	**129,191**	80,648
Alberta Health Services - Academic Medicine and Health Sciences Program	**55,476**	60,429
Alberta Health Services - other grants	**5,320**	6,642
Jobs, Economy, and Innovation	**44,410**	44,844
Health	**25,331**	25,081
Other departments and agencies	**9,367**	9,336
	830,059	853,841
Expended capital recognized as revenue	**53,700**	68,147
Deferred revenue	**(103,772)**	(49,959)
	$ 779,987	$ 872,029
Federal and other government grants		
Natural Sciences and Engineering Research Council	**$ 67,620**	$ 55,793
Canadian Institutes of Health Research	**64,691**	38,992
Social Sciences and Humanities Research Council	**33,962**	30,468
Tri-agency Institutional Programs Secretariat	**18,257**	2,953
Canada Research Chairs	**17,352**	15,497
Canadian Foundation for Innovation	**16,888**	13,156
Canada First Research Excellence Fund	**12,139**	12,264
Other	**44,735**	41,097
	275,644	210,220
Expended capital recognized as revenue	**19,499**	19,927
Deferred revenue	**(66,488)**	(16,494)
	$ 228,655	$ 213,653

The university currently holds $11,500 (2020 - $11,553) on behalf of federal and other government agencies. These amounts are not recognized in the university's consolidated financial statements.

23. Expense by object

	2021 Budget (Note 21)	2021	2020
Salaries	$ 916,911	**$ 891,502**	$ 941,083
Employee benefits	198,992	**208,711**	209,241
Materials, supplies and services	288,450	**215,026**	279,345
Scholarships and bursaries	134,735	**138,443**	135,461
Maintenance and repairs	95,881	**66,264**	100,243
Utilities	51,671	**46,698**	47,521
Amortization of tangible capital assets	183,871	**157,883**	182,376
	$ 1,870,511	**$ 1,724,527**	$ 1,895,270

Salaries and employee benefits include accrued termination benefits of $4,331 (2020 - $6,247) and $212 (2020 - $408) respectively.

(thousands of dollars)

24. Salaries and employee benefits

2021

	Base salary (7)	**Other cash benefits** (8)	**Non-cash benefits** (9)	**Non-cash benefits (DB SRP)** (10)	**Non-cash benefits (DC SRP)** (11)	**Non-cash benefits (leave)** (12)	**Total**
Governance (1)							
Board of Governors	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Executive							
President (2)	**449**	**47**	**49**	**-**	**51**	**88**	**684**
Provost and Vice-President (Academic) (13)	**415**	**(12)**	**44**	**-**	**52**	**-**	**499**
Vice-President (Research and Innovation) (3)	**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)	**83**	**1**	**14**	**-**	**3**	**10**	**111**
Vice-President (University Relations) (5)	**105**	**59**	**22**	**-**	**5**	**-**	**191**
Vice-President (Advancement) (6)	**154**	**44**	**27**	**-**	**11**	**-**	**236**

2020

	Base salary (7)	Other cash benefits (8)	Non-cash benefits (9)	Non-cash benefits (DB SRP) (10)	Non-cash benefits (DC SRP) (11)	Non-cash benefits (leave) (12)	Total
Governance (1)							
Board of Governors	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Executive							
President	500	250	52	31	64	63	960
Provost and Vice-President (Academic) (13)	415	-	44	-	50	-	509
Vice-President (Research and Innovation)	375	10	42	-	26	77	530
Vice-President (Facilities and Operations)	370	9	43	-	28	30	480
Vice-President (Finance and Administration)	375	9	52	-	30	32	498
Vice-President (University Relations) (5)	230	476	34	-	15	13	768
Vice-President (Advancement)	206	74	39	-	16	-	335

During the year, as part of the university's overall U of A for Tomorrow reorganization strategy, changes were made to the senior leadership team. These changes were announced under the Service Excellence Transformation (SET) part of the U of A for Tomorrow strategy. Under this initiative the following changes were announced:

- On July 24, 2020, the university created the new role of Vice-President, External Relations. This role was filled on January 1, 2021.
- On November 3, 2020, the name of the role of Vice-President, Finance and Administration changed to Vice-President, University Services and Finance. During the year 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.
- On January 1, 2021, the roles of Vice-President, Advancement and Vice-President, University Relations were abolished. The accountabilities of these two positions were moved to the Vice-President, External Relations.

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

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

(3) In 2021, two individuals held this position, the current one on an interim basis for 11 months. The interim Vice-President did not participate in any executive benefit programs except the DC SRP.

(4) The acting Vice-President did not participate in any executive benefit programs except the DC SRP.

(5) 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. In 2020, two individuals held this position for 6 months and 4.5 months respectively.

(6) The interim Vice-President did not participate in any executive benefit programs except the DC SRP.

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

(8) Other cash benefits include academic executive allowances, salary supplements, performance pay, market supplements, vacation payouts, car allowances, mobile allowances, administrative supplements and personal leave plan. Other cash benefits in 2020 also includes severance payments (salary continuance and lump sum payment) and a vacation payout for the former Vice-President (University Relations).

(9) 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)

24. Salaries and employee benefits (continued)

(10) Under the terms of the Defined Benefit Supplementary Retirement Plan (DB 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 estimated cost to provide supplementary retirement benefits. The DB SRP provides future benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro rated on service, a market interest rate, and other assumptions included in the Canadian Institute of Actuaries' lump sum commuted value standard. Net actuarial gains and losses of the benefit obligations are amortized over the remaining terms of the participants' contracts. Current service cost is the actuarial present value of the benefits earned in the current year. The DB SRP was closed to new members effective June 30, 2014.

The DB SRP current service cost and accrued benefit obligation is as follows:

		2020	**2021**			
	Years of eligible University of Alberta service	Accrued benefit obligation	**Service costs**	**Interest and other costs** (10b)	**Actuarial (gain) loss**	**Accrued benefit obligation** (10c)
Former President (10a)	5	$ 124	**$ -**	**$ (141)**	**$ 17**	**$ -**

(10a) Includes service to June 30, 2020 and the DB SRP obligation shown is at June 30, 2020. The DB SRP was closed to new members effective June 30, 2014. However, a portion of the supplementary retirement benefit for the former President is calculated on a defined benefit basis, and the liability will be disclosed on this basis as service is provided.

(10b) On April 1, 2020, the balance of the DB SRP accrued benefit obligation was transferred to the former President's DC SRP.

(10c) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed note 9.

(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:

		2020	**2021**		
	Years of eligible University of Alberta service	DC SRP obligation	**Service costs** (11f)	**Interest and investment earnings** (11g)	**DC SRP obligation**
Former President (11a)	5.0	$ 244	**$ 150**	**$ 17**	**$ 411**
President	0.8	-	**25**	**-**	**25**
Provost and Vice-President (Academic)	5.8	176	**39**	**13**	**228**
Former Vice-President (Research and Innovation) (11b)	2.0	50	**2**	**(1)**	**51**
Interim Vice-President (Research and Innovation)	1.7	13	**13**	**2**	**28**
Vice-President (Facilities and Operations)	4.6	82	**24**	**9**	**115**
Former Vice-President (Finance and Administration) (11c)	4.0	92	**14**	**(1)**	**105**
Acting Vice-President (Finance and Administration) (11d)	0.1	-	**1**	**-**	**1**
Vice-President (University Services and Finance)	0.4	-	**8**	**-**	**8**
Vice-President (External Relations)	0.3	-	**3**	**-**	**3**
Former Interim Vice-President (University Relations) (11e)	1.2	1	**4**	**1**	**6**
Former Interim Vice-President (Advancement) (11e)	2.2	22	**8**	**3**	**33**

(11a) Includes service to June 30, 2020 and the DC SRP obligation shown is at June 30, 2020.

(11b) Includes service to April 30, 2020 and the DC SRP obligation shown is at April 30, 2020.

(11c) Includes service to October 31, 2020 and the DC SRP obligation shown is at October 31, 2020.

(11d) Includes service from October 3 to October 25, 2020 and the DC SRP obligation shown is at October 25, 2020.

(11e) Includes service to December 31, 2020 and the DC SRP obligation shown is at December 31, 2020.

(11f) Service costs for the former President include the balance of the DB SRP accrued benefit obligation, which was transferred to the DC SRP on April 1, 2020. This amount is not a current year expense.

(11g) 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.

(thousands of dollars)

24. Salaries and employee benefits (continued)

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

		2020	**2021**			
	Years of eligible University of Alberta service	Accrued benefit obligation	**Service costs**	**Interest and other costs**	**Actuarial (gain) loss**	**Accrued benefit obligation** (12c)
Former President (12a)	5.0	$ 445	**$ 23**	**$ 5**	**$ -**	**$ 473**
President	0.8	-	**59**	**1**	**1**	**61**
Vice-President (Facilities and Operations)	4.6	133	**37**	**7**	**(5)**	**172**
Former Vice-President (Finance and Administration) (12b)	4.0	133	**23**	**3**	**(159)**	**-**
Vice-President (University Services and Finance)	0.4	-	**32**	**1**	**(1)**	**32**
Vice-President (External Relations)	0.3	-	**10**	**-**	**-**	**10**

(12a) Includes service to June 30, 2020 and the accrued benefit obligation shown is at June 30, 2020.

(12b) Includes service to October 31, 2020 and the accrued benefit obligation shown is at October 31, 2020. Based on the relevant employment agreement, no leave benefit will need to be paid out, so the accrued benefit obligation has been reduced to $0.

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

(13) The Provost and Vice-President (Academic) participates 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.

25. Approval of financial statements

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

26. Comparative figures

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