



UNIVERSITY OF CALGARY

Management Discussion & Analysis

For the Year Ended
March 31, 2024

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Management Discussion and Analysis Overview

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the University of Calgary’s (“the University”) consolidated financial statements and accompanying notes for the year ended March 31, 2024. The MD&A and consolidated financial statements are reviewed and approved by the University’s Board of Governors on the recommendation of the University’s Audit Committee. The University’s consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (“PSAS”).

The MD&A is an overview of the University’s financial results for the year ending March 31, 2024 and offers an analysis of the University’s:

1. Operating Environment
2. Financial Results
3. Net Assets and Net Financial Assets
4. Capital Expansion and Renewal
5. Areas of Significant Financial Risk

Operating Environment

The University of Calgary is a leading Canadian university located in the nation’s most enterprising city. Ranked one of the top ten research universities in Canada, the University is home to more than 70 research centres, institutes and groups working to address society’s most persistent and emerging challenges. The University is a global intellectual hub where over 37,000 students thrive in programs made rich by research and hands-on experiences. The University currently offers more than two hundred and fifty undergraduate programs, over seventy graduate programs, and provides the wider community with lifelong learning opportunities. As a member of U15 group, an association of fifteen leading research universities across Canada, the University drives \$16.5 billion in economic impact to its host province of Alberta. The University alumni are effectively building the local community, with more than two-thirds of over 217,000 graduates living and/or working in the Calgary area. The University’s vision, *2023-2030 Ahead of Tomorrow*, will position the institution to leap ahead of tomorrow. It focuses on four strategies that will be realized through cross-cutting initiatives and decisions made throughout the academy. The University will:

1. Increase access to impactful and future-focused education to educate transformative leaders;
2. Harness the power of research and innovation to tackle society’s biggest challenges to maximize research impact;
3. Locate community at the center of all we do to enhance community relevance; and
4. Make our processes clearer, simpler, and better than any other university.

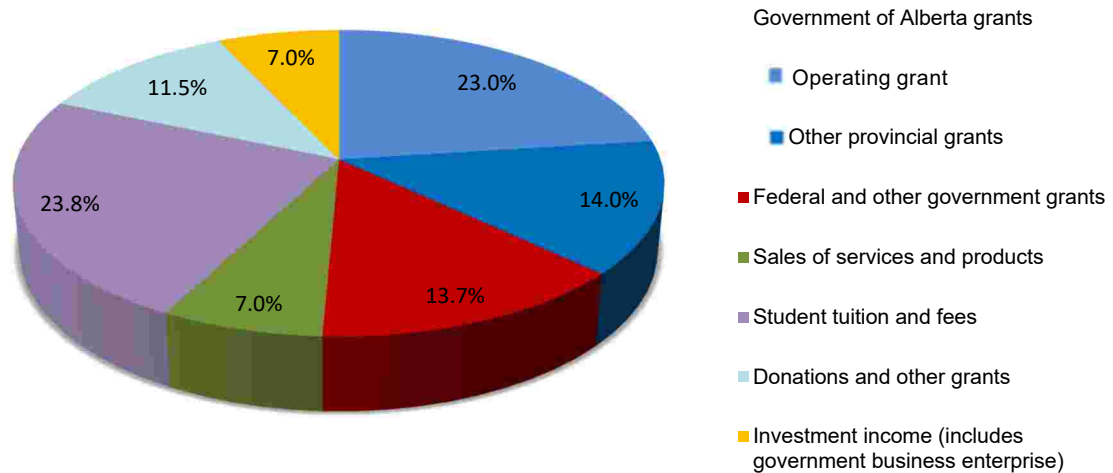
Financial Results

For the year ended March 31, 2024, the University’s revenues exceeded expenses by \$52.6 million. The most significant drivers contributing to the \$52.6 million operating surplus include higher investment income due to a gain on the sale of Carbon Engineering Ltd. (C12) shares owned by the University, increased recognition of government grants as a result of increased research activities, higher credit tuition and related fees, and increase in student enrollment for both domestic and international students. The revenue increases were partially offset by an increase in salaries from filling vacancies, approved pay increases, and new positions, along with increase in materials, supplies and services related to continued growth in research related activities and student capacity.

Total net assets have increased by \$219.2 million from March 31, 2023 as the result of \$52.6 million of annual operating surplus, \$19.3 million of endowment donations, and \$2.6 million of capitalized endowment income, and \$144.9 million in unrealized gains on portfolio investments.

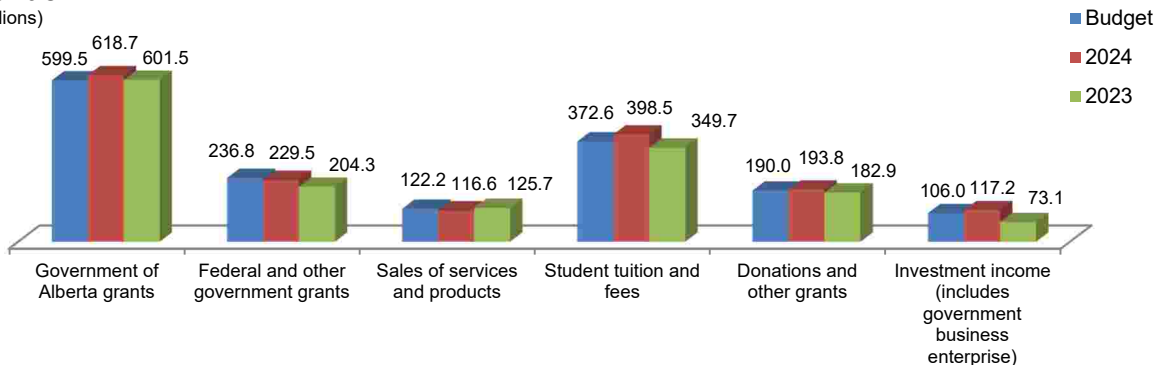
Revenue

Total revenues for the year ended were \$1,674.3 million, an increase of \$137.0 million (8.9%) compared to the prior year and \$47.1 million (2.9%) over budget. Revenue from the Government of Alberta represented the University's single largest source of income, at 37.0% of total University revenue, and played a key role in the ability to fund University activities. The major components of revenue are as follows:



Revenue

(\$ millions)



Government of Alberta grants

The Government of Alberta's grant revenue of \$618.7 million was \$17.2 million higher than prior year and \$19.2 million higher than budget. The increase over prior year was mainly due to an increase in research related revenues and the targeted enrollment expansion grant. The increase over budget is due to higher than expected recognition of externally restricted research revenue as a result of continued growth in research activities.

Federal and other government grants

Grant revenue from federal and other government sources of \$229.5 million was \$25.2 million higher than prior year and \$7.3 million lower than budget. The increase from prior year is attributable to higher funding from Canada Foundation for Innovation and additional funding related to the One Child Every Child grant received in the current year, which is consistent with continued growth in research activity. The budgetary shortfall is mainly the result of revenue timing differences between receiving grant contributions and when the grants are recognized into revenue over the period of conducting the related research.

Sales of services and products

Sales of services and products revenue of \$116.6 million were \$9.1 million lower than prior year and \$5.6 million lower than budget. During the year, a re-examination of the University District Trust (UDT) leases terms was completed. The additional review of UDT lease agreements resulted in a change in how the revenue is recognized for the University District Trust (UDT) leases compared to the previous year and budget. The decrease is primarily a result of changes in how revenue is recognized related to the UDT leases. This was partially offset by increases in ancillary services such as residences and parking fees associated with higher enrollment and student occupancy.

Student tuition and fees

Student tuition and fees of \$398.5 million was \$48.8 million higher than prior year and \$25.9 million higher than budget. The increase from prior year was primarily attributed to increases in student enrollment and tuition rate increases. There were further increases in non-credit tuition, primarily in Continuing Education, related to International Professional Programs. The increase over budget is attributed to higher than expected student enrollment in credit and non-credit tuition courses.

Donations and other grants

Donations and other grant revenue of \$193.8 million was \$10.9 million higher than prior year and \$3.8 million higher than budget. The increase is primarily attributable to continued growth in research activities, partially offset by lower clinical trial revenue due to lower than anticipated participant recruitment.

Investment income – including investment income in government business enterprise

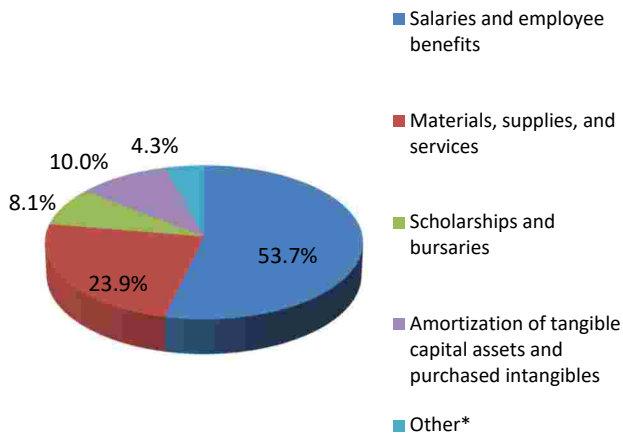
Investment income (including investment income in government business enterprise (GBE)) of \$117.2 million was \$44.1 million higher than prior year and \$11.2 million higher than budget. The variance from budget is mainly a result of a \$15.8 million gain on the sale of Carbon Engineering Ltd. (C12) shares owned by the University, which is partially offset by lower than expected income on non-endowment investments. The increase from prior year is largely attributed to the gain on sale of Carbon Engineering Ltd. shares, higher non-endowment investment income, and lower capital losses incurred in the current year compared to prior year.

Expense

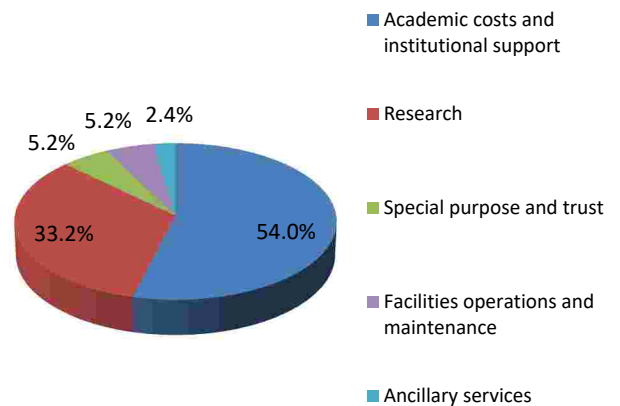
For the year ended March 31, 2024, the University incurred \$1,621.7 million in expenses representing an increase of \$111.8 million (7.4%) from prior year and \$5.5 million (0.3%) lower than budget. Salaries and benefits are the largest expenditure component at the University, representing 53.7% of the University's expenses.

Academic costs and institutional support represent the single largest function at the University, with this function representing 54.0% of the University's expenses. This includes instruction, non-research academic and administrative support activities, effectively representing the operating activities of the University.

Expense by Object



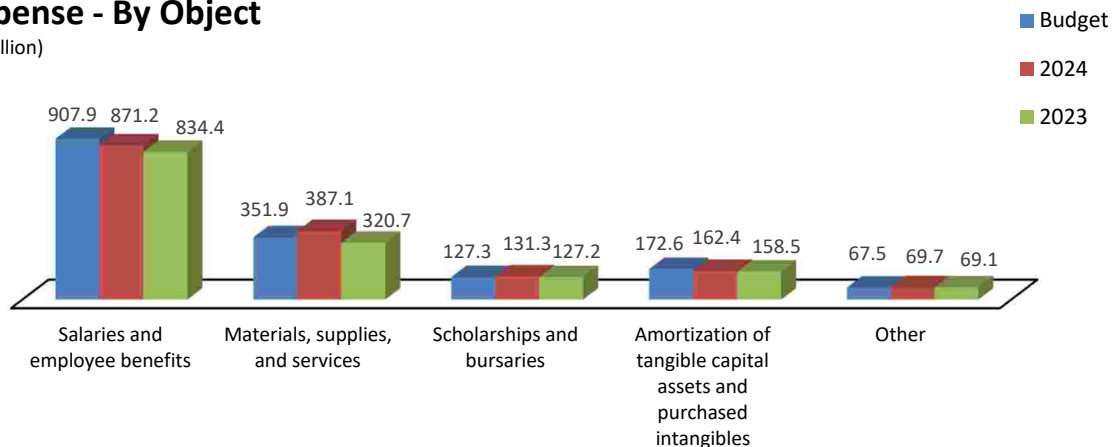
Expense by Function



*Other expenses include Utilities, Maintenance and repairs, and Cost of goods sold.

Expense - By Object

(\$ million)



Salaries and employee benefits

Salaries and employee benefits of \$871.2 million were \$36.8 million higher than prior year and \$36.7 million lower than budget. The increase over prior year is attributed to filling vacancies, approved salary increases and new positions, partially offset by lower Universities Academic Pension Plan (UAPP) pension expense as a result of the decrease in the UAPP deficiency due to higher interest rates for plan investments. The budget variance is primarily attributed to lower than expected new positions, delay in hires, and benefit savings from lower than expected salaries, partially offset by lower UAPP pension expense.

Materials, supplies and services

Materials, supplies and services of \$387.1 million represent the second largest expense component of the University with current year costs \$66.4 million higher than prior year and \$35.2 million higher than budget. The increase in materials, supplies, and services over prior year and budget is primarily attributable to continued growth in research related activities.

Scholarships and bursaries

Scholarships and bursaries of \$131.3 million were \$4.1 million higher than prior year and \$4.0 million higher than budget. The increase in scholarships and bursaries over the prior year and budget is in line with the University's goal to attract students and its continued focus on providing support opportunities to students across various faculties.

Amortization of tangible capital assets and purchased intangibles

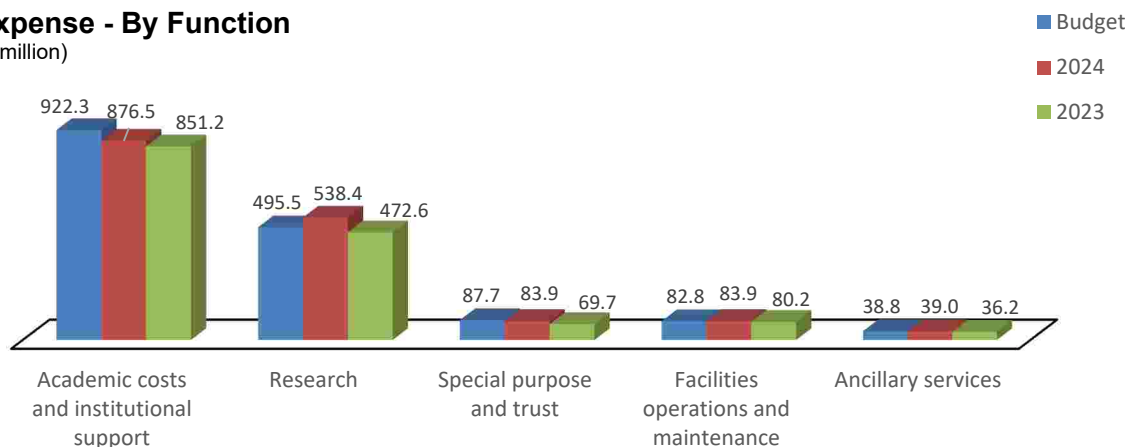
Amortization of tangible capital assets and purchased intangibles expense of \$162.4 million increased by \$3.9 million from prior year while being \$10.2 million below budgeted expectations. The increase from prior year is a result of new assets transferred into service during the year, primarily related to the renovation of the Social Sciences building. The budget variance is mainly due to lower spending in Capital Maintenance Renewal projects due to project schedule delays, and lower than budgeted amortization expense for assets related to asset retirement obligations.

Other

Other expenses totaling \$69.7 million were \$0.6 million higher than prior year and \$2.2 million higher than budget. The increase is primarily due to increases in cost of goods sold due to inflationary pressure.

Expense - By Function

(\$ million)



Academic costs and institutional support

Academic costs and institutional support expenses of \$876.5 million increased by \$25.3 million over the prior year while being \$45.8 million lower than budgeted expectations. The increase from prior year is due primarily to approved salary increases, new hires, and additional materials and supplies related to continued growth in externally funded research project activities. Although academic costs and institutional support were higher than prior year, the costs were lower than budget primarily due to lower than expected new positions, delay in hires and benefit savings and lower than expected amortization due to capital project delays.

Research and Special purpose and trust

Research costs of \$538.4 million were \$65.8 million higher than prior year and \$42.9 million higher than budget. This increase is mainly the result of the University's continued growth in externally funded research activities, resulting in increased salary costs, materials and supplies used in research projects, travel, and scholarships. Special purpose and trust costs of \$83.9 million were \$14.2 million higher than prior year and \$3.8 million lower than budgeted amounts. The increase from prior year was primarily due to increases in scholarships to students and increases in salaries and benefits and materials, supplies, and services purchased for non-research activities.

Facilities operations and maintenance

Facilities operations and maintenance costs of \$83.9 million were \$3.7 million higher than prior year and \$1.1 million higher than budget. The increase from prior year and budget is mainly a result of operating and maintaining a growing and aging campus infrastructure resulting in higher cost of materials and supplies.

Ancillary services

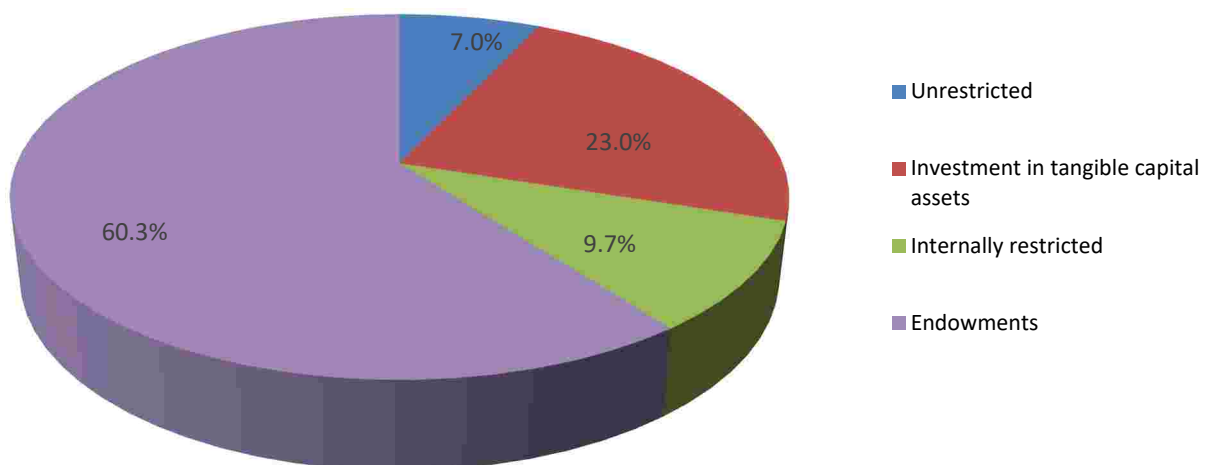
Ancillary expenditures of \$39.0 million were \$2.8 million higher than prior year and in line with budgeted amounts. The increase from prior year was primarily due to increases in residences and parking fees associated with higher enrollment and student occupancy.

Net Assets and Net Financial Assets

Net Assets

The University's net asset balance is an important indicator of financial health for the University. Prudent financial planning and strategic decision-making combined with capitalized investment income from portfolio investments have contributed to the University's \$2,201.4 million in net assets. Endowments of \$1,328.4 million continue to represent the largest component of net assets. Endowments must be maintained in perpetuity. Investment income earned is used to fund specific research, scholarship, and donor supported initiatives.

The remaining \$873.0 million in net assets, includes \$506.9 million of funds previously spent as a net investment in capital assets and \$212.5 million of funds formally restricted by the University's Board of Governors for spending on strategic initiatives in support of capital construction projects on campus. In addition, the University used unrestricted net assets to fund \$18.2 million of capital construction and capital purchases and \$7.4 million to repay University debt. After amounts spent on capital assets, Board of Governors restrictions, and debt repayment, \$153.6 million remains in unrestricted net assets. Net assets at March 31, 2024 are comprised of the following balances and related summarized transactions:



Net Assets (continued)

(\$ thousands)	Unrestricted	Investment in tangible capital assets and purchased intangibles	Internally restricted	Endowments	Total
Net assets, beginning of year	\$ 72,020	\$ 511,721	\$ 208,808	\$ 1,189,628	\$1,982,177
Annual operating surplus	52,552	-	-	-	52,552
Transfer to internally restricted net of expenditures	(34,264)	-	34,264	-	-
Endowment					
New contributions	-	-	-	19,260	19,260
Capitalized investment income	-	-	-	2,571	2,571
Tangible capital assets and purchased intangibles					
Acquisitions	(18,157)	48,754	(30,597)	-	-
Amortization	59,224	(59,224)	-	-	-
Debt repayment	(7,386)	7,386	-	-	-
Debt new financing	-	-	-	-	-
Increase in asset retirement obligations	1,717	(1,717)	-	-	-
Change in accumulated remeasurement gains	27,897	-	-	116,964	144,861
Net assets at March 31, 2024	\$ 153,603	\$ 506,920	\$ 212,475	\$ 1,328,423	\$2,201,421

Net Financial Assets

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. The Net Financial Asset indicator is intended to identify the availability of net financial resources of an organization to fund future operations after considering liabilities owed to third parties. The University presents the Net Financial Asset indicator in a manner as directed by the Controller of the Province of Alberta. The presentation includes endowments valued at \$1,328.4 which is comprised of \$1,316.0 million of investments that are restricted for endowments and \$12.4 million legacy gift comprising of land, art, and coins. Portfolio investments - restricted for endowments must be maintained in perpetuity and are therefore not available to pay for university liabilities, nor can the University use the endowment portfolio investments to pay for future operating or capital purchases. As a result, net financial assets excluding portfolio investments restricted for endowments is presented on the Consolidated Statement of Financial Position.

At March 31, 2024, Net Financial Assets excluding portfolio investments restricted for endowments is \$139.6 million, representing a \$88.8 million increase from the prior year figures. The University continues to have sufficient positive Net Financial Assets, demonstrating financial strength and commitment to managing the University's financial position.

Capital Expansion and Renewal

Continuation of capital expansion and renewal projects remains a critical priority for the University, contributing not only to the student learning experience and to the quality of research activity, but also positively to the Calgary economy. In 2024, the University expended \$143.2 million (2023 - \$152.3 million) on construction and other capital asset acquisitions. This capital activity represents the continuation of the University's multi-year capital building program through construction of new buildings as well as redevelopment, renovation, and numerous instructional facilities upgrade projects.

The following represents progress on the largest four major construction projects on campus:

Major Capital Project Costs (\$ thousands)	2024	Project to Date	Total Budget
Multi-Disciplinary Science Hub (MDSH)	1,686	13,894	135,000
Veterinary Medicine Expansion Project	11,555	12,644	68,500
Utility Reduction, Grant Program	3,235	17,074	18,000
Kananaskis and Rundle Washroom Renovation	581	581	14,907

Multi-Disciplinary Science Hub (formally Life Sciences Research Center)

Life Sciences Research Center (LSRC) will provide critical new space on the main campus that will help maintain and enhance the University's interdisciplinary research strength for the Life and Environmental Sciences curriculums in the Faculties of Science, Arts, Kinesiology, Veterinary Medicine, and the Cumming School of Medicine. LSRC is part of the overall Multidisciplinary Science Hub (MDSH). The Multidisciplinary Science Hub (MDSH) is envisioned to be a new 31,550 square meters facility with 5,000 square meters of associated renovations to existing infrastructure. The MDSH will allow for new training in aerospace, agriculture science and technology, and energy science – programs specifically designed for Alberta's strategic growth sectors. The detailed scope of the MDSH project will continue to be developed while the University establishes its vision of the Hub.

Veterinary Medicine Expansion Project

The project consists of the construction of a new instructional and administrative building of approximately 6,500 square meters at the University of Calgary's Spyhill campus. The project also consists of barn upgrades, temporary trailer facilities at W.A. Ranches, and a portion of renovations to existing Faculty of Veterinary Medicine infrastructure at the Spyhill campus.

Utility Reduction, Grant Program

The University of Calgary has implemented a multi-year Utility Reduction Program (URPr) to reduce institutional greenhouse gas emissions and operating costs. The scope of the URPr Grant Program consists of several medium-sized retrofit projects with a primary focus on the Foothills campus and smaller investments on main campus. The projects include HVAC and controls upgrades in classrooms and laboratories as well as lighting retrofits, installation of energy recovery systems and energy performance optimization of targeted buildings.

Kananaskis and Rundle Washroom Renovation

Kananaskis Hall and Rundle Hall are student residence buildings located on the main campus. The project consists of a complete demolition and full renovation of 42 large, shared washrooms and four single washrooms throughout these buildings. Work will also include renovations to existing kitchenette and laundry facilities impacted by the washroom renovations.

Areas of Significant Financial Risk

Deferred Maintenance

The University directs significant resources to ensure that University buildings are updated with relevant technology, operated efficiently, and meet or exceed university and external regulatory standards. The University has an outstanding deferred maintenance balance of \$798.6 million (2023 - \$740.0 million). The Capital Maintenance and Renewal (formerly named Infrastructure Maintenance Program) funding from the province increased to \$24.8 million (2023 - \$22.5 million) and was used to address deferred maintenance.

Unfunded Pension Liability

The University participates, with other Alberta post-secondary institutions, in the Universities Academic Pension Plan (UAPP) to provide defined-benefit pensions for participating faculty and staff. The extrapolated actuarial deficiency for the pension plan at March 31, 2024 is \$10.9 million (2023 - \$249.9 million). This unfunded deficiency in the UAPP is currently being funded by the Government of Alberta, employee, and employer contributions. The deficiency is expected to be eliminated by 2043.

Budgetary Pressure

After four years of successive cuts that reduced the University of Calgary's Operations and Program Support Grant (OPSG) (formerly known as the Campus Alberta Grant) by over \$100 million, the provincial grant remained unchanged in 2024-25. Years of provincial cost cutting, followed by high inflation have made it challenging to fund priorities. In the absence of an inflationary increase to the OPSG, the University has had to reduce costs and shift resources to fund its priorities. Cost savings to address inflation were achieved by reducing spending and deferring some initiatives. Through prudent fiscal management and a willingness to partner with government, the University will continue to mitigate budgetary risks to deliver on its mandate.