The following Motions and Documents were considered by the Board of Governors during the Open Session of its Monday, May 27, 2024 meeting:

Agenda Title: **Management's Annual Audited Financial Statements and Financial Statement Discussion and Analysis**

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, 2024, as set forth in Attachment 1.

Final Item: 3.

Agenda Title: **Bill S-211 Report on Prevention and Reduction of the Risk of Forced Labour and Child Labour in Supply Chains**

APPROVED MOTION: THAT the Board of Governors ("the Board") approve the University of Alberta's Bill S-211 Report for the fiscal year ending March 31, 2024, as set forth in Attachment 1, and authorize the Chair of the Board of Governors to sign the Attestation of the report on behalf of the Board.

Final Item: 4a.

ITEM NO. 3

Decision X Discussion ☐ Information ☐

ITEM OBJECTIVE: To obtain Board of Governors approval of the audited Consolidated Financial Statements as required by the Post-Secondary Learning Act.

DATE	May 27, 2024
TO	Board of Governors
RESPONSIBLE PORTFOLIO	Vice-President (University Services and Finance)

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, 2024, as set forth in Attachment 1.

EXECUTIVE SUMMARY:
Draft Audited Financial Statements (Attachment 1) are provided for approval. Draft Financial Statement Discussion and Analysis (Attachment 2) is provided for review.

The university ended the year with an annual operating surplus of $6.5 million.

An additional $27.9 million in endowment contributions and capitalized investment income bring the consolidated annual surplus to $34.4 million.

The annual operating surplus of $6.5 million is $45.3 million higher than the budgeted operating deficit of $38.8 million. This difference is mainly attributable to higher than budgeted investment income of $42.4 million.

The university's net assets at the end of the fiscal year were $2,723.7 million, which increased by $129.5 million from the prior year (2023: $2,594.2 million). The increase is due to the consolidated annual surplus of $34.4 million and an increase in the fair value of portfolio investments of $95.1 million (unrealized gains).

The $2,723.7 million consists of the following:
- $323.4 unrestricted accumulated surplus,
- $132.2 internally restricted surplus (Investment Income and Strategic Initiatives reserves),
- $453.0 investment in capital assets, and
- $1,815.1 endowments

Risk Discussion / Mitigation of the Risk
There are no risks associated with this item. Financial statements are required as part of legislative compliance. The accompanying audit report provides assurance over the completeness and accuracy of the financial statements.

Where applicable, list the legislation that is being relied upon
Post-Secondary Learning Act, sections 70, 71, and 79
Board Audit and Risk Committee Terms of Reference, section 2a

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GOVERNANCE OUTLINE

Next Steps

- May 30, 2024 – the approved audited financial statements are provided to the Ministry of Advanced Education for consolidation purposes.
- June 2024 - The audited financial statements, along with the Financial Statement Discussion and Analysis are published on the University Services and Finance website.
- June 2024 - The audited financial statements, along with the Financial Statement Discussion and Analysis are provided to External Relations for the inclusion in the 2023-24 Annual Report.

Supporting Materials:

1. Consolidated Financial Statements (Draft) (30 pages) **– for approval**
    a. Statement of Management Responsibility
    b. Independent Auditor's Report
    c. Consolidated Statement of Financial Position
    d. Consolidated Statement of Operations
    e. Consolidated Statement of Change in Net Financial Assets
    f. Consolidated Statement of Remeasurement Gains and Losses
    g. Consolidated Statement of Cash Flows
    h. Notes to the Consolidated Financial Statements
2. Financial Statement Discussion and Analysis (Draft) (14 pages)
3. Slidedeck (11 pages)

STATEMENT OF MANAGEMENT RESPONSIBILITY - DRAFT
YEAR ENDED MARCH 31, 2024

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, 2024 and the results of its operations, remeasurement gains and losses, change in net financial assets and cash flows for the year then ended.

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

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

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

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

Original to be signed by Todd Gilchrist
Vice-President (University Services and Finance)

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UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION - DRAFT
AS AT MARCH 31, 2024
(thousands of dollars)

	Note	2024	2023
Financial assets excluding portfolio investments restricted for endowments			
Cash and cash equivalents	4	**$ 40,127**	$ 17,582
Portfolio investments - non-endowment	5	**1,530,931**	1,518,875
Accounts receivable		**172,805**	188,736
Inventories held for sale		**1,876**	1,964
Investment in government business enterprise	8	**(1,921)**	(1,298)
		1,743,818	1,725,859
Liabilities			
Accounts payable and accrued liabilities	9	**201,722**	172,807
Employee future benefit liabilities	10	**194,046**	210,043
Debt	11	**354,697**	363,877
Deferred revenue	12	**844,055**	883,337
Asset retirement obligations and environmental liabilities	13	**183,660**	177,371
		1,778,180	1,807,435
Net debt excluding portfolio investments restricted for endowments		**(34,362)**	(81,576)
Portfolio investments - restricted for endowments	5	**1,815,075**	1,728,072
Net financial assets		**1,780,713**	1,646,496
Non-financial assets			
Tangible capital assets and purchased intangibles	14	**2,781,561**	2,746,079
Prepaid expenses		**15,076**	11,620
		2,796,637	2,757,699
Net assets before spent deferred capital contributions		**4,577,350**	4,404,195
Spent deferred capital contributions	15	**1,853,630**	1,809,981
Net assets	16	**$ 2,723,720**	$ 2,594,214

Net assets are comprised of:		
Accumulated surplus	**$ 2,144,757**	$ 2,110,308
Accumulated remeasurement gains	**578,963**	483,906
	$ 2,723,720	$ 2,594,214

Contingent assets and contractual rights (note 17 and 19)

Contingent liabilities and contractual obligations (note 18 and 20)

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

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF OPERATIONS - DRAFT
YEAR ENDED MARCH 31, 2024
(thousands of dollars)

	Note	Budget (Note 22)	**2024**	2023
Revenue				
Government of Alberta grants	23	$ 711,848	**$ 721,064**	$ 756,203
Federal and other government grants	23	224,579	**231,195**	206,457
Student tuition and fees		489,800	**468,024**	458,523
Sales of services and products		219,295	**224,025**	214,973
Donations and other grants		147,101	**158,803**	136,423
Investment income	24	111,375	**158,142**	141,021
Investment loss from government business enterprise	8	(3,870)	**(623)**	(530)
		1,900,128	**1,960,630**	1,913,070
Expense	25			
Academic costs and institutional support		1,047,640	**1,060,259**	994,254
Research		520,820	**540,297**	507,604
Facility operations and maintenance		159,811	**153,969**	180,487
Special purpose		109,700	**105,369**	102,914
Ancillary services		100,999	**94,227**	92,897
		1,938,970	**1,954,121**	1,878,156
Annual operating (deficit) surplus		(38,842)	**6,509**	34,914
Endowment contributions and capitalized investment income				
Endowment contributions	16		**21,792**	17,771
Endowment capitalized investment income	16		**6,148**	19,589
			27,940	37,360
Annual (deficit) surplus		$ (38,842)	**34,449**	72,274
Accumulated surplus, beginning of year			**2,110,308**	2,038,034
Accumulated surplus, end of year	16		**$ 2,144,757**	$ 2,110,308

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, 2024
(thousands of dollars)

	Budget (Note 22)	**2024**	2023
Annual (deficit) surplus	$ (38,842)	**$ 34,449**	$ 72,274
Acquisition of tangible capital assets and purchased intangibles	(162,763)	**(200,518)**	(148,639)
Proceeds on sale of tangible capital assets and purchased intangibles	-	**1,077**	6,563
Amortization of tangible capital assets and purchased intangibles	163,766	**163,662**	156,621
Loss on sale and disposal of tangible capital assets and purchased intangibles	-	**297**	18,040
(Increase) decrease in prepaid expenses	(289)	**(3,456)**	521
Increase (decrease) in spent deferred capital contributions	19,099	**43,649**	(15,536)
Increase in accumulated remeasurement gains	96,545	**95,057**	38,729
Increase in net financial assets	77,516	**134,217**	128,573
Net financial assets, beginning of year	1,646,496	**1,646,496**	1,517,923
Net financial assets, end of year	$ 1,724,012	**$ 1,780,713**	$ 1,646,496

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, 2024
(thousands of dollars)

	Note	2024	2023
Accumulated remeasurement gains, beginning of year		**$ 483,906**	$ 445,177
Unrealized gains attributable to:			
Portfolio investments - non-endowment:			
Quoted in an active market		**36,874**	13,198
Designated at fair value		**34,196**	12,711
Portfolio investments - restricted for endowments:			
Quoted in an active market		**78,735**	65,628
Designated at fair value		**43,769**	50,531
Amounts reclassified to consolidated statement of operations:			
Portfolio investments - non-endowment:			
Quoted in an active market		**(14,767)**	(14,106)
Designated at fair value		**(19,379)**	(15,179)
Portfolio investments - restricted for endowments:			
Quoted in an active market		**(41,372)**	(41,839)
Designated at fair value		**(22,999)**	(32,215)
Net change for the year		**95,057**	38,729
Accumulated remeasurement gains, end of year	16	**$ 578,963**	$ 483,906

Accumulated remeasurement gains is comprised of:		
Portfolio investments - non-endowment	**$ 133,511**	$ 96,587
Portfolio investments - restricted for endowments	**445,452**	387,319
	$ 578,963	$ 483,906

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, 2024
(thousands of dollars)

		2024		2023
Operating transactions				
Annual surplus	$	**34,449**	$	72,274
Add (deduct) non-cash items:				
Amortization of tangible capital assets and purchased intangibles		**163,662**		156,621
Expended capital contributions recognized as revenue		**(90,637)**		(87,985)
Investment loss from government business enterprise		**623**		530
Gain on sale of portfolio investments		**(98,517)**		(103,339)
Loss on sale and disposal of tangible capital assets and purchased intangibles		**297**		18,040
Decrease in employee future benefit liabilities		**(15,997)**		(23,150)
(Increase) decrease in asset retirement obligations and environmental liabilities		**(870)**		21
Change in non-cash items		**(41,439)**		(39,262)
Decrease (increase) in accounts receivable		**14,686**		(44,873)
Decrease in inventories held for sale		**88**		967
Increase (decrease) in accounts payable and accrued liabilities		**29,224**		(21,884)
(Decrease) increase in deferred revenue		**(39,282)**		113,262
(Increase) decrease in prepaid expenses		**(3,456)**		521
Asset retirement obligations abatement		**(268)**		(537)
Cash (applied to) provided by operating transactions		**(5,998)**		80,468
Capital transactions				
Acquisition of tangible capital assets and purchased intangibles, less in-kind donations and asset retirement additions		**(187,168)**		(138,664)
Proceeds on sale of tangible capital assets and purchased intangibles		**1,077**		564
Cash applied to capital transactions		**(186,091)**		(138,100)
Investing transactions				
Purchases of portfolio investments		**(218,777)**		(256,372)
Proceeds on sale of portfolio investments		**314,228**		259,934
Cash provided by investing transactions		**95,451**		3,562
Financing transactions				
Debt repayment		**(17,180)**		(16,556)
Debt - new financing		**8,000**		-
Increase in spent deferred capital contributions, less in-kind donations		**128,363**		69,025
Cash provided by financing transactions		**119,183**		52,469
Increase (decrease) in cash and cash equivalents		**22,545**		(1,601)
Cash and cash equivalents, beginning of year		**17,582**		19,183
Cash and cash equivalents, end of year	**$**	**40,127**	$	17,582

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

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

(a) Use of estimates

The measurement of certain assets, liabilities, revenues and expenses is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. Employee future benefit liabilities, amortization of tangible capital assets and purchased intangibles, asset retirement obligations, and valuation of level 3 portfolio investments are the most significant items based on estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these consolidated financial statements and, together with the following notes, should be considered an integral part of the consolidated financial statements.

(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
Asset retirement obligations - cost or present value
Debt - amortized cost
Derivatives - fair value

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

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

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

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 or acquire purchased intangibles, revenue will be recognized over the useful life of the tangible capital assets and purchased intangibles.

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

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

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

Student tuition and fees
Student tuition and fees represent revenues for the programs offered by the University, including credit and non-credit course tuition, and non-instructional fees including student academic support, health and wellness, and athletics fees. These revenues are considered exchange transactions and are recognized as revenue when or as the University fulfils its performance obligation(s) by delivering the programs. The University fulfills its performance obligation for credit course tuition and non-instructional fees over each academic term. As such, some performance obligations for the winter term are outstanding at March 31, 2024, and therefore a portion of student tuition and fees revenue is deferred.

Sales of services and products
Sales of services and products represent revenues from non-tuition related services and products, including parking fees, bookstore sales, residential occupancy, retail leasing, utilities sales, clinical operations and other general sales. These revenues are considered exchange transactions and are recognized as revenue when or as the University fulfils its performance obligation(s) and transfers control of the promised goods or services to the payor. If a performance obligation is outstanding at March 31, 2024, the remaining revenue is deferred. Sales without a performance obligation, including parking fines, are non-exchange transactions and are recognized when the University has the authority to claim or retain the revenue.

Endowment contributions
Endowment contributions are recognized as revenue in the consolidated statement of operations in the year in which they are received, and are required by donors to be maintained intact in perpetuity.

Investment income
Investment income includes dividends, interest income and realized gains and losses on the sale of portfolio investments. Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as revenue when the terms of the grant or donation are met.

The endowment spending allocation portion of investment income earned by endowments is recognized as deferred revenue when the terms for use by the endowment create a liability. Investment income earned by endowments in excess of the endowment spending allocation is recognized as revenue in the consolidated statement of operations (realized income) and the consolidated statement of remeasurement gains and losses (unrealized gains and losses), and is capitalized and maintained intact in perpetuity.

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

(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.

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 valued at the lower of cost and net recoverable value and are determined using the weighted average method.

(f) Tangible capital assets and purchased intangibles

Tangible capital assets and purchased intangibles are recognized at cost. Tangible capital assets include amounts that are directly related, such as design, construction, development, improvement or betterment of the assets, and costs associated with asset retirement obligations. Cost includes overhead directly attributable to construction and development. Construction in progress is not amortized until after the project is complete and the asset is in service.

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

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

Learning resources includes purchased intangibles and includes electronic books and serials.

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

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

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

(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.

(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.

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

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

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

(h) Employee future benefits (continued)

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.

(i) Investment in other government organizations and partnerships

The University established the University of Alberta Innovation Fund Ltd. (UAIF) on March 31, 2023 for the purpose of managing an investment fund to support research and innovation in Alberta. UAIF is wholly-owned by the University and dependent on the University for its continuing operations. These consolidated financial statements reflect the assets, liabilities, revenues and expenses of UAIF. Inter-organizational transactions, balances and activities have been eliminated upon consolidation.

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

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

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

(j) Investment in government business enterprises

The University of Alberta Properties Trust Inc. (UAPTI) is a government business enterprise wholly-owned by the University but not dependent on the University for its continuing operations. UAPTI is 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. A liability results when environmental standards are exceeded from operations that are either considered in productive use or no longer in productive use. It will also arise when an unexpected event occurs resulting in contamination that exceeds an environmental standard. The University recognizes a liability for remediation of contaminated sites when all of the following criteria are met:

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

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

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

These liabilities reflect the University’s best estimate, as of March 31, 2024, of the amount required to remediate the sites to the current minimum standard of use prior to contamination. Where possible, provisions for remediation are based on environmental assessments completed on a site; for those sites where an assessment has not been completed, estimates of the remediation are completed using information available for the site and by extrapolating from the cost to remediate similar sites.

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

(l) Asset Retirement Obligations

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

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

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

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

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

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

These liabilities reflect the University's best estimate, as of March 31, 2024, of the amount required to retire tangible capital assets. Estimates are made by management using professional judgment, similar contractor costs, and third-party quotes, and are subsequently re-measured taking into account any new information and the appropriateness of assumptions used.

(m) 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.

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

(n) 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.

(o) Future changes in accounting standards

The Public Sector Accounting Board has approved the following accounting standards and conceptual framework, which are effective for fiscal years starting on or after April 1, 2026:

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

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

The University has not yet adopted the standard or framework and is currently assessing the impact of these new items on the consolidated financial statements.

3. Adoption of new accounting standard and guideline

Effective April 1, 2023, the University adopted the following accounting standard and guideline:

- **PS 3400: *Revenue***
  This standard provides guidance on how to account for and report on revenue, specifically, the recognition, measurement and reporting of revenues that arise from transactions that include performance obligations and transactions that do not have performance obligations. Performance obligations are enforceable promises to provide specific goods or services to a specific payer. This standard applies to the University's student tuition and fees and sales of services and products. The result of adopting the standard for April 1, 2023 is a decrease in student tuition and fees and an increase to deferred revenue of $2,808. There is a nominal impact on sales of services and products.

- **PS 3160: *Public Private Partnerships***
  This 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. The adoption did not have an effect on the University's consolidated financial statements.

- **PSG-8: *Purchased intangibles***
  This guideline provides direction on accounting for and reporting on purchased intangibles. It provides clarity on the recognition criteria, along with instances of assets that would not meet this definition. The reference to tangible capital assets has been updated to include purchased intangibles throughout these consolidated financial statements and new information has been added to note 14.

The University adopted these standards and this guideline on a prospective basis, and as a result the 2023 comparatives are not restated.

(thousands of dollars)

4. Cash and cash equivalents

	2024	2023
Cash	**$ 13,518**	$ 7,590
Money market holdings	**26,609**	9,992
	$ 40,127	$ 17,582

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

5. Portfolio investments

	2024	2023
Portfolio investments - non-endowment	**$ 1,530,931**	$ 1,518,875
Portfolio investments - restricted for endowments	**1,815,075**	1,728,072
	$ 3,346,006	$ 3,246,947

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

	2024				2023			
	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	**$ 57,727**	**$ 258,765**	**$ -**	**$ 316,492**	$ 63,834	$ 325,143	$ -	$ 388,977
Canadian bonds	**-**	**55,157**	**-**	**55,157**	-	45,819	-	45,819
Foreign bonds	**-**	**227,441**	**-**	**227,441**	-	256,388	-	256,388
Canadian equity	**263,341**	**-**	**-**	**263,341**	320,481	-	-	320,481
Foreign equity	**1,273,177**	**-**	**-**	**1,273,177**	1,137,852	-	-	1,137,852
Hedge funds	**-**	**457,753**	**-**	**457,753**	-	426,589	-	426,589
Private equity	**-**	**-**	**432,298**	**432,298**	-	-	409,506	409,506
Private credit and mortgages	**-**	**-**	**183,885**	**183,885**	-	-	121,184	121,184
Private real estate and infrastructure	**-**	**-**	**136,333**	**136,333**	-	-	140,117	140,117
	1,594,245	**999,116**	**752,516**	**3,345,877**	1,522,167	1,053,939	670,807	3,246,913
Other at amortized cost				**129**				34
	$ 1,594,245	**$ 999,116**	**$ 752,516**	**$ 3,346,006**	$ 1,522,167	$ 1,053,939	$ 670,807	$ 3,246,947

The fair value measurements are those derived from:
(1) Quoted prices in active markets for identical assets.
(2) Inputs other than quoted prices included within level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
(3) Third-party financial statements from private asset managers. For investments where statements do not exist then valuation techniques 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:

	2024	2023
Balance, beginning of year	**$ 670,807**	$ 512,967
Unrealized (losses) gains	**(31,104)**	34,695
Purchases	**232,874**	178,837
Proceeds on sale	**(120,061)**	(55,692)
	$ 752,516	$ 670,807

There were no transfers between level 1, level 2 and level 3 investments during the current year (2023 - no transfers).

6. Derivatives

Derivative financial instruments are used by the University to manage its exposure to commodities. All outstanding contracts have a remaining term to maturity of less than one year. As at March 31, 2024, the University held commodity futures contracts for settlement between May and December 2024, with a notional amount of $46,227 (2023 - $45,627). The fair value of outstanding commodity futures contracts included in accounts receivable is $891 (2023 - $2,136) and of commodity futures contracts included in accounts payable is $273 (2023 - $582).

7. Financial risk management

The University is exposed to the following risks:

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

At March 31, 2024, if market prices for portfolio investments had a 10.0% increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains for the year would be $334,601 (2023 - $324,695).

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. The fair value of portfolio investments with foreign currency exposure is $1,930,999 (2023 - $1,759,040), with approximately 82.0% in USD (2023 - 84.0%). If the value of foreign currency decreased by 1.0% and all other variables are held constant, the potential decrease in accumulated remeasurement gains would be $19,310 (2023 - $17,590) or approximately 0.6% of total investments (2023 - 0.5%).

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

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

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

- Money market holdings: R-1(high) 65.2% (2023 - 42.1%); R-1(mid) 34.8% (2023 - 57.9%).
- Bonds: AAA 43.3% (2023 - 41.6%); AA 15.3% (2023 - 8.6%); A 9.5% (2023 - 11.8%); BBB 20.7% (2023 - 21.8%); below BBB and not rated 11.2% (2023 - 16.2%).

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 (2023 - $20,000) to ensure that funds are available to meet current and forecasted financial requirements. In 2024, the line of credit was not drawn upon (2023 - not drawn upon). Management believes, based on its assessment of future cash flows, it will have sufficient cash from internally generated cash flows, external sources and the undrawn short-term line of credit to meet its forecast obligations. Management continues to monitor the University’s liquidity position on a regular basis.

(thousands of dollars)

7. Financial risk management (continued)

Interest rate risk

Interest rate risk is the risk that the University's earnings will be affected by the fluctuation and degree of volatility in interest rates. To manage this risk, the University has policies and procedures in place that limit the term to maturity of certain fixed income instruments that the University holds. Interest rate risk on the University's debt is managed through fixed rate agreements with the Department of Treasury Board and Finance (note 11). If interest rates increased by 1.0% and all other variables are held constant, the potential decrease in accumulated remeasurement gains for the year would be $16,108 (2023 - $17,523).

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	-	-	5.3
Canadian government, corporate and foreign bonds	6.0	36.4	57.6	3.7

8. 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 University's investment in government business enterprise as at December 31:

Statement of Financial Position:

	2023	2022
Assets		
Cash and cash equivalents	**$ 564**	$ 1,759
Land lease receivable	**208**	-
Land held for development	**6,000**	-
Property and equipment	**9**	7
Property under development	**10,745**	3,201
Other assets	**66**	23
	17,592	4,990
Liabilities		
Operating line of credit	**6,251**	-
Accounts payable and accrued liabilities	**1,071**	288
Construction loan	**6,192**	6,000
Note payable	**5,999**	-
	19,513	6,288
Equity		
Deficit	**(1,921)**	(1,298)
	$ 17,592	$ 4,990

Statement of Operations:

	2023	2022
Revenue	**$ 2**	$ 1
Expense	**625**	531
Net loss	**$ (623)**	$ (530)

(thousands of dollars)

9. Accounts payable and accrued liabilities

		2024		2023
Trade payables	**$**	**102,361**	$	84,557
Accrued liabilities		**68,153**		57,770
Vacation liability		**31,208**		30,480
	$	**201,722**	$	172,807

10. Employee future benefit liabilities

	2024			2023		
	Academic staff	**Support staff**	**Total**	Academic staff	Support staff	Total
Universities Academic Pension Plan	**$ 86,443**	**$ -**	**$ 86,443**	$ 109,225	$ -	$ 109,225
Long-term disability	**12,593**	**28,408**	**41,001**	9,647	25,889	35,536
SRP (defined contribution)	**36,047**	**-**	**36,047**	34,028	-	34,028
Early retirement	**-**	**23,995**	**23,995**	-	24,946	24,946
SRP (defined benefit)	**3,615**	**-**	**3,615**	4,365	-	4,365
General illness	**1,146**	**785**	**1,931**	641	384	1,025
Administrative/professional leave	**1,014**	**-**	**1,014**	918	-	918
	$ 140,858	**$ 53,188**	**$ 194,046**	$ 158,824	$ 51,219	$ 210,043

(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, 2022 and was then extrapolated to March 31, 2024, resulting in a UAPP deficit of $10,888 (2023 - $249,943) consisting of a pre-1992 deficit of $854,385 (2023 - $802,039) and a post-1991 surplus of $843,497 (2023 - $552,096). 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 1.3% (2023 - 1.3%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 4.0% (2023 - 3.6%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The Government of Alberta's obligation for the future additional contributions is $195,453 (2023 - $197,975) at March 31, 2024.

Long-term disability (LTD) and general illness (GI)
The University provides LTD and GI defined benefits to its academic and support staff. An actuarial valuation of these benefits was carried out as at March 31, 2024. The LTD plan provides pension and non-pension benefits after employment, but before the employee's normal retirement date. The GI plan provides similar benefits but for a maximum of 26 weeks (academic staff) or 120 days (support staff).

Early retirement
The early retirement benefits for support staff include a bridge benefit liability of $16,924 (2023 - $17,555) and a retirement allowance of $7,071 (2023 - $7,391). An actuarial valuation of these benefits was carried out as at March 31, 2024. 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.

(thousands of dollars)

10. Employee future benefit liabilities (continued)

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

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, 2024. 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, 2024.

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

	2024				2023			
	UAPP	**LTD, GI [1]**	**Early retirement [1]**	**SRP, leave [1]**	UAPP	LTD, GI [1]	Early retirement [1]	SRP, leave [1]
Expense								
Current service cost	**$ 47,864**	**$ 20,430**	**$ 745**	**$ 196**	$ 55,248	$ 11,966	$ 738	$ 189
Interest cost, net of earnings	**1,802**	**1,856**	**539**	**172**	1,494	1,552	574	189
Amortization of actuarial (gains) losses	**(8,388)**	**910**	**(1,212)**	**(93)**	(10,451)	303	(1,266)	29
	$ 41,278	**$ 23,196**	**$ 72**	**$ 275**	$ 46,291	$ 13,821	$ 46	$ 407
Liability								
Accrued benefit obligation								
Balance, beginning of year	**$ 1,479,935**	**$ 41,258**	**$ 15,248**	**$ 5,040**	$ 1,609,057	$ 39,376	$ 15,891	$ 5,390
Current service cost	**47,864**	**20,430**	**745**	**196**	55,248	11,966	738	189
Interest cost	**93,914**	**1,856**	**539**	**172**	82,950	1,552	574	189
Benefits paid	**(74,175)**	**(16,825)**	**(1,023)**	**(929)**	(75,653)	(15,830)	(1,119)	(921)
Actuarial losses (gains)	**22,638**	**198**	**(3,105)**	**101**	(191,667)	4,194	(836)	193
Balance, end of year	**1,570,176**	**46,917**	**12,404**	**4,580**	1,479,935	41,258	15,248	5,040
Plan assets	**(1,615,590)**	**-**	**-**	**-**	(1,467,177)	-	-	-
Plan (surplus) deficit	**(45,414)**	**46,917**	**12,404**	**4,580**	12,758	41,258	15,248	5,040
Unamortized actuarial gains (losses)	**131,857**	**(3,985)**	**11,591**	**49**	96,467	(4,697)	9,698	243
Accrued benefit liability	**$ 86,443**	**$ 42,932**	**$ 23,995**	**$ 4,629**	$ 109,225	$ 36,561	$ 24,946	$ 5,283

[1] The University plans to use its working capital to finance these future obligations.

(thousands of dollars)

10. 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:

	2024			2023		
	UAPP	**SRP, leave**	**LTD, GI, early retirement**	UAPP	SRP, leave	LTD, GI, early retirement
	%	%	%	%	%	%
Accrued benefit obligation						
Discount rate	**6.2**	**3.5**	**3.5**	6.3	3.5	3.5
Long-term average compensation increase	**3.0**	**2.0**	**2.0**	3.0	2.0	2.0
Benefit cost						
Discount rate	**6.3**	**3.5**	**3.5**	5.1	3.5	3.5
Long-term average compensation increase	**3.0**	**2.0**	**2.0**	3.0	2.0	2.0
Alberta inflation (long-term)	**Note**(1)	**Note**(1)	**Note**(1)	Note(1)	Note(1)	Note(1)
Estimated average remaining service life	**11.5 yrs**	**Note**(2)	**1 - 6 yrs**	11.5 yrs	Note(2)	1 - 6 yrs

(1) The inflation assumption for all plans is 2.5% for 2024 and 2025 and 2.0% thereafter (2023: 3.5% for 2023, 2.5% for 2024 and 2025, and 2.0% thereafter).

(2) 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 $21,474 (2023 - $21,855).

An actuarial valuation of the PSPP was carried out as at December 31, 2021 and was then extrapolated to December 31, 2023. At December 31, 2023, the PSPP reported an actuarial surplus of $4,542,500 (2022 - $4,258,721). For the year ended December 31, 2023 PSPP reported employer contributions of $260,539 (2022 - $287,703). For the 2023 calendar year, the University's employer contributions were $21,076 (2022 calendar year - $22,368).

(c) Defined contribution plans

Supplementary retirement plans (SRP)
The University provides non-contributory defined contribution supplementary retirement benefits to eligible executive and academic staff members. This year an expense has been recognized in these consolidated financial statements of $4,313 (2023 - $571 recovery).

(thousands of dollars)

11. Debt

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

	Maturity Date	Weighted average interest rate %	2024	2023
Collateral				
Title to land, building	November 2027 - March 2048	3.599	**$ 153,644**	$ 160,571
General Security Agreement	December 2028 - June 2049	2.992	**157,446**	156,711
Cash flows from facility	September 2028 - December 2047	4.975	**34,616**	36,221
None	December 2025 - September 2036	4.843	**8,991**	10,374
Balance, end of year			**$ 354,697**	$ 363,877

Interest expense on debt recognized in these consolidated financial statements is $11,085 (2023 - $12,020).

Land and buildings pledged as collateral have a net book value of $320,844 (2023 - $332,449).

Principal and interest payments are as follows:

	Principal	Interest	Total
2025	$ 18,195	$ 12,243	$ 30,438
2026	18,892	11,561	30,453
2027	19,304	10,838	30,142
2028	19,906	10,095	30,001
2029	18,857	9,326	28,183
Thereafter	259,543	73,994	333,537
	$ 354,697	$ 128,057	$ 482,754

12. Deferred revenue

	2024			2023
	Unspent externally restricted grants and donations	**Student tuition, fees and other revenue**	**Total**	Total
Balance, beginning of year	**$ 801,036**	**$ 82,301**	**$ 883,337**	$ 770,075
Net change for the year				
Grants, donations, endowment spending allocation and tuition	**667,614**	**511,398**	**1,179,012**	1,250,054
Transfers to spent deferred capital contributions	**(134,286)**	**-**	**(134,286)**	(72,449)
Recognized as revenue	**(596,157)**	**(487,851)**	**(1,084,008)**	(1,064,343)
Net change for the year	**(62,829)**	**23,547**	**(39,282)**	113,262
Balance, end of year	**$ 738,207**	**$ 105,848**	**$ 844,055**	$ 883,337

(thousands of dollars)

13. Asset retirement obligations and environmental liabilities

	2024	2023
Asset retirement obligations	**$ 170,170**	$ 164,399
Environmental liabilities	**12,406**	11,929
Contaminated sites	**1,084**	1,043
	$ 183,660	$ 177,371

The University has an estimated contaminated sites liability 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 site is not in productive use.

The changes in asset retirement obligations are as follows:

	2024	2023
Balance, beginning of year	**$ 164,399**	$ 158,364
Net change for the year		
Revision in estimates	**6,017**	6,551
Liabilities settled	**(268)**	(537)
Accretion expense	**22**	21
Net change for the year	**5,771**	6,035
Balance, end of year	**$ 170,170**	$ 164,399

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

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

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

Asset retirement obligations of $170,170 (2023 - $164,399) include $642 (2023 - $620) measured using the present value technique. The undiscounted estimated cash flows to settle these obligations is $911 (2023 - $911), using a discount rate of 3.5% (2023 - 3.5%), and are expected to be settled between 2030 and 2047. The remaining obligations of $169,528 (2023 - $163,779) are measured at the current estimated cost due to the uncertainty about when the hazardous materials would be removed.

(thousands of dollars)

14. Tangible capital assets and purchased intangibles

	2024						2023
	Buildings and utilities	**Equipment, furnishings and systems**	**Learning resources**	**Land**	**Asset retirement obligations**	**Total**	Total
Cost							
Beginning of year	**$ 3,918,390**	**$ 1,486,127**	**$ 537,343**	**$ 64,000**	**$ 164,654**	**$ 6,170,514**	$ 6,079,340
Acquisitions	**80,849**	**91,712**	**20,530**	**-**	**7,427**	**200,518**	148,639
Disposals	**(6,987)**	**(13,940)**	**(5,758)**	**(1,000)**	**(1,410)**	**(29,095)**	(57,465)
	3,992,252	**1,563,899**	**552,115**	**63,000**	**170,671**	**6,341,937**	6,170,514
Accumulated amortization							
Beginning of year	**1,699,630**	**1,212,784**	**424,745**	**-**	**87,276**	**3,424,435**	3,300,676
Amortization expense	**82,572**	**54,688**	**21,676**	**-**	**4,726**	**163,662**	156,621
Disposals	**(6,987)**	**(13,566)**	**(5,758)**	**-**	**(1,410)**	**(27,721)**	(32,862)
	1,775,215	**1,253,906**	**440,663**	**-**	**90,592**	**3,560,376**	3,424,435
Net book value, March 31, 2024	**$ 2,217,037**	**$ 309,993**	**$ 111,452**	**$ 63,000**	**$ 80,079**	**$ 2,781,561**	$ 2,746,079
Net book value, March 31, 2023	$ 2,218,760	$ 273,343	$ 112,598	$ 64,000	$ 77,378	$ 2,746,079	

Included in buildings and utilities is $228,359 (2023 - $177,668) 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 $5,923 (2023 - $3,424).

Learning resources includes purchased intangibles. Acquisitions of purchased intangibles in the current year are $20,030 (2023 - $19,477). The net book value of purchased intangibles included in learning resources is $105,822 (2023 - $105,550).

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

Net book value of tangible capital assets with associated retirement obligations include $80,016 (2023 - $77,309) in buildings and utilities and $63 (2023 - $69) in equipment, furnishings and systems.

15. Spent deferred capital contributions

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

	2024	2023
Balance, beginning of year	**$ 1,809,981**	$ 1,825,517
Net change for the year		
Transfers from unspent externally restricted grants and donations	**134,286**	72,449
Expended capital contributions recognized as revenue	**(90,637)**	(87,985)
Net change for the year	**43,649**	(15,536)
Balance, end of year	**$ 1,853,630**	$ 1,809,981

(thousands of dollars)

16. Net assets

	Note	Unrestricted	Investment in tangible capital assets and purchased intangibles	Internally restricted	Endowments	Total
Net assets, March 31, 2022		$ 259,380	$ 481,071	$ 103,000	$ 1,639,760	$ 2,483,211
Annual operating surplus		34,914	-	-	-	34,914
Transfer to internally restricted	24	(37,064)	-	37,064	-	-
Transfer from internally restricted		22,000	-	(22,000)	-	-
Endowments						
New contributions		-	-	-	17,771	17,771
Capitalized investment income		-	-	-	19,589	19,589
Transfer to endowments		(8,847)	-	-	8,847	-
Tangible capital assets and purchased intangibles						
Acquisitions		(51,655)	51,655	-	-	-
Debt repayment		(14,868)	14,868	-	-	-
Debt - financing allocation		12,679	(12,679)	-	-	-
Amortization		68,636	(68,636)	-	-	-
Change in asset retirement obligations	13	6,035	(6,035)	-	-	-
Change in accumulated remeasurement gains		(3,376)	-	-	42,105	38,729
Net assets, March 31, 2023		$ 287,834	$ 460,244	$ 118,064	$ 1,728,072	$ 2,594,214
Annual operating surplus		**6,509**	**-**	**-**	**-**	**6,509**
Transfer to internally restricted	24	**(39,000)**	**-**	**39,000**	**-**	**-**
Transfer from internally restricted		**24,864**	**-**	**(24,864)**	**-**	**-**
Endowments						
New contributions		**-**	**-**	**-**	**21,792**	**21,792**
Capitalized investment income		**-**	**-**	**-**	**6,148**	**6,148**
Transfer to endowments		**(930)**	**-**	**-**	**930**	**-**
Tangible capital assets and purchased intangibles						
Acquisitions		**(64,929)**	**64,929**	**-**	**-**	**-**
Debt repayment		**(15,317)**	**15,317**	**-**	**-**	**-**
Debt - financing allocation		**8,704**	**(8,704)**	**-**	**-**	**-**
Amortization		**73,025**	**(73,025)**	**-**	**-**	**-**
Change in asset retirement obligations	13	**5,771**	**(5,771)**	**-**	**-**	**-**
Change in accumulated remeasurement gains		**36,924**	**-**	**-**	**58,133**	**95,057**
Net assets, March 31, 2024		**$ 323,455**	**$ 452,990**	**$ 132,200**	**$ 1,815,075**	**$ 2,723,720**

(thousands of dollars)

16. Net assets (continued)

Net assets is comprised of:

	Unrestricted	Investment in tangible capital assets and purchased intangibles	Internally restricted	Endowments	Total
Accumulated surplus	$ 189,944	$ 452,990	$ 132,200	$ 1,369,623	$ 2,144,757
Accumulated remeasurement gains [1]	133,511	-	-	445,452	578,963
	$ 323,455	**$ 452,990**	**$ 132,200**	**$ 1,815,075**	**$ 2,723,720**

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

Investment in tangible capital assets and purchased intangibles is reduced by the accumulated amortization of the University's asset retirement obligations that are included in tangible capital assets and purchased intangibles of $90,091 (2023 - $87,021). A funding source for this obligation has not been determined.

Internally restricted net assets
Internally restricted net assets represent amounts set aside by the University's Board of Governors for an investment income reserve to ensure that future obligations can be fulfilled in the event of significant investment losses. Of the total reserve, $55,200 (2023 - $40,064) has been appropriated by the University's Board of Governors to the Strategic Initiatives Fund per the University Funds Investment Policy. These amounts are not available for other purposes without the approval of the Board and do not have interest allocated to them.

	2024	2023
Investment income reserve	**$ 77,000**	$ 78,000
Strategic initiatives	**55,200**	40,064
	$ 132,200	$ 118,064

17. Contingent assets

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

18. Contingent liabilities

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

(thousands of dollars)

19. Contractual rights

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

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

	Operating leases	Other contracts	Total
2025	$ 2,501	$ 2,601	**$ 5,102**
2026	1,898	892	**2,790**
2027	1,574	615	**2,189**
2028	1,004	546	**1,550**
2029	213	452	**665**
Thereafter	229	3,236	**3,465**
Total at March 31, 2024	**$ 7,419**	**$ 8,342**	**$ 15,761**
Total at March 31, 2023	$ 5,596	$ 10,852	$ 16,448

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

20. Contractual obligations

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

	Capital projects	Service contracts	Long-term leases	Total
2025	$ 76,482	$ 153,205	$ 1,477	**$ 231,164**
2026	13,725	39,436	981	**54,142**
2027	42	20,812	817	**21,671**
2028	-	7,912	390	**8,302**
2029	-	6,301	59	**6,360**
Thereafter	-	5,780	330	**6,110**
Total at March 31, 2024	**$ 90,249**	**$ 233,446**	**$ 4,054**	**$ 327,749**
Total at March 31, 2023	$ 96,751	$ 238,830	$ 5,645	$ 341,226

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 nine contracts (2023 - six contracts) with expenditures totaling $44,923 (2023 - $45,517) 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 two years remaining with a total estimated cost of $13,867 (2023 - $24,267).

- The University entered into two agreements with an external party for information technology support effective June 1, 2021. Infrastructure management services has two years remaining with a cost of $3,870 (2023 - $3,458), and application management services has two years remaining with a cost of $3,597 (2023 - $5,810).

(thousands of dollars)

20. Contractual obligations (continued)

- Effective August 1, 2021, the University entered into an agreement with an external party for custodial services. The agreement has four months remaining with a cost of $3,562 (2023 - $13,862).

(b) The University is one of 79 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, 2023, CURIE had an accumulated surplus of $107,548 (2022 - $97,444), of which the University's pro rata share is approximately 7.4% (2023 - 7.4%). This accumulated surplus is not recognized in the consolidated financial statements.

21. Related parties

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

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

In 2020, the University entered into a 25 year lease to provide space to an entity under common control for a nominal amount. The remaining fair value over the lease term is estimated to be $5,396 (2023 - $5,951).

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

22. Budget

The University's 2023-24 budget was approved by the Board of Governors and submitted to the Minister of Advanced Education.

23. Government transfers

	2024	2023
Government of Alberta grants		
Advanced Education - Base operating grant	**$ 448,695**	$ 448,695
Advanced Education - other grants	**95,700**	142,955
Jobs, Economy and Trade	**30,184**	-
Alberta Health Services	**67,773**	63,186
Health	**27,196**	25,148
Technology and Innovation	**19,534**	73,604
Jobs, Economy and Northern Development	**-**	33,081
Other departments and agencies	**3,216**	6,208
	692,298	792,877
Expended capital contributions recognized as revenue	**62,904**	60,568
Deferred revenue	**(34,138)**	(97,242)
	$ 721,064	$ 756,203

(thousands of dollars)

23. Government transfers (continued)

	2024	2023
Federal and other government grants		
Natural Sciences and Engineering Research Council	**$ 54,786**	$ 60,032
Canadian Institutes of Health Research	**40,453**	46,364
Social Sciences and Humanities Research Council	**36,311**	35,550
Canada Research Chairs	**20,007**	16,347
Canadian Foundation for Innovation	**19,093**	12,077
Canadian First Research Excellence Fund	**-**	13,294
Other	**64,536**	55,755
	235,186	239,419
Expended capital contributions recognized as revenue	**16,405**	14,193
Deferred revenue	**(20,396)**	(47,155)
	$ 231,195	$ 206,457

The University currently holds $358 (2023 - $4,889) on behalf of federal and other government agencies. The University's Board of Governors has no power of appropriation over the funds; accordingly, these amounts are not included in the University's consolidated financial statements.

24. Investment income

	Note	2024	2023
Portfolio investments - non-endowment			
In support of operations		**$ 38,196**	$ 27,655
Transfer to internally restricted net assets	16	**39,000**	37,064
Portfolio investments - restricted for endowments			
Spending allocation recognized as revenue		**80,946**	76,302
		$ 158,142	$ 141,021

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

25. Expense by object

	2024 Budget (Note 22)	2024	2023
Salaries	$ 924,637	**$ 940,960**	$ 889,317
Employee benefits	186,730	**187,385**	176,611
Materials, supplies and services	334,613	**338,442**	309,162
Scholarships and bursaries	175,871	**179,375**	165,992
Maintenance and repairs	84,857	**84,545**	91,042
Utilities	68,496	**59,454**	71,371
Loss on disposal of tangible capital assets and purchased intangibles	-	**298**	18,040
Amortization of tangible capital assets and purchased intangibles	163,766	**163,662**	156,621
	$ 1,938,970	**$ 1,954,121**	$ 1,878,156

(thousands of dollars)

26. Salaries and employee benefits

	2024					
	Base salary (4)	**Other cash benefits (5)**	**Non-cash benefits (6)**	**Non-cash benefits (DC SRP) (7)**	**Non-cash benefits (leave) (8)**	**Total**
Governance (1)						
Board of Governors	$ -	$ -	$ -	$ -	$ -	$ -
Executive						
President	**455**	**7**	**49**	**41**	**53**	**605**
Provost and Vice-President (Academic) (2) (9)	**378**	**8**	**48**	**29**	**-**	**463**
Vice-President (Research and Innovation) (9)	**347**	**5**	**46**	**29**	**-**	**427**
Vice-President (Facilities and Operations) (10)	**395**	**15**	**47**	**43**	**(28)**	**472**
Vice-President (University Services and Finance)	**420**	**12**	**48**	**34**	**49**	**563**
Vice-President (External Relations)	**356**	**10**	**47**	**17**	**22**	**452**

	2023					
	Base salary (4)	Other cash benefits (5)	Non-cash benefits (6)	Non-cash benefits (DC SRP) (7)	Non-cash benefits (leave) (8)	Total
Governance (1)						
Board of Governors	$ -	$ -	$ -	$ -	$ -	$ -
Executive						
President	447	6	50	28	41	572
Provost and Vice-President (Academic) (3) (9)	362	17	50	24	-	453
Vice-President (Research and Innovation) (9)	331	3	46	24	-	404
Vice-President (Facilities and Operations)	377	18	48	13	(54)	402
Vice-President (University Services and Finance)	398	9	47	26	43	523
Vice-President (External Relations)	339	9	47	3	20	418

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

(2) In 2024, the incumbent served as interim Provost for 9 months and Provost for 3 months.

(3) In 2023, two individuals held this position (former Provost for 3 months and interim for 9 months). The interim Provost did not participate in any executive benefit programs except the DC SRP.

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

(5) Other cash benefits include academic executive allowances, vacation payouts, retroactive base pay, and car allowances.

(6) 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.

(7) 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:

	2023	**2024**			
	DC SRP obligation	**Service costs**	**Interest and investment loss (7a)**	**DC SRP obligation**	**Years of eligible University of Alberta service**
President	$ 86	$ **31**	$ **10**	$ **127**	**3.8**
Provost and Vice-President (Academic)	19	**27**	**2**	**48**	**1.8**
Vice-President (Research and Innovation)	37	**25**	**4**	**66**	**2.8**
Vice-President (Facilities and Operations) (10)	163	**24**	**19**	**206**	**7.6**
Vice-President (University Services and Finance)	50	**27**	**7**	**84**	**3.4**
Vice-President (External Relations)	25	**15**	**2**	**42**	**3.3**

(7a) 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 losses are distributed to each plan participant based on the overall return of the plan's investments.

(thousands of dollars)

26. Salaries and employee benefits (continued)

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

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

	2023	**2024**				
	Accrued benefit obligation	**Service costs**	**Interest and other costs**	**Net change in actuarial losses**	**Accrued benefit obligation** (8a)	**Years of eligible University of Alberta service**(8b)
President	$ 241	**$ 88**	**$ (35)**	**$ 56**	**$ 350**	**3.8**
Vice-President (Facilities and Operations) (10)	177	**-**	**(28)**	**51**	**200**	**5.0**
Vice-President (University Services and Finance)	184	**76**	**(27)**	**63**	**296**	**3.4**
Vice-President (External Relations)	73	**32**	**(10)**	**24**	**119**	**3.3**

(8a) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in note 10.

(8b) The employment contact for the Vice-President (Facilities and Operations) stipulates a leave entitlement of five years maximum.

(9) The Provost and Vice-President (Academic) and the 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.

(10) On April 8, 2024, the position of Vice-President (Facilities and Operations) was terminated. Severance is estimated to be $267. As this decision was made subsequent to March 31, this severance is not recognized in these consolidated financial statements.

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.

Attachment 2

UNIVERSITY OF ALBERTA

Consolidated Financial Statements

Discussion & Analysis

DRAFT

For the year ended March 31, 2024

Prepared by:
Financial Reporting

Date:
March 2024

Table of Contents

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: *Shape*, Investment Reports, and Annual Report:
https://www.ualberta.ca/reporting
https://www.ualberta.ca/strategic-plan

Summary of Financial Results

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

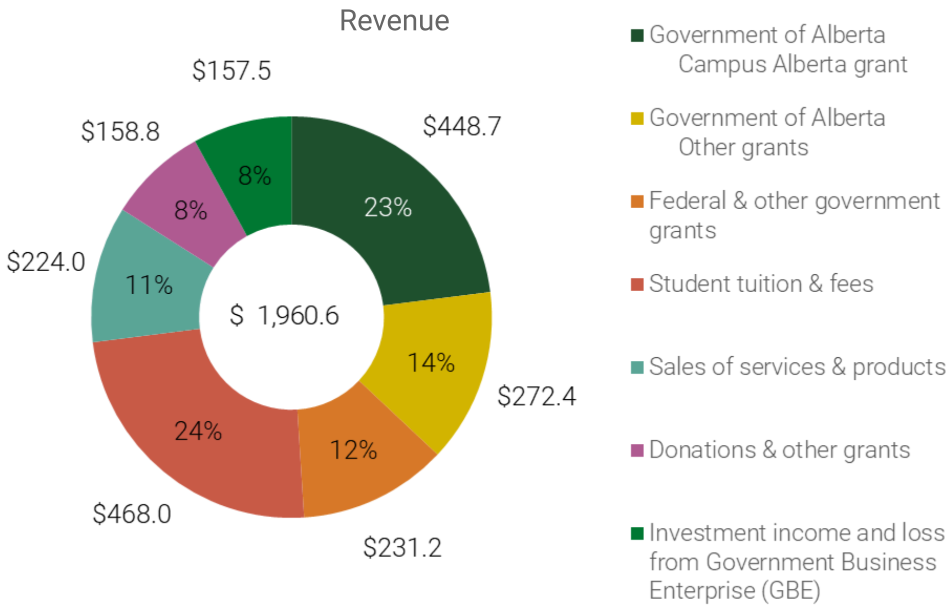
- Summary of Financial Results
- Revenue and Expense
- Capital Acquisitions
- Net Assets and Net Financial Assets/Net Debt
- Areas of Significant Financial Risk

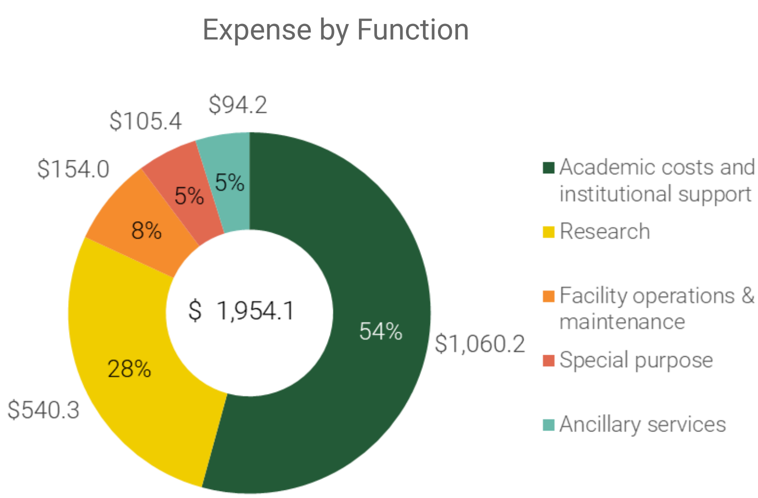
The University of Alberta ended the year with an annual consolidated surplus of $34.4 million. Of this amount, $27.9 million are donations directed to endowments and endowment capitalized investment income and therefore are not available for spending. The annual operating surplus was $6.5 million, which is 0.3% of total revenue (budgeted annual operating deficit: $38.8 million; 2.0% of total expenses). The increase of $45.3 million from the annual operating surplus compared to the budgeted operating deficit is mainly due to higher than budgeted investment income ($42.4 million).

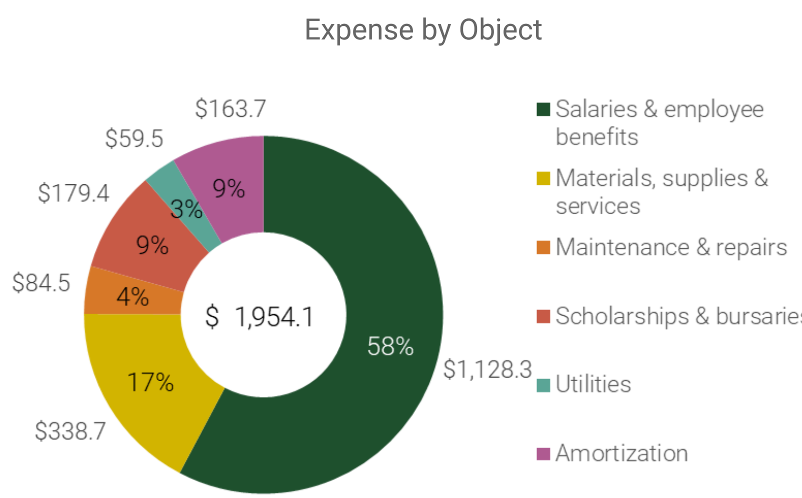
The decrease of $28.4 million from the prior year annual operating surplus of $34.9 million was primarily due to an increase in operating salaries ($42.0 million), mainly due to increased administrative professional officer hires, and academic and support staff across-the-board increases from agreements ratified in 2022. Additionally, there was an increase in materials, supplies and services ($20.5 million) due to spending on approved carryforward initiatives. These increased expenses were offset by an increase in Government of Alberta Targeted Enrolment Expansion grants ($11.2 million), an increase in investment income earned ($10.5 million), and a prior year loss on the sale of the Soaring Estates land ($9.5 million).

Net assets of $2,723.7 million increased from the prior year (2023: $2,594.2 million). The increase of $129.5 million is due to an increase in the fair value of portfolio investments of $95.1 million along with the annual surplus of $34.4 million.

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



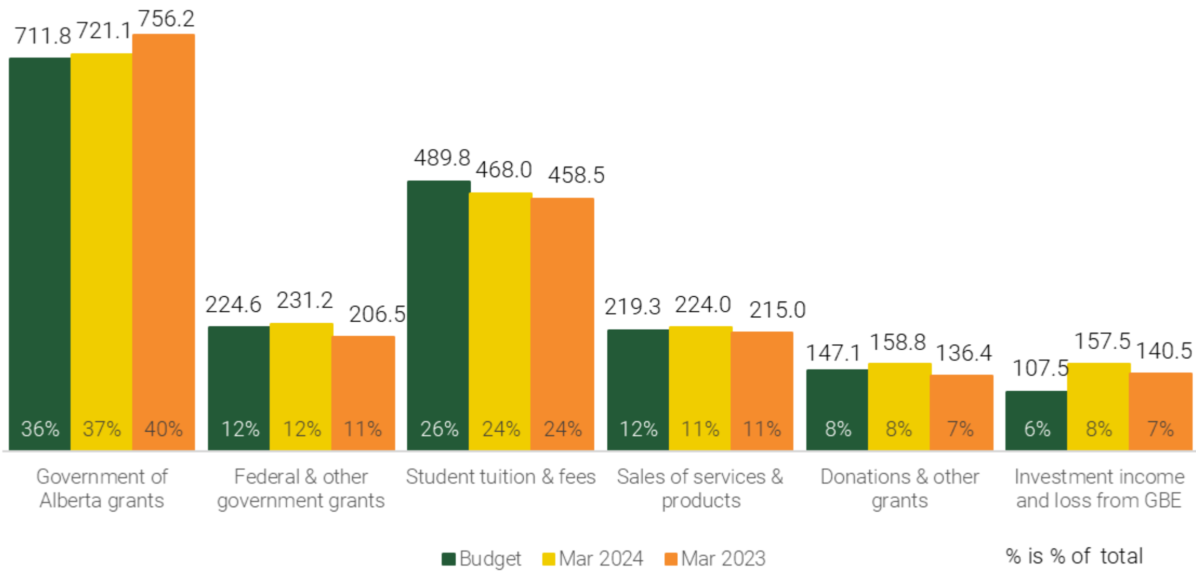




Revenue

Total revenue for the year was $1,960.6 million, an increase of $47.5 million (2.5%) over the prior year and $60.5 million (3.2%) more than budget. Figure 1 provides a breakdown of the university's revenue.

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 37% of total revenue. GoA grant revenue of $721.1 million was $35.1 million lower than prior year mainly due to prior year COVID-19 countermeasures research grant ($50.1) offset by an increase in targeted enrolment expansion grant ($11.9 million). GoA grant revenue was $9.3 million higher than budget mainly due to additional targeted enrolment expansion grants.

Federal and Other Government Grants

Federal and other government grants primarily support the university's research activities. Federal and other government grants revenue of $231.2 million was $24.7 million higher than prior year and $6.6 million higher than budget. The increase over prior year and budget is not attributable to one individual item. The increase is mainly in restricted research due to overall increase in research expenses (grants received recognized to match spending).

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 $468.0 million was $9.5 million higher than prior year but $21.8 million lower than budget. The increase over prior year was mainly due to increases in domestic and international tuition (5.5% domestic and international (admitted prior to fall 2020); 6.0% international guaranteed), offset by an increase in April teaching days deferral due to the timing of the Easter holiday. The decrease compared to budget is mainly due to lower than planned international student enrolment due to visa processing delays and geopolitical relations.

Sales of Services and Products

Sales of services and products to individuals and external organizations are generated by ancillary services, faculties, and administrative units to support university activities. Sales of services and products revenue of $224.0 million was $9.0 million more than prior year mainly due to higher ancillary revenues for residences and retail services, and various on-campus activities. Sales of services and products revenue was comparable to budget.

Donations and Other Grants

Donations and other grants support many university activities. Donations and other grants revenue of $158.8 million was $22.4 million higher than prior year and $11.7 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, loss from Government Business Enterprises (GBE)

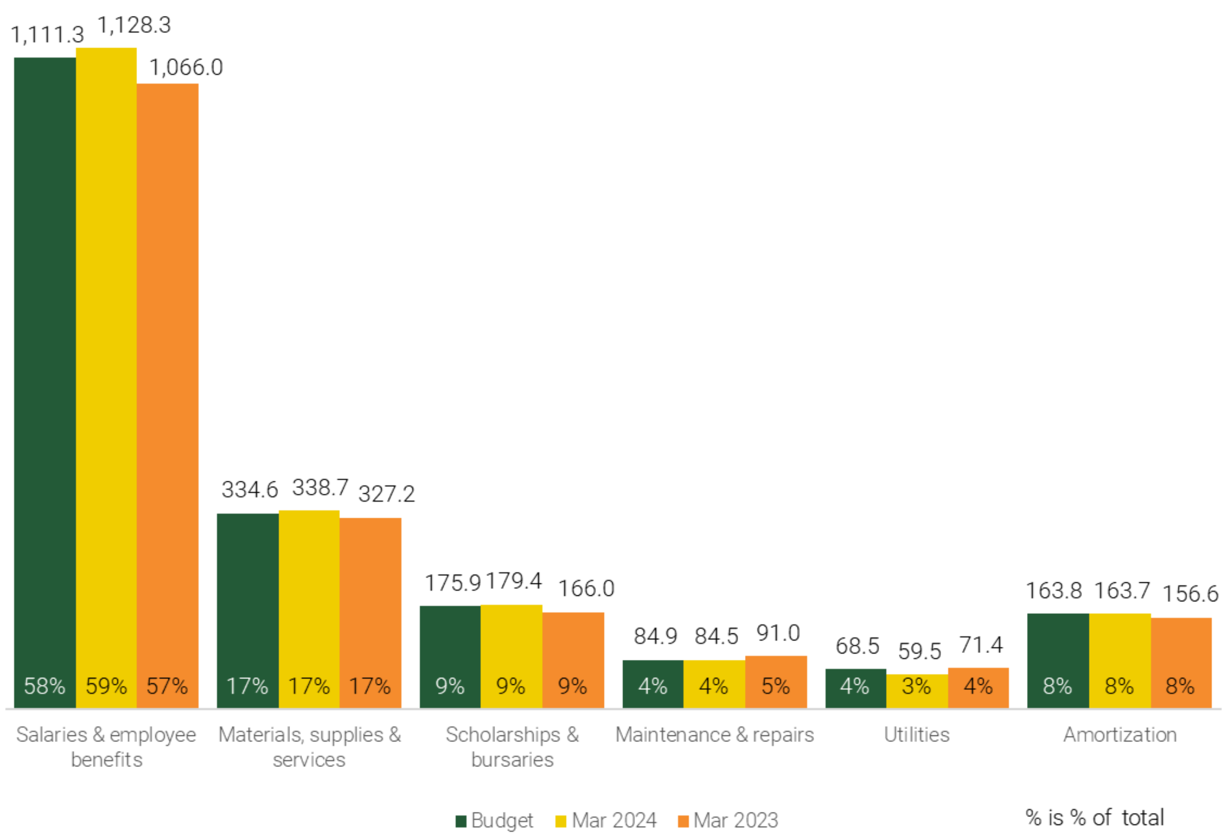
Investment income supports many university activities, both operating activities and a reserve for strategic and other initiatives. Investment income revenue, including the loss from GBE (University of Alberta Properties Trust Inc.), of $157.5 million was $17.0 million higher than prior year and $50.0 million higher than budget. The increase over prior year was mainly due to higher realized income in the liquidity and yield strategies. The increase over budget was mainly due to higher return-seeking and yield strategies. Investments fall into two categories, the University Endowment Pool (UEP) and the Non-Endowed Investment Pool (NEIP). The UEP had a return of 8.6% (2023: 6.5%) 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 6.3% (2023: 2.8%). The return rates reflect both realized and unrealized gains in the investment portfolios. The university's wholly owned GBE, University of Alberta Properties Trust Inc., recorded a loss of $0.6 million.

Expense

Total expense for the year was $1,954.1 million, an increase of $75.9 million (4.0%) more than prior year and $15.1 million (0.8%) more than budget. Salaries and employee benefits are the single largest expense representing 59% of total expense. Overall, the increase in expenses can be attributed to an increase in salaries due to a combination of new hires and across-the-board increases, and an increase in materials and supplies as the university had approval to spend carryforward surplus on approved initiatives. Figure 2 provides a breakdown of the university's expense by object.

Expense by Object

Figure 2. University of Alberta Expense



Salaries and Employee Benefits

Salaries and employee benefits of $1,128.3 million was $62.3 million more than prior year mainly due to increased administrative professional officer hires, and academic and support staff across-the-board increases from agreements ratified in 2022. The increase is also attributable to higher employee future benefit expenses, mainly long-term disability and defined contribution supplementary retirement plans. Salaries and employee benefits expense was $17.0 million higher than budget mainly due to administrative professional officer hires.

Materials, Supplies and Services

Materials, supplies and services include loss on disposal of tangible capital assets. Materials, supplies and services expenses of $338.7 million was $11.5 million more than prior mainly due to approved spending on carryforward initiatives, offset by prior year losses from the sale of the Soaring Estate land. Materials, supplies and services expense was comparable to budget.

Scholarships and Bursaries

Scholarships and bursaries of $179.4 million was $13.4 million more than prior year due to an increase in undergraduate and graduate awards funded from operations, endowments and restricted grants. Scholarships to students continue to see increases due to the commitment made to students as part of overall tuition increases. This aligns with the University's goal to attract and support undergraduate and graduate students. Scholarships and bursaries expense was comparable to budget.

Maintenance and Repairs

Maintenance and repairs of $84.5 million was $6.5 million less than prior year mainly due to prior year renovations on several buildings (Health Sciences Library, Central Academic Building, Enterprise Square). This decrease was offset by new projects, including First Peoples' House (former Coutts Library location in the Education Building) and accessibility initiatives. Maintenance and repairs expense was comparable to budget.

Utilities

Utilities of $59.5 million was $11.9 million lower than prior year and $9.0 million lower than budget. The decrease over prior year and budget was due to lower natural gas and electricity rates.

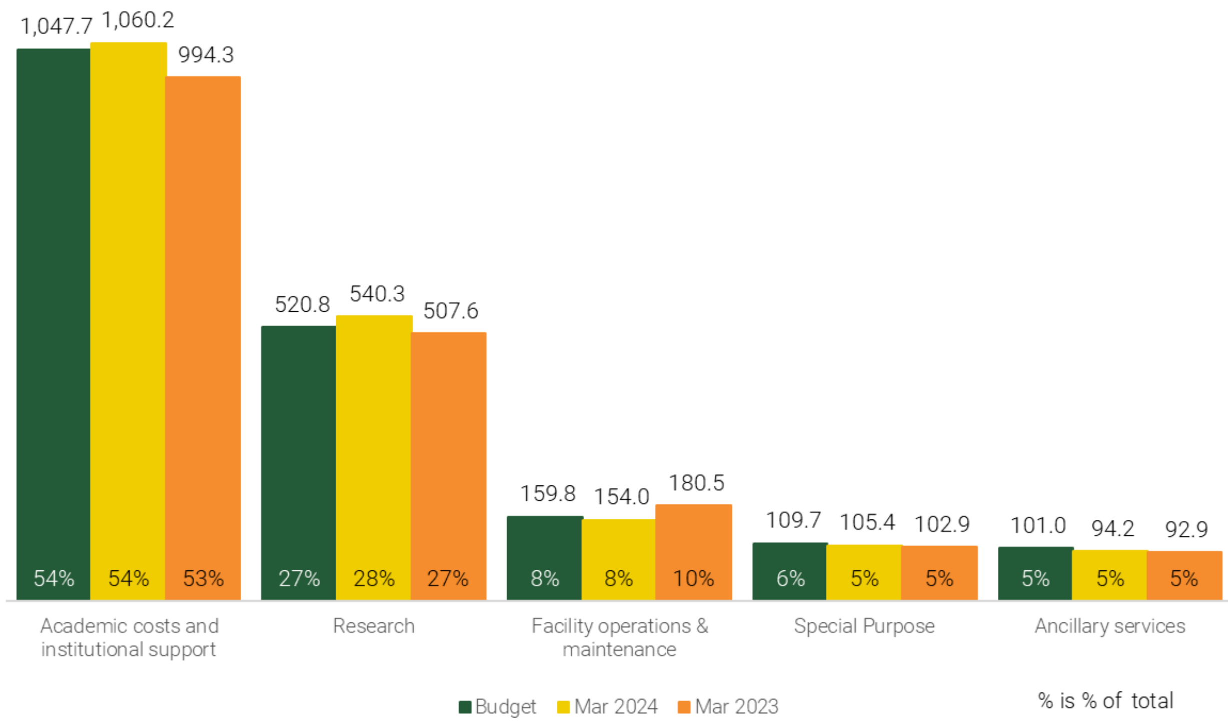
Amortization

Amortization of $163.7 million was $7.1 million more than prior year mainly due to the amortization of the Lister Centre Renewal and the amortization of various equipment and furnishings. Amortization expense was comparable to budget.

Expense by Function

Figure 3 provides a breakdown of the university's 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 $1,060.2 million were $65.9 million more than prior year mainly due the increase in salaries and benefits, as well as materials, supplies and services relating to faculty specific carryforward initiatives. Academic costs and institutional support expense was comparable to budget.

Research

Research expenses are funded by restricted grants and donations along with internal funds designated for research related activities. Research expenses of $540.3 million were $32.7 million more than prior year and $19.5 million more than budget. The increase from prior year and over budget is mainly due to increased restricted research activity; there is no one individually significant project of note.

Facility Operations and Maintenance

Facility operations and maintenance represent the cost of maintaining university facilities and grounds. Facility operations and maintenance expense of $154.0 million was $26.5 million less than prior year due to lower utility costs and less maintenance work on buildings. Facility operations and maintenance expense was $5.8 million lower than budget due to lower utility costs.

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 $105.4 million was $2.5 million more than prior year and $4.3 million less than budget.

Ancillary Services

Ancillary services include the university bookstore, parking services, utilities and student residences. Ancillary services expense of $94.2 million was $1.3 million more than prior year. Ancillary services expense was $6.8 million less than budget mainly under the utilities ancillary as a result of lower cost of goods sold for electricity and natural gas.

Capital Acquisitions

The university expended $200.5 million (2023: $148.6) on construction and other tangible capital assets and intangible acquisitions.

The most significant construction and capital asset acquisitions in 2024 continue to be:

- University Commons Renewal and Repurpose (formerly Dentistry and Pharmacy) - a multi-year project to renovate the building.
- District Energy System - a multi-year project to upgrade the capacity of the distinct energy system to service the needs of the greater campus area.

The university also sold the following asset during the course of the year:

- Sturgeon land – a donation of land to the university which the university proceeded to sell and the net sale proceeds are to fund Alzheimer's disease research initiatives.

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 $1,815.1 million. Endowments represent contributions from donors that are required to be maintained in perpetuity, as well as capitalized investment income that is also required to be maintained in perpetuity to protect the future economic value of the endowment. Endowments are not available for spending. Of the remaining $908.6 million in net assets, $453.0 million represents funds invested in tangible capital assets and purchased intangibles.

Figure 4 and Table 1 provide a breakdown of the university's net assets.

Figure 4. University of Alberta Net Assets

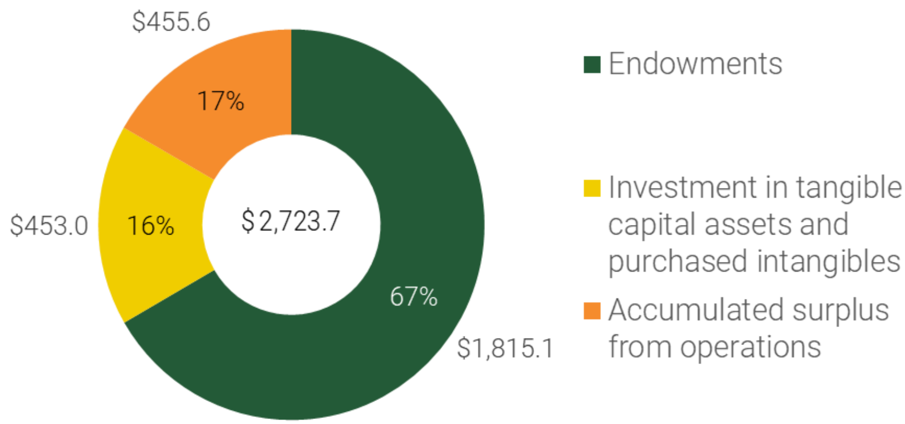


Table 1. University Net Assets (millions)	Unrestricted	Internally Restricted	Investment in Tangible Capital Assets and Purchased Intangibles	Endowments	Total
Net Assets, Beginning of Year	**$287.8**	**$118.1**	**$460.2**	**$1,728.1**	**$2,594.2**
Annual Operating Surplus	6.5	-	-	-	6.5
Transfer to Internally Restricted	(39.0)	39.0	-	-	-
Transfer from Internally Restricted	24.9	(24.9)	-	-	-
Endowments Contributions and Capitalized Income	-	-	-	21.8	21.8
Transfer to Endowment	(0.9)	-	-	7.0	6.1
Tangible Capital Assets and purchased intangibles	7.2	-	(7.2)	-	-
Change in Accumulated Remeasurement Gains	36.9	-	-	58.2	95.1
Increase (Decrease)	**35.6**	**14.1**	**(7.2)**	**87.0**	**129.5**
Net Assets, End of Year	**$323.4**	**$132.2**	**$453.0**	**$1,815.1**	**$2,723.7**

The increase in unrestricted net assets is mainly due to the annual operating surplus ($6.5 million), current year remeasurement gain on investments ($36.9 million), and funding for tangible capital assets ($7.2 million), partially offset by net transfers to the internally restricted reserve ($14.1 million) and a transfer capitalized to endowment principal ($0.9 million).

The university has an internally restricted reserve of $132.2 million; the current year transfer is $39.0 million. Of this amount, $77.0 million is an investment income reserve while an additional $40.0 million has been appropriated to a Strategic Initiatives Fund, on top of the $15.2 million balance from last year for a total of $55.2 million, in support of various strategic initiatives in accordance with University Funds Investment Policy. During the fiscal year, the university transferred $24.9 million from the Strategic Initiatives Fund for various board-approved one-time projects.

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 $39.0 million.

As at March 31, 2024, the market value of the Non-Endowed Investment Pool's yield and return-seeking investments exceed their underlying obligations (cost) by $328 million or 35.2%. Of this amount, $132.2 million in realized gains have been set aside in internally restricted reserves. The purpose of the investment income reserve is to create a buffer for risk management purposes; that is, to ensure that all future financial obligations can be fulfilled in the event of unplanned liquidity requirements and significant investment losses occurring concurrently. The policy target is for the market value of these investment strategies to exceed the underlying obligations (investment cost) by 17%, currently $158 million, which allows for fluctuations in capital and equity markets to the degree experienced during the financial crisis in 2008-09. Since the policy target is currently being met, appropriations to 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

	2024	2023
Investment Income Reserve	$77.0	$78.0
Strategic Initiatives	55.2	40.1
Total Reserves, End of Year	**$132.2**	**$118.1**

The decrease in investment in tangible capital assets and purchased intangibles of $7.2 million consists of amortization ($73.0 million), financing allocation ($8.7 million), and the change in asset retirement obligations ($5.8 million), offset by additions ($65.0 million) and debt repayments ($15.3 million). The additions include construction projects, equipment, furnishings, computer hardware/software, and library resources.

The university's endowment spending policy provides for an annual spending allocation of $61.8 million (2023: $59.6 million) 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 $87.0 million is due to an increase in fair value ($58.1), new contributions and capitalized investment income ($21.8 million), and a board-approved transfer of miscellaneous revenue from unrestricted net assets ($7.1 million).

During the year the university's investment income earned from endowment investments was $89.0 million (2023: $98.7 million). This was sufficient to fund the annual spending allocation of $61.8 million (2023: $59.6 million) along with the investment management and administration fees of $21.1 million (2023: $19.5 million). This left $6.1 million (2023: $19.6) 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 debt position (excluding portfolio investments restricted for endowments) indicates that the university has a $34.4 million deficiency (2023: $81.6 million deficiency). The deficiency can be attributed to tangible capital assets acquired by debt financing of $304.8 million (2023: $311.5 million), asset retirement obligations of $170.2 million (2023: $164.4 million), and the incurrence of prepaid expenses of $15.1 million (2023: $11.6 million), offset by the accumulated operating surplus of $455.7 million (2023: $405.9 million). Net debt has decreased mainly due to increased unrealized gains on investments not restricted for endowments and the current year annual operating surplus.

Areas of Significant Financial Risk

Fiscal Uncertainty

The provincial Operating and Program Support Grant is the primary source of funding for the university's day-to-day operating activities. The decline in government support ended this fiscal year. The final planned cut to the operating grant occurred in the prior year and was approximately $52 million. Grants, tuition and other revenue-generating initiatives are largely under government control, which puts significant pressure on university finances. The impact to university revenue of a 1% change to the Operating and Program Support base operating grant is $4.5 million and a 1% change to domestic tuition is $2.4 million.

Unfunded Pension Liability

The university, along with other Alberta post-secondary institutions, participates in the Universities Academic Pension Plan (UAPP) to provide pensions for the university's participating employees. The 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. As at March 31, 2024, based on actuarial assumptions, the university has recorded a UAPP employee future benefit liability of approximately $86.4 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 $54 million, a 1% increase in the salary escalation assumption would be an increase of approximately $16 million, while a decrease of 1% in the discount rate assumption would lead to an increase of approximately $125 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 March 2024, the estimated liability stood at $360.8 million and is estimated to increase to approximately $1,094.9 billion by 2029. Of the $360.8 million estimated liability, $170.2 million is recorded in the university's financial statements as a result of the Asset Retirement Obligation standard. In fiscal 2024, the government provided a Capital Maintenance and Renewal (CMR) grant ($37 million), which is a main source of funding in addressing the deferred maintenance liability. For fiscal 2025, the government signed a 3-year CMR grant totaling $70 million.

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

Review of Annual Audited Financial Statements

Fiscal Year End 2024

May 27, 2024

UNIVERSITY OF ALBERTA

Contents

2023-2024 In Context

- No significant one-time large dollar transactions occurred in fiscal 2023-24.
- The university adopted two new accounting standards (PS 3400: Revenue, PS 3160: Public Private Partnerships) and one guideline (PSG-8: Purchased intangibles), the impacts of which were negligible (see Note 3).
- Though insignificant to the consolidated financial statements as a whole, the financial results include 1 investment of $100,000 and $2 Million in deferred donations as a result of the University of Alberta Innovation Fund.

Financial Results - Compared to Budget

$73.2 Consolidated Annual Surplus variance to budget
(Actual - $34.4; Budget - ($38.8))

- **$45.3 Annual operating surplus** variance to budget
  (Actual - $6.5; Budget - ($38.8))
  - $42.4 higher than budgeted investment income - realized capital gains
  - $2.9 net varinces:
    - $19.0 less that budgeted materials, supplies, and services due to timing of spending on approved carryforward initiatives
    - $8.8 less than budgeted utilities due to lower than budgeted natural gas and electricity rates
    - $6.6 more than budgeted GoA grants (Targeted Enrolment Expansion)
    - ($21.8) lower than budgeted student tuition and fees, due to lower international enrolment and higher deferral for April teaching days
    - ($14.1) more than budgeted salaries, mainly APO due to continued establishments of partner networks
    - $4.4 other
- **$27.9 Endowment contributions and capitalized investment income** variance to budget
  (Actual - $27.9; Budget - $0.0)

Note: dollars in millions

Operating Variance: Net Assets

(table in millions of dollars)

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Internally restricted net assets

The university has an internally restricted reserve of $132.2 million; the current year transfer is $39.0 million. Of this amount, $77.0 million is an investment income reserve, while an additional $55.2 million has been appropriated to a Strategic Initiatives Fund in support of various strategic initiatives in accordance with University Funds Investment Policy. During the fiscal year, the university transferred $24.9 million from the Strategic Initiatives Fund for various Board approved one-time projects.

Net Assets Observations

Unrestricted

- Increase mainly attributable to $36.9 million remeasurement gains.

Internally restricted

- Increase is attributable to realized investment income as determined by University policy, less Board approved appropriations.

Investment in tangible capital assets

- Decrease is due to amortization expense partially offset by new capital acquisitions with unrestricted funds.

Endowments

- Increase due to new endowment contributions and unrealized gains on investments held in the University Endowment Pool.

Year-end Audit Observations

- The University is getting a clean audit opinion on its fiscal year 2023-24 financial statements.
- No financial errors were noted by the auditors, resulting in no adjusted or unadjusted differences in the audit report.
- No financial audit recommendations or observations were presented.
- All reporting deadlines to government and the auditors were met by the university.
- The university successfully implemented the new Revenue standard and the new Purchased Intangibles guideline.

Questions?

Leading with Purpose.

UNIVERSITY OF ALBERTA

ITEM NO. 4a

Decision X **Discussion** ☐ **Information** ☐

ITEM OBJECTIVE: To obtain approval of the draft Bill S-211 Report in advance of requesting signing by the Board Chair.

DATE	May 27, 2024
TO	Board of Governors
RESPONSIBLE PORTFOLIO	Vice-President (University Services and Finance)

MOTION: THAT the Board of Governors ("the Board") approve the University of Alberta's Bill S-211 Report for the fiscal year ending March 31, 2024, as set forth in Attachment 1, and authorize the Chair of the Board of Governors to sign the Attestation of the report on behalf of the Board.

EXECUTIVE SUMMARY:
On January 1, 2024, the Government of Canada introduced legislation (Bill S-211), an act to enact the "Fighting Against Forced and Child Labour in Supply Chains". The act sets import bans and requires federal government institutions and certain other public and private organizations to report on steps taken to reduce and prevent the risk of forced labour and child labour within their supply chains. The University of Alberta meets the reporting criteria and is required to report to Public Safety Canada.

The act requires an online questionnaire, report, and signed attestation be submitted to Public Safety Canada by May 31, 2024.

The report is to include the initiatives the institution undertook to reduce the risk of forced labour and child labour within their supply chain. The university focused on the following 3 initiatives during fiscal year 2023-24:

- Updated the Supplier Code of Conduct to include social responsibility; health, safety and labour practices; environmental requirements; business ethics standards; animal welfare; supplier onboarding, accountability and due diligence; and compliance and monitoring.
- Completed Supplier Scorecards for 26 suppliers. Suppliers chosen for review were based on overall spend and volume (see Attachment 1, Appendix A).
- Conducted training for the department of Procurement and Contract Management (PCM) and planning for university-wide training.

PCM scored 26 suppliers based on key performance indicators related to environmental, social, and governance practices. Based on the scoring, suppliers were categorized as high risk, medium risk, or low risk. Attachment 2 provides the criteria by which the suppliers were scored.

- 6 suppliers were high risk, 5 suppliers medium risk, and 15 suppliers low risk.
- None of the suppliers scored showed any activities relating to forced or child labour in their supply chains.
- The scorecard results are currently being reviewed to develop remediation plans for those suppliers identified as high risk.

GOVERNANCE OUTLINE

ITEM NO. 4a

On April 22, 2024, the Board Chair was briefed (see Attachment 3) via email on the reporting requirements.

Risk and Mitigation Discussion
The risk of forced or child labour within the university's supply chains is mitigated through implementation of the three initiatives listed above which include an in-depth review of the university's suppliers.

Supporting Materials:
1. Bill S-211 Report *Prevention and Reduction of the Risk of Forced Labour and Child Labour in Supply Chains* (9 pages) – **for approval**
2. Supplier Scorecard Criteria (2 pages)
3. Briefing Note, April 22, 2024 (as shared with Board of Governors Chair) (3 pages)

Attachment 1

UNIVERSITY OF ALBERTA

Bill S-211 Report

Prevention and Reduction of the Risk of Forced Labour and Child Labour in Supply Chains

For the fiscal year ending March 31, 2024
To be submitted to Public Safety Canada upon approval

Prepared by:

Procurement and Contract Management

Finance, Procurement, and Planning

Date:

May 27, 2024

Table of Contents

Identifying Information

Reporting entity's legal name	Governors of the University of Alberta
Financial reporting year	April 1, 2023 to March 31, 2024
Identification of a revised report	Original submission
Business number(s), if applicable	10810 2831
Identification of a joint report	No
Identification of reporting obligations in other jurisdictions	None
Entity categorization according to the Act	Corporation, established under 16(2) of the Post-Secondary Learning Act (Alberta)
Sector/industry	Education, health or social (industry code 611000 – Educational Services)
Location	116 Street and 85 Avenue, Edmonton AB, T6G 2R3

Steps Taken to Prevent and Reduce Risk of Forced Labour and Child Labour in Supply Chains

The Governors of the University of Alberta (the university) have completed 3 initiatives during fiscal year 2023-24 to reduce the risk of forced labour and child labour in the university supply chain.

1. Updated the University of Alberta Supplier Code of Conduct (published May 2024).
2. Completed a review of 26 primary suppliers (scorecards were prepared that relate to sustainable procurement and purchasing practices).
3. Completed training to all employees within the department of Procurement and Contract Management on forced and child labour in the supply chain.

Initiative 1: Supplier Code of Conduct

The university updated their Supplier Code of Conduct (SCOC) in May 2024. The SCOC is published on the Procurement and Contract Management website under the Sustainable Purchasing section.

The SCOC speaks specifically to the requirements of all suppliers that provide product, equipment, and services to the university to follow sustainable procurement and purchasing practices. It includes a section related to social responsibility and includes statements on the following topics:

- Forced Labour
- Child Labour
- Equity, Diversity and Inclusion
- Non-discrimination
- Employee Treatment

In addition to these requirements of current and new suppliers, the SCOC includes a section related to Supplier Onboarding, Accountability, and Due Diligence. This section outlines how the university will onboard all suppliers, while at the same time, hold them accountable to their sustainable purchasing practices.

The university is completing additional due diligence to ensure the suppliers are not involved in forced or child labour at anytime. If the university or the supplier becomes aware of this type of labour in their supply chain either party is expected to immediately report to the other and identify corrective actions to eliminate this expeditiously.

Initiative 2: Supplier Scorecards

The university developed an internal scorecarding program in January 2024 to monitor and report on supplier sustainability and ethical, environmental, social and governance (ESG) practices . This program provides additional insight into the university supplier relationships and the ESG practices they are currently involved in.

The university completed 26 supplier scorecards that includes Key Performance Indicators (KPIs) relating to ESG. These scorecards report on the following activities:

- Supplier governance
- Ethical business practices
- Forced and child labour
- Social performance standards
- Health and safety practices
- Labour practices
- Equity, diversity and inclusion activities
- Environmental stewardship (carbon and pollution standards)
- Waste management
- Information, security, data protection and destruction standards
- Accountability and supplier onboarding

The scorecards provide a final score for each supplier. Information was gathered two ways; through a questionnaire provided by the university and through research completed on the supplier website. The information collected provides current data for the above 11 categories to provide an overall ESG rating out of 100. Based on the scoring, the 26 suppliers have been grouped into three categories:

- **High risk. 6 Suppliers.** Additional supplier follow up and action is required (little or no ESG information was available from the supplier).
- **Medium risk. 5 Suppliers.** Recommendations by the university to improve the scorecard will be provided to the supplier.
- **Low risk. 15 Suppliers.** The supplier currently has a strong ESG program in place that addresses all 11 activities reported on.

None of the suppliers scored showed any activities relating to forced or child labour in their supply chains. A low rating in any category including forced or child labour does not indicate they are using this type of labour; it only indicates that they are not currently reporting or documenting any current activities related to this category.

The scorecard results are currently being reviewed to develop remediation plans for those suppliers identified as higher risk. The scorecard process will expand in fiscal year 2024-25 and include the review of additional 75 suppliers to the university.

Appendix A provides a summary of the results of all 26 supplier scorecards reviewed in fiscal year 2023-24. (Supplier names have been removed to protect their privacy and security).

Initiative 3: Training

The department of Procurement and Contract Management (PCM) has completed internal staff awareness training relating to sustainable procurement and purchasing practices. This training was provided at staff meetings and speaks directly to the requirements of the department to review forced and child labour activities of current and future suppliers. training will be expanded in fiscal year 2024-25 to include campus wide training.

Supplementary Information

The reporting obligation includes reporting on the following 7 points related to the university:

- its structure, activities and supply chains;
- its policies and due diligence processes in relation to forced labour and child labour;
- the parts of its activities and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk;
- any measures taken to remediate any forced labour or child labour;
- any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains;
- the training provided to employees on forced labour and child labour; and
- how the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its activities and supply chains.

Structure, Activities and Supply Chains

Structure

The university has a centralized Procurement and Contract Management (PCM) department. PCM is part of the Finance, Procurement and Planning Portfolio that reports to the Vice-President, University Services and Finance.

Purchasing and contract management is completed within an electronic procurement platform (Coupa Software) branded as SupplyNet.

Activities

Procurement through SupplyNet occurs through the following process:

- A requisition is completed in SupplyNet by a university requestor
- Requisition routes for review and approval
- The purchase order is dispatched electronically to the supplier
- Supplier receives the purchase order
- Supplier reviews the request, fills the order, arranges delivery and invoices the university
- The university receives and confirms the order in SupplyNet
- System receiving triggers payment to the supplier

Supply Chain

The university supply chain is relatively simple with greater than 90% of suppliers based in Canada. Table 1 identifies university spend by region:

Table 1: Supply Chain Location and Spend

Location	Fiscal year 2023-24 spend	Percentage of overall spend	Risk factor associated with spend (low, medium, high)
Canada	$613,844,287	92%	Low
United States	$52,065,745	7%	Low
Europe, UK and Australia	$634,000	1.0%	Low
Asia	$74,000	.01%	Medium
South America	$73,000	.01%	Medium
Africa	$52,000	.01%	Medium

Policies and Due Diligence Processes In Relation To Forced Labour and Child Labour

University suppliers are required to adhere to the University of Alberta Supplier Code of Conduct. This includes the following:

Forced Labour Our Code of Conduct outlines to the supplier that they must only employ workers that choose to work for them. The supplier cannot use any forced, bonded, involuntary, compulsory, slavery like circumstances or indentured labour. This includes work or services performed that is exacted or coerced from a person under threat, force of penalty or threatened abuse of law or legal process.

Child Labour Our Code of Conduct outlines to the supplier they cannot use child labour to manufacture product and equipment or provide services. The term "child" refers to any person under the age of 14. Children under the age of 16 are not permitted to perform hazardous work.

Within the Supplier Code of Conduct supplier onboarding, accountability and due diligence is identified as a key component to engaging in procurement activities at the university. All current and new suppliers are required to be aware of the Supplier Code of Conduct and adhere to university policies and due diligence strategies.

Business and Supply Chain Components That Carry a Risk of Forced Labour and Child Labour

The university has not identified any components in the supply chain that carry a risk of forced or child labour. Additional data continues to be reviewed and expanded to maintain the current status.

Measures Taken to Remediate Any Forced Labour and Child Labour

The university has updated its Supplier Code of Conduct to outline the supplier actions related to forced and child labour. At any time, the use of forced or child labour is unacceptable. If either party becomes aware of the use of these types of labour, they are expected to report immediately and provide a plan to eliminate this.

In addition, the university is reviewing its current supplier listing. It has created scorecards with key performance indicators that relate to ESG for a list of 26 suppliers. Based on the scorecard results, follow up with suppliers that have a high risk rating will occur to collect additional data and outline corrective action plans currently required.

In subsequent years, the university will continue with the scorecarding program and report on additional suppliers to the university.

Measures Taken to Remediate the Loss of Income to the Most Vulnerable Families

The university has not, at this time, taken any measures to remediate the loss of income to the most vulnerable families. If the university becomes aware of any forced or child labour in our supply chain, options to remediate loss of income for those affected will be investigated.

Training Provided to Employees on Forced Labour and Child Labour

The university has outlined the reporting requirements in Bill S-211 to its Procurement and Contract Management (PCM) staff. PCM has also updated their staff on their Supplier Code of Conduct changes and requirements.

University wide awareness training will occur before March 31, 2025, and will incorporate Bill S-211 requirements and updates to the supplier code of conduct. New employees will receive training during an onboarding process.

Assessment of the Effectiveness of Eliminating Forced Labour and Child Labour From Supply Chains

Based on the minor dealings that the university has with countries in areas often associated with high risk of forced and child labour, administration believes the university’s current processes are appropriate to address the current level of risk faced by the university.

In the coming year the university plans to increase our supplier scorecarding process to include an additional 75 suppliers and review the assessments of the current supplier scorecarding listing we have reported on in the previous year with the intent to implement any corrective action plans identified.

Our Supplier Code of Conduct will be reviewed and updated to include any new compliance requirements.

Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Name	Kate Chisholm, KC	
Date	May 27, 2024	*signature*

I have the authority to bind the Governors of the University of Alberta

Appendix A - Supplier Scorecard Results

Collected by Procurement and Contract Management
Supplier names have been removed to protect the suppliers privacy and security

The following table provides the scoring (1-10) for each company across 11 categories. Scores are added for a final score between 0 and 110.

Scoring is then colour-coded red for a high risk score (less than 35), yellow for a medium risk score (36-60), and green for a low risk score (greater than 61).

Supplier #	Governance	Ethical Business Practices	Forced and Child Labour	Social Performance Standards	Health and Safety Practices	Labour Practices	Equity, Diversity and Inclusion	Environmental	Waste Manage-ment	Information security	Accountability and Supplier Onboarding	Final Score
1	1	1	1	1	5	5	5	1	10	1	5	36
2	5	5	5	5	5	5	5	1	5	5	5	51
3	10	10	10	10	10	10	10	10	10	10	10	110
4	10	10	10	10	10	10	10	10	10	10	10	110
5	10	10	10	10	10	10	10	10	10	10	10	110
6	10	10	10	10	5	10	10	1	10	5	5	62
7	10	10	10	10	10	10	10	10	10	10	10	110
8	10	10	10	10	5	10	10	10	10	5	5	95
9	10	10	10	10	10	10	10	10	10	10	10	110
10	1	1	1	1	1	1	1	5	5	1	1	19
11	1	5	1	1	1	1	5	10	10	5	1	41
12	5	5	5	5	5	1	5	1	5	1	5	11
13	5	5	1	10	10	10	10	10	10	5	5	73
14	1	1	1	1	5	5	5	1	10	1	5	36
15	1	1	1	1	1	1	1	1	1	1	1	11
16	10	10	10	10	10	10	10	10	10	10	10	110
17	10	10	10	10	10	10	10	10	10	10	10	110
18	10	10	10	10	10	10	10	10	10	10	10	110
19	10	10	5	5	10	10	10	10	5	10	10	91
20	5	5	1	5	10	5	5	10	10	1	10	59
21	10	5	5	10	10	5	10	10	10	10	10	95
22	10	10	10	10	10	10	10	10	10	10	10	110
23	1	1	1	1	1	1	1	1	1	1	1	11
24	1	1	1	1	1	1	1	1	1	1	1	11
25	5	10	10	5	10	5	5	5	5	5	10	75
26	1	1	1	5	5	5	1	5	5	1	1	31

Date: May 27, 2024

For the fiscal year 2024-25, Procurement and Contract Management reviewed 26 suppliers and completed scorecards for each based on 11 categories. Information on the supplier was obtained through a questionnaire and through a review of the supplier's website. Based on this information, each supplier was given a score of 1, 5, or 10 in the category.

A score of 1 in any category does not necessarily indicate poor business practices; it may indicate that they are not currently reporting or documenting any current activities related to this category. A score of 10 indicates strong business practices for the category.

Below is the scoring criteria for each category.

Governance The supplier identifies their governance structure relating to Environmental, Social and Governance requirements. They provide clear and precise direction relating to sustainable purchasing practices within their organization.

Ethical Business Practices The supplier conducts business ethically and with integrity. They have identified their ethical business practices and ensure all leadership and staff are aware and compliant with them.

Forced and Child Labour Practices The supplier has outlined their requirements relating to forced and child labour in their supply chain. They are aware of the requirements of Bill S-211 and are compliant with the bill.

Social Performance Standards The supplier provides equal opportunities to staff. This includes providing a safe working environment and practicing fair and equitable labor practices.

Health and Safety Practices The supplier is in compliance with all OH&S applicable laws, standards and regulations. They mitigate risk while implementing corrective action for any identified unsafe work environment and practices.

Labour Practices The supplier provides a code of conduct to staff. Conflict resolution strategies are in place related to labour practices, wages, benefits, hours of work and other work and labour disputes.

Equity, Diversity and Inclusion Practices The supplier promotes and practices equity, diversity and inclusion in their workplace. They provide equal access and opportunities to people who might otherwise be excluded. They make sure that everyone feels welcome, valued and respected regardless of race, national or ethnic origin, colour, religion, age, sex, sexual orientation, gender identity or expression or beliefs, marital status, family status, genetic characteristics, disability and conviction for an offence which a pardon has been granted or in respect of which a record suspension has been ordered (as outlined by the Canadian Human Rights Act).

Environmental Practices The supplier demonstrates and practices responsible use and protection of the environment. This includes the reduction of waste, carbon emissions and the conservation of resources. They maintain records and publish them.

Waste Management Practices The supplier supports the practice of reduce, reuse and recycle. The supplier has identified and implemented waste reduction and management strategies.

Information Security Practices The supplier demonstrates a documented and defined process relating to information security, data protection, destruction and information management standards.

Accountability and Supplier Onboarding Practices Senior leadership support is provided and demonstrated for sustainable procurement and purchasing practices in their supply chain. They indicate ownership of the activities for which they are responsible for and monitor and report on their supply chain. They identify and correct non-compliance in a timely manner. The supplier follows the University of Alberta supplier onboarding process and follows the direction within it. They ensure unacceptable conduct is dealt with immediately and eliminated.

UNIVERSITY OF ALBERTA

BRIEFING NOTE

FOR AWARENESS **CONFIDENTIAL** **Updated April 22, 2024**

Subject: Bill S-211, Report Update on the Prevention and Reduction of the Risk of Forced Labour and Child Labour in Supply Chains

SUMMARY:

- Bill S-211 (website) outlines reporting requirements to reduce and prevent the risk of forced and child labour within an organization's supply chains.
- The University of Alberta meets the reporting criteria and is required to report to Public Safety Canada in advance of the May 31, 2024, deadline.
- Reporting includes an online questionnaire, a report responding to 8 requirements, and a signed attestation that is approved by the entity's governing body with the signature of one or more members of the governing body that approved the report.
- Procurement and Contract Management (PCM) is initially reviewing 25 high spend suppliers to the University of Alberta. This review will provide supplier scorecards that outline social responsibility category ratings including forced labour, child labour and human trafficing. Results of the review are expected May 13, 2024.
    - 25 were chosen to review based on the capacity of PCM to review prior to the deadline for reporting.
    - There is no set legal requirement for the number of reviews, just a requirement to demonstrate what is being done and how continuous improvements will be made.
    - PCM intends to review 75 more suppliers next year and an additional 100 suppliers each subsequent year.
- Given the deadline, PCM recommends that the Board of Governors approve the report at its May 27, 2024, meeting, and that the attestation be signed by the Board Chair following approval.

BACKGROUND:
On January 1, 2024, the Government of Canada introduced legislation (Bill S-211), an act to enact the "Fighting Against Forced and Child Labour in Supply Chains". The act sets import bans and requires federal government institutions and certain other public and private organizations to report on steps taken to reduce and prevent the risk of forced labour and child labour within their supply chains.

The act requires an online questionnaire, report, and signed attestation be submitted to Public Safety Canada by May 31, 2024. This briefing note is provided in advance of the completion of the online questionnaire and report to inform the signatories of the reporting requirements. The briefing outlines the criteria for reporting entities, report contents, signatory requirements, and remediation plan.

Reporting Entities:
Entities required to report include any corporation, trust, partnership, or other unincorporated organization that:

- is listed on a stock exchange in Canada,
- has a place of business in Canada,
- does business in Canada, or
- has assets in Canada.

and meets two of the following three criteria for at least one of its two most recent financial years:

- $20 million or more in assets
- $40 million or more in revenue
- an average of 250 or more employees

PCM has reviewed the reporting requirements with KPMG and determined that the university is required to report by the May 31, 2024, deadline. PCM also connected with colleagues via CAUBO's sustainability network and member institutions also confirmed they are required to report.

With respect to reporting requirements, there are no specific legislative requirements related to the university investment portfolio and, as such, will not be reported on.

Report Content:
In addition to an online questionnaire, the university is required to submit a report to Public Safety Canada that responds to all items contained within Sections 11(1) and 11(3) of the Bill as noted below:

- Steps the university has taken during its previous fiscal year to prevent and reduce the risk of forced labour and child labour being used at any step in the production of goods produced, purchased, or distributed by the university.
- Structure, activities and supply chain information.
- Policies and due diligence processes in relation to forced labour and child labour.
- Parts of its activities and supply chains that carry a risk of forced labour and child labour being used and the steps it has taken to assess and manage that risk.
- Measures taken to remediate any forced labour and child labour.
- Measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.
- Training provided to employees on forced labour and child labour.
- How the university assesses its effectiveness in ensuring that forced labour and child labour are not being used in its activities and supply chains.

Signatory Requirements:
This report must have a signed attestation that is approved by the entity's governing body and the signature of one or more members of the governing body that approved the report. This must be accompanied by the name and title of the approving member, the date of signature and a statement confirming that the approving member has the legal authority to bind the entity.

Once complete, the signed report must be posted in a prominent place on the entity's website. PCM recommends posting on the Finance, Procurement and Planning website, in the Sustainable Purchasing area.

Remediation Plan:
PCM is finalizing all requirements relating to Bill S-211 including:

- Updating the University of Alberta supplier code of conduct.

- Monitoring and reporting on supplier sustainability and environmental, social, and governance (ESG) practices.
- Training - outlining reporting requirements to all internal staff and socializing the requirements campus wide before March 31, 2025.

NEXT STEPS:
- The online questionnaire, draft report, and attestation will be presented to the Board of Governors' for approval at the May 27, 2024, meeting.
- The online questionnaire, approved report, and signed attestation are to be submitted to Public Safety Canada before close of business, May 31, 2024, and posted to the university website.