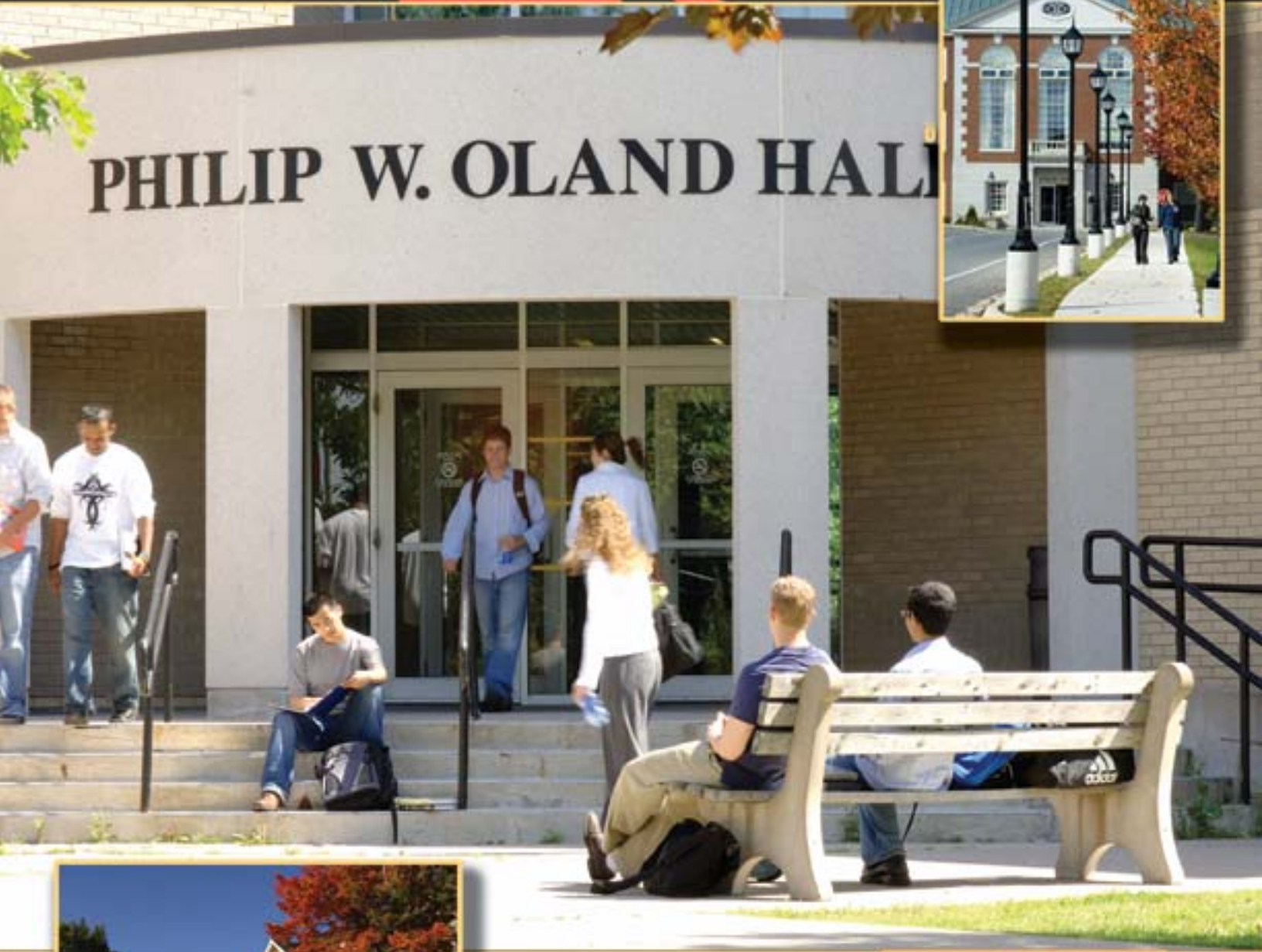
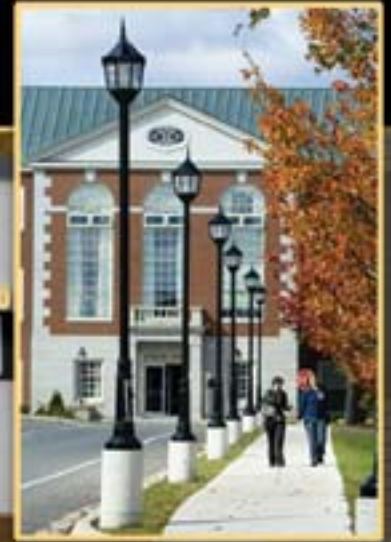


UNIVERSITY OF NEW BRUNSWICK

PRESIDENT'S REPORT

2005-2006

PHILIP W. OLAND HALL



UNIVERSITY OF
NEW BRUNSWICK

MAKING A SIGNIFICANT
DIFFERENCE

Consolidated Financial Statements Of

The University of New Brunswick

April 30, 2006

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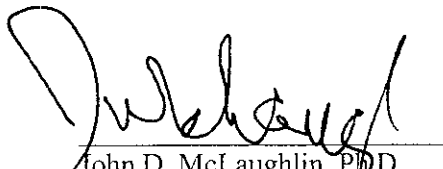
Statement of Management Responsibility

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, 2006, and the results of its operations and its cash flows for the year then ended.

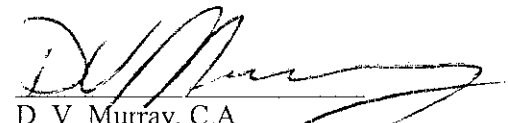
In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis 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, 2006 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.



John D. McLaughlin, PhD
President & Vice-Chancellor



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


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, 2006 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, 2006 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 10, 2006

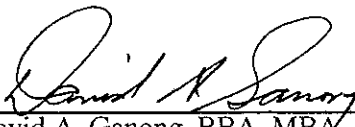
**THE UNIVERSITY OF NEW BRUNSWICK
CONSOLIDATED BALANCE SHEET**

as at April 30, 2006
(in thousands of dollars)

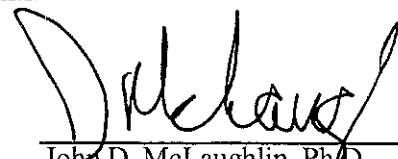
	2006	2005
ASSETS		
Current assets		
Cash and short-term deposits	\$ 68,428	\$ 54,865
Accounts receivable	22,119	13,062
Inventories (Note 3)	1,708	1,647
Prepaid expenses	1,104	1,090
	93,359	70,664
Deferred charges	1,069	741
Long-term investments (Note 4)	135,778	113,610
Capital assets (Note 5)	108,247	100,948
	245,094	215,299
	\$ 338,453	\$ 285,963
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 25,134	\$ 20,365
Unearned revenue	37,675	10,569
Current portion of long-term debt (Note 7)	828	777
	63,637	31,711
Long-term liabilities		
Deferred contributions (Note 6)	59,499	49,127
Long-term debt (Note 7)	10,975	11,803
Early retirement and employee benefit plans (Note 8)	43,507	40,279
Unamortized deferred capital contributions (Note 9)	58,087	59,166
	172,068	160,375
Net assets		
Accumulated operating deficit	(2,273)	(2,400)
Restricted for specific purposes (Note 10)	35,219	34,346
Unfunded employee benefits (Note 11)	(32,739)	(30,862)
Invested in capital assets (Note 12)	27,567	21,825
Endowed (Note 13)	74,974	70,968
	102,748	93,877
	\$ 338,453	\$ 285,963

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

Approved:



 David A. Ganong, BBA, MBA
 Chair, Board of Governors



 John D. McLaughlin, PhD
 President & Vice-Chancellor

THE UNIVERSITY OF NEW BRUNSWICK
CONSOLIDATED STATEMENT OF OPERATIONS
for the year ended April 30, 2006
(in thousands of dollars)

	2006	2005
Revenues:		
Government grants	\$ 87,383	\$ 84,198
Tuition and related fees	70,786	66,129
Research grants and contracts	44,249	37,757
Ancillaries	17,247	15,836
Services and other income	13,203	12,246
Investment income	9,352	7,494
Amortization of deferred capital contributions (Note 9)	7,915	8,186
Donations	2,909	1,566
	<u>253,044</u>	<u>233,412</u>
Expenses:		
Instruction and non-sponsored research	96,648	91,598
Research grants and contracts	42,179	36,287
Plant operations	18,326	16,754
Administration and general	18,160	17,063
Ancillaries	17,230	15,755
Amortization of capital assets	11,338	11,767
Library	10,516	10,221
Student services	6,853	6,162
Central computing	5,961	5,868
Early retirement plan and retiring allowance (Note 8)	5,793	4,641
Non-credit instruction	5,602	4,784
Scholarships and bursaries	5,438	5,169
Other	3,815	4,573
	<u>247,859</u>	<u>230,642</u>
Excess of revenues over expenses before changes in net assets	5,185	2,770
Changes in:		
Net assets restricted for specific purposes	(1,193)	(2,628)
Unfunded employee benefits (Note 11)	1,877	1,865
Net assets invested in capital assets (Note 12)	(5,742)	(1,752)
	<u>\$ 127</u>	<u>\$ 255</u>
Decrease in accumulated operating deficit	\$ 127	\$ 255

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, 2006
(in thousands of dollars)

	2006					2005
	Accumulated Operating Deficit	Restricted for Specific Purposes	Unfunded Employee Benefits	Invested in Capital Assets	Endowed	Total
Net assets, beginning of year	\$ (2,400)	\$ 34,346	\$ (30,862)	\$ 21,825	\$ 70,968	\$ 93,877
Changes during the year						
Excess of revenues over expenses for the year	127	1,193	(1,877)	5,742	-	5,185
Capitalized income and other transfers	-	(320)	-	-	1,628	1,308
Endowment contributions	-	-	-	-	2,378	2,378
Net change during the year	127	873	(1,877)	5,742	4,006	8,871
Net assets, end of year	<u>\$ (2,273)</u>	<u>\$ 35,219</u>	<u>\$ (32,739)</u>	<u>\$ 27,567</u>	<u>\$ 74,974</u>	<u>\$ 102,748</u>
						<u>\$ 93,877</u>
						<u>\$ 82,808</u>

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, 2006
(in thousands of dollars)

	2006	2005
Operating activities		
Excess of revenues over expenses before changes in net assets	\$ 5,185	\$ 2,770
Add (deduct) non-cash items		
Amortization of capital assets	11,338	11,767
Amortization of deferred capital contributions	(7,915)	(8,186)
Net change in operating assets and liabilities (Note 15(b))	25,971	10,391
	34,579	16,742
Investing activities		
Net increase in long-term investments	(22,168)	(9,671)
Decrease (increase) in deferred charges	(328)	186
Capital asset acquisitions	(18,637)	(10,491)
	(41,133)	(19,976)
Financing activities		
Net decrease in long-term debt	(777)	(728)
Capital contributions received	6,836	3,709
Net increase in deferred contributions	10,372	10,709
Endowment contributions	2,378	7,244
Increase in external endowment inflation reserves	1,308	1,055
	20,117	21,989
Net increase in cash and short-term deposits	13,563	18,755
Cash and short-term deposits, beginning of year	54,865	36,110
Cash and short-term deposits, end of year	\$ 68,428	\$ 54,865

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, 2006
(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, 2006
(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, 2006
(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 Charges

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, 2006
(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 8.

j) Pension Plans

Pension plan expense is based on the actuary's assessment 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.

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

**for the year ended April 30, 2006
(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 10.

l) Hedging Relationships

As disclosed in Note 7, 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 assets and liabilities where estimates are 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 Inventories

	2006	2005
Bookstores	\$ 814	\$ 829
Physical Plant	723	668
Chemistry Department	<u>171</u>	<u>150</u>
	<u>\$ 1,708</u>	<u>\$ 1,647</u>

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

**for the year ended April 30, 2006
(in thousands of dollars)**

4 Long-Term Investments

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

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 1,376	\$ 1,376	\$ 4,933	\$ 4,933
Fixed income securities	59,792	59,146	44,024	45,224
Equity securities	<u>74,610</u>	<u>92,699</u>	<u>64,653</u>	<u>73,292</u>
	<u>\$ 135,778</u>	<u>\$ 153,221</u>	<u>\$ 113,610</u>	<u>\$ 123,449</u>

Fair values have been determined on the basis described in Note 16 and are considered to approximate market values.

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:

- (i) The quality of fixed income securities is supported by federal, provincial and municipal government guarantees or high quality corporate bonds. Direct investments are made only in fixed income securities with a credit rating of "A" or higher. 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.
- (ii) Interest rates on the fixed income securities range from 3.5% to 10.125% with maturities that range from 2006 to 2035.

THE UNIVERSITY OF NEW BRUNSWICK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended April 30, 2006
(in thousands of dollars)

5. Capital Assets

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 772	\$ -	\$ 772	\$ 772
Land Improvements	727	-	727	-
Buildings	214,609	138,780	75,829	67,356
Roads and Tunnels	7,840	3,443	4,397	3,202
Furniture and Equipment	67,962	46,094	21,868	22,951
Vehicles	540	97	443	293
Computer Hardware and Software	<u>51,570</u>	<u>47,359</u>	<u>4,211</u>	<u>6,374</u>
	<u>\$ 344,020</u>	<u>\$ 235,773</u>	<u>\$ 108,247</u>	<u>\$ 100,948</u>

6. Deferred Contributions

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

Changes in the balance of deferred contributions are as follows:

	2006	2005
Balance, beginning of year	\$ 49,127	\$ 38,418
Increases during the year:		
Restricted contributions\ income	61,873	58,489
Decreases during the year:		
Transferred to unamortized deferred capital contributions	(3,141)	(5,429)
Transferred to endowed net assets	(1,439)	(1,055)
Recognized as revenue	<u>(46,921)</u>	<u>(41,296)</u>
Balance, end of year	<u>\$ 59,499</u>	<u>\$ 49,127</u>

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

for the year ended April 30, 2006
(in thousands of dollars)

The balance is made up of the following:

	2006	2005
Sponsored research	\$ 25,610	\$ 24,466
Unexpended restricted donations	29,972	20,509
Unexpended endowment income	<u>3,917</u>	<u>4,152</u>
	<u>\$ 59,499</u>	<u>\$ 49,127</u>

7. Long-Term Debt

Long-term debt consists of:

	2006	2005
Mortgages payable	\$ 912	\$ 1,002
Bank loans	<u>10,891</u>	<u>11,578</u>
	11,803	12,580
Less: Current portion	<u>(828)</u>	<u>(777)</u>
	<u>\$ 10,975</u>	<u>\$ 11,803</u>

(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	2006	2005
5 3/8%	2013	\$ 600	\$ 669
5 3/8%	2016	<u>312</u>	<u>333</u>
		<u>\$ 912</u>	<u>\$ 1,002</u>

THE UNIVERSITY OF NEW BRUNSWICK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended April 30, 2006
(in thousands of dollars)

(b) Bank Loans

Bank loans include the following:

	Interest Rate	Maturity Date	2006	2005
Student Union Building	6.90%	2008	\$ 294	\$ 432
Residence Improvements	6.64%	2013	3,035	3,374
Residence Buildings	6.45%	2020	1,715	1,790
Residence Buildings	6.50%	2022	1,091	1,130
Residence Buildings	6.45%	2028	<u>4,756</u>	<u>4,852</u>
			<u>\$ 10,891</u>	<u>\$ 11,578</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.

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. 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 UNIVERSITY OF NEW BRUNSWICK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended April 30, 2006
(in thousands of dollars)

The final 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.

During the year the University negotiated a floating rate loan in the amount of up to \$8.6 million to partially finance the construction of a new apartment style student residence on the Fredericton campus. The loan proceeds will be drawn down upon the earlier of substantial completion of the building or September 1, 2006. 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 \$783 for the year ended April 30, 2006 (2005-\$833)
- (d) Principal payments required on long-term debt in each of the next five years are as follows:

2007	2008	2009	2010	2011
\$ 828	\$ 869	\$ 771	\$ 822	\$ 875

8 Early Retirement and Employee Benefit Plans

Details of this liability are as follows:

	2006	2005
Early retirement plan	\$ 23,930	\$ 21,864
Retiring allowance	18,414	17,324
Other employee benefit plans	1,163	1,091
	\$ 43,507	\$ 40,279

THE UNIVERSITY OF NEW BRUNSWICK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended April 30, 2006
(in thousands of dollars)

(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 5.25% per annum as at April 30, 2006 (2005 - 5.75% per annum).

Changes in supplementary retirement plans liability are as follows:

	2006	2005
Balance, beginning of year	\$ 21,864	\$ 21,089
Increases during the year:		
Interest on benefit obligation	1,204	1,263
Retirements and current service cost	117	226
Actuarial loss	2,382	896
Decreases during the year:		
Benefits paid	<u>(1,637)</u>	<u>(1,610)</u>
Balance, end of year	<u>\$ 23,930</u>	<u>\$ 21,864</u>

Details of early retirement plan expense are as follows:

	2006	2005
Interest on liability	\$ 1,204	\$ 1,263
Retirements during the year	117	226
Net investment gain on internal fund	(716)	(695)
Actuarial loss	<u>2,382</u>	<u>896</u>
	<u>\$ 2,987</u>	<u>\$ 1,690</u>

THE UNIVERSITY OF NEW BRUNSWICK
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for the year ended April 30, 2006
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The estimated amount of early retirement benefit payments which will be made in 2007 is \$ 1,744

(b) *Retiring Allowance*

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 5.25% per annum as at April 30, 2006 (2005 – 5.75% per annum)

Changes in the retiring allowance liability are as follows:

	2006	2005
Balance, beginning of year	\$ 17,324	\$ 15,498
Increases during the year:		
Current service cost	1,136	961
Interest on benefit obligation	1,017	965
Actuarial loss	653	1,025
Decreases during the year:		
Retiring allowances paid	<u>(1,716)</u>	<u>(1,125)</u>
Balance, end of year	<u>\$ 18,414</u>	<u>\$ 17,324</u>

Details of retiring allowance expense are as follows:

	2006	2005
Current service cost	\$ 1,136	\$ 961
Interest on benefit obligation	1,017	965
Actuarial loss	<u>653</u>	<u>1,025</u>
	<u>\$ 2,806</u>	<u>\$ 2,951</u>

The estimated amount of retiring allowance payments which will be made in 2007 is \$ 1,187.

**THE UNIVERSITY OF NEW BRUNSWICK
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**for the year ended April 30, 2006
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(c) *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.

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

	2006	2005
Health and Dental Plan	\$ 189	\$ 178
Long-Term Disability Plan	<u>974</u>	<u>913</u>
	<u>\$ 1,163</u>	<u>\$ 1,091</u>

9 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:

	2006	2005
Balance, beginning of year	\$ 59,166	\$ 61,923
Increases during the year:		
Purchases of externally funded capital assets	6,836	3,709
Donation of capital asset	-	1,720
Decreases during the year:		
Recognized as revenue	<u>(7,915)</u>	<u>(8,186)</u>
Balance, end of year	<u>\$ 58,087</u>	<u>\$ 59,166</u>

10. 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.

THE UNIVERSITY OF NEW BRUNSWICK
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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:

	2006	2005
General Operating		
Departmental non-salary carryovers	\$ 13,169	\$ 11,300
Departmental share of contract overhead income	<u>2,175</u>	<u>1,721</u>
	<u>15,344</u>	<u>13,021</u>
Specific Purposes		
Donations restricted by the Board	5,890	4,316
Unexpended income on internal endowments	811	1,028
Indirect research and other non-recurring expenditures	1,082	928
Contingency for energy costs	575	679
Systems and equipment replacement	251	392
Capital requirements	8,316	8,116
Other operational priorities	<u>2,950</u>	<u>5,866</u>
	<u>19,875</u>	<u>21,325</u>
	<u>\$ 35,219</u>	<u>\$ 34,346</u>

11. Unfunded 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.

	2006	2005
Unfunded Employee Benefits		
Early retirement plans	\$ (12,746)	\$ (12,039)
Retiring allowances	(18,414)	(17,324)
Staff unused vacation pay entitlement	<u>(1,579)</u>	<u>(1,499)</u>
	<u>\$ (32,739)</u>	<u>\$ (30,862)</u>

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

**for the year ended April 30, 2006
(in thousands of dollars)**

12 Net Assets Invested In Capital Assets

Net assets invested in capital assets consist of the following:

	2006	2005
Capital assets	\$ 108,247	\$ 100,948
Amounts financed by long-term debt	(11,803)	(12,580)
Amounts financed by working capital	(10,790)	(7,377)
Unamortized deferred capital contributions (Note 9)	<u>(58,087)</u>	<u>(59,166)</u>
Net assets invested in capital assets	<u>\$ 27,567</u>	<u>\$ 21,825</u>

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

	2006	2005
Increases in net assets invested in capital assets:		
Purchases of capital assets funded from operations	\$ 11,801	\$ 6,781
Less: Purchases funded by working capital	(3,413)	(2,176)
Repayment of long-term debt	<u>777</u>	<u>728</u>
	<u>9,165</u>	<u>5,333</u>
Decreases in net assets invested in capital assets:		
Amortization expense	(11,338)	(11,767)
Less: Amortization of deferred capital contributions (Note 9)	<u>7,915</u>	<u>8,186</u>
	<u>(3,423)</u>	<u>(3,581)</u>
Net Increase in net assets invested in capital assets	<u>\$ 5,742</u>	<u>\$ 1,752</u>

13 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 offset specific operating expenses.

**THE UNIVERSITY OF NEW BRUNSWICK
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**for the year ended April 30, 2006
(in thousands of dollars)**

Total endowments are as follows:

	2006	2005
Externally endowed	\$ 66,647	\$ 63,020
Internally endowed	<u>8,327</u>	<u>7,948</u>
Total endowments	<u>\$ 74,974</u>	<u>\$ 70,968</u>

14 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.

The University is undertaking retail development activities on certain University owned lands within the City of Fredericton. To facilitate development of the site, the University entered into a cost-sharing arrangement with a lead tenant and a potential lead developer whereby specified site improvement work would be cost-shared. The University's share of the total cost of site improvement work covered by the contract is \$447. Of this amount, a total of \$345 has been recorded as deferred charges as at April 30, 2006. The balance of \$102 represents a commitment as at that date. The University is also contingently liable for the lead developer's share of site improvement work in the event that the University and the lead developer fail to enter into a definitive lease agreement. The amount of this contingent liability is approximately \$1,787 as at April 30, 2006.

15 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.

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

**for the year ended April 30, 2006
(in thousands of dollars)**

- b) The net change in operating assets and liabilities consists of the following:

	2006	2005
Account receivable	\$ (9,057)	\$ 571
Inventories	(61)	(14)
Prepaid expenses	(14)	(338)
Accounts payable and accrued liabilities	4,769	857
Unearned revenue	27,106	6,635
Early retirement and employee benefit plans	3,228	2,680
	<u>\$ 25,971</u>	<u>\$ 10,391</u>

16. 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.

THE UNIVERSITY OF NEW BRUNSWICK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended April 30, 2006
(in thousands of dollars)

(iii) *Early Retirement Plan and Retiring Allowance Liability*

The carrying value of this long-term liability is calculated based on an actuarial valuation of this 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.

17. 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 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 \$3,364 (2005-\$3,175).

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 UNIVERSITY OF NEW BRUNSWICK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended April 30, 2006
(in thousands of dollars)**

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 and benefits paid during the year follows:

	2006	2005
University contributions	\$ 5,932	\$ 5,544
Employee contributions	5,932	5,544
Retirement benefits paid	4,279	3,856

The most recent actuarial valuation of the Plan for funding purposes was carried out as at July 1, 2005. The valuation reported an unfunded liability of \$46,943, determined as follows:

Market value of net assets available for benefits	\$ 112,119	
Market value gains not reflected in actuarial value of net assets	<u>(3,159)</u>	
Actuarial value of net assets available for benefits	108,960	
Actuarial accrued benefit obligation	<u>155,903</u>	
Net plan deficit	<u>\$ (46,943)</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

THE UNIVERSITY OF NEW BRUNSWICK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended April 30, 2006
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The following fixed contribution rates apply to both plan members and the University:

- 10.52% of earnings up to the Year's Maximum Pensionable Earnings (YMPE) as defined under the Canada Pension Plan, and,
- 12.22% of earnings above the YMPE

These rates were established following the filing of the July 1, 2005 actuarial valuation and became effective on July 1, 2006. The next actuarial valuation of the Plan must be filed not later than December 31, 2008. On January 12, 2006, the University and the AUNBT signed an agreement to review options relating to the funding, benefits and financial status of the Plan with a course of action to be determined prior to March 31, 2007.

18. Comparative Figures

Prior year's figures have been restated where necessary to conform with the current year's presentation.

University of New Brunswick

Supplementary Schedule to the Consolidated Financial Statements

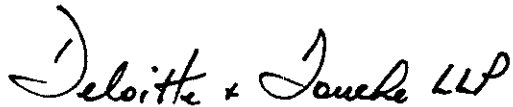
For the year ended April 30, 2006

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, 2006. Our report to the Board of Governors dated August 10, 2006 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 10, 2006

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

for the year ended April 30, 2006
(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 2006 by campus, with comparative information for 2005 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.

	2006			2005
	Fredericton Campus	Saint John Campus	Total	Total
Revenues				
Provincial operating grant	\$ 71,611	\$ 13,005	\$ 84,616	\$ 81,467
Tuition and related fees	51,205	19,581	70,786	66,129
Ancillary operations	13,460	3,787	17,247	15,836
Services and other	11,694	2,322	14,016	12,852
Transfers from (to) other funds	<u>1,137</u>	<u>(4,847)</u>	<u>(3,710)</u>	<u>1,915</u>
	<u>149,107</u>	<u>33,848</u>	<u>182,955</u>	<u>178,199</u>
Expenses				
Operating	134,159	32,212	166,371	156,029
Ancillary operations	14,801	3,939	18,740	16,641
Early retirement and retiring allowance	<u>3,654</u>	<u>395</u>	<u>4,049</u>	<u>2,888</u>
	<u>152,614</u>	<u>36,546</u>	<u>189,160</u>	<u>175,558</u>
Excess (Deficiency) of revenues over expenses	(3,507)	(2,698)	(6,205)	2,641
Changes in internal restrictions	<u>3,607</u>	<u>2,725</u>	<u>6,332</u>	<u>(2,386)</u>
Net change in unrestricted fund balance	<u>\$ 100</u>	<u>\$ 27</u>	<u>\$ 127</u>	<u>\$ 255</u>
Budgeted change in unrestricted fund balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>