UNIVERSITY OF CALGARY

Consolidated Financial Statements

For the Year Ended
March 31, 2020

The University of Calgary ("the University") is responsible for the preparation of the consolidated financial statements and has prepared them 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, 2020 and the results of its operations, changes in net financial assets, remeasurement gains and losses and cash flow for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal control designed to provide reasonable assurance that the University's 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 Committee. The Audit Committee meets with Management and the External Auditor to discuss the results of audit examinations and financial reporting matters. The External Auditor has full access to the Audit Committee, with and without the presence of Management.

The consolidated financial statements for the year ended March 31, 2020 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.

[Originally signed by Ed McCauley]
President & Vice-Chancellor

[Originally signed by Linda Dalgetty]
Vice-President, Finance and Services

Auditor General OF ALBERTA

Independent Auditor’s Report

To the Board of Governors of the University of Calgary

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the University of Calgary (the Group), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, change in net financial assets, remeasurement gains and losses, and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

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

Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

June 26, 2020
Edmonton, Alberta

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020
(in thousands)

		2020		2019
Financial assets excluding portfolio investments restricted for endowments				
Cash and cash equivalents	$	128,199	$	145,757
Portfolio investments - non-endowment (Note 3)		930,274		941,581
Accounts receivable		103,506		101,306
Inventories held for sale		6,587		6,037
Investment in government business enterprise (Note 5)		(172)		(3,771)
	$	1,168,394	$	1,190,910
Liabilities				
Accounts payable and accrued liabilities	$	198,145	$	182,409
Employee future benefit liabilities (Note 7)		100,401		97,726
Debt (Note 8)		154,038		158,678
Deferred revenue (Note 9)		569,659		540,823
	$	1,022,243	$	979,636
Net financial assets excluding portfolio investments restricted for endowments	$	146,151	$	211,274
Portfolio investments - restricted for endowments (Note 3)	$	915,957	$	991,060
Net financial assets	$	1,062,108	$	1,202,334
Non-financial assets				
Prepaid expenses	$	14,248	$	7,920
Tangible capital assets (Note 6)		2,092,010		2,020,186
	$	2,106,258	$	2,028,106
Net assets before spent deferred capital contributions	$	3,168,366	$	3,230,440
Spent deferred capital contributions (Note 10)	$	1,450,438	$	1,403,737
Net assets (Note 11)	$	1,717,928	$	1,826,703
Net assets is comprised of:				
Accumulated surplus	$	1,696,157	$	1,711,741
Accumulated remeasurement gains		21,771		114,962
	$	1,717,928	$	1,826,703

Contingent assets and contractual rights (Note 12 and 14)

Contingent liabilities and contractual obligations (Note 13 and 15)

Subsequent events (Note 24)

Approved by the Board of Governors:

[Originally signed by Geeta Sankappanavar]
Chair, Board of Governors

[Originally signed by Beverley Foy]
Chair, Audit Committee

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

CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2020
(in thousands)

UNIVERSITY OF CALGARY

	2020 Budget (Note 16)	2020	2019
Revenue			
Government of Alberta grants (Note 21)	$ 689,871	$ 652,363	$ 690,114
Federal and other government grants (Note 21)	189,585	186,965	175,472
Sales of services and products	127,620	129,712	128,882
Student tuition and fees	238,632	255,876	242,574
Donations and other grants	156,814	179,642	203,683
Investment income (Note 17)	48,445	63,750	55,133
Investment income from government business enterprise (Note 5)	-	3,599	6,203
	$ 1,450,967	$ 1,471,907	$ 1,502,061
Expense			
Academic costs and institutional support	$ 867,232	$ 886,290	$ 818,867
Research	383,221	422,007	386,373
Special purpose and trust	80,623	73,333	76,264
Facilities operations and maintenance	71,656	77,320	75,308
Ancillary services	48,235	42,798	45,839
	$ 1,450,967	$ 1,501,748	$ 1,402,651
Annual operating (deficit) surplus	$ -	$ (29,841)	$ 99,410
Endowment donations		14,257	11,996
Endowment capitalized investment income (Note 17)		-	38,971
Endowment donations and capitalized investment income		$ 14,257	$ 50,967
Annual (deficit) surplus		$ (15,584)	$ 150,377
Accumulated surplus, beginning of year		1,711,741	1,561,364
Accumulated surplus, end of year (Note 11)		$ 1,696,157	$ 1,711,741

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

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2020
(in thousands)

UNIVERSITY OF CALGARY

	2020 Budget (Note 16)	2020	2019
Annual (deficit) surplus	$ -	$ (15,584)	$ 150,377
Acquisition of tangible capital assets	(264,478)	(216,415)	(272,601)
Proceeds from sale of tangible capital assets	-	240	70
Amortization of tangible capital assets	143,293	140,053	132,558
Loss (gain) on disposal of tangible capital assets	-	4,298	(64)
Change in prepaid expenses	-	(6,328)	(586)
Change in spent deferred capital contributions	53,560	46,701	51,222
Change in accumulated remeasurement gains	-	(93,191)	6,422
(Decrease) increase in net financial assets	$ (67,625)	$ (140,226)	$ 67,398
Net financial assets, beginning of year	$ 1,202,334	$ 1,202,334	$ 1,134,936
Net financial assets, end of year	$ 1,134,709	$ 1,062,108	$ 1,202,334

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2020
(in thousands)

UNIVERSITY OF CALGARY

		2020		2019
Accumulated remeasurement gains, beginning of year	$	**114,962**	$	108,540
Unrealized gains (losses) attributable to:				
Foreign exchange		**(302)**		(264)
Quoted in active market financial instruments				
Portfolio investments - non-endowments		**-**		182
Portfolio investments - restricted for endowments		**(486)**		340
Designated fair value financial instruments				
Portfolio investments - non-endowments		**(5,017)**		8,885
Portfolio investments - restricted for endowments		**(81,120)**		30,586
Amounts reclassified to consolidated statement of operations:				
Foreign exchange		**264**		331
Quoted in active market financial instruments				
Portfolio investments - non-endowments		**-**		2,828
Portfolio investments - restricted for endowments		**10**		22
Designated fair value financial instruments				
Portfolio investments - non-endowments		**(3,756)**		7,032
Portfolio investments - restricted for endowments		**(2,784)**		(43,520)
Change in accumulated remeasurement gains	$	**(93,191)**	$	6,422
Accumulated remeasurement gains, end of year (Note 11)	$	**21,771**	$	114,962

Accumulated remeasurement gains (losses) is comprised of:				
Portfolio investments - non-endowments	$	**(3,130)**	$	5,643
Portfolio investments - restricted for endowments		**25,203**		109,583
Foreign exchange		**(302)**		(264)
	$	**21,771**	$	114,962

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2020
(in thousands)

		2020		2019
Operating transactions				
Annual (deficit) surplus	$	(15,584)	$	150,377
Add (deduct) non-cash items:				
Amortization of tangible capital assets		140,053		132,558
Gain on sale of portfolio investments		(6,530)		(36,465)
Loss (gain) on sale of tangible capital assets		4,298		(64)
Capital gifts in kind received		(840)		(39,460)
Expended capital contributions recognized as revenue		(94,126)		(90,165)
Change in investment in government business enterprises		(3,599)		(6,203)
Increase (decrease) in employee future benefit liabilities		2,675		(17,727)
Change in non-cash items	$	41,931	$	(57,526)
Increase in accounts receivable		(2,200)		(31,000)
Increase in prepaid expenses		(6,328)		(586)
Increase in inventories held for sale		(550)		(1,674)
Increase in accounts payable and accrued liabilities		15,736		15,686
Increase in deferred revenue		28,836		72,589
Cash provided by operating transactions	$	61,841	$	147,866
Capital transactions				
Acquisition of tangible capital assets less gift in kind	$	(211,842)	$	(226,701)
Proceeds on sale of tangible capital assets		240		70
Cash applied to capital transactions	$	(211,602)	$	(226,631)
Investing transactions				
Purchases of portfolio investments	$	(23,961)	$	(140,777)
Proceeds on sale of portfolio investments		23,710		90,448
Cash applied to investing transactions	$	(251)	$	(50,329)
Financing transactions				
Debt - repayment	$	(5,854)	$	(5,391)
Debt - new financing		1,214		-
Increase in spent deferred capital, less expended capital recognized as revenue, less in-kind donations		137,094		134,947
Cash provided by financing transactions	$	132,454	$	129,556
(Decrease) increase in cash and cash equivalents	$	(17,558)	$	462
Cash and cash equivalents, beginning of year	$	145,757	$	145,295
Cash and cash equivalents, end of year	$	128,199	$	145,757

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

1. Authority and purpose

The Governors of the University of Calgary is a corporation that manages and operates the University of Calgary ("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*, Campus Alberta Sector Regulation, the University is a comprehensive academic and research university 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 subsidiaries, University Technologies Group and West Campus Development Corporation.

2. Summary of significant accounting policies and reporting practices

(a) General – Canadian Public Sector Accounting Standards and use of estimates

These consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS").

The measurement of certain assets and liabilities, revenues and expenses are 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. Amortization of tangible capital assets, recognition of deferred revenue related to restricted grants and donations, determining the fair value of in-kind donations, and employee future benefit liabilities 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 measured as follows:

Financial statement component	Measurement
Cash and cash equivalents	Cost
Portfolio investments	Fair value
Inventories held for sale	Lower of cost or net realizable value
Accounts receivable	Lower of cost or net recoverable value
Accounts payable and accrued liabilities	Cost
Debt	Amortized cost

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

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

For financial assets and liabilities measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments 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.

The University does not use foreign currency contracts or any other type of derivative financial instruments for trading or speculative purposes.

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

(b) Valuation of financial assets and liabilities (Continued)

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement 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 purchase, sale or usage requirements are not recognized as financial assets or liabilities. The University does not have any embedded derivatives.

(c) Revenue recognition

All revenue is reported on the accrual basis of accounting. Cash received for which goods or services 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 as the terms are met. If the grants and donations are used to acquire or construct tangible capital assets, revenue will be recognized over the useful life of the tangible capital asset.

Government grants without terms for the use of the grant are recognized as revenue when the University is eligible to receive the funds. Unrestricted non-government grants and donations are recognized as revenue in the year received or in the year the funds are committed to the University if the amount can be reasonably estimated and collection is reasonably assured.

In-kind donations of services, materials, and tangible capital assets are recognized at fair value when such value can reasonably be determined. Transfers of tangible capital assets from related parties are recorded 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 reasonably be determined, the in-kind grant or donation is recorded at nominal value.

Investment income

Investment income includes dividends, interest income, and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on investments from unrestricted grants and donations are recognized in the accumulated remeasurement gains and losses until settlement. Once realized, these gains and losses are recognized as revenue or expense in the consolidated statement of operations. 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 in the consolidated statement of operations when the terms of the grants or donations are met.

Realized investment income allocated to endowment balances for the preservation of endowment capital purchasing power is recognized in the statement of operations as a component of endowment donations and capitalized investment income.

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

(c) Revenue recognition (Continued)

Endowments

Endowments consist of externally restricted donations 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 on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University's policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the *Post-secondary Learning Act*, the University has the authority to alter the terms and conditions of endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment 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 cumulative capitalized investment income. However, for individual endowment funds without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

Endowment donations and associated investment income allocated for the preservation of endowment capital purchasing power are recognized in the Consolidated Statement of Operations in the period in which they are received.

(d) Cash and cash equivalents

Cash and cash equivalents include short-term investments with a maturity less than three months from the date of acquisition.

(e) Inventories held for sale

Inventories held for sale is valued at the lower of cost and expected net realizable value and is determined using the weighted average method. Inventory held for consumption is valued at cost.

(f) Tangible capital assets

Tangible capital assets are recorded at cost, which include amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the asset, and costs associated with asset retirement obligations. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Work in progress, which includes facilities and improvement projects and development of information systems, is not amortized until after the project is complete and the asset is in service. Assets or disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Leases of tangible capital assets which transfer substantially all the benefits and risks of ownership are accounted for as leased tangible capital assets. Capital lease liabilities are recognized at the present value of the future minimum lease payments at the inception of the lease, excluding executor costs. The discount rate used to determine the present value of the lease payments is the lower of the University's rate for incremental borrowing or the interest rate implicit in the lease.

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

(f) Tangible capital assets (Continued)

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straightline basis over their estimated useful lives as follows:

Buildings	20-40 years
Furnishings, equipment and systems	3-10 years
Learning resources	10 years

Tangible capital asset writedowns are recorded when conditions indicate they no longer contribute to the University's ability to provide services, or when the value of future economic benefits associated with the capital assets are less than their net book value. The net write-downs are recognized as expense in the consolidated statement of operations. Intangible assets, works of art, historical treasures and collections are expensed when acquired and not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made.

(g) Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the consolidated statement of financial position date. Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains and losses.

In the period of settlement, foreign exchange gains and losses are reclassified to the consolidated statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains and losses.

(h) Employee future benefits

Pension

The University participates with other employers in the Universities Academic Pension Plan (UAPP) and the Public Service Pension Plan (PSPP). 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 and is allocated to each participant based on their respective percentage of pensionable earnings. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

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 recorded 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 predetermined amounts that are expected to provide the plan's future benefits.

Long term disability (LTD)

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plans is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a market interest rate and administration's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains or losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

Supplementary retirement plan (SRP)

The pension expense for defined benefit SRP is actuarially determined using the projected benefit method prorated on service. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected service lifetime for each plan participant.

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

(i) Investment in government nonprofit organization, other government organization, and government partnerships

The consolidated financial statements include the financial results of the following wholly-owned entities:

- Arctic Institute of North America ("AINA"), a nonprofit organization controlled by the University. AINA operates under the authority of the Act of the Federal Parliament (910 George VI, Chapter 45) to initiate, encourage and support northern research and to advance the study of arctic conditions.
- University Technologies Group ("UTI"), a group of entities operating to facilitate the transfer of intellectual property from the University to private business, thereby commercializing the scientific innovations of University researchers.

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

- Tri-University Meson Facility (TRIUMF) (7.14% interest) - a joint venture with thirteen other universities to operate a subatomic physics research facility.
- Western Canadian Universities Marine Sciences Society (20% interest) - a government partnership with five other universities to provide research infrastructure in the marine sciences for its member universities and the worldwide scientific community.

All government partnership inter-entity accounts and transactions between these organizations are eliminated upon consolidation.

(j) Investment in government business enterprise

Government business enterprises, owned or controlled by the University but not dependent on the University for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles 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. The University's wholly-owned entity accounted for by the modified equity basis is West Campus Development Corporation ("WCDC").

(k) 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.

(l) Liability for Contaminated Sites

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. Contaminated sites occur when an environmental standard exists and contamination exceeds the environmental standard.

Contaminated sites in productive use

A liability for remediation of contaminated sites from an operation(s) that is in productive use is recognized net of any expected recoveries when all of the following criteria are met:

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

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

(l) Liability for Contaminated Sites (Continued)

Contaminated sites no longer in productive use

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

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

(m) Expense by Function

The University uses the following function categories on its consolidated statement of operations:

Academic costs and institutional support

Academic costs and institutional support includes expenses relating to activities directly and indirectly supporting innovative learning, programming, and teaching as well as administration and governance functions of the University.

Research

Research expenses relate primarily to activity funded by externally sponsored research funds intended for specific research purposes as well as internal funds designated for research related spending.

Special purpose and trust

Special purpose and trust is comprised of expenses relating to externally restricted funding for non-research related activities including scholarships and community service.

Facilities operations and maintenance

Facilities operations and maintenance function includes centralized management and maintenance of grounds and facilities, and buildings. Examples include utilities, facilities administration, building maintenance, custodial services, landscaping and grounds keeping, and major repairs and renovations.

Ancillary services

Ancillary expenses relate to secondary services available to students, faculty, and staff. Services include on campus residence, food services, university bookstores, Hotel Alma, parking, and conference services.

(n) Future accounting changes

In August 2018, the Public Sector Accounting Board issued PS 3280 Asset retirement obligations. This accounting standard is effective for fiscal years starting on or after April 1, 2021. Asset retirement obligations provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

In November 2018, the Public Sector Accounting Board approved PS 3400 Revenue. This accounting standard is effective for fiscal years starting on or after April 1, 2022 and provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions.

Management is currently assessing the impact of these new standards on the consolidated financial statements.

(in thousands)

3. Portfolio investments

		2020		2019
Portfolio investments - non-endowment	**$**	**930,274**	$	941,581
Portfolio investments - restricted for endowments		**915,957**		991,060
	$	**1,846,231**	$	1,932,641

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

2020								
		Level 1		**Level 2**		**Level 3**		**Total**
Portfolio investments at fair value:								
Bonds								
Canadian government and corporate	**$**	**-**	**$**	**570,115**	**$**	**-**	**$**	**570,115**
Foreign government and corporate		**-**		**34,725**		**-**		**34,725**
Pooled investments funds		**-**		**97,717**		**-**		**97,717**
Equities								
Canadian equities		**2,303**		**-**		**-**		**2,303**
Foreign equities		**1,510**		**-**		**-**		**1,510**
Pooled investments funds		**-**		**724,388**		**-**		**724,388**
Other								
Cash and money market funds		**22,366**		**-**		**-**		**22,366**
Guaranteed investment certificate (GICs)		**-**		**2,565**		**-**		**2,565**
Pooled canadian mortgages		**-**		**288,182**		**-**		**288,182**
Pooled hedge funds		**-**		**99,058**		**-**		**99,058**
Private equity		**-**		**-**		**3,302**		**3,302**
	$	**26,179**	**$**	**1,816,750**	**$**	**3,302**	**$**	**1,846,231**

2019								
		Level 1		Level 2		Level 3		Total
Portfolio investments at fair value:								
Bonds								
Canadian government and corporate	$	-	$	559,694	$	-	$	559,694
Foreign government and corporate		-		5,145		-		5,145
Pooled investments funds		-		94,153		-		94,153
Equities								
Canadian equities		3,268		-		-		3,268
Foreign equities		1,810		-		-		1,810
Pooled investments funds		-		806,989		-		806,989
Other								
Cash and money market funds		42,644		-		-		42,644
Guaranteed investment certificate (GICs)		-		33,606		-		33,606
Pooled canadian mortgages		-		283,119		-		283,119
Pooled hedge funds		-		102,213		-		102,213
	$	47,722	$	1,884,919	$	-	$	1,932,641

The above tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.

Level 2 fair value measurements are those derived from 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).

(in thousands)

3. Portfolio investments (Continued)

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs). The economic uncertainty resulting from COVID-19 has impacted the availability of reliable market metrics for certain level 3 portfolio investments. Due to this uncertainty of the economic environment as a result of COVID-19, fair value estimates could be subject to changes.

The following table provides reconciliation of the changes in fair value of Level 3 investments:

		2020		2019
Balance, beginning of year	**$**	**-**	**$**	-
Unrealized gains		**599**		-
Purchases		**2,703**		-
Proceeds on sale		**-**		-
Balance, end of year	**$**	**3,302**	**$**	-

4. Financial risk management

Market price risk

The University is exposed to market price risk, 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 established an investment policy with a target asset mix that is diversified by asset class with individual issuer limits and is designed to achieve a long-term rate of return that in real terms equals or exceeds total endowment expenditures with an acceptable level of risk.

The following details the University's portfolio sensitivity to a 9.5% increase or decrease in the market prices. The sensitivity rate is determined using the historical annualized standard deviation for the portfolio investments over a four year period. At March 31, 2020, if market prices had a 9.5% (2019 - 7.5%) increase or decrease with all other variables held constant, the increase or decrease in accumulated remeasurement gains and losses, net assets, and deferred revenue for the year would have totalled $173,388 (2019 - $138,487).

The University's management of market price risk has not changed from the prior year. The economic uncertainty surrounding COVID-19 has caused volatility in the equity markets; fluctuations in the fair value of investments may be experienced as the situation evolves.

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 exchanges rates. The University is exposed to foreign currency risk on investments that are denominated in foreign currencies.

The impact of a change in value of foreign currency portfolio investments is as follows:

		Fair Value		**2.5% decrease**		**1.0% decrease**		**1.0% increase**		**2.5% increase**
U.S. and International	$	501,673	$	489,131	$	496,656	$	506,690	$	514,215

The University has a contract with the Qatari government to operate a campus in Qatar. Expenses incurred are recovered from the government of Qatar and claims are adjusted to reflect currency fluctuations, thus reducing exchange risk exposure to the University.

(in thousands)

4. **Financial risk management (Continued)**

Credit risk

The University is exposed to credit risk on investments arising from the potential failure of a counterparty, debtor or issuer to honour its contractual obligations. To manage this risk, the University only invests in investment grade issuers as guided by the University's Investment policy. The credit risk from accounts receivable is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricted enrolment activities for students with delinquent balances and maintaining standard collection procedures. Given the nature of the University's accounts receivable balances, current economic outlook, and the current impact of COVID-19, management has assessed the impact to credit risk as low.

The credit rating for Canadian government and corporate bonds held is as follows:

Credit Rating	2020	2019
AAA	**40.23 %**	41.47 %
AA	**23.60 %**	24.19 %
A	**21.45 %**	19.77 %
BBB	**14.72 %**	14.57 %
	100.00 %	100.00 %

Liquidity risk

Liquidity risk is the risk that the University will encounter difficultly in meeting obligations associated with its financial liabilities. The University maintains a line of credit designed to ensure availability of funds to meet current and forecasted financial requirements as cost effectively as possible. The University believes, based on its assessment of future cash flows that incorporate the effects of COVID-19, it will have access to sufficient capital through internally generated cash flows, external sources and the undrawn short-term line of credit to meet current spending forecasts. At March 31, 2020, the University has committed borrowing facilities of $18,750 (2019 - $18,750) none of which has been drawn.

Interest rate risk

Interest rate risk is the risk that future cash flows or fair values will fluctuate due to the volatility of market interest rates. The University is exposed to this risk on its interest bearing assets and bonds. Bonds are affected indirectly as they are subject to fluctuations in market values. Bonds are currently invested at the shorter end of the yield curve to reduce market value volatility. Interest risk on the University’s debt is managed through fixed-rate agreements with Alberta Capital Finance Authority as described in Note 8. If interest rates increased by 1% and all other variables are held constant, the potential loss in fair value on bonds and mortgage funds to the University would be $32,671 (2019 - $28,341).

The terms to maturity of interest-bearing securities held by the University are as follows:

Asset class	< 1 year	1 - 5 years	> 5 years	Average effective market yield
Money market funds and GICs	100.00 %	-	-	2.60 %
Canadian government and corporate bonds	12.60 %	69.81 %	17.59 %	1.79 %
Canadian mortgage fund	18.66 %	51.74 %	29.60 %	4.11 %

(in thousands)

5. Investment in government business enterprise

WCDC is a wholly-owned subsidiary of the University of Calgary. The WCDC operates as trustee of the West Campus Development Trust ("WCDT"), which subleases land to developers for the commercialization of residential and commercial development. The University is the beneficiary of WCDT and will receive distributions from the trust once leases are in place with developers and net proceeds are available.

The following table provides condensed supplementary financial information for the Investment in government business enterprise owned by the University.

Statement of Financial Position:

	December 31, 2019	December 31, 2018
Assets		
Cash	$ 435	$ -
Accounts receivable	1,064	285
Deposit	3,275	14,124
Prepaid expenses	102	43
Capital assets	10,187	3,984
Development costs	38,779	31,667
	$ 53,842	$ 50,103
Liabilities		
Accounts payable and accrued liabilities	$ 4,973	$ 3,700
Land lease payable	12,603	4,274
Deferred revenue	3,092	4,157
Promissory note	3,750	-
Long term debt	18,808	33,335
Cost to complete	10,788	8,408
	$ 54,014	$ 53,874
Equity		
Deficit	$ (172)	$ (3,771)
	$ 53,842	$ 50,103

Statement of Operations:

	December 31, 2019	December 31, 2018
Land lease revenue	$ 28,791	$ 24,204
Cost of land lease	16,727	14,438
	$ 12,064	$ 9,766
Expenses	$ 4,715	$ 3,563
Net Income	$ 7,349	$ 6,203
Trust distribution	3,750	-
	$ 3,599	$ 6,203

(in thousands)

6. Tangible capital assets

	2020					2019
	Buildings	**Furnishings, equipment and systems**	**Learning resources**	**Land**	**Total**	Total
Cost						
Beginning of year	**$ 2,832,556**	**$ 507,976**	**$ 240,598**	**$ 46,892**	**$ 3,628,022**	$ 3,385,750
Acquisitions	**147,314**	**60,421**	**8,680**	**-**	**216,415**	272,601
Disposals	**(18,207)**	**(2,315)**	**(397)**	**-**	**(20,919)**	(30,329)
	$ 2,961,663	**$ 566,082**	**$ 248,881**	**$ 46,892**	**$ 3,823,518**	$ 3,628,022
Accumulated amortization						
Beginning of year	**$ 1,053,060**	**$ 354,334**	**$ 200,442**	**$ -**	**$ 1,607,836**	$ 1,505,601
Amortization expense	**84,492**	**47,258**	**8,303**	**-**	**140,053**	132,558
Disposals	**(13,678)**	**(2,306)**	**(397)**	**-**	**(16,381)**	(30,323)
	$ 1,123,874	**$ 399,286**	**$ 208,348**	**$ -**	**$ 1,731,508**	$ 1,607,836
Net book value at March 31, 2020	**$ 1,837,789**	**$ 166,796**	**$ 40,533**	**$ 46,892**	**$ 2,092,010**	$ 2,020,186
Net book value as at March 31, 2019	$ 1,779,496	$ 153,642	$ 40,156	$ 46,892	$ 2,020,186	

Acquisitions of tangible capital assets include capitalized interest of $ nil (2019 - $ nil).

Tangible capital assets include work-in-process at March 31, 2020 totaling $131,439 (2019 - $147,978) comprised of buildings $104,422 (2019 - $126,565) and furnishings, equipment and systems $27,017 (2019 - $21,413). Work-in-process is not amortized as the assets are not available for use.

Acquisitions during the year included in-kind contributions (such as learning resources, equipment and software) in the amount of $4,573 (2019 - $45,900).

7. Employee future benefit liabilities

Employee future benefit liabilities are comprised of the following:

	2020	2019
Universities Academic Pension Plan	**$ 83,316**	$ 82,957
Long-term Disability	**4,502**	2,181
Administrative Leave (Note 22)	**379**	842
Supplementary Retirement Plan	**12,204**	11,746
	$ 100,401	$ 97,726

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

UAPP

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic and professional staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2018 and was then extrapolated to March 31, 2020, resulting in a UAPP deficiency of $1,304,243 (2019 - $996,451) consisting of a pre-1992 deficiency of $885,533 (2019 - $827,872) and a post-1991 deficiency of $418,710 (2019 - $168,579). The University's portion of the UAPP pre-1992 deficiency and post-1991 deficiency has been allocated based on its percentage of the plan's total employer contributions for the year.

(in thousands)

7. Employee future benefit liabilities (Continued)

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2019 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.90% of salaries until June 30, 2020 and 3.04% of salaries (2019 - 2.90%) thereafter until December 31, 2043 to eliminate the unfunded deficiency. The Government of Alberta's obligation for the future additional contributions was $267,201 (2019 - $258,570) at March 31, 2020. The unfunded deficiency for service after December 31, 1991 is financed by special payments shared equally between employees and employers of:

- 3.38% of pensionable earnings until June 30, 2020, then reducing to 3.24% of pensionable earnings until December 31, 2021 (2019 - 4.44% of pensionable earnings until December 31, 2021)
- 1.71% of pensionable earnings for 2022 and 2023 (2019 - 1.71% of pensionable earnings for 2022 and 2023)
- 0.70% of pensionable earnings for 2024 and 2025 (2019 - 0.70% of pensionable earnings for 2024 and 2025)
- 0.25% of pensionable earnings for 2026 and 2027 (2019 - 0.25% of pensionable earnings for 2026 and 2027).

SRP

The University provides non-contributory defined benefit supplementary retirement benefits to executives. An actuarial valuation of these benefits was carried out as at March 31, 2020.

The expenses and financial position of these defined benefit plans are as follows:

	March 31, 2020			March 31, 2019		
	UAPP	**Long term disability [1]**	**SRP [1]**	UAPP	Long term disability [1]	SRP [1]
Expenses						
Current service cost	**$ 36,020**	**$ 926**	**$ 520**	$ 33,157	$ 494	$ 510
Interest cost	**8,154**	**58**	**373**	2,772	54	367
Amortization of net actuarial loss (gain)	**4,805**	**1,574**	**(23)**	(6,047)	(173)	(64)
Total expenses	**$ 48,979**	**$ 2,558**	**$ 870**	$ 29,882	$ 375	$ 813
Financial Position						
Accrued benefit obligation:						
Balance, beginning of year	**$ 986,061**	**$ 2,181**	**$ 11,742**	$ 895,510	$ 2,029	$ 11,143
Current service cost	**36,020**	**926**	**520**	33,157	494	510
Interest cost	**56,015**	**58**	**373**	54,467	54	367
Benefits paid	**(43,638)**	**(237)**	**(412)**	(41,775)	(223)	(400)
Actuarial (gain) loss	**(9,514)**	**1,574**	**1,444**	44,702	(173)	122
Balance, end of year	**$1,024,944**	**$ 4,502**	**$ 13,667**	$ 986,061	$ 2,181	$ 11,742
Plan assets	**837,258**	**-**	**-**	852,170	-	-
Plan deficit	**$ (187,686)**	**$ (4,502)**	**$ (13,667)**	$ (133,891)	$ (2,181)	$ (11,742)
Unamortized net actuarial loss (gain)	**$ 104,370**	**$ -**	**$ 1,463**	$ 50,934	$ -	$ (4)
Accrued benefit liability	**$ (83,316)**	**$ (4,502)**	**$ (12,204)**	$ (82,957)	$ (2,181)	$ (11,746)

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

(in thousands)

7. Employee future benefit liabilities (Continued)

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

	March 31, 2020			March 31, 2019		
	UAPP	**Long term disability**	**SRP**	UAPP	Long term disability	SRP
Accrued benefit obligation:						
Discount rate	**5.60 %**	**2.00 %**	**2.30 %**	5.60 %	2.80 %	3.10 %
Long term average compensation increase	**3.00 %**	**n/a**	**2.00 %**	3.00 %	n/a	3.00 %
Benefit cost:						
Discount rate	**5.60 %**	**2.00 %**	**3.10 %**	5.60 %	2.80 %	3.20 %
Long term average compensation increase	**3.00 %**	**n/a**	**2.00 %**	3.00 %	n/a	3.00 %
Alberta inflation (long term)	**2.00 %**	**n/a**	**1.50 %**	2.00 %	n/a	1.50 %
Estimated average remaining service life	**10.6 yrs**	**6.70 yrs**	**3 yrs**	10.6 yrs	6.88 yrs	3 yrs

(b) Defined benefit plans accounted for on a defined contribution basis

PSPP

PSPP is a multi-employer contributory joint 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, PSPP is accounted for on a defined contribution basis. The pension expense recorded in these consolidated financial statements is $23,778 (2019 - $23,164).

An actuarial valuation of the PSPP was carried out as at December 31, 2018, then extrapolated to December 31, 2019. At December 31, 2019, the PSPP reported an actuarial surplus of $2,759,320 (December 31, 2018 - $519,218). The fair value of the pension plan is subject to significant market volatility due to the economic crisis stemming from the global pandemic COVID-19 virus. To the extent that the pension plan may not recover market losses during the remainder of 2020, the funded status of the plan would experience a correlated decline. The financial market impact of the outbreak has been rapidly evolving, which precludes a reasonable estimate of the impact. For the year ended December 31, 2019 PSPP reported employer contributions of $321,306 (2018 - $337,390). For the 2019 calendar year, the University's employer contributions were $23,686 (2018 - $23,048).

(in thousands)

8. Debt

Debt is measured at amortized cost and is comprised of the following:

	Collateral	Maturity date	Interest rate %	2020	2019
Debentures payable to Alberta Capital Finance Authority:					
Debenture for Cascade Hall	(1)	May 2025	6.25%	**$ 6,448**	$ 7,312
Debenture for Residences	(1)	December 2038	3.90%	**73,461**	76,032
Debenture for International Residence House	(1)	June 2039	5.10%	**23,768**	24,468
Debenture for Phase VI Residence	(1)	March 2040	4.73%	**49,106**	50,555
Bank loans payable:					
Demand loan for Western Canadian Universities Marine Sciences Society	(2)	April 2020	3.39%	**196**	212
				$ 152,979	$ 158,579
Obligations under capital leases				**$ 1,059**	$ 99
				$ 154,038	$ 158,678

(1) General security agreement;
(2) None

Interest expense on debt recorded in these consolidated statements is $7,009 (2019 - $7,171) of which $ nil (2019 - $ nil) was capitalized. Principal and interest repayments are as follows:

	Principal	Interest	Total
2021	$ 6,272	$ 6,785	$ 13,057
2022	6,356	6,503	12,859
2023	6,649	6,208	12,857
2024	6,937	5,900	12,837
2025	7,071	5,577	12,648
Thereafter	120,753	43,219	163,972
	$ 154,038	$ 74,192	$ 228,230

(in thousands)

9. Deferred revenue

	2020		
	Unspent externally restricted grants and donations	**Tuition and other fees**	**Total**
Balance, beginning of year	**$ 512,726**	**$ 28,097**	**$ 540,823**
Grants, tuition and donations received	**562,190**	**233,061**	**795,251**
Investment income	**34,811**	**-**	**34,811**
Transfer to spent deferred capital contributions	**(140,827)**	**-**	**(140,827)**
Recognized as revenue	**(423,935)**	**(236,464)**	**(660,399)**
	$ 544,965	**$ 24,694**	**$ 569,659**

	2019		
	Unspent externally restricted grants and donations	Tuition and other fees	Total
Balance, beginning of year	$ 444,129	$ 24,105	$ 468,234
Grants, tuition and donations received	597,403	249,371	846,774
Investment income	31,924	-	31,924
Transfer to spent deferred capital contributions	(141,387)	-	(141,387)
Recognized as revenue	(419,343)	(245,379)	(664,722)
	$ 512,726	$ 28,097	$ 540,823

10. Spent deferred capital contributions

Spent deferred capital contributions are comprised of externally restricted grants and donations spent on tangible capital acquisitions (not yet recognized as revenue).

	2020	2019
Balance, beginning of year	**$ 1,403,737**	$ 1,352,515
Transfer from unspent externally restricted grants and donations	**140,827**	141,387
Recognized as revenue	**(94,126)**	(90,165)
	$ 1,450,438	$ 1,403,737

(in thousands)

11. Net Assets

	2020 Unrestricted	2020 Investment in tangible capital assets	2020 Internally restricted	2020 Endowments	2020 Total	2019 Total
Net Assets, beginning of year	**$ 17,026**	**$ 457,771**	**$ 360,846**	**$ 991,060**	**$ 1,826,703**	$ 1,669,904
Annual operating (deficit) surplus	**(29,841)**	**-**	**-**	**-**	**(29,841)**	99,410
Transfer to internally restricted net of expenditures	**(1,771)**	**-**	**1,771**	**-**	**-**	-
Endowment						
New contributions	**-**	**-**	**-**	**14,257**	**14,257**	11,996
Capitalized investment income	**-**	**-**	**-**	**-**	**-**	38,971
Transfer from endowments[1]	**4,980**	**-**	**-**	**(4,980)**	**-**	-
Tangible capital assets						
Acquisition of capital assets	**(25,653)**	**75,588**	**(49,935)**	**-**	**-**	-
Amortization of capital assets	**50,465**	**(50,465)**	**-**	**-**	**-**	-
Debt repayment	**(5,854)**	**5,854**	**-**	**-**	**-**	-
Debt - new financing	**1,214**	**(1,214)**	**-**	**-**	**-**	-
Change in accumulated remeasurement gains	**(8,811)**	**-**	**-**	**(84,380)**	**(93,191)**	6,422
Net assets at March 31, 2020	**$ 1,755**	**$ 487,534**	**$ 312,682**	**$ 915,957**	**$ 1,717,928**	$ 1,826,703
Net assets is comprised of:						
Accumulated surplus	**$ 5,187**	**$ 487,534**	**$ 312,682**	**$ 890,754**	**$ 1,696,157**	$ 1,711,741
Accumulated remeasurement gains	**(3,432)**	**-**	**-**	**25,203**	**21,771**	114,962
Net assets at March 31, 2020	**$ 1,755**	**$ 487,534**	**$ 312,682**	**$ 915,957**	**$ 1,717,928**	$ 1,826,703

[1] Transfer from endowment has been recorded to cover the endowment spending in excess of the investment income earned on endowments. When endowment investment income is insufficient to cover endowment spending, amounts are transferred from the cumulative capitalized endowment investment income to cover the shortfall.

Internally restricted net assets

Internally restricted net assets represent amounts set aside by the University's Board of Governors for strategic initiatives in support of student learning, research, capital projects and community service. Those amounts are not available for other purposes without the approval of the Board and do not have interest allocated to them. Internally restricted net assets are summarized as follows:

	2020	2019
Capital projects	**$ 84,844**	$ 101,943
Academic and institutional initiatives	**106,772**	132,728
Research activities	**121,066**	126,175
	$ 312,682	$ 360,846

12. Contingent assets

The University is a defendant in a number of legal proceedings arising in the normal course of business and has insurance to recover any possible legal settlement. The future receipt of these assets is dependent on the outcome of the contingent liability occurring. Contingent assets are not recorded in the consolidated financial statements.

(in thousands)

13. 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, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Management has concluded that none of the claims meet the criteria for recording a liability.

The University has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedures to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these assets will be recorded in the period in which there is certainty that the remediation project will proceed and there is sufficient information to estimate fair value of the obligation.

At March 31, 2020 the University had entered into agreements that provide guarantees on employee housing loans in the amount of $500 (2019 - $500). These amounts are not recorded in the consolidated financial statements.

14. 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
2021	$ 4,871	$ 9,920	$ 14,791
2022	4,213	2,468	6,681
2023	2,073	1,895	3,968
2024	905	725	1,630
2025	299	594	893
Thereafter	80	1,472	1,552
March 31, 2020	$ 12,441	$ 17,074	$ 29,515
March 31, 2019	$ 12,999	$ 22,629	$ 35,628

15. Contractual obligations

The University has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met.

The estimated aggregate amount payable for the unexpired terms of these contractual obligations are as follows:

	Service contracts	Other contracts	Capital projects	Long term leases	Total
2021	$ 41,513	$ 25,472	$ 49,940	$ 7,442	$ 124,367
2022	75	-	13,208	7,267	20,550
2023	75	-	12,820	5,640	18,535
2024	75	-	-	5,443	5,518
2025	75	-	-	5,150	5,225
Thereafter	150	-	-	37,346	37,496
March 31, 2020	$ 41,963	$ 25,472	$ 75,968	$ 68,288	$ 211,691
March 31, 2019	$ 64,663	$ -	$ 147,927	$ 75,299	$ 287,889

(in thousands)

15. Contractual obligations (Continued)

The University is one of 61 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, 2019 CURIE had an annual surplus of $6,258 (2018 - annual surplus of $3,841). The University participates in six of the underwriting periods, which have an accumulated surplus of $90,185 (2018 - $79,338) of which the University's pro rata share is approximately 6.01% (2018 - 6.05%). This surplus is not recorded in the consolidated financial statements.

16. Budget comparison

Budgeted figures have been provided for comparison purposes and have been derived from the University's Comprehensive Institutional Plan as approved by the Board of Governors.

17. Investment income

	2020	2019
Portfolio investments - restricted for endowments	**$ 27,976**	$ 70,579
Portfolio investments - non-endowment	**35,774**	23,525
	$ 63,750	$ 94,104
Income capitalized to endowments	**-**	(38,971)
	$ 63,750	$ 55,133

18. Expense by object

	2020 Budget (Note 16)	**2020**	2019
Salaries	$ 709,268	**$ 723,243**	$ 685,550
Employee benefits	122,294	**142,658**	119,226
Materials, supplies and services	306,625	**323,501**	297,817
Utilities	26,956	**25,578**	24,909
Maintenance and repairs	22,714	**20,418**	25,401
Scholarships and bursaries	102,917	**110,371**	100,213
Cost of goods sold	16,900	**15,926**	16,977
Amortization of tangible capital assets	143,293	**140,053**	132,558
	$ 1,450,967	**$ 1,501,748**	$ 1,402,651

19. Funds held on behalf of others

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

	2020	2019
University of Calgary Medical Group	**$ 10,385**	$ 10,386
University Child Care Centre Society	**1,374**	1,480
Alberta Gambling Research Institute	**802**	835
Alberta Sulphur Research	**229**	51
State of Qatar	**163**	1,177
Health Knowledge Network	**50**	166
Others	**65**	-
	$ 13,068	$ 14,095

(in thousands)

20. Related parties

The University is a related party to organizations within the Government of Alberta reporting entity. Key management personnel and Board of Governors and close family members are also considered related parties. The institution may enter into transactions with these entities and individuals in the normal course of operations and on normal terms.

The University has debt with Alberta Capital Finance Authority as described in Note 8.

During the year, the University provided and received the following services at nominal or reduced amounts:

- The University operates its Spy Hill Campus on land leased from the Alberta Ministry of Infrastructure under a 42 year lease agreement. The University of Calgary has occupied the 131 acre Spy Hill Campus since 1972 and is charged a nominal annual amount.
- The University's Biogeoscience Institute is a leading field research station that operates in the Kananaskis Provincial Park in Alberta. By maintaining the site and being responsible for all costs, the University occupies the research station at nominal charge from the Alberta Ministry of Environment and Parks.
- The University has integrated programs and research activities with Alberta Health Services ("AHS"). As part of the collaborative environment with AHS and the close proximity of the University to Foothills Hospital and the Alberta Children's Hospital, the University leases 72,200 square feet of space to AHS at amounts covering operating costs.

21. Government transfers

The University operates under the authority and statutes of the Province of Alberta. Transactions and balances between the University and the Government of Alberta ("GOA") are measured at the exchange amount and summarized below.

		2020		2019
Grants from GOA				
Advanced Education:				
Operating	**$**	**450,390**	$	482,785
Capital		**94,611**		114,409
Research		**10,546**		6,415
Other		**14,475**		17,286
Total Advanced Education	**$**	**570,022**	$	620,895
Other post secondary institutions	**$**	**3,775**	$	3,588
Other GOA departments and agencies:				
Alberta Health	**$**	**77,528**	$	74,935
Other		**39,814**		56,126
Total other GOA departments and agencies	**$**	**117,342**	$	131,061
Total contributions received	**$**	**691,139**	$	755,544
Restricted expended capital recognized as revenue		**68,590**		65,810
Less: deferred revenues		**(107,366)**		(131,240)
Government of Alberta Grants	**$**	**652,363**	$	690,114

Federal and other government grants				
Contributions received	**$**	**200,649**	$	204,283
Restricted expended capital recognized as revenue		**12,876**		11,983
Less: deferred revenue		**(26,560)**		(40,794)
Federal and other government grants	**$**	**186,965**	$	175,472

(in thousands)

22. Salary and Employee Benefits

2020

	Base salary [1]	**Other cash benefits** [2]	**Other non-cash benefits** [3] [4]	**Total**
Governance [5]				
Chair of the Board of Governors	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-
Chancellor honorarium	-	-	-	-
Executive				
President [6][7]	**447**	**6**	**195**	**648**
Vice-Presidents:				
Provost and Vice President Academic	**429**	**12**	**113**	**554**
Vice President Advancement [8]	**351**	**36**	**80**	**467**
Vice President Facilities	**315**	**12**	**91**	**418**
Vice President Finance and Services	**320**	**12**	**102**	**434**
Vice President Research				
Incumbent [9]	**20**	**-**	**10**	**30**
Acting [9]	**261**	**-**	**33**	**294**
Vice President University Relations				
Past Incumbent [10]	**24**	**439**	**46**	**509**

2019

	Base salary [1]	Other cash benefits [2]	Other non-cash benefits [3] [4]	Total
Governance [5]				
Chair of the Board of Governors	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-
Chancellor honorarium	-	5	-	5
Executive				
President				
Incumbent	112	2	54	168
Past Incumbent	360	164	244	768
Vice-Presidents:				
Provost and Vice President Academic	429	12	115	556
Vice President Development and Alumni Engagement	300	42	75	417
Vice President Facilities	315	12	88	415
Vice President Finance and Services	320	12	99	431
Vice President Research				
Acting	71	-	11	82
Past Incumbent	305	9	64	378
Vice President University Relations				
Incumbent	282	10	86	378
Acting	52	2	7	61

(in thousands)

22. Salary and Employee Benefits (Continued)

1. Base salary includes pensionable base pay.
2. Other cash benefits include administrative honorariums, bonuses, relocation benefits, executive allowances, lump sum payments and severance.
3. Other 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 family assistance program, critical illness, supplementary health care, short and long-term disability plans, dental plan, professional memberships, supplemental retirement plan (per footnote (4)), accidental disability and dismemberment.
4. Under the terms of the SRP, the executive may receive supplemental retirement payments. Retirement arrangement costs as detailed are not cash payments in the period but are period expenses for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post- employment period. The SRP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method prorated on services, a market interest rate, and management's best estimate of other assumptions. Net actuarial gains and losses of the benefit obligations are amortized over the expected remaining service life of each plan participant. Current service cost is the actuarial present value of the benefits earned in the current year. The components of the cost of the SRP include current service cost, amortization of actuarial gains and losses, past service costs on plan initiation, and interest accruing on the actuarial liability.
5. The Chair and Members of the Board of Governors receive no remuneration for participation on the Board.
6. The individuals in this role received a vehicle allowance included in other cash benefits.
7. The individuals in this role earned future administrative leave benefits during the year that have been included in other non-cash benefits.
8. During the fiscal year, the Office of University Relations was consolidated into the Office of Development and Alumni Engagement resulting in the newly titled position of Vice President of Advancement.
9. During the fiscal year, the Vice President Research Incumbent position was occupied for one month and the Vice President Research Acting position was held for 11 months.
10. During the fiscal year, the Vice President University Relations Past Incumbent position was occupied for one month.

The current service cost and accrued obligation for each executive under the SRP is outlined in the following table:

	Accrued benefit obligation March 31, 2019	Service costs	Interest costs	Actuarial loss (gain)	Benefits paid	Accrued benefit obligation March 31, 2020
President	$ 611	**$ 79**	**$ 21**	**$ 99**	**$ -**	**$ 810**
Vice-Presidents:						
Provost and Vice President Academic	711	**93**	**25**	**65**	**-**	**894**
Vice President Advancement	190	**40**	**7**	**123**	**-**	**360**
Vice President Facilities	301	**58**	**11**	**61**	**-**	**431**
Vice President Finance and Services	308	**65**	**12**	**48**	**-**	**433**
Vice President Research						
Incumbent	-	**2**	**-**	**-**	**-**	**2**
Vice President University Relations						
Past Incumbent	396	**50**	**14**	**22**	**(5)**	**477**

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 7.

(in thousands)

22. Salary and Employee Benefits (Continued)

The current service cost and accrued obligation for the Administrative Leave is outlined in the following table:

	Accrued benefit obligation March 31, 2019	Service costs	Interest costs	Actuarial loss (gain)	Benefits paid	Accrued benefit obligation March 31, 2020
Administrative Leave-Incumbent	$ 23	$ 93	$ 3	$ 3	$ -	$ 122
Administrative Leave-Past Incumbent	819	-	14	-	(576)	257
	$ 842	$ 93	$ 17	$ 3	$ (576)	$ 379

The significant actuarial assumptions used to measure the accrued benefit obligation for the Administrative Leave are based on a discount rate of 2.0% (2019 – 2.8%) and a yearly salary increase rate of 0% (2019 - 0%). An administrative leave benefit loading rate of 20% is applied to the President.

23. Comparative figures

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

24. Subsequent events

On March 11, 2020 the World Health Organization (WHO) characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. On March 17, 2020 the Government of Alberta declared a state of public health emergency over the COVID-19. The University has been impacted in the following areas:

Campus

As part of the University's continuing efforts to minimize the spread of COVID-19, most buildings on campus have been temporarily closed until further notice. Effective March 17, 2020, the University moved to the remote delivery model for classes. Field research stations suspended activities and all planned in-person events on campus were cancelled. Effective March 24, 2020, all University parking lots on main campus and Spy Hill were temporarily made complimentary and all parking permits were suspended. Future ancillary revenues are likely to be negatively impacted.

Staff

Many University employees have successfully transitioned to working remotely during the COVID-19 pandemic. Subsequent to March 31, 2020, temporary layoffs and reduction in hours of work have been and will continue to be considered as staffing requirements change in response to reduced on-campus activities.

Enrollment and fees

On March 16, 2020, the Government of Canada announced closure of Canada's borders to non-essential international travel which took effect on March 18, 2020. Although courses continue to be delivered remotely, restrictions on international travel may impact future international student enrollment and related tuition and fees revenues.

Investments

As at March 31, 2020, the University's portfolio investments reflected a significant decline in value as a result of financial markets declines due to COVID-19. As the decline is assessed as being temporary in nature, the unrealized losses in investments experienced in the latter part of the year ended March 31, 2020 have not been recorded as realized losses in the statement of operations. Subsequent to March 31, 2020, it is anticipated there will be continued volatility in the market.

24. Subsequent events (Continued)

Provincial government funding

Before the emergence of the COVID-19 crisis, the University was operating under proposed funding cuts to its operating grant over the current and the next two fiscal years. The emergence of this crisis along with the historic decline in oil prices has resulted in uncertainty in future provincial funding for the University.

Research

It is unclear what the longer term impact will be on future research funding as the provincial and federal government assess the economic damage caused by the crisis.

Fundraising

The overall economic climate caused by the COVID-19 emergency may negatively impact the University's ability to meet future fund raising targets.

It is not possible to reliably estimate the impact these developments will have on the financial results and operations of the University in future periods.

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