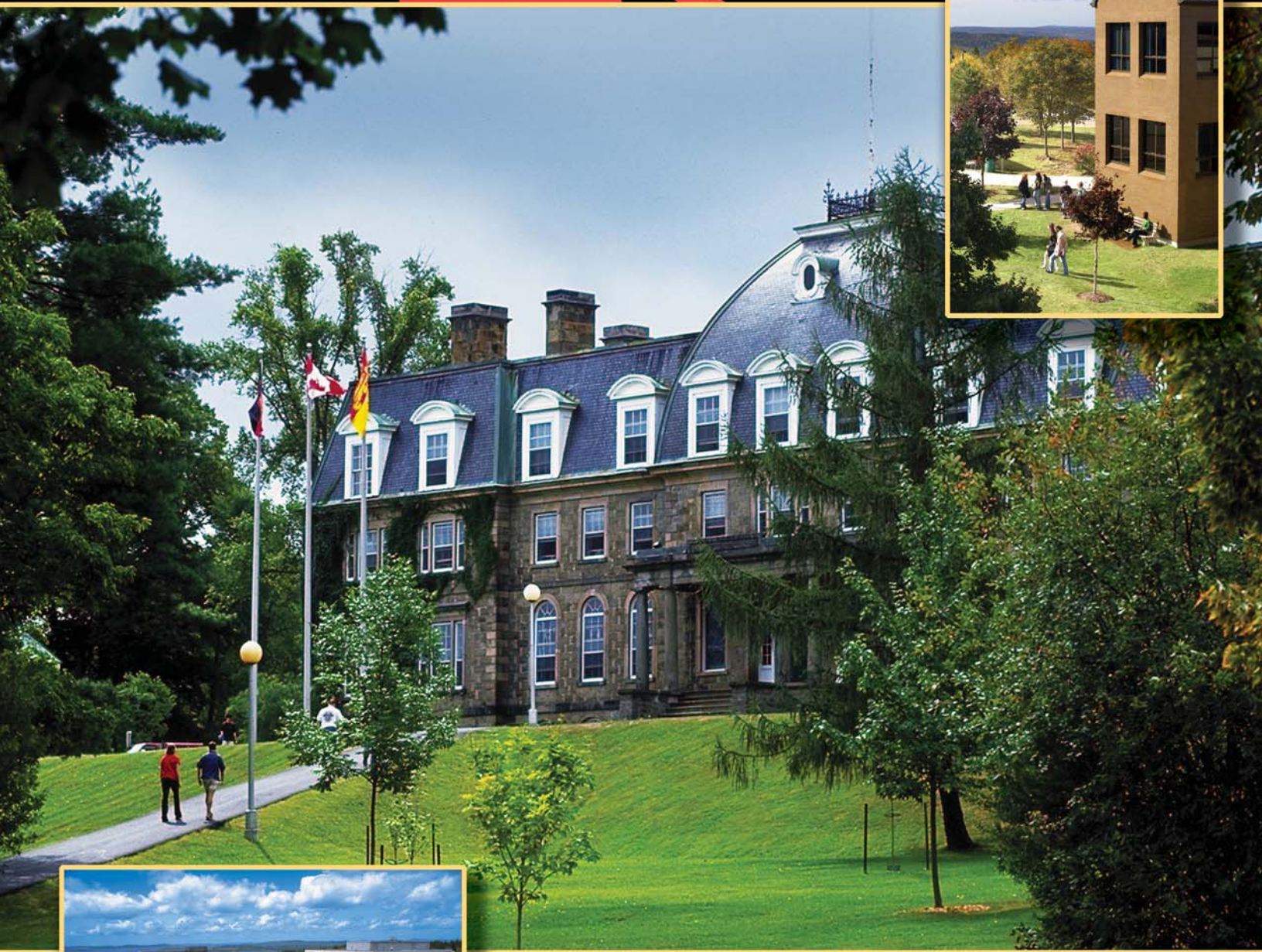


# UNIVERSITY OF NEW BRUNSWICK

## PRESIDENT'S REPORT

2006-2007



UNIVERSITY OF  
NEW BRUNSWICK

MAKING A SIGNIFICANT  
DIFFERENCE



*Consolidated Financial Statements Of*

**The University of New Brunswick**

**April 30, 2007**

## **TABLE OF CONTENTS**

	<b>Page</b>
<b>Statement of Management Responsibility</b>	<b>1</b>
<b>Auditor's Report</b>	<b>2</b>
<b>Audited Statements</b>	
-Balance Sheet	<b>3</b>
-Statement of Operations	<b>4</b>
-Statement of Changes in Net Assets	<b>5</b>
-Statement of Cash Flows	<b>6</b>
<b>Notes to Financial Statements</b>	<b>7-27</b>
<b>Supplementary Information</b>	<b>28-30</b>



### **Statement of Management Responsibility**

The University is responsible for the preparation of the financial statements and has prepared them in accordance with accounting principles generally accepted for Universities in accordance with guidelines developed by the Canadian Institute of Chartered Accountants. The financial statements present fairly the financial position of the University as at April 30, 2007, and the results of its operations and its cash flows 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 University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Governors carries out its responsibility for review of the financial statements principally through the work of its Audit Committee. The Audit Committee meets with management and the external auditors to discuss the results of audit examination and financial reporting matters. The external auditors have full access to the Audit Committee, with and without the presence of management.

The financial statements for the year ended April 30, 2007 have been reported on by Deloitte & Touche LLP, Chartered Accountants. The auditors are appointed by the Audit Committee under the authority delegated by the Board of Governors. The auditors' report outlines the scope of their audit and their opinion on the fairness of presentation of the information in the financial statements.

A handwritten signature in black ink, appearing to read "J. McLaughlin", written over a horizontal line.

John D. McLaughlin, Ph.D.  
President & Vice-Chancellor

A handwritten signature in black ink, appearing to read "D.V. Murray", written over a horizontal line.

D. V. Murray, C.A.  
Vice-President  
Finance & Corporate Services

## Independent Auditors' Report

The Board of Governors,  
The University of New Brunswick

We have audited the consolidated balance sheet of The University of New Brunswick as at April 30, 2007 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2007 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

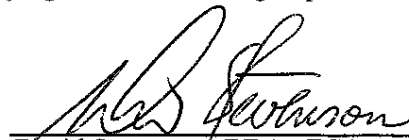
  
Chartered Accountants  
August 16, 2007


**THE UNIVERSITY OF NEW BRUNSWICK**  
**CONSOLIDATED BALANCE SHEET**  
as at April 30, 2007  
(in thousands of dollars)

	2007	2006
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and short-term deposits	\$ 77,385	\$ 68,428
Accounts receivable	23,422	22,119
Inventories (Note 4)	1,775	1,708
Prepaid expenses	1,078	1,104
	103,660	93,359
<b>Deferred pension and other charges</b> (Note 5)	20,601	1,069
<b>Long-term investments</b> (Note 6)	178,947	135,778
<b>Capital assets</b> (Note 7)	118,319	108,247
	317,867	245,094
	\$ 421,527	\$ 338,453
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 25,797	\$ 25,134
Unearned revenue	40,571	37,675
Current portion of long-term debt (Note 9)	1,041	828
	67,409	63,637
<b>Long-term liabilities</b>		
Deferred contributions (Note 8)	91,214	59,499
Long-term debt (Note 9)	17,987	10,975
Employee future benefits (Note 10)	63,833	43,507
Unamortized deferred capital contributions (Note 11)	59,759	58,087
	232,793	172,068
<b>Net assets</b>		
Accumulated operating deficit	(2,342)	(2,273)
Unfunded non-pension employee benefits (Note 12)	(31,643)	(32,739)
Restricted for specific purposes (Note 13)	44,014	35,219
Invested in capital assets (Note 14)	30,975	27,567
Endowed (Note 15)	80,321	74,974
	121,325	102,748
	\$ 421,527	\$ 338,453

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

Approved:

  
\_\_\_\_\_  
David Stevenson, BBA, FCA  
Chair, Board of Governors

  
\_\_\_\_\_  
John D. McLaughlin, Ph.D.  
President & Vice-Chancellor

**THE UNIVERSITY OF NEW BRUNSWICK**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
for the year ended April 30, 2007  
(in thousands of dollars )

	2007	2006
<b>Revenues:</b>		
Government grants	\$ 93,308	\$ 87,383
Tuition and related fees	71,760	70,786
Research grants and contracts	47,460	44,249
Ancillaries	16,257	17,247
Services and other income	12,488	13,203
Investment income	15,773	9,352
Amortization of deferred capital contributions (Note 11)	7,502	7,915
Donations	4,199	2,909
	<u>268,747</u>	<u>253,044</u>
<b>Expenses:</b>		
Instruction and non-sponsored research	98,658	96,648
Research grants and contracts	49,184	42,179
Plant operations	19,990	18,326
Administration and general	18,899	18,160
Ancillaries	17,520	17,230
Amortization of capital assets	10,779	11,338
Library	10,966	10,516
Student services	7,341	6,853
Central computing	6,268	5,961
Early retirement plan and retiring allowance (Note 10)	2,326	5,793
Non-credit instruction	6,264	5,602
Scholarships and bursaries	5,801	5,438
Other	1,357	3,815
	<u>255,353</u>	<u>247,859</u>
<b>Excess of revenues over expenses before changes in net assets</b>	<b>13,394</b>	<b>5,185</b>
<b>Changes in:</b>		
Unfunded non-pension employee benefits (Note 12)	(1,096)	1,877
Net assets restricted for specific purposes (Note 13)	(8,959)	(1,193)
Net assets invested in capital assets (Note 14)	(3,408)	(5,742)
	<u>(13,463)</u>	<u>(9,658)</u>
<b>Decrease (increase) in accumulated operating deficit</b>	<b>\$ (69)</b>	<b>\$ 127</b>

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

**THE UNIVERSITY OF NEW BRUNSWICK**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
for the year ended April 30, 2007  
(in thousands of dollars )

	2007				2006	
	Accumulated Operating Deficit	Restricted for Specific Purposes	Unfunded Non-Pension Employee Benefits	Invested in Capital Assets	Endowed	Total
<b>Net assets, beginning of year</b>	\$ (2,273)	\$ 35,219	\$ (32,739)	\$ 27,567	\$ 74,974	\$ 93,877
<b>Changes during the year</b>						
Excess of revenues over expenses	(69)	8,959	1,096	3,408	-	13,394
Capitalized income and other transfers	-	(164)	-	-	1,300	1,136
Endowment contributions	-	-	-	-	4,047	2,378
<b>Net change during the year</b>	(69)	8,795	1,096	3,408	5,347	18,577
<b>Net assets, end of year</b>	\$ (2,342)	\$ 44,014	\$ (31,643)	\$ 30,975	\$ 80,321	\$ 121,325

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



**THE UNIVERSITY OF NEW BRUNSWICK**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended April 30, 2007  
(in thousands of dollars )

	2007	2006
<b>Operating activities</b>		
Excess of revenues over expenses before changes in net assets	\$ 13,394	\$ 5,185
Add (deduct) non-cash items		
Amortization of capital assets	10,779	11,338
Amortization of deferred capital contributions	(7,502)	(7,915)
Net change in operating assets and liabilities (Note 17(b))	<u>3,051</u>	<u>25,971</u>
	<u>19,722</u>	<u>34,579</u>
<b>Investing activities</b>		
Net increase in long-term investments	(43,169)	(22,168)
Increase in other deferred charges	(42)	(328)
Capital asset acquisitions	<u>(20,851)</u>	<u>(18,637)</u>
	<u>(64,062)</u>	<u>(41,133)</u>
<b>Financing activities</b>		
Net increase (decrease) in long-term debt	7,225	(777)
Capital contributions received	9,174	6,836
Net increase in deferred contributions	31,715	10,372
Endowment contributions	4,047	2,378
Increase in external endowment inflation reserves	<u>1,136</u>	<u>1,308</u>
	<u>53,297</u>	<u>20,117</u>
<b>Net increase in cash and short-term deposits</b>	8,957	13,563
<b>Cash and short-term deposits, beginning of year</b>	<u>68,428</u>	<u>54,865</u>
<b>Cash and short-term deposits, end of year</b>	<u>\$ 77,385</u>	<u>\$ 68,428</u>

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

**THE UNIVERSITY OF NEW BRUNSWICK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007**  
**(in thousands of dollars)**

**1. Authority and Purpose**

The University of New Brunswick (the University) operates under the authority of the University of New Brunswick Act. It is a Board-governed, comprehensive university offering undergraduate and graduate degree programs, a broad range of research, and continuing education programs and activities. The University is a registered charity and is therefore exempt from the payment of income tax under Section 149 of the Income Tax Act.

The University of New Brunswick controls Enterprise UNB Inc. Enterprise UNB Inc. is incorporated without share capital by Letters Patent pursuant to the Companies Act of the Province of New Brunswick. The principal business activities of Enterprise UNB Inc. include the operation of an Incubation Center to facilitate the start up and growth of new companies in the Province of New Brunswick which manufacture technology intensive products, processes and services.

**2. Summary of Significant Accounting Policies and Reporting Practices**

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP).

A summary of significant accounting policies is as follows:

a) *Principles of Consolidation and Presentation*

The University's financial statements consolidate the accounts of Enterprise UNB Inc. All material inter-company accounts and balances have been eliminated.

b) *Accounting Method*

The financial statements are prepared on a non-fund basis as the operations for the entire University have been combined for reporting purposes.

c) *Accrual Basis*

(i) *Expense Recognition*

The University uses the accrual basis of accounting for expenses with the following exception:

Amounts payable in respect of goods and services related to research projects and service contracts are accrued in the accounts only to the extent of billings received by the year end date.

**THE UNIVERSITY OF NEW BRUNSWICK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007**  
**(in thousands of dollars)**

(ii) *Revenue Recognition*

Tuition and Other Fees, and Sales of Goods and Services

Amounts received or receivable for tuition fees and sales of goods and services are recognized as revenue in the period in which the goods are delivered or the services are provided. Otherwise, these amounts are classified as unearned revenue.

Grants and Donations

The University receives grants and donations from a number of different sources to cover operating, research and capital expenditures. Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period and are reported as deferred contributions.

Externally restricted capital contributions are recorded as deferred contributions until invested to acquire capital assets. Amounts invested in externally funded capital assets with limited useful lives are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Endowment donations are recognized as direct increases in endowed net assets in the year in which they are received. The University has a policy to protect the economic value of the endowments from the impact of inflation whereby a portion of the income earned on endowments is reserved by the Board for capital preservation. Such amounts are recorded as increases in endowed net assets. Endowment inflation reserves may be reduced if the carrying value of the underlying long-term investments falls below the carrying value of endowed net assets. Such reductions in endowment inflation reserves are recorded as decreases in endowed net assets.

Externally restricted contributions for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributors.

Unrestricted contributions are recognized as revenue when received or receivable.

Pledged amounts are not recorded in the accounts.

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

Investment Income

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

*d) Contributed Services*

Many of the activities of the University are dependent on the voluntary services of volunteers. The value of donated services is not recognized in these statements.

*e) Inventories*

Bookstore inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at cost. The cost of inventories is determined using the average cost method of inventory valuation.

*f) Deferred Pension and Other Charges*

Deferred pension charges reflect the estimated value of certain contributions which will be made by the University between July 1, 2007 and June 30, 2013 under the terms of the Program to Improve the Financial Position and Outlook of the Academic Pension Plan. Details of this agreement between the University and the Association of University of New Brunswick Teachers (AUNBT) are disclosed in Note 19. Deferred pension charges relating to past service contributions are amortized over the six-year life of the agreement. Deferred pension charges related to contributions to the Rate Stabilization Account will be adjusted based on the results of future actuarial valuations and the resultant revisions to required contribution rates.

Other deferred charges include amounts expended on energy management projects which result in demonstrated net savings through reduced energy costs. Such amounts are amortized on a straight-line basis over the expected payback period.

The University also incurs certain lease-specific direct costs associated with major land development projects. These costs are recorded as deferred charges and amortized on a straight-line basis over the term of the lease.

*g) Investments*

Short-term and long-term investments are recorded at cost or, where donated, at fair market value at the date of donation. Management periodically compares the carrying value of investments with the quoted market value. Where there has been a loss in value on a total portfolio basis that is considered other than a temporary decline, investments are written down to recognize the loss. Gains and losses on sales of investments are recognized in the year of disposal and are included in investment income.

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

*h) Capital Assets*

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of donation. Capital assets disposed of are removed from the accounts at their net book value. Repairs and maintenance costs are charged to operating expense. Betterments which extend the estimated life of an asset, increase its service capacity, or lower future costs are capitalized.

Capital assets are amortized on a straight line basis over their estimated useful lives, as per the schedule below:

Buildings	40 years
Roads and Tunnels	20 years
Land Improvements	20 years
Furniture and Equipment	10 years
Computer Hardware and Software	5 years
Vehicles	5 years

*i) Early Retirement Plans, Retiring allowances, and Post-Retirement Benefits*

The total present value cost of early retirement plans and post-retirement benefits is recorded as an expense in the year the employee retires irrespective of when payments are actually made. The present value is updated each year by a further charge against operations. Equivalent amounts are recorded as adjustments to the balance of net assets restricted for specific purposes.

Retiring allowances are recorded on an accrual basis. Each year, an amount equivalent to the net change in the retiring allowance liability is recorded as an adjustment to the balance of net assets restricted for specific purposes.

Details of the cost of such plans, and the related liabilities, are disclosed in Note 10

*j) Pension Plans*

Pension plan expense is based on the actuary's determination of the University's share of current service costs and the amount, if any, required to amortize an unfunded liability. The University's contributions to the pension funds are also made on this basis. As disclosed in Note 19, during the term of the Program to Improve the Financial Position and Outlook of the Academic Pension Plan the University will also make special contributions to the Rate Stabilization Account within the Fund.

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

*k) Internal Restrictions*

Portions of operating net assets restricted by the University's Board of Governors for specific purposes are recorded as internal restrictions of operating net assets. Details of net assets restricted for specific purposes are disclosed in Note 12.

*l) Hedging Relationships*

As disclosed in Note 9, the University has entered into a number of interest rate swap transactions to effectively change its interest rate exposure on certain floating rate debt to a fixed rate basis. The University has designated that hedge accounting will be applied to these hedging relationships. The floating rate term loans and interest rate swap combinations are accounted for as fixed rate term loans, which they emulate.

*m) Accounting Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

If actual results differ from the estimates, the impact would be recorded in future periods. The most significant estimates made include the allowance for uncollectible accounts, the estimated useful life of capital assets, and the accrued liability for early retirement, retiring allowance, and post-retirement benefits.

**3. Future Change in Accounting Policy**

The Canadian Institute of Chartered Accountants has issued a series of new standards which provide comprehensive requirements for the recognition, measurement and classification of financial instruments. The new standards, which are to be applied prospectively, are contained in new Handbook Sections: Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments, Disclosure and Presentation, and Section 3865, Hedges. New Handbook Section 1530, Comprehensive Income, does not apply to Not-For-Profit Entities. However there are changes to Section 4400, Financial Statement Presentation for Not-For-Profit Organizations, that incorporate aspects of Section 1530.

The University will adopt these new standards on May 1, 2007. The new rules will require the University to classify all financial instruments as held for trading, held to maturity, available for sale or as loans and receivables. When these changes are adopted certain financial instruments, including the University's long-term investments, which are currently measured at amortized cost, will be remeasured at fair value. The impact of applying these changes will be recognized in the University's 2008 fiscal year as an adjustment to opening balances, and results for prior years will not be restated.

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

**4. Inventories**

	<b>2007</b>	<b>2006</b>
Bookstores	\$ 871	\$ 814
Physical plant	712	723
Chemistry department	<u>192</u>	<u>171</u>
	<u>\$ 1,775</u>	<u>\$ 1,708</u>

**5. Deferred Pension and Other Charges**

Details of deferred charges are as follows:

	<b>2007</b>	<b>2006</b>
Pension charges – past service	\$ 15,243	\$ -
Pension charges – Rate Stabilization Account	4,247	-
Energy management charges	776	724
Land development charges	<u>335</u>	<u>345</u>
	<u>\$ 20,601</u>	<u>\$ 1,069</u>

**6. Long-Term Investments**

The carrying amounts (cost values) and fair values of investments are summarized as follows:

	<b>2007</b>		<b>2006</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Cash and cash equivalents	\$ 13,776	\$ 14,047	\$ 1,376	\$ 1,376
Fixed income securities	80,612	80,133	59,792	59,146
Equity securities	<u>84,559</u>	<u>98,512</u>	<u>74,610</u>	<u>92,699</u>
	<u>\$ 178,947</u>	<u>\$ 192,692</u>	<u>\$ 135,778</u>	<u>\$ 153,221</u>

Fair values have been determined on the basis described in Note 18 and are considered to approximate market values.

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

Investments are managed in accordance with a Board approved Statement of Investment Objectives and Policy. The Statement includes guidelines for portfolio risk management including diversification policies, asset mix guidelines and rate of return expectations.

Details of significant terms and considerations, exposures to interest rate and credit risks on fixed income investments are as follows:

Indirect investments in "BBB" bonds may be made through a pooled fund which includes holdings of such bonds, provided that the fund's total investment in "BBB" bonds cannot exceed 5% of the assets invested in fixed income securities.

**7. Capital Assets**

	<u>2007</u>			<u>2006</u>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land	\$ 772	\$ -	\$ 772	\$ 772
Land Improvements	1,056	36	1,020	727
Buildings	230,489	142,839	87,650	75,829
Roads and Tunnels	8,751	3,681	5,070	4,397
Furniture and Equipment	70,919	50,139	20,780	21,868
Vehicles	665	220	445	443
Computer Hardware and Software	<u>52,219</u>	<u>49,637</u>	<u>2,582</u>	<u>4,211</u>
	<u>\$ 364,871</u>	<u>\$ 246,552</u>	<u>\$ 118,319</u>	<u>\$ 108,247</u>



**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended April 30, 2007  
(in thousands of dollars)

8. **Deferred Contributions**

Deferred contributions represent unexpended amounts which are subject to externally imposed restrictions

Changes in the balance of deferred contributions are as follows:

	2007	2006
Balance, beginning of year	\$ 59,499	\$ 49,127
Increases during the year:		
Restricted contributions \ income	89,269	61,873
Decreases during the year:		
Transferred to unamortized deferred capital contributions	(3,097)	(3,141)
Transferred to endowed net assets	(1,136)	(1,439)
Recognized as revenue	<u>(53,321)</u>	<u>(46,921)</u>
Balance, end of year	<u>\$ 91,214</u>	<u>\$ 59,499</u>

The balance is made up of the following:

	2007	2006
Sponsored research	\$ 27,247	\$ 25,610
Unexpended restricted donations	51,898	29,972
Unexpended endowment income	<u>12,069</u>	<u>3,917</u>
	<u>\$ 91,214</u>	<u>\$ 59,499</u>

9. **Long-Term Debt**

Long-term debt consists of:

	2007	2006
Mortgages payable	\$ 816	\$ 912
Bank loans	<u>18,212</u>	<u>10,891</u>
	19,028	11,803
Less: Current portion	<u>(1,041)</u>	<u>(828)</u>
	<u>\$ 17,987</u>	<u>\$ 10,975</u>

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

(a) Mortgages Payable

Central Mortgage and Housing Corporation mortgages on University-operated student residences are repayable with equal semi-annual blended installments of principal and interest.

Interest Rate	Maturity Date	2007	2006
5 3/8%	2013	\$ 527	\$ 600
5 3/8%	2016	<u>289</u>	<u>312</u>
		<u>\$ 816</u>	<u>\$ 912</u>

(b) Bank Loans

Bank loans include the following:

	Interest Rate	Maturity Date	2007	2006
Student Union Building	6.90%	2008	\$ 145	\$ 294
Residence Improvements	6.64%	2013	2,674	3,035
Residence Buildings	6.45%	2020	1,636	1,715
Residence Buildings	6.50%	2022	1,050	1,091
Residence Buildings	6.45%	2028	4,653	4,756
Residence Buildings	5.34%	2031	<u>8,054</u>	<u>-</u>
			<u>\$ 18,212</u>	<u>\$ 10,891</u>

The Student Union Building loan represents the remaining balance of an amount borrowed in 2001 to partially finance an expansion to the Student Union Building on the Fredericton campus. The loan is at a fixed interest rate of 6.9% per year and is repayable in monthly blended payments of principal and interest. The loan payments are funded from a per student annual Student Union Building Expansion Fee levied by the Student Union on all full-time students on the Fredericton Campus.

The Residence Improvements loan includes advances under a Fixed Rate Term Loan Agreement to finance residence building improvements on the Fredericton Campus. The loan is at a fixed interest rate of 6.64% per year and is repayable in monthly blended payments of principal and interest. The loan payments are funded from the annual residence system operating budget.

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

On May 1, 2002 two CMHC mortgages on University operated student residences were paid out using the proceeds of two floating rate term loans negotiated with a Canadian chartered bank. The floating rate loans are ten-year term loans with related amortization periods to 2020 and 2022 respectively. The rate is adjusted monthly based on the Canadian BA, CDOR rate. For hedging purposes, the University entered into two interest rate swap transactions with the bank to effectively change its interest rate exposure from a floating rate to a fixed rate basis. The swaps involve the exchange of one month promissory notes at floating interest rates for promissory notes at fixed interest rates of 6.45% and 6.50% respectively. The floating interest rate is set at the Canadian BA, CDOR rate which is an exact offset to the floating rate term loan. The maturity dates of the swaps are 2020 and 2022 respectively.

The second 6.45% Residence Building loan is a floating rate term loan negotiated with a Canadian chartered bank to partially finance the construction of a new student residence on the Saint John campus. The loan is a ten-year term loan with a related amortization period to August 2028. The rate is adjusted monthly based on the Canadian BA, CDOR rate. For hedging purposes, the University entered into an interest rate swap transaction with the bank to effectively change its interest rate exposure from a floating rate to a fixed rate basis. The swap involves the exchange of one month promissory notes at floating interest rates for promissory notes at a fixed interest rate of 6.45%. The floating interest rate is set at the Canadian BA, CDOR rate, which is an exact offset to the floating rate term loan. The maturity date of the swap is August 2028.

The 5.34% Residence Building loan is a floating rate loan negotiated with a Canadian chartered bank to partially finance the construction of a new apartment style student residence on the Fredericton campus. The loan is a ten-year term loan with a related amortization period to September 2031. The rate is adjusted monthly based on the Canadian BA, CDOR rate. For hedging purposes the University entered into an interest rate swap transaction with the bank to effectively change its interest rate exposure from a floating rate to a fixed rate basis. The swap involves the exchange of one month promissory notes at floating interest rates for promissory notes at a fixed interest rate of 5.34%. The floating interest rate is set at the Canadian BA, CDOR rate, which is an exact offset to the floating rate term loan. The maturity date of the swap is September 2031.

- (c) Interest paid on long-term debt amounted to \$987 for the year ended April 30, 2007 (2006-\$783).
- (d) Principal payments required on long-term debt in each of the next five years are as follows:

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
\$ 1,041	\$ 952	\$ 1,011	\$ 1,075	\$ 1,142

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

**10. Employee Future Benefits**

Details of this liability are as follows:

	<b>2007</b>	<b>2006</b>
Early retirement plan and post-retirement benefits	\$ 23,749	\$ 23,930
Retiring allowance benefit	19,480	18,414
Program to improve Academic Pension Plan	19,490	-
Other employee benefit plans	<u>1,114</u>	<u>1,163</u>
	<u>\$ 63,833</u>	<u>\$ 43,507</u>

(a) *Early Retirement Plan and Post-Retirement Benefits*

Academic employees who have retired under the terms of a supplementary early retirement plan, and senior executives who have retired under the terms of a supplementary retirement plan, are entitled to receive supplementary retirement benefits payable by the University. For these retirees, and for certain other employees who have retired prior to age 65, the University also pays for one half the cost of group life insurance and supplementary health and dental benefits until the retiree reaches the age of 65. The early retirement plan liability reflects the estimated present value of these expected future benefit payments, as calculated by the plan actuary.

The discount rate to be used is prescribed by the Canadian Institute of Chartered Accountants as the market rate of interest on high-quality bonds of an appropriate duration which match the expected timing of the payments. The rate used was 5.00% per annum as at April 30, 2007 (2006 - 5.25% per annum).

Changes in the supplementary retirement plans liability are as follows:

	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$ 23,930	\$ 21,864
Increases during the year:		
Interest on benefit obligation	1,212	1,204
Retirements and current service cost	123	117
Actuarial loss	110	2,382
Decreases during the year:		
Benefits paid	<u>(1,626)</u>	<u>(1,637)</u>
Balance, end of year	<u>\$ 23,749</u>	<u>\$ 23,930</u>

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

Details of early retirement plan expense are as follows:

	<b>2007</b>	<b>2006</b>
Interest on liability	\$ 1,212	\$ 1,204
Retirements during the year	123	117
Net investment gain on internal fund	(1,762)	(716)
Actuarial loss	<u>110</u>	<u>2,382</u>
	<u>\$ (317)</u>	<u>\$ 2,987</u>

The estimated amount of early retirement benefit payments which will be made in 2008 is \$1,515.

(b) *Retiring Allowance Benefit*

Calculated at the rate of one week's final pay per year of service to a maximum of twenty five years, retiring allowances are paid to retiring employees, laid off employees, and the estates of deceased employees who had at least five years of service and who were active employees at the time of death. The retiring allowance liability reflects the estimated present value of the expected future benefit payments, as calculated by the plan actuary. The discount rate to be used is prescribed by the Canadian Institute of Chartered Accountants as the market rate of interest on high-quality bonds of an appropriate duration which match the expected timing of the payments. The rate used was 5.00% per annum as at April 30, 2007 (2006 – 5.25% per annum).

Changes in the retiring allowance liability are as follows:

	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$ 18,414	\$ 17,324
Increases during the year:		
Current service cost	1,238	1,136
Interest on benefit obligation	990	1,017
Actuarial loss	415	653
Decreases during the year:		
Retiring allowances paid	<u>(1,577)</u>	<u>(1,716)</u>
Balance, end of year	<u>\$ 19,480</u>	<u>\$ 18,414</u>

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

Details of retiring allowance expense are as follows:

	<b>2007</b>	<b>2006</b>
Current service cost	\$ 1,238	\$ 1,136
Interest on benefit obligation	990	1,017
Actuarial loss	<u>415</u>	<u>653</u>
	<u>\$ 2,643</u>	<u>\$ 2,806</u>

The estimated amount of retiring allowance payments which will be made in 2008 is \$ 1,304.

- (c) The Academic Pension Plan liability reflects the estimated value of certain contributions which will be made by the University between July 1, 2007 and June 30, 2013 under the terms of the Program to Improve the Financial Position and Outlook of the Academic Pension Plan. Details of this agreement between the University and the Association of University of New Brunswick Teachers (AUNBT) are disclosed in Note 19. The estimated value of all University past service contributions and contributions to the Rate Stabilization Account over the term of the agreement has been recorded as a liability and as deferred pension charges as at April 30, 2007.

Details of the liability are as follows:

	<b>2007</b>	<b>2006</b>
Liability – past service contributions	\$ 15,243	\$ -
Liability – Rate Stabilization Account contributions	<u>4,247</u>	<u>-</u>
	<u>\$ 19,490</u>	<u>\$ -</u>

- (d) *Other Employee Benefit Plans*

The University sponsors a number of insured and self-insured benefit plans for employees. The University's share of the annual premiums for insured plans is recorded as an expense, on an accrual basis. The University's share of the actuarially determined annual cost of self-insured plans is recorded as an expense and related liability.

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

Details of the liability related to employee benefit plans are as follows:

	<b>2007</b>	<b>2006</b>
Health and Dental Plan	\$ 239	\$ 189
Long-Term Disability Plan	<u>875</u>	<u>974</u>
	<u>\$ 1,114</u>	<u>\$ 1,163</u>

**11 Unamortized Deferred Capital Contributions**

Deferred contributions related to capital assets represent the unamortized amount of donations and grants used for the purchase of capital assets.

Changes in the balance of unamortized deferred capital contributions are as follows:

	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$ 58,087	\$ 59,166
Increases during the year:		
Purchases of externally funded capital assets	9,174	6,836
Decreases during the year:		
Recognized as revenue	<u>(7,502)</u>	<u>(7,915)</u>
Balance, end of year	<u>\$ 59,759</u>	<u>\$ 58,087</u>

**12 Unfunded Non-Pension Employee Benefits**

The unfunded portion of amounts expensed with respect to unused vacation pay entitlement for support staff, supplementary early retirement and executive retirement plans, and retiring allowance benefits, are recorded as an internally restricted deficit. This is to reflect the fact that under the terms of these plans, the majority of these payments will be made in years subsequent to the expenditure being incurred, and are included as operating budget expenditure allocations in the year paid.

	<b>2007</b>	<b>2006</b>
Unfunded Employee Benefits		
Early retirement plans	\$ (10,571)	\$ (12,746)
Retiring allowances	(19,480)	(18,414)
Staff unused vacation pay entitlement	<u>(1,592)</u>	<u>(1,579)</u>
	<u>\$ (31,643)</u>	<u>\$ (32,739)</u>

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

**13. Net Assets Restricted for Specific Purposes**

The University restricts the use of portions of its operating net assets for specific purposes. In support of multi-year and specific purpose planning, the University has a policy which permits departments to carry over unspent current non-salary budget amounts to future fiscal periods. This carry forward is effected by an internal restriction of operating net assets.

Other restrictions are recorded to reflect funds that have been internally restricted for specific projects and purposes including one-time non-recurring expenditures and specific contingencies for areas of operational risks, as approved by the University's Board of Governors.

Details of net assets restricted for specific purposes are as follows:

	<b>2007</b>	<b>2006</b>
<b>General Operating</b>		
Departmental non-salary carryovers	\$ 18,013	\$ 13,169
Departmental share of contract overhead income	<u>2,243</u>	<u>2,175</u>
	<u>20,256</u>	<u>15,344</u>
<b>Specific Purposes</b>		
Donations restricted by the Board	7,918	5,890
Unexpended income on internal endowments	2,083	811
Indirect research and other non-recurring expenditures	1,036	1,082
Contingency for energy costs	325	575
Systems and equipment replacement	246	251
Capital requirements	8,460	8,316
Other operational priorities	<u>3,690</u>	<u>2,950</u>
	<u>23,758</u>	<u>19,875</u>
	<u>\$ 44,014</u>	<u>\$ 35,219</u>



**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

**14 Net Assets Invested In Capital Assets**

Net assets invested in capital assets consist of the following:

	<b>2007</b>	<b>2006</b>
Capital assets	\$ 118,319	\$ 108,247
Amounts financed by long-term debt	(19,028)	(11,803)
Amounts financed by working capital	(8,557)	(10,790)
Unamortized deferred capital contributions (Note 11 )	<u>(59,759)</u>	<u>(58,087)</u>
Net assets invested in capital assets	<u>\$ 30,975</u>	<u>\$ 27,567</u>

The change in net assets invested in capital assets is calculated as follows:

	<b>2007</b>	<b>2006</b>
Increases in net assets invested in capital assets:		
Purchases of capital assets funded from operations	\$ 11,676	\$ 11,801
Net decrease (increase) in internal financing	2,234	(3,413)
Net decrease (increase) in long-term debt	<u>(7,225)</u>	<u>777</u>
	<u>6,685</u>	<u>9,165</u>
Decreases in net assets invested in capital assets:		
Amortization expense	(10,779)	(11,338)
Less: Amortization of deferred capital contributions (Note 11)	<u>7,502</u>	<u>7,915</u>
	<u>(3,277)</u>	<u>(3,423)</u>
Net increase in net assets invested in capital assets	<u>\$ 3,408</u>	<u>\$ 5,742</u>

**15. Endowed Net Assets**

Endowed net assets consist of restricted donations to the University, the principal of which is required to be maintained intact, as well as funds which have been internally endowed by the University's Board of Governors and endowment inflation reserves. The investment income generated from endowments must be used in accordance with the purposes specified by the donors or by the Board.

The income from internally endowed funds is to be used for the payment of scholarships and to off-set specific operating expenses.

**THE UNIVERSITY OF NEW BRUNSWICK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended April 30, 2007  
(in thousands of dollars)

Total endowments are as follows:

	<b>2007</b>	<b>2006</b>
Externally endowed	\$ 71,848	\$ 66,647
Internally endowed	<u>8,473</u>	<u>8,327</u>
Total endowments	<u>\$ 80,321</u>	<u>\$ 74,974</u>

**16. Contingent Liabilities and Commitments**

The University is a defendant in various legal proceedings. Claims against the University in these proceedings have not been reflected in these financial statements. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of the University and its legal counsel that the resolution of these claims will not have a material effect on the financial position of the University. Any loss or gain that may result from these proceedings will be accounted for in the period in which the settlement occurs.

**17. Statement of Cash Flows**

- a) Cash and short-term deposits includes cash and short-term investments with terms to maturity of 91 days or less.
- b) The net change in operating assets and liabilities consists of the following:

	<b>2007</b>	<b>2006</b>
Account receivable	\$ (1,303)	\$ (9,057)
Inventories	(67)	(61)
Prepaid expenses	26	(14)
Accounts payable and accrued liabilities	663	4,769
Unearned revenue	2,896	27,106
Deferred pension charges	(19,490)	-
Early retirement and employee benefit plan liabilities	<u>20,326</u>	<u>3,228</u>
	<u>\$ 3,051</u>	<u>\$ 25,971</u>

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

**18. Fair Value Disclosures**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

(i) *General*

For certain of the University's financial instruments, including:

- (a) cash
- (b) accrued interest receivable
- (c) accounts receivable
- (d) accounts payable

The carrying amounts approximate fair value due to the immediate or short-term maturity of these financial instruments.

(ii) *Investments*

Fair values of investments are determined as follows:

Cash and cash equivalents maturing within one year are stated at cost which, together with accrued interest income, approximate fair value given the short-term nature of these instruments. Bonds and equities are valued at year-end quoted market prices.

In determining fair values, adjustments have not been made for transaction costs as they are not considered to be significant.

(iii) *Early Retirement Plan, Retiring Allowance, and Academic Pension Plan Liabilities*

The carrying value of these long-term liabilities is calculated based on an actuarial valuation of each liability discounted to present value.

(iv) *Mortgages Payable and Bank Loans*

Mortgages payable and bank loans are carried at cost. The carrying value of mortgages payable and bank loans approximates fair value based on year end market values of similar instruments.

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

**19. Pension Plans**

The University contributes to two separate employee pension plans. As explained in the following sections, the University's only obligation under these plans is to make contributions at specified rates as set out in applicable legislation or plan documents. Pension expense is therefore based on amounts contributed, and, except as noted below with respect to the Program to Improve the Financial Positions and Outlook of the Pension Plan for Academic Employees, the assets and liabilities of these plans are not included in the University's financial statements.

Public Service Superannuation Plan

For support staff, the University contributes to the Province of New Brunswick Public Service Superannuation Pension Plan (PSSP). This contributory multi-employer plan provides pensions based on length of service and final average earnings. The Plan is established under the authority of the Public Service Superannuation Act (PSSA). The University's only financial obligation under the Act is to make employer current service contributions at the rate prescribed in the regulations under the Act. The University's contributions to the PSSP during the year amounted to \$3,641 (2006-\$3,364).

Academic Pension Plan

The Academic Pension Plan is a contributory plan established under a trust agreement between the University and the Association of University of New Brunswick Teachers (AUNBT). The Plan provides pension and ancillary benefits to eligible academic employees of the University for service after January 1, 1993. The plan provides pensions based on length of service and final average earnings. Prior to January 1, 1993 the academic employees of the University were members of the PSSP. Benefits accrued under the PSSP by academic employees for service prior to January 1, 1993 continue to be provided from the PSSP.

The Academic Plan is financed by contributions from both plan members and the University. The University contributes an amount equal to 100% of members' contributions. The member and employer contribution rates are fixed rates set out in the Plan, expressed as a percentage of members' pensionable earnings. If, at any time, the plan actuary determines that the contributions are not sufficient to properly fund the benefits, the University and the AUNBT must decide whether to amend benefits and/or contributions. The University has no responsibility to make additional contributions over and above the fixed contribution rates specified in the plan.

A summary of contributions to the Plan and benefits paid from the Plan during the year follows:

	2007	2006
University contributions	\$ 6,707	\$ 5,932
Employee contributions	6,707	5,932
Retirement benefits paid	4,629	4,279

**THE UNIVERSITY OF NEW BRUNSWICK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007  
(in thousands of dollars)**

The most recent actuarial valuation of the Plan for funding purposes was carried out as at December 31, 2006. The valuation reported an unfunded liability of \$ 42,545 determined as follows:

Market value of net assets available for benefits	\$ 146,944
Market value gains not reflected in actuarial value of net assets	<u>(6,426)</u>
Actuarial value of net assets available for benefits	140,518
Actuarial accrued benefit obligation	<u>(183,063)</u>
Net plan deficit	<u>\$ (42,545)</u>

The significant actuarial assumptions adopted in measuring the Plan's accrued benefit obligation are as follows:

Discount rate	6.75%
Expected long-term rate of return on plan assets	6.75%
Salary escalation rate	3.25% Plus promotional increases

During the year, the University and the AUNBT entered into a multi-year Program to Improve the Financial Position and Outlook of the Pension Plan for Academic Employees ("the Improvement Plan"). The Improvement Plan provides for a reduction in the benefit accrual rate for the six-year term of the Agreement. The Program also provides for special funding to be provided by both parties in the form of lump sum payments to the pension fund. This includes additional funding of \$3 million to establish a special sub-account within the pension fund to be known as the "Rate Stabilization Account", and additional funding of \$1 million to be applied as a special contribution to the Plan deficit. The purpose of the Rate Stabilization Account is to provide greater certainty and stability in the annual funding of benefits under the Plan.

The Agreement provides that the special lump sum contributions are to be cost shared between the University and the AUNBT, with \$1.5 million of the total cost to be borne by the AUNBT and \$2.5 million by the University. However, the Agreement provides that the Plan shall continue to be funded and risk shared on a 50/50 basis, and includes provisions whereby the University will be compensated for the additional \$1 million contribution when the Plan reaches certain funding thresholds.

In addition to the special lump sum payments, the Improvement Plan provides that the University and Plan members will make ongoing past service contributions and ongoing contributions to the Rate Stabilization Account over the term of the Agreement. The past service contributions from both the University and Plan members are a percentage of members' pensionable salary based on the December 31, 2006 actuarial valuation. The Rate Stabilization Account contributions from both the University and Plan members are equal to 5% of members' pensionable salary. The estimated value of the University's share of the combined lump sum and ongoing contributions is disclosed in note 10 (c).

**THE UNIVERSITY OF NEW BRUNSWICK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2007**  
**(in thousands of dollars)**

The University has determined that the Improvement Plan does not change the fundamental nature of the Pension Plan nor the funding and risk sharing arrangements for the Plan. However, the decision and agreement by the University to make a special lump-sum payment and ongoing past service amortization payments over the six year term represent a plan amendment in respect of past service. Accordingly, the estimated value of these future payments has been recorded as a liability and a deferred pension charge. The University has determined that the term of the Improvement Plan represents an appropriate amortization period in these circumstances.

The estimated value of the University's special lump sum and bi-weekly contributions to the Rate Stabilization Account has also been recorded as a liability and deferred pension charge. The utilization of the Stabilization Account is dependent on a number of future events, mostly related to future actuarial valuations and resultant revisions to required future contribution rates. Accordingly, changes to this component of the deferred pension asset will be recorded when the required information is known.

The following fixed contribution rates apply to both plan members and the University:

- 9.11% of earnings up to the Year's Maximum Pensionable Earnings (YMPE) as defined under the Canada Pension Plan, and,
- 10.81% of earnings above the YMPE.

These rates were established following the filing of the December 31, 2006 actuarial valuation and will become effective on July 1, 2007. The next actuarial valuation of the Plan must be filed not later than July 31, 2010.

**University of New Brunswick**

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**Supplementary Schedule to the Consolidated Financial Statements**

**For the year ended April 30, 2007**

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## Supplementary Schedule

The Board of Governors,  
The University of New Brunswick

We have completed our examination of the consolidated financial statements of The University of New Brunswick for the year ended April 30, 2007. Our report to the Board of Governors dated August 16, 2007 describes the scope of our examination and opinion. The following schedule is included for your reference but is not necessary for a fair presentation of the financial position and the results of operations of the University

Our examination was intended to enable us to form an opinion on the consolidated financial statements as a whole and was not such as to enable us to express an opinion on all the details contained in this schedule.

  
Chartered Accountants

August 16, 2007



**THE UNIVERSITY OF NEW BRUNSWICK**  
**SCHEDULE OF UNRESTRICTED OPERATING REVENUES AND EXPENSES**

for the year ended April 30, 2007  
(in thousands of dollars)

Although not required for presentation in accordance with generally accepted accounting principles, the following supplementary schedule has been prepared to provide results for the University's unrestricted operating accounts for 2007 by campus, with comparative information for 2006 for the two campuses combined. To facilitate a comparison of actual operating results with the University's unrestricted operating budget, revenues and expenses are reported on a cash basis.

	2007			2006
	Fredericton Campus	Saint John Campus	Total	Total
<b>Revenues</b>				
Provincial operating grant	\$ 77,056	\$ 14,210	\$ 91,266	\$ 84,616
Tuition and related fees	52,450	19,310	71,760	70,786
Ancillary operations	12,477	3,797	16,274	17,247
Services and other	12,653	1,822	14,475	14,016
Transfers from (to) other funds	<u>7,519</u>	<u>(3,825)</u>	<u>3,694</u>	<u>(3,710)</u>
	<u>162,155</u>	<u>35,314</u>	<u>197,469</u>	<u>182,955</u>
<b>Expenses</b>				
Operating	140,871	31,827	172,698	166,371
Ancillary operations	14,890	3,956	18,846	18,740
Early retirement and retiring allowance	<u>2,887</u>	<u>491</u>	<u>3,378</u>	<u>4,049</u>
	<u>158,648</u>	<u>36,274</u>	<u>194,922</u>	<u>189,160</u>
<b>Changes in internal restrictions</b>	<u>(3,589)</u>	<u>973</u>	<u>(2,616)</u>	<u>6,332</u>
<b>Decrease (increase) in accumulated operating deficit</b>	<u>\$ (82)</u>	<u>\$ 13</u>	<u>\$ (69)</u>	<u>\$ 127</u>