UNIVERSITY OF CALGARY

Management Discussion & Analysis

For the Year Ended
March 31, 2026

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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, 2026. 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, 2026 and offers an analysis of the University's:

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Operating Environment

The University is a leading institution in one of Canada's most dynamic cities. Ranked among Canada's top research universities and a proud member of the U15, the University delivers research-intensive, hands-on learning across 14 faculties. In 2025–26, the University served more than 38,000 students across 250+ programs and supported a large and growing alumni community of more than 230,000. Building on research revenue successes in 2024-25 (which totalled $632.4 million), in 2025-26 the University continued to drive discovery and innovation, expand research infrastructure, and train highly qualified personnel who helped translate research into impact for Alberta, Canada, and global communities. The University's Ahead of Tomorrow 2023–2030 strategy focuses on expanding educational access, amplifying research impact, deepening community engagement, and streamlining operations to strengthen long-term sustainability.

In 2025-26, the University navigated a complex and evolving landscape. The Government of Alberta continues to focus on fiscal restraint; however, in 2025-2026 the Government provided a slight increase to the base operating funding for public post-secondary institutions to alleviate some cost pressures related to rising inflation and compensation adjustments. Domestic tuition increases remained capped at 2%, limiting the University's ability to offset higher operating costs through domestic tuition revenue. At the same time, federal changes to international student policy, including the introduction of a cap on study permit applications and the requirement for provincial attestation letters (PALs), created uncertainty for international enrolment and planning. In response, the University advanced the Ahead of Tomorrow strategy by focusing on multi-year financial sustainability, strengthening and diversifying revenue sources, deepening partnerships, and selectively investing in high-demand, labour-market-aligned programming and student supports, while maintaining disciplined financial management.

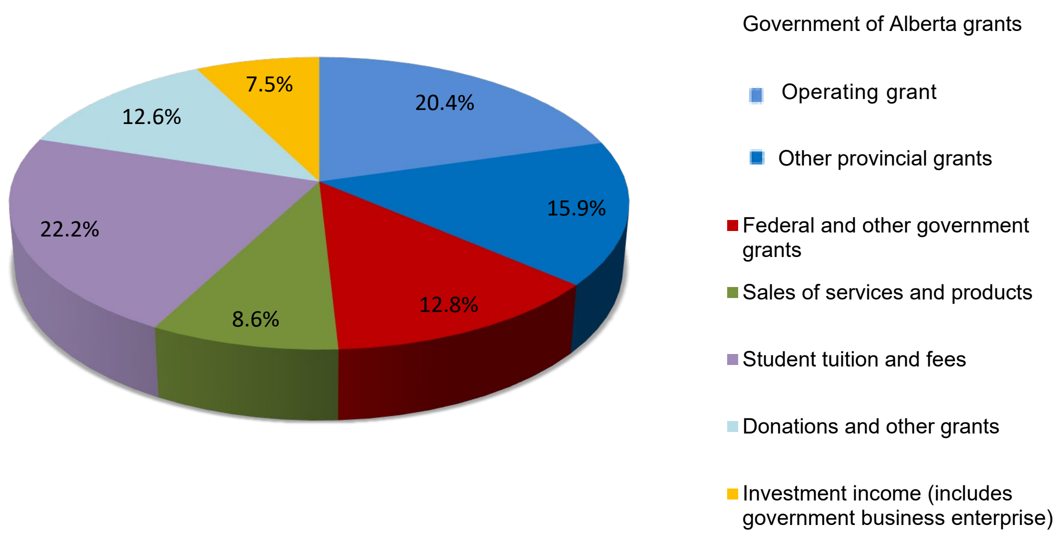
Financial Results

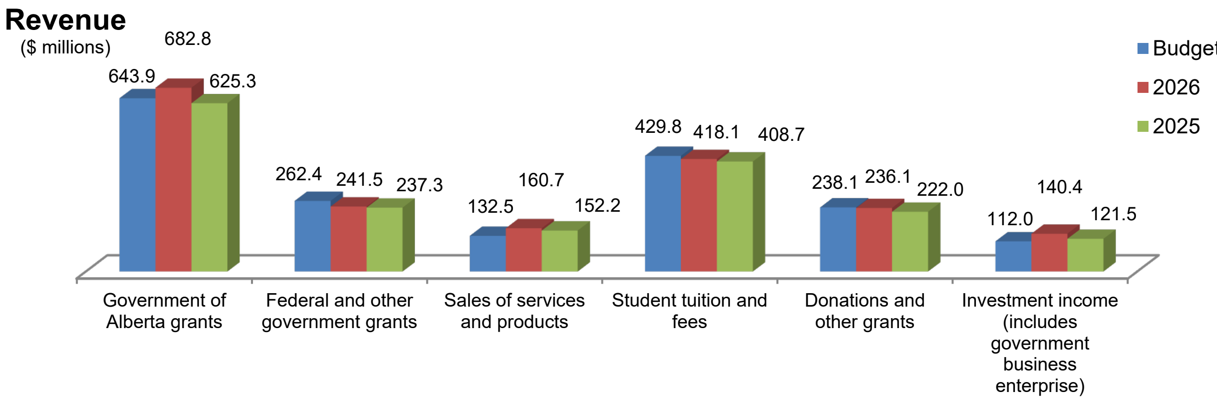
For the year ended March 31, 2026, the University's revenues exceeded expenses by $71.0 million. The most significant drivers contributing to the $71.0 million operating surplus include $10.0 million increase in the operating grant, $27.0 million higher investment income, $10.3 million lower utility expenditures, and decreased salaries and benefits due to lower than expected new positions, delay in hires, and lower than expected Universities Academic Pension Plan (UAPP) pension expense in the current year.

Total net assets have increased by $249.6 million from March 31, 2025, as the result of $71.0 million of annual operating surplus, $40.0 million of endowment donations, $96.0 million of capitalized endowment income, and $42.6 million in unrealized gains on portfolio investments.

Revenue

Total revenues for the year ended were $1,879.6 million, an increase of $112.6 million (6.4%) compared to the prior year and $60.9 million (3.3%) over budget. Revenue from the Government of Alberta represented the University's single largest source of income, at 36.3% of total University revenue, and played a key role in the ability to fund University activities. The major components of revenue are as follows:





Government of Alberta grants

The Government of Alberta's grant revenue of $682.8 million was $57.5 million higher than prior year and $38.9 million higher than budget. The increase over prior year was mainly due to the increased Targeted Enrollment Expansion (TEE) grant and a 2.7% increase in the operating grant to address inflationary budget pressures. The increase over budget was a result of increased recognition of externally restricted Government of Alberta research grants due to continued growth in research activities and the 2.7% increase in the operating grant.

Federal and other government grants

Grant revenue from federal and other government sources of $241.5 million was $4.2 million higher than prior year and $20.9 million lower than budget. The increase compared to prior year is a result of funding from Canadian Institute of Health Research and Canadian Foundation for Innovation awarded 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 $160.7 million were $8.5 million higher than prior year and $28.2 million higher than budget. The increase from prior year is driven by higher accommodation and events revenue, increased cattle sales due to favourable market conditions, including strong global demand for beef and constrained supply, increased revenue from University Innovation Quarter Trust properties, and an increase in sponsorship revenue. The budget variance is primarily attributed to increased income from ancillary services, increased cattle sales due to market demands, increase in sponsorship revenue, outfitting services provided to the SAPL downtown campus, and widespread services provided throughout the campus.

Student tuition and fees

Student tuition and fees of $418.1 million were $9.4 million higher than prior year and $11.7 million lower than budget. The increase from prior year was due to domestic tuition rate increases, offset by $13.6 million lower international tuition fees. The budget variance is attributed to a $21.5 million decrease in international tuition and related fees, offset by higher domestic tuition, higher student enrollment in Active Living and Dino Summer Camps, and an increase in revenue from Continuing Education courses.

Donations and other grants

Donations and other grant revenue of $236.1 million was $14.1 million higher than the prior year and $2.0 million lower than the budget. The increase over the prior year is related to a $19.0 million non-capital gift in kind donation for the Schulich School of Engineering Technology Lab with a corresponding value recognized in materials and supplies expenditure.

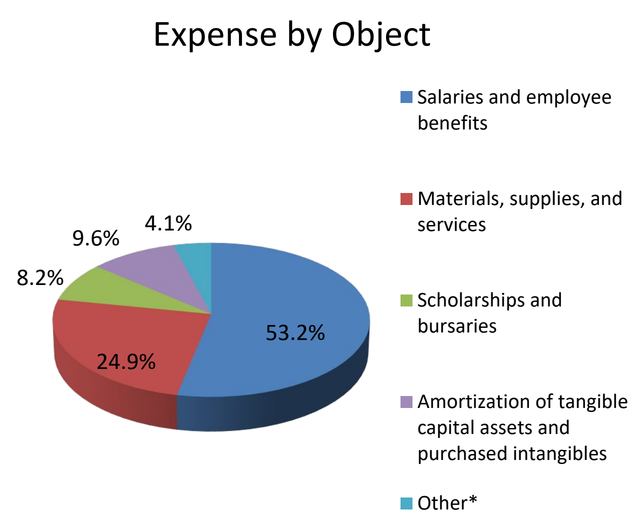
Investment income – including investment income in government business enterprise ("GBE")

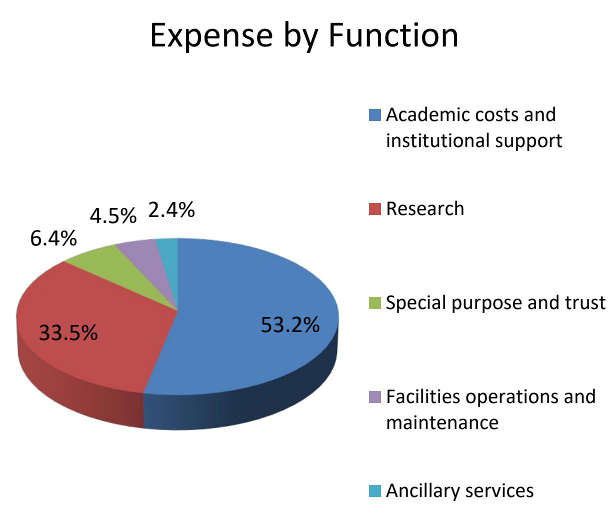
Investment income (including investment income in GBE) of $140.4 million was $18.9 million higher than prior year and $28.4 million higher than budget. The increase from the prior year and budget is due to $11.7 million higher endowment investment income primarily due to realized gains on sale of investments, and $27.0 million higher investment income from non-endowed investments, and foreign exchange gains. This increase was offset by $10.3 million loss from GBE related to the consolidated results of University District Trust.

Expense

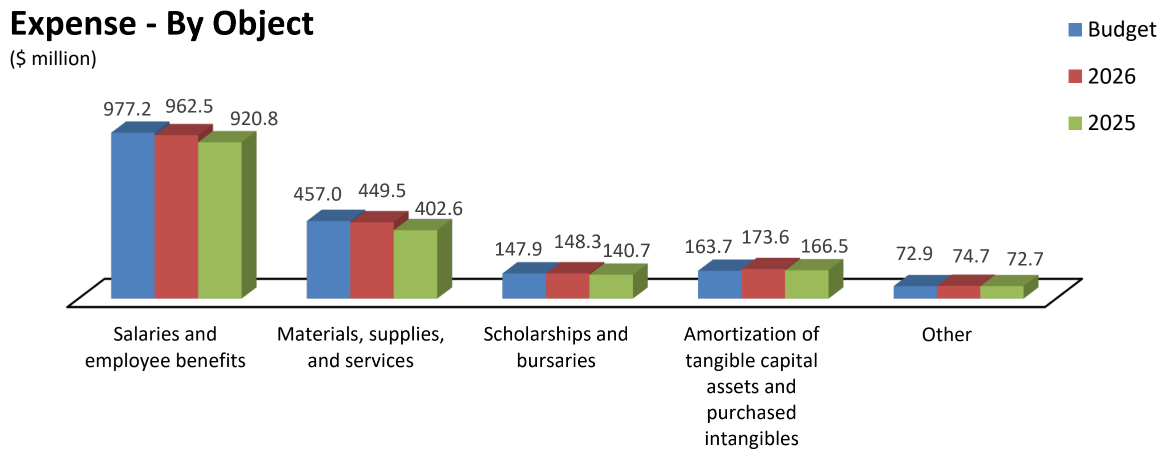
For the year ended March 31, 2026, the University incurred $1,808.6 million in expenses representing an increase of $105.3 million (6.2%) from prior year and $10.1 million (0.6%) lower than budget. Salaries and benefits are the largest expenditure component at the University, representing 53.2% of the University's expenses.

Academic costs and institutional support represent the single largest function at the University, with this function representing 53.2% of the University's expenses. This includes instruction, non-research academic and administrative support activities, effectively representing the operating activities of the University.





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



Salaries and employee benefits

Salaries and employee benefits of $962.5 million were $41.7 million higher than the prior year and $14.7 million lower than budget. The increase over prior year is attributed to $8.1 million related to the Voluntary Retirement Incentive Program (VRIP), approved pay increases, filling vacancies and new positions, offset by UAPP actuarial cost adjustment for the pension plan. The budget variance is attributed to lower than expected new positions and delays in hires and $10.3 million lower than expected UAPP pension expense, offset by the VRIP program.

Materials, supplies and services

Materials, supplies and services of $449.5 million represent the second largest expense component of the University with the current year costs $46.9 million higher than prior year and $7.5 million lower than budget. The increase compared to prior year is due to the expenditure of a $19.0 million gift in kind donation for the Schulich School of Engineering Technology Lab (that has offsetting impact on donation revenue), increased spending on IT, and higher investment counsel fees. The variance from budget is reduced spending on externally restricted projects, delays in spending for supporting University's strategic initiatives, lower University of Calgary Qatar spending as a result of the campus closure in the current year, and capitalization of expenditures related to the SAPL downtown campus, offset by the expense component of the $19.0 million gift in kind donation for the Schulich School of Engineering Technology Lab.

Scholarships and bursaries

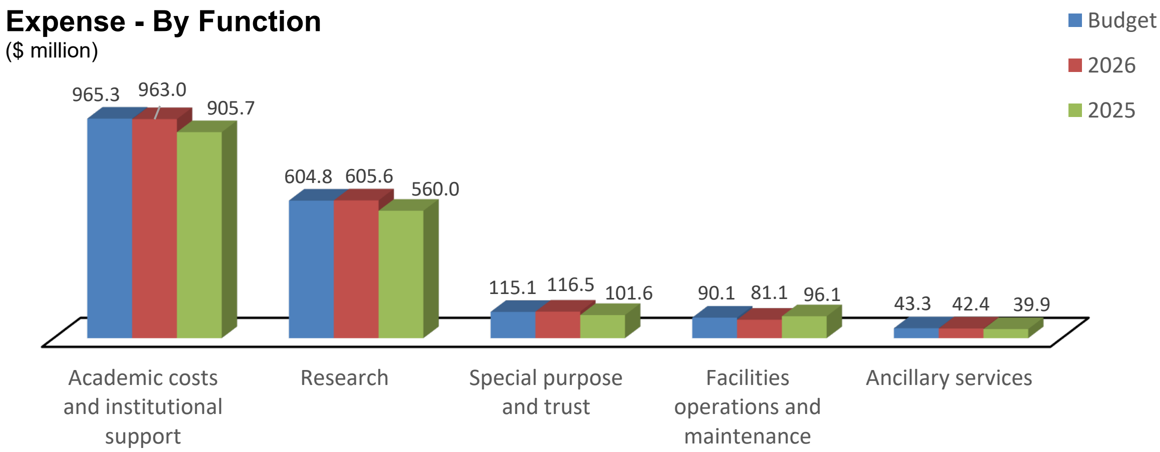
Scholarships and bursaries of $148.3 million were $7.6 million higher than the prior year and $0.4 million higher than budget. The increase in scholarships and bursaries over the prior year and budget is in line with the University's goal to attract students and its continued focus on providing support opportunities to students across various faculties.

Amortization of tangible capital assets and purchased intangibles

Amortization of tangible capital assets and purchased intangibles expense of $173.6 million was $7.1 million higher than prior year and $9.9 million above budgeted expectations. The increase from prior year and budget is a result of various new assets transferred into service during the year primarily related to the Veterinary Learning Commons at the Spy Hill Campus.

Other

Other expenses totaling $74.7 million were $2.0 million higher than prior year and $1.8 million higher than budget. The increase from prior year and budget is driven by the University's enhanced efforts to address deferred maintenance and increase the modernization of existing equipment and infrastructure, offset by lower utility costs due to the removal of carbon tax and reduced utility rates.



Academic costs and institutional support

Academic costs and institutional support expenses of $963.0 million increased by $57.3 million over the prior year while being $2.4 million lower than budgeted expectations. The increase from prior year is due to approved salary increases and new hires, additional materials and supplies related to receiving a gift in kind donation for the Schulich School of Engineering Technology Lab, increased investment counsel fees, increased maintenance and repairs related to carrying out various strategic initiatives, increased amortization due to assets going into service, and increased foreign exchange losses. Although academic costs and institutional support were higher than prior year, the costs were lower than budget primarily due to vacancy savings and the actuarial adjustment related to UAPP.

Research and Special purpose and trust

Research costs of $605.6 million were $45.6 million higher than the prior year and $0.8 million higher than budget. This increase is mainly the result of the University's continued growth in externally funded research activities, resulting from increased salary costs and increased scholarships. Special purpose and trust costs of $116.5 million were $14.9 million higher than prior year and $1.3 million higher than budgeted. 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 primarily as a result of TEE program spending.

Facilities operations and maintenance

Facilities operations and maintenance costs of $81.1 million were $14.9 million lower than the prior year and $8.9 million lower than budget. The decrease from prior year and budget is due to savings from lower rates on natural gas and electricity, lower electricity transmissions and distribution fees, removal of the Carbon Tax, and lower salaries due to vacancy savings.

Ancillary services

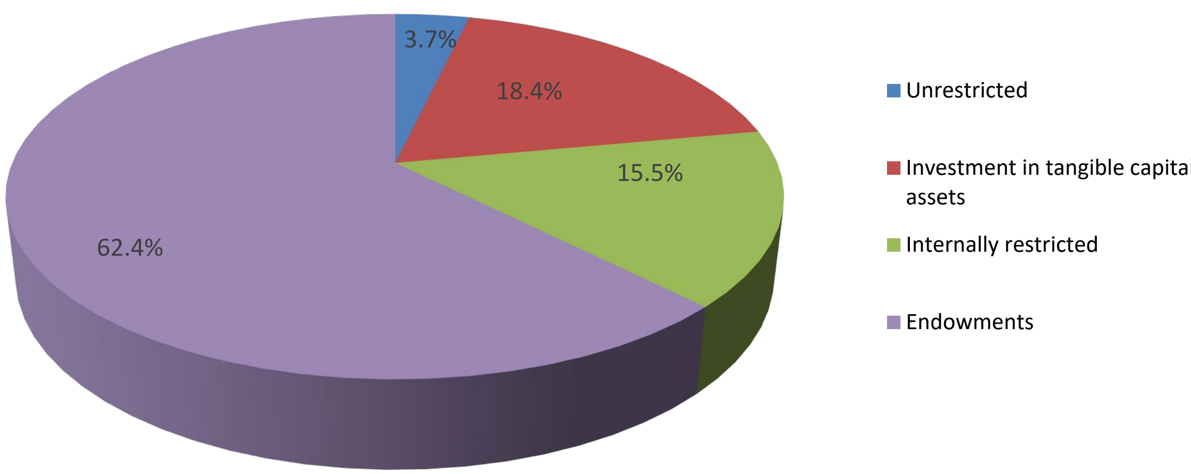
Ancillary expenditures of $42.4 million were $2.5 million higher than prior year and $0.9 million lower than budgeted amounts. The increase from prior year is primarily related to increased materials and supplies related to the ranch and increased salaries and benefits for ancillary staff. Actual ancillary service expenditures are in line with budgeted expectations.

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 $2,770.6 million in net assets. Endowments of $1,731.1 continue to represent the largest component of net assets. Endowments must be maintained in perpetuity. Endowment investment income earned is used to fund specific research, scholarships, and donor supported initiatives.

The remaining $1,039.5 million in net assets, includes $508.9 million of funds previously spent as a net investment in capital assets and $428.8 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 $31.5 million of capital construction and capital purchases and $7.9 million to repay University debt. After amounts spent on capital assets, Board of Governors restrictions, and debt repayment, $101.8 million remains in unrestricted net assets. Net assets at March 31, 2026 are comprised of the following balances and related summarized transactions:



Net Assets *(continued)*

($ thousands)	Unrestricted	Investment in capital assets (1)(2)	Internally restricted	Endowment	Total
Net assets, beginning of year	**$ 221,740**	**$ 487,635**	**$ 256,931**	**$ 1,554,707**	**$ 2,521,013**
Annual operating surplus	70,980	-	-	-	70,980
Transfer to internally restricted net of expenditures	(218,610)	-	218,610	-	-
Endowment					
New contributions	-	-	-	40,013	40,013
Capitalized investment income	-	-	-	95,980	95,980
Tangible capital assets and purchased intangibles					
Acquisitions	(31,548)	78,262	(46,714)	-	-
Amortization	60,660	(60,660)	-	-	-
Debt repayment	(7,946)	7,946	-	-	-
Debt new financing	6,089	(6,089)	-	-	-
Net book value of disposal	17	(17)	-	-	-
Decrease in asset retirement obligations	(1,803)	1,803	-	-	-
Change in accumulated remeasurement gains	2,199	-	-	40,426	42,624
Net assets at March 31, 2026	**$ 101,778**	**$ 508,880**	**$ 428,827**	**$ 1,731,126**	**$ 2,770,611**

(1) Includes Investment in tangible capital assets and purchased intangibles.

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 directed by the Controller of the Province of Alberta. The presentation includes endowments valued at $1,731.1 million which is comprised of $1,719.4 million of investments that are restricted for endowments, $6.7 million legacy gifts comprising of land and art, and $5.0 million of endowment receivable from Government of Alberta. 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 are presented in the Consolidated Statement of Financial Position.

At March 31, 2026, Net Financial Assets excluding portfolio investments restricted for endowments is $309.6 million, representing a $49.7 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 2026, the University expended $211.1 million (2025 - $164.7 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)	2026	Project to Date	Total Budget
Multi-Disciplinary Science Hub (MDSH)	8,549	12,484	450,000
Veterinary Medicine Expansion Project	17,347	65,632	68,500
Taylor Family Kinesiology Building	4,130	5,431	22,287
Kananaskis and Rundle Washroom	10,887	14,050	14,907

Multi-Disciplinary Science Hub (MDSH)

MDSH project includes a multi-storey instructional and research facility with selective renovations to the adjacent Biological Sciences building. It will add 2,000 student spaces, deliver a compliant vivarium, and expand capacity for research and teaching. The building will feature shared research floors designed to foster collaboration across priority areas including energy, biotechnology, agriculture and genomics, environment and water health, Indigenous science, neuroscience, and space/aerospace.

Veterinary Medicine Expansion Project

The Veterinary Medicine Program Expansion project includes construction of a new 6,500 square meters instructional and administrative building, Veterinary Learning Commons (VLC), 2,200 square meters of renovations to the existing Clinical Skills Building (CSB) at Spy Hill campus, barn upgrades, and new temporary teaching facilities at W.A. Ranches. The project also expands outdoor amenity space and parking, with a solar photovoltaic array integrated over the parking area to support sustainability. The project was completed in fiscal 2025-2026.

Taylor Family Kinesiology Building

Construction of the Taylor Family Kinesiology Building (TFKB), a new 2,300 square meters, two-storey building for the Faculty of Kinesiology, providing specialized and open research space to support both disciplinary and transdisciplinary work. The facility will include clinic spaces, offices, open research areas, a sprint track, and dry laboratories to advance research in biomechanics, physiology, sport technology, concussions, and performance. The project is expected to enhance research capacity while enabling innovation to address real-world health and performance challenges.

Kananaskis and Rundle Washroom Renovation

The project involves the complete demolition and renovation of 46 washrooms across Kananaskis Hall (KA) and Rundle Hall (RU), including 42 large shared and four single-user washrooms. The scope also includes upgrades to one kitchen per building and impacted kitchenette and laundry areas on each floor. Work includes new finishes and fixtures, supporting infrastructure modifications, electrical panel upgrades, and sprinkler system modifications. The project was completed in fiscal 2025-2026.

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 $726.3 million (2025 - $810.6 million). The Capital Maintenance and Renewal funding from the province was $22.5 million (2025 - $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 valuation of the pension plan at March 31, 2026 resulted in a surplus of $612.7 million (2025 - $426.8 million) consisting of a pre-1992 deficit of $816.0 million (2025 - $832.1 million) and a post-1991 surplus of $1,428.7 million (2025 - $1,258.9 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 several years of reductions to the University of Calgary's provincial operating support funding grant, the University received $10.0 million in March to address inflationary budget pressures and an additional 2.8% increase in the operating grant for fiscal 2026-2027. Although the University has a balanced budget, it is presenting deficit forecasts for 2027-28 and 2028-29. The University is facing a number of risk factors, most notably funding uncertainty related to provincial operating funding. This created sustained budgetary pressure, requiring a combination of spending restraint, resource reallocation, and careful prioritization of initiatives. In 2025-26, these pressures were compounded by continued growth in salary and benefit costs, a 2% cap on domestic tuition increases, and ongoing uncertainty in international student recruitment due to federal study permit caps and provincial attestation requirements. The University responded by focusing on multi-year financial sustainability, strengthening and diversifying revenue sources, and continuing to invest selectively in priority areas aligned to institutional strategy and provincial workforce needs.