

UNIVERSITY OF NEW BRUNSWICK

PRESIDENT'S REPORT

2002-2003



MAKING A SIGNIFICANT
DIFFERENCE

UNIVERSITY OF NEW BRUNSWICK

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 John D. McLaughlin (President)
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 Daniel V. Murray (V-P Finance & Admin.)
 Gregory S. Kealey (V-P Research)
 Thomas Condon, (Acting V-P, Saint John)
 Mark Hazlett (Exec. Dir. of Alumni Affairs)
 Stephen Strople (University Secretary)
 Mayor L.I. (Les) Hull (Fredericton)
 Mayor Shirley McAlary (Saint John)

Appointed by Lieutenant-Governor in Council (10)

McCAIN, Kathryn
 McFADYEN, Nancy
 O'BRIEN, David
 POND, Gerry
 ROY, Georges
 STEVENSON, David
 TBA
 TBA
 TBA
 TBA

Appointed by Associated Alumni(ae) (5)

BREWER, Earl
 GREGG, Margie
 MCALLISTER, Sally
 NEILL, Marti-Lou
 RATCLIFF, Kevin

Appointed by Board of Governors (5)

GANONG, David
 McGrath, Anne Marie
 NOLAN, Rod
 SQUIBB, Wayne
 TBA

Elected by Faculty Members, Fredericton (4)

KUTTNER, Thomas
 PASSARIS, Constantine
 SMALL, Marian
 TRYPHONOPOULOS, Demetres

Elected by Faculty Members, Saint John (2)

HILL, Rod
 JOHNSON, John

Appointed by the New Brunswick Teachers' Association (1)

WILSON, Mary

Elected by Students, Fredericton (2)

DESCHENES, Scott
 WHITFIELD, Kate

Elected by Students, Saint John (1)

BROWN, Cory

Governors Emeriti (4)

CONDON, Thomas J.
 GILLIN, M. Patrick
 LYNCH, M. Louise, O.C.
 TWEEDDALE, Reginald E.

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 A. M. McGrath
 J. McLaughlin
 W. Squibb
 C. Callbeck
 L. Guitard
 D. Murray
 S. Strople

R. Nolan

G. Pond
 G. Roy
 R. Tingley
 L. Christensen
 S. Montague
 M. Hazlett
 D. Emerson
 S. Mesheau
 L. Armstrong
 J. Morell

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 C. Callbeck
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 L. Guitard
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 L. Guitard
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 M. Schofield
 I. T. Scott
 S. Wheatley

S. Strople
 S. Montague
 E. Ward

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 M. Gregg
 R. Hill
 M. L. Neill
 K. Whitfield
 S. Strople
 S. Clayton
 L. Guitard
 J. McGinn
 R. Papenhausen

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 S. McAllister
 J. McLaughlin
 R. Nolan
 D. O'Brien
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Nominations to Office of Chair and Vice-Chair of the Board

J. Johnson
 S. McAllister
 A. M. McGrath
 K. Whitfield
 S. Strople

Properties Committee

G. W. Squibb – Chair
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 N. McFadyen
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 G. Roy
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A MESSAGE FROM PRESIDENT McLAUGHLIN



When I began my five-year term on July 1, 2002, I articulated a vision grounded firmly in UNB's history and tradition yet focused on the future.

My vision is:

- to sustain and further UNB's role as a national university,
- to advance UNB's role as a learning institution, and
- to promote UNB's fundamental role in the economic, social and cultural well-being of the province and Atlantic Canada.

As a university, we began our pursuit of these goals from a position of strength. UNB's history and development, spanning more than two centuries, parallel those of the province and the country. As New Brunswick's flagship university, we have proudly assumed a leadership role in teaching, scholarship, community service and the intellectual life of this province.

UNB recently celebrated the launch of Year 2 of the Making a Significant Difference campaign. This campaign has helped to foster and reinforce public understanding of UNB's important role in New Brunswick.

We've captured national attention as well. In the last year, UNB professors won two of the most prestigious teaching and research awards in Canada: the 2003 3M Teaching Fellowship and the 2003 Steacie Fellowship from the Natural Sciences and Engineering Research Council. Our students placed first at the National Model NATO Conference and forty-two of our varsity athletes earned Academic All-Canadian status. These are remarkable achievements for a university of our size.

In 2002-2003, we opened a new Modern Languages Centre in Saint John and unveiled the first phase of a comprehensive campus plan in Fredericton. We also welcomed a new chancellor, alumnus Richard J. Currie, Chairman of Bell Canada Enterprises; and two new VPs: Kathryn Hamer, vice-president (Saint John); and Angelo Belcastro, vice-president (academic).

We have a strong team and we're building momentum toward achieving our goals. As you review the highlights for 2002-2003, I think you'll agree that we're well on our way.

A handwritten signature in black ink that reads "J. McLaughlin". The signature is written in a cursive, flowing style.

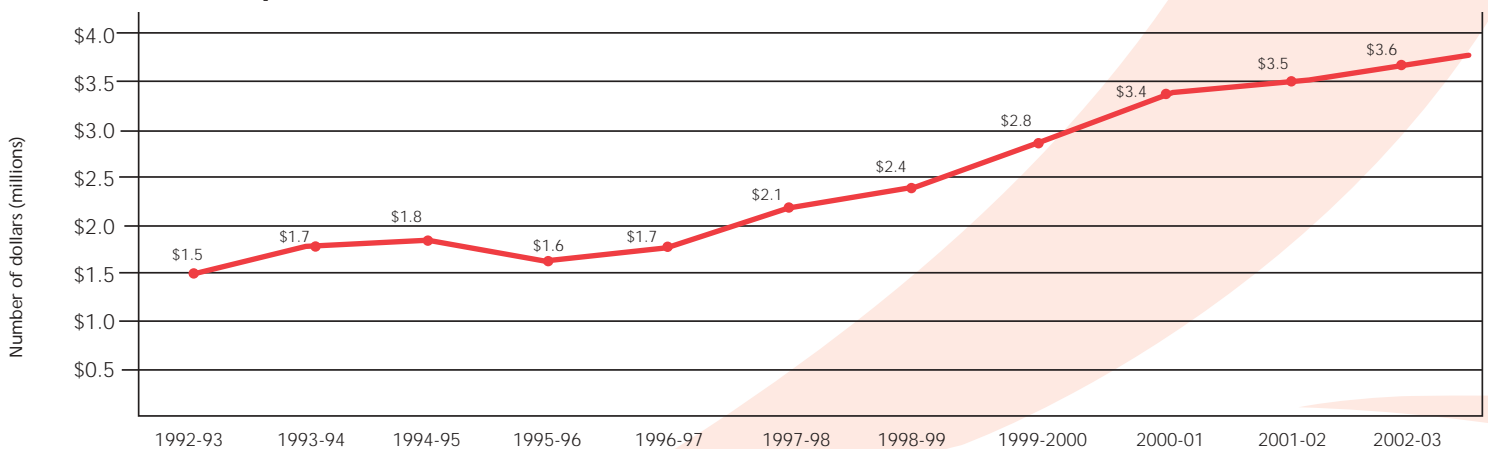
John D. McLaughlin
President and Vice-Chancellor

QUALITY OF STUDENTS, FACULTY, STAFF, PROGRAMS AND RESEARCH

UNB is a leading, national university with nationally and internationally acclaimed programs, educators, researchers, staff and students.

- Biologist Gary Saunders received a 2003 Steacie Fellowship from the Natural Sciences and Engineering Research Council. The award recognizes his exceptional genetic analysis of red algae, work that is critical to understanding evolution.
- UNB's faculty of law ranked fourth in the 2003 *Canadian Lawyer Survey* — marking the 11th year in a row that UNB has been in the top five.
- History students Kate Betts-Wilmott, Matthew Holland, Dan Malone and Paul McNutt captured first place in the National Model NATO Conference in Ottawa.
- Kate Frego, a professor of biology, received the Distinguished Teacher Award from the Association of Atlantic Universities.
- UNB became one of only three institutions in North America to earn accreditation by the Royal Institution of Chartered Surveyors for its geomatics engineering program.
- The Student Investment Fund Team outperformed more than 80 others to take second place in the CNBC/New York Stock Exchange Investment Strategy Cup competition in Ohio.
- Psychology professor Sandra Byers won the Canadian Sex Research Forum Award and was elected president of the forum for a three-year term. She is also a Fellow of both the Society for the Scientific Study of Sexuality and the Canadian Psychological Association.
- UNB Saint John was awarded the Scotiabank-Association of Universities and Colleges of Canada Award for Excellence in Internationalization.
- Connie Adsett, a second-year computer science student, was one of 25 students chosen by the National Research Council to participate in its Women in Engineering and Science Program.
- English professor Mark Jarman won gold in the National Magazine Award's essay category, received the Maclean-Hunter Prize in Creative Non-fiction, and was co-winner of the grand prize in Prism's short fiction contest.
- UNB received three more prestigious Canada Research Chairs in 2002-2003 — bringing our total to nine.
- Trevor Hanson, a civil engineering graduate student, took first prize in an international student paper competition sponsored by the Intelligent Transportation Society of America.
- Donald Desserud and Joanna Everitt, professors of history and politics, received UNB's largest Social Sciences and Humanities Research Council of Canada grant for 2002 — nearly \$98,000 — for their research on how societies work.
- A five-member team of MBA students took second place in the national electronic case competition.
- Jeremy Rickards, forest engineering, became only the third Canadian to receive the Council on Forest Engineering's International Achievement Award.
- A team of three computer science students placed second only to Harvard at a regional programming competition in Rochester, N.Y.

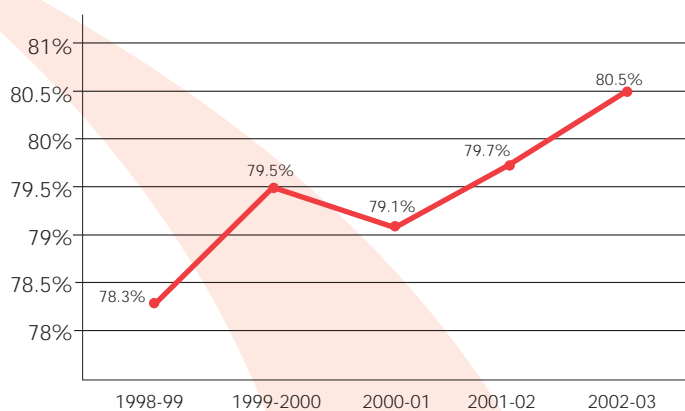
Scholarships, Bursaries, and Prizes - Total Funds



Source: CAUBO Financial Statistics, 1992-1993 to 2002-2003

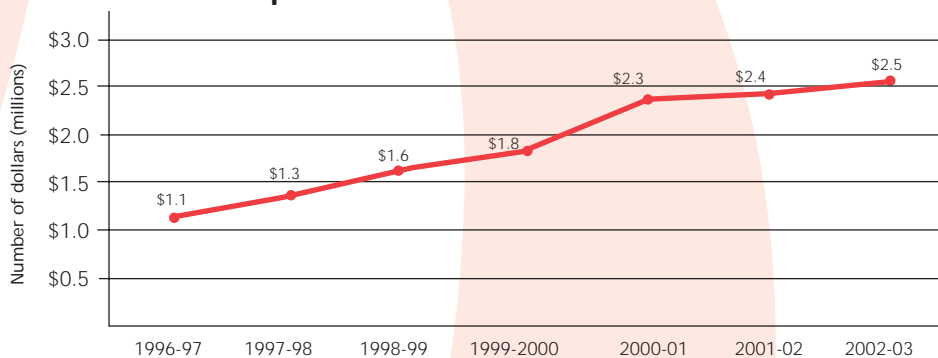
UNIVERSITY OF NEW BRUNSWICK
MAKING A SIGNIFICANT DIFFERENCE

Entering Grade Average of First-Year, Full-time Students



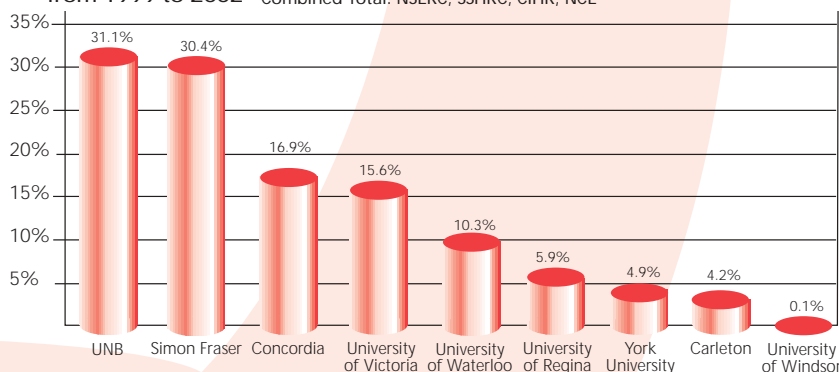
Source: Maclean's historical survey data, 1998-1999 to 2002-2003

Total Entrance/Undergraduate Scholarships at UNB



Source: Undergraduate Student Awards, Registrar's Office.

Peer Group Research Funding: Percent Growth from 1999 to 2002

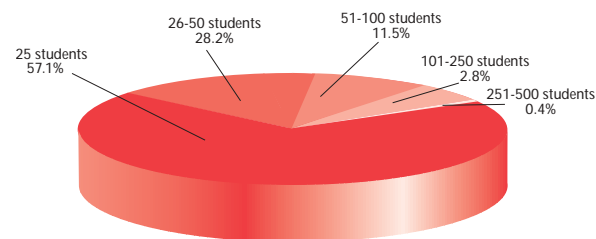


NOTE: Data for Memorial and Guelph universities not available
Source: Canada Research Chair Allocations

Innovative Programs

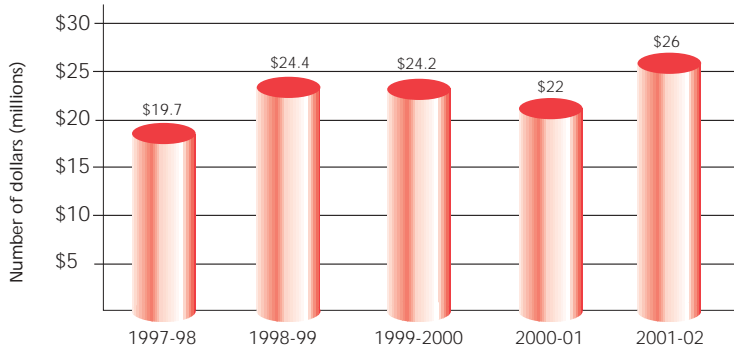
- Renaissance College, with its focus on experiential learning, offers the only program of its kind in Canada — a bachelor of philosophy in interdisciplinary leadership studies
- A leader in e-commerce, UNB graduated Canada's first bachelor of business administration students with a major in e-commerce and offered the first MBA in electronic commerce in the world
- UNB is known for its innovative articulated programs, such as applied arts, which is offered in conjunction with the New Brunswick College of Craft and Design, or respiratory therapy and nuclear medicine which are delivered in partnership with community colleges and hospitals
- A new bachelor of science in software engineering degree program, offered jointly by the faculties of computer science and engineering, is responding to the growing demand for software engineers
- UNB offers nine concurrent degree programs, allowing students to complete two undergraduate degrees — such as a bachelor of arts and a bachelor of computer science — in five years

Undergraduate Class Sizes: 2002-2003



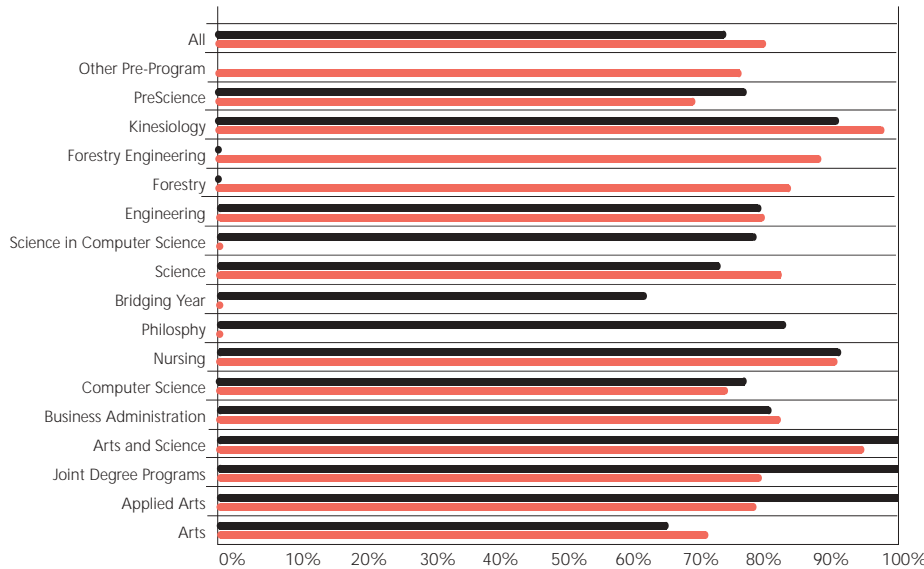
Source: Maclean's survey, 2002-2003 data

UNB-Sponsored Research Income: 1997-1998 to 2001-2002



Source: CAUBO Financial Statistics
1997-1998 to 2001-2002

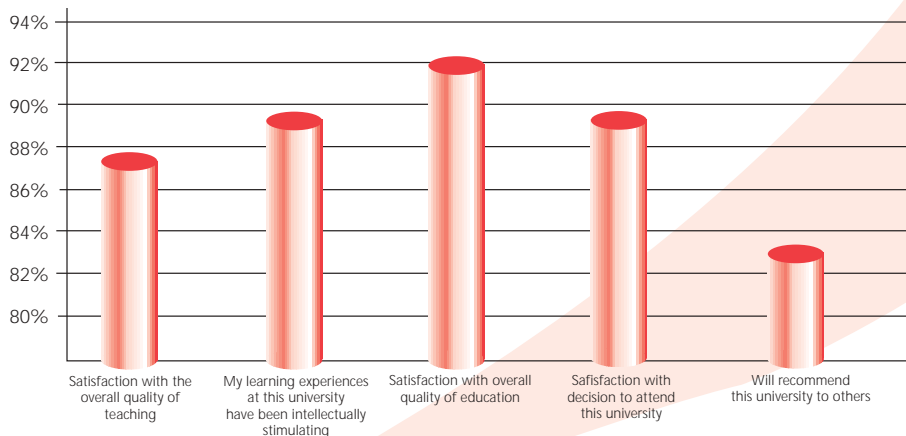
Retention Rate: Percentage of Students First Enrolled in 2001 Remaining at UNB in 2002-2003



UNB Saint John
UNB Fredericton

Source: UNB Datatel
Student Module Extract,
December 2001, 2002-2003
enrolment data.

Instructional and University Satisfaction of UNB Students



Note: A 4-point scale was used, where 1 means "Very Dissatisfied" or "Strongly Disagree" and 4 means "Very Satisfied" or "Strongly Agree". Here 3 & 4 mean "Satisfied".
Source: The Canadian Undergraduate Survey Consortium. Graduating Students Survey 2003.

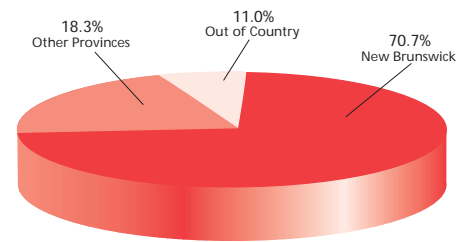
ENROLMENT AND DIVERSITY OF STUDENT BODY

Attracted by world-renowned programs and researchers, students come to UNB from across Canada and around the globe. With 78 countries represented, UNB has one of the largest and most diverse populations of international students in Atlantic Canada.

UNB's aggressive international student recruitment strategy, implemented in 1999, exceeded its five-year objective by 83.5 per cent in the first three years. A concentrated recruiting effort in Ontario has also paid off with a 416 per cent increase in the number of Ontario students between 1999 and 2002.

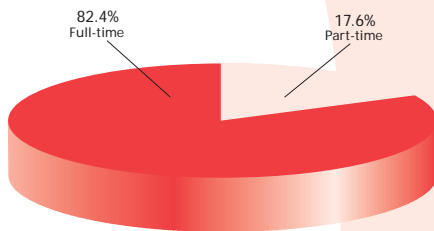
At December 1, 2002, UNB enrolled 6,942 full-time and 1,136 part-time students in undergraduate programs in Fredericton, and 2,317 full-time and 640 part-time undergraduates in Saint John. The total graduate student enrolment on both campuses was 1,186 students. These figures represent a total enrolment increase of 5.7 per cent over the previous year.

UNB Total Student Enrolment by Geographic Distribution, December 2002



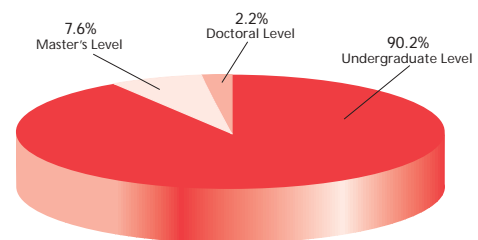
Source: UNB Datatel Student Module Extract, December 2002 enrolment data

UNB Total Student Enrolment by Status, December 2002



Source: UNB Datatel Student Module Extract, December 2002 enrolment data

UNB Total Student Enrolment by Level, December 2002



Athletics

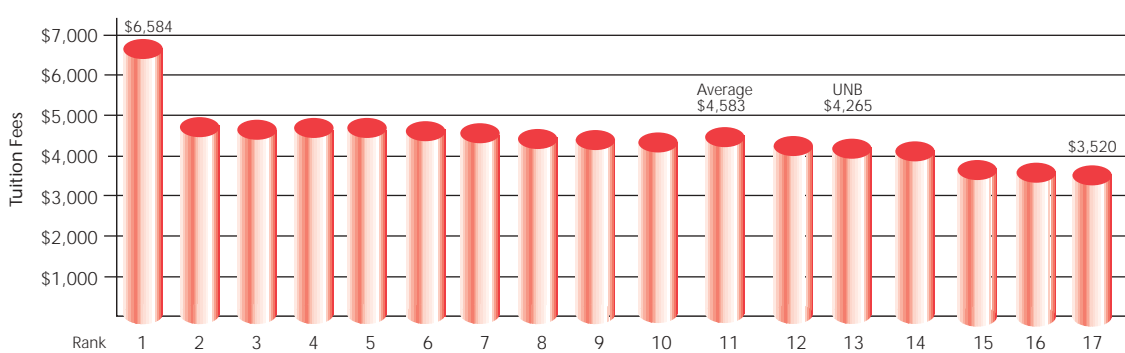
- In the past 10 years, the Varsity Reds program has produced 374 Academic All-Canadians
- UNB hosted the Canadian Interuniversity Sport (CIS) men's national hockey tournament in Fredericton in March 2003 and will do so again in 2004
- UNB has won 195 Maritime or Atlantic championship trophies, cups and banners since the first Maritime University championship in 1912 — more than any other university in Atlantic University Sport
- Varsity Reds swimmer Carla Geurts won three CIS gold medals, a CIS silver medal, and set a national record during the 2002-2003 season. Her teammate, Dan Monid, won a CIS silver medal
- Wrestlers Rene Harrison and Adam Valentiate captured gold and bronze, respectively, at the CIS national championships
- UNB's coaching staff is among the best in the country. In 2002, the men's cross country, men's basketball, women's wrestling, and men's wrestling coaches were named Atlantic University Sport Coaches of the Year, and in 2003, that honour went to the men's swimming coach
- The Seawolves' Adam Wilkins was named top keeper at the CCAA men's national soccer championship
- UNB also hosted the Canadian Colleges Athletic Association (CCAA) National Badminton Championships in Saint John in March 2003

FUNDING

The University of New Brunswick, with campuses in Fredericton and Saint John, and sites in Bathurst and Moncton, obtains all but a small part of its revenue from government grants and student tuition. Since 1987-88, the proportion derived from the provincial operating grant has steadily decreased while that paid by students in tuition and other fees has steadily increased.

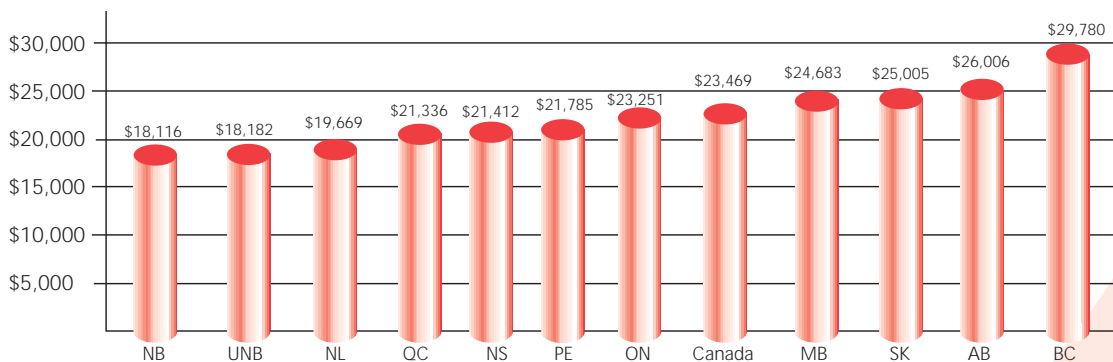
Despite this trend, UNB's tuition fees continue to be among the lowest in the region. Of the 17 colleges and universities in the Maritimes, there are only four with lower tuition than UNB.

Undergraduate Tuition Fees* Maritime Universities, 2002-2003



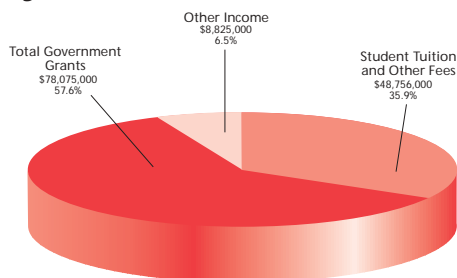
*General Arts Programs
Source: Association of Atlantic Universities, 2002-2003

Total University Income Per Full-time Equivalent (FTE) Student, 2000-2001 – UNB/Provinces and Canada



Source: CAUBO Financial Statistics 2000-2001, Statistics Canada for Student Enrolment Data

General Operating Income by Source, UNB 2001-2002



Source: UNB Financial Statistics, 2001-2002

UNB... Making a Significant Difference

- UNB established the first faculty of computer science in Canada and offered the first bachelor's, master's, PhD and co-op computer science programs in Atlantic Canada
- Begun in 1908, UNB's undergraduate forestry program is the longest running in Canada

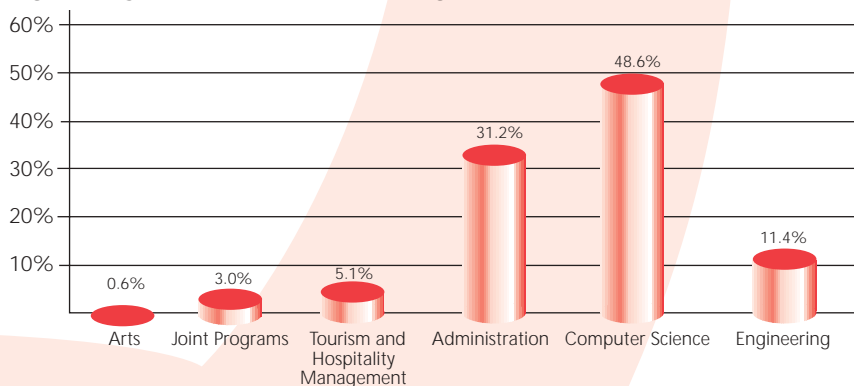
UNIVERSITY OF NEW BRUNSWICK
MAKING A SIGNIFICANT DIFFERENCE

CONNECTION TO COMMUNITY

Beyond academics, UNB has a significant impact on the communities in which it is located, and on the province as a whole.

- Over 28,000 UNB graduates reside in New Brunswick and contribute to the economy and life of the province. Many are volunteers, fundraisers and community leaders
- UNB alumni comprise the vast majority of professionals working in New Brunswick in the fields of engineering, education and forestry. For example, nearly 70 per cent of the engineers employed in New Brunswick graduated from UNB
- More than 75 per cent of UNB's nursing graduates choose to work and live in New Brunswick
- UNB contributes more than \$300 million annually to the province's gross domestic product and creates or maintains over 3,500 jobs
- UNB conducts more than half of the research and development carried out in New Brunswick
- Technology transfer and partnership programs are just two more ways in which UNB contributes to the prosperity of the business and industrial sectors
- The faculty of nursing has extended its reach into the community by opening a Community Health Clinic for the homeless in downtown Fredericton
- UNB's co-op and internship students provide employers with a regular infusion of fresh perspective and new skills
- UNB students contribute thousands of volunteer hours off campus each year, helping school children, youth with mental challenges, victims of abuse, and the needy, to name a few
- Charity fundraising by UNB students supports community food banks, hospitals, women's shelters, Child Find, and agencies such as the Canadian Cancer Society
- The College of Extended Learning is the outreach arm of the university, offering management development training, professional programs, distance education, part-time degree studies and adult learner services
- UNB also contributes to the cultural life of the province through its art galleries and programs, dramatic presentations, readings and lecture series, musicians-in-residence, and concerts

Co-operative Program Enrolment by Major Field of Study



Source: UNB Datatel Student Module Extracts, December 2002 data

Making a Significant Difference

UNB has left an indelible imprint on virtually every facet of life in New Brunswick — and it has done so for over 200 years.

Despite its long association with the people of this province, the role of UNB in New Brunswick is not very well understood. The university decided to do something about that by conceiving the *Making a Significant Difference* integrated marketing program.

Launched in September 2002, this ambitious multi-year program is designed to make New Brunswickers more aware of how important UNB is to the province. The program focuses on the UNB alumni, faculty and staff, who are making a fundamental contribution to the prosperity of New Brunswick.

In addition to TV and print ads, Year 1 of the program includes inserts in newspapers and magazines, media events, public relations activities, information kits, a Web site, direct e-mail, articles, and a speaking tour of New Brunswick by UNB's president.

By sharing our stories and successes, our achievements and accolades, we hope to stimulate a greater appreciation of our roles as educators, researchers and partners in New Brunswick's future. We hope to foster pride, especially among our 50,000 graduates, and to mobilize people — faculty, staff, students, parents, friends and alumni — to work on our behalf by communicating more effectively and more frequently about UNB. Our university.

COMMENTARY ON FINANCIAL OPERATIONS BY DANIEL V. MURRAY, VICE-PRESIDENT (FINANCE AND ADMINISTRATION)

2002-03 Financial Results

The Board of Governors of the University of New Brunswick approved a balanced operating budget for the 2002-03 fiscal year. The budget included strategic investments in academic quality, student services, graduate student teaching and research assistantships and scholarships. These investments were aimed at strengthening UNB's competitive position in key areas. The final financial results for the year illustrate that the overall budget objective was achieved as \$201,000 was applied towards reducing the accumulated operating deficit to \$3,034,000 as of April 30, 2003.

UNB experienced overall enrolment growth of nearly 6% in 2002-03. This growth exceeded budget expectations and provided the University with additional revenue during the year. This revenue was applied towards reserves for the purpose of sustaining future levels of endowment expenditures for scholarships and bursaries and towards much needed capital and infrastructure improvements.

Many individuals, corporations and other North American universities felt the impact of weakened financial markets in recent years. Investment returns on UNB endowment funds and on pension funds the University contributes to were also impacted by the markets. Endowment spending levels were sustained in 2002-03 by drawing upon reserves that had been accumulated in previous years when the markets provided better returns. Increased future levels of pension contributions or modifications in the extent of benefits will be required to address the impact of the poor investment markets on pension plans and other long-term post-retirement benefits.

Financial Planning

The Board of Governors approved a balanced operating budget for the 2003-04 fiscal year and is reviewing longer-term financial plans and options.

Thanks, in large part, to a multi-year funding plan from the Provincial Government and due to increased enrolment, the University is in a more stable fiscal environment within which to plan. The University is capitalizing on this environment by developing integrated, academic, research, student services and support plans that focus on UNB's strengths.

Many fiscal challenges continue to exist especially in the area of required capital renewal. These challenges will require continued fiscal diligence, focused planning and the attraction of additional funding.

UNB... Making a Significant Difference

- UNB's bachelor of science in forest engineering is the only accredited program of its kind in Canada
- UNB offers a unique series of courses in biocomputing and drug design
- UNB students have access to one of the most advanced computing networks in Canada
- UNB was the first university in Canada to offer a bachelor of health sciences degree
- UNB was the first university in Canada to establish a Web site, provide students with an e-mail account, enable students to apply online and offer students the first year of their degree program online
- Our creative writing program is widely acknowledged as one of the nation's best
- UNB offered the first BA in multimedia studies in Canada
- The majority of Mi'kmaq and Maliseet licensed teachers in the Maritimes earned their education degrees at UNB

THE UNIVERSITY OF NEW BRUNSWICK
for the year ended April 30, 2003

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 Association of University Business Officers and the Canadian Institute of Chartered Accountants. The financial statements present fairly the financial position of the University as at April 30, 2003, and the results of its operations and its cash flows for the year then ended.

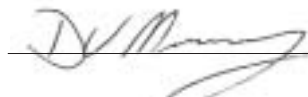
In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis 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, 2003 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, Ph.D.
President & Vice-Chancellor



D. V. Murray, C.A.
Vice-President
Finance and Administration

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**Deloitte
& Touche**

AUDITORS' REPORT

The Board of Governors,
The University of New Brunswick

We have audited the balance sheet of The University of New Brunswick as at April 30, 2003, and the 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 financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Chartered Accountants

Saint John, New Brunswick
August 22, 2003

**Deloitte
Touche
Tohmatsu**

UNIVERSITY OF NEW BRUNSWICK
MAKING A SIGNIFICANT DIFFERENCE

THE UNIVERSITY OF NEW BRUNSWICK BALANCE SHEET

as at April 30, 2003
(in thousands of dollars)

	2003	2002
ASSETS		
Current assets		
Cash and short-term deposits	\$ 24,002	\$ 27,116
Accounts receivable	17,020	15,025
Inventories (Note 4)	1,617	1,515
Prepaid expenses and deferred charges	<u>1,951</u>	<u>2,120</u>
	<u>44,590</u>	<u>45,776</u>
Long-term investments (Note 5)	101,240	100,808
Capital assets (Note 6)	<u>88,988</u>	<u>77,536</u>
	<u>190,228</u>	<u>178,344</u>
	<u>\$ 234,818</u>	<u>\$ 224,120</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 19,460	\$ 18,027
Unearned revenue	2,598	2,625
Current portion of long-term debt (Note 8)	<u>622</u>	<u>567</u>
	<u>22,680</u>	<u>21,219</u>
Long-term liabilities		
Deferred contributions (Note 7)	40,502	35,796
Long-term debt (Note 8)	7,398	6,971
Early retirement and employee benefit plans (Note 9)	37,236	33,633
Unamortized deferred capital contributions (Note 10)	<u>55,883</u>	<u>55,955</u>
	<u>141,019</u>	<u>132,355</u>
Net assets		
Accumulated operating deficit	(3,034)	(3,235)
Restricted for specific purposes (Note 11)	(762)	1,864
Invested in capital assets (Note 12)	18,191	14,043
Endowed (Note 13)	<u>56,724</u>	<u>57,874</u>
	<u>71,119</u>	<u>70,546</u>
	<u>\$ 234,818</u>	<u>\$ 224,120</u>

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

Approved:



David O'Brien, BBA, LLB, MScBA, QC
Chair, Board of Governors



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

PRESIDENT'S REPORT
2002-2003

THE UNIVERSITY OF NEW BRUNSWICK

STATEMENT OF OPERATIONS

for the year ended April 30, 2003
(in thousands of dollars)

	2003	2002
Revenues:		
Government grants	\$ 83,506	\$ 79,765
Tuition and related fees	54,390	47,468
Research grants and contracts	24,907	25,031
Ancillaries	13,552	13,032
Services and other income	10,555	8,849
Donations	5,567	7,004
Investment income	3,249	5,783
Amortization of deferred capital contributions (Note 10)	<u>8,105</u>	<u>8,015</u>
	<u>203,831</u>	<u>194,947</u>
Expenses:		
Instruction and non-sponsored research	81,756	76,685
Non-credit instruction	3,430	3,549
Research grants and contracts	27,425	23,912
Plant operations	14,334	13,875
Administration and general	15,396	13,755
Ancillaries	12,512	11,925
Library	9,121	8,988
Central computing	5,186	5,104
Student services	5,024	4,800
Scholarships and bursaries	3,648	3,542
Early retirement plan and retiring allowances (Note 9)	6,196	2,356
Property taxes (Note 15)	3,946	1,973
Amortization of capital assets	11,762	11,275
Other	<u>2,372</u>	<u>2,871</u>
	<u>202,108</u>	<u>184,610</u>
Excess of revenues over expenses before changes in net assets	<u>1,723</u>	<u>10,337</u>
Changes in:		
Net assets restricted for specific purposes	2,626	(8,731)
Net assets invested in capital assets (Note 12)	<u>(4,148)</u>	<u>(1,498)</u>
Decrease in accumulated operating deficit	<u>\$ 201</u>	<u>\$ 108</u>

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

THE UNIVERSITY OF NEW BRUNSWICK STATEMENT OF CHANGES IN NET ASSETS

for the year ended April 30, 2003
(in thousands of dollars)

	2003					2002
	Accumulated Operating Deficit	Restricted for Specific Purposes	Invested in Capital Assets	Endowed	Total	Total
Net assets, beginning of year	\$ (3,235)	\$ 1,864	\$ 14,043	\$ 57,874	\$ 70,546	\$ 58,395
Changes during the year						
Excess of revenues over expenses for the year	201	(2,626)	4,148	-	1,723	10,337
Capitalized income and other transfers	-	-	-	(2,652)	(2,652)	256
Endowment contributions	-	-	-	1,502	1,502	1,558
Net change during the year	<u>201</u>	<u>(2,626)</u>	<u>4,148</u>	<u>(1,150)</u>	<u>573</u>	<u>12,151</u>
Net assets, end of year	<u>\$ (3,034)</u>	<u>\$ (762)</u>	<u>\$ 18,191</u>	<u>\$ 56,724</u>	<u>\$ 71,119</u>	<u>\$ 70,546</u>

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

THE UNIVERSITY OF NEW BRUNSWICK

STATEMENT OF CASH FLOWS

for the year ended April 30, 2003
(in thousands of dollars)

	2003	2002
Operating activities		
Excess of revenues over expenses	\$ 1,723	\$ 10,337
Add (deduct) non-cash items		
Amortization of capital assets	11,762	11,275
Amortization of deferred capital contributions	(8,105)	(8,015)
Early retirement plan and retiring allowances	6,196	2,356
Net increase (decrease) in employee benefit plan liability	(59)	(1,448)
Net change in non-cash working capital balances (Note 16)	<u>(522)</u>	<u>424</u>
	<u>10,995</u>	<u>14,929</u>
Investing activities		
Net increase in long-term investments	(432)	(4,829)
Capital asset acquisitions	<u>(23,214)</u>	<u>(11,301)</u>
	<u>(23,646)</u>	<u>(16,130)</u>
Financing activities		
Net increase in long-term debt	482	464
Early retirement benefit and retiring allowance payments	(2,514)	(2,133)
Capital contributions received	8,034	6,079
Net increase (decrease) in deferred contributions	4,706	(2,709)
Endowment contributions	1,502	1,558
Increase (decrease) in endowment inflation reserves	(2,652)	305
Other	<u>(21)</u>	<u>206</u>
	<u>9,537</u>	<u>3,770</u>
Net increase (decrease) in cash and short-term deposits	(3,114)	2,569
Cash and short-term deposits, beginning of year	<u>27,116</u>	<u>24,547</u>
Cash and short-term deposits, end of year	<u>\$ 24,002</u>	<u>\$ 27,116</u>

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

THE UNIVERSITY OF NEW BRUNSWICK NOTES TO THE FINANCIAL STATEMENTS

for the year ended April 30, 2003
(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.

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). 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 period. Actual amounts could differ from those estimates.

A summary of significant accounting policies is as follows:

a) 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.

b) 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.

(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.

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.

c) 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.

d) 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.

e) 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
Furniture and Equipment	10 years
Computer Hardware and Software	5 years

f) 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 9.

g) 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.

h) 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 11.

3. Fund Accounting Results

The following schedule summarizes the financial results for the University's unrestricted operating accounts for 2003 by campus, with comparative information for 2002 for the two campuses combined. To facilitate a comparison of actual operating results with the University's unrestricted operating budget, early retirement plan expense and retiring allowance expense are reported on a cash basis.

THE UNIVERSITY OF NEW BRUNSWICK NOTES TO THE FINANCIAL STATEMENTS

for the year ended April 30, 2003
(in thousands of dollars)

	2003			2002
	Fredericton Campus	Saint John Campus	Total	Total
Revenues				
Provincial operating grant			\$ 77,592	\$ 76,264
Tuition and related fees	\$ 65,624	\$ 11,968	54,390	47,468
Ancillary operations	40,099	14,291	14,510	13,993
Services and other	11,983	2,527	11,496	10,303
Transfers from (to) other funds	10,581	915	2,189	3,998
	2,792	(603)		
	<u>131,079</u>	<u>29,098</u>	<u>160,177</u>	<u>152,026</u>
Expenses				
Operating	113,631	24,762	138,393	131,267
Ancillary operations	12,953	2,544	15,497	14,199
Early retirement and retiring allowances	2,209	305	2,514	2,198
	<u>128,793</u>	<u>27,611</u>	<u>\$ 156,404</u>	<u>\$ 147,664</u>
Excess of revenues over expenses	2,286	1,487	3,773	4,362
Changes in internal restrictions	(2,173)	(1,399)	(3,572)	(4,254)
Net change in unrestricted fund balance	\$ 113	\$ 88	\$ 201	\$ 108
Budgeted change in unrestricted fund balance	\$ 0	\$ 0	\$ 0	\$ 0

4. Inventories

	2003	2002
Bookstores	\$ 889	\$ 851
Physical Plant	594	567
Chemistry Department	134	97
	<u>\$ 1,617</u>	<u>\$ 1,515</u>

5. Long-term Investments

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

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 985	\$ 985	\$ 992	\$ 992
Fixed income securities	38,991	38,705	39,598	39,118
Equity securities	61,264	54,113	60,218	58,877
	<u>\$ 101,240</u>	<u>\$ 93,803</u>	<u>\$ 100,808</u>	<u>\$ 98,987</u>

Fair values have been determined on the basis described in Note 17 and are considered to approximate market values.

The carrying value of equity securities was reduced by \$4,500 as at April 30, 2003, to recognize declines in market value considered by management to be other than temporary. Based on the characteristics of the underlying trust and endowment accounts, this \$4,500 reduction in the carrying value of long-term investments also resulted in the following adjustments to financial statement amounts:

Decrease in:		
Deferred contributions		\$ 925
Accounts payable and unearned revenue		248
Endowed net assets		2,652
Net assets restricted for specific purposes		675
		<u>\$ 4,500</u>

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 4.25% to 10.125% with maturities that range from 2003 to 2032.

6. Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 772	\$ -	\$ 772	\$ 772
Buildings	186,756	126,483	60,273	53,257
Roads and Tunnels	3,417	3,139	278	188
Furniture and Equipment	52,757	33,893	18,864	14,676
Computer Hardware and Software	45,023	36,222	8,801	8,643
	<u>\$ 288,725</u>	<u>\$ 199,737</u>	<u>\$ 88,988</u>	<u>\$ 77,536</u>

7. Deferred Contributions

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

Changes in the balance of deferred contributions are as follows:

	2003	2002
Balance, beginning of year	\$ 35,796	\$ 38,505
Increases during the year: Restricted contributions received	48,942	35,999
Decreases during the year: Transferred to unamortized deferred capital contributions	(7,861)	(6,079)
Recognized as revenue	(35,450)	(32,629)
Change due to write-down of investments	(925)	-
Balance, end of year	<u>\$ 40,502</u>	<u>\$ 35,796</u>

The balance is made up of the following:

	2003	2002
Sponsored research	\$ 20,644	\$ 16,397
Unexpended restricted donations	14,380	14,840
Unexpended endowment income	5,478	4,559
	<u>\$ 40,502</u>	<u>\$ 35,796</u>

8. Long-term Debt

Long-term debt consists of:

	2003	2002
Mortgages payable	\$ 1,170	\$ 4,393
Bank loans	6,850	3,145
	8,020	7,538
Less: Current portion	(622)	(567)
	<u>\$ 7,398</u>	<u>\$ 6,971</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	2003	2002
5 3/8 %	2013	\$ 796	\$ 855
5 3/8 %	2016	374	392
6 7/8 %	2020	-	1,948
7 7/8 %	2022	-	1,198
		<u>\$ 1,170</u>	<u>\$ 4,393</u>

(b) Bank Loans

Bank loans include the following:

	Interest Rate	Maturity Date	2003	2002
Student Union Building	6.90 %	2008	\$ 682	\$ 795
Residence Improvements	6.64 %	2013	3,050	2,350
Residence Buildings	6.45 %	2020	1,920	-
Residence Buildings	6.50 %	2022	1,198	-
			<u>\$ 6,850</u>	<u>\$ 3,145</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 \$25 per student annual Student Union Building Expansion Fee levied by the Student Union on all full-time students on the Fredericton Campus.

The Residence Improvement loan includes the first four of five annual advances under a Fixed Rate Term Loan Agreement to finance residence building improvements on the Fredericton Campus. The Agreement provided for total borrowing of \$4.8 million to be implemented at the rate of \$960 thousand per year for five years. 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 THE FINANCIAL STATEMENTS

for the year ended April 30, 2003 (in thousands of dollars)

On May 1, 2002 the 6 7/8% and 7 7/8% 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 have the same term to maturity as the original mortgages, 2020 and 2022 respectively. 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 bankers acceptance floating interest rates for fixed interest rates of 6.45% and 6.50% respectively.

(c) Interest paid on long-term debt amounted to \$507 for the year ended April 30, 2003 (2002-\$462).

(d) Principal payments required on long-term debt in each of the next five years are as follows:

2004	2005	2006	2007	2008
\$622	\$638	\$681	\$726	\$760

9. Early Retirement and Employee Benefit Plans

Details of this liability are as follows:

	2003	2002
Early retirement plan	\$ 21,340	\$ 19,641
Retiring allowance	14,502	12,538
Other employee benefit plans	1,394	1,454
	<u>\$ 37,236</u>	<u>\$ 33,633</u>

(a) Early Retirement Plan and Post-Retirement Benefits

Academic employees who have retired under the terms of a supplementary early 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.

Changes in the early retirement plan liability are as follows:

	2003	2002
Balance, beginning of year	\$ 19,641	\$ 20,139
Increases during the year:		
Interest on benefit obligation	1,313	1,306
Retirements	352	-
Actuarial loss (gain)	1,767	(237)
Decreases during the year:		
Benefits paid	<u>(1,733)</u>	<u>(1,567)</u>
Balance, end of year	<u>\$ 21,340</u>	<u>\$ 19,641</u>

Details of early retirement plan expenses are as follows:

	2003	2002
Interest on liability	\$ 1,313	\$ 1,306
Retirements during the year	352	-
Net investment loss (gain) on internal fund	22	(322)
Actuarial loss (gain)	<u>1,764</u>	<u>(237)</u>
	<u>\$ 3,451</u>	<u>\$ 747</u>

The estimated amount of early retirement benefit payments which will be made in 2004 is \$1,566.

(b) Retiring Allowances

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.

Changes in the retiring allowance liability are as follows:

	2003	2002
Balance, beginning of year:	\$ 12,538	\$ 11,561
Increases during the year:		
Current service cost	823	773
Interest on benefit obligation	938	836
Actuarial loss	984	-
Decreases during the year:		
Retiring allowances paid	<u>(781)</u>	<u>(632)</u>
Balance, end of year	<u>\$ 14,502</u>	<u>\$ 12,538</u>

Details of retiring allowance expense are as follows:

	2003	2002
Current service cost	\$ 823	\$ 773
Interest on benefit obligation	938	836
Actuarial loss	984	-
	<u>\$ 2,745</u>	<u>\$ 1,609</u>

The estimated amount of retiring allowance payments which will be made in 2004 is \$806.

(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:

	2003	2002
Health and Dental Plan	\$ 168	\$ 187
Long-term Disability Plan	<u>1,226</u>	<u>1,267</u>
	<u>\$ 1,394</u>	<u>\$ 1,454</u>

10. 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:

	2003	2002
Balance, beginning of year	\$ 55,955	\$ 58,987
Increases during the year:		
Purchases of externally funded capital assets	8,033	6,079
Decreases during the year:		
Recognized as revenue	(8,105)	(8,015)
Disposal of externally funded capital assets	<u>-</u>	<u>(1,096)</u>
Balance, end of year	<u>\$ 55,883</u>	<u>\$ 55,955</u>

11. 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.

Net assets restricted for specific purposes also includes certain amounts related to unused vacation pay entitlement for support staff, the unfunded portion of the early retirement plans, and the unfunded retiring allowance liability. This is to reflect the fact that the majority of these payments will be made in years subsequent to the expenditure being incurred.

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:

	2003	2002
General Operating		
Departmental non-salary carryovers	\$ 9,923	\$ 9,411
Departmental share of contract overhead income	<u>1,308</u>	<u>1,875</u>
	<u>11,231</u>	<u>11,286</u>
Specific Purposes		
Donations restricted by the Board	5,040	4,403
Unexpended income on internal endowments	1,455	1,495
Reserve for future endowment spending	1,600	-
Indirect research and other non-recurring expenditures	822	3,164
Contingency for energy costs	500	500
Systems and equipment replacement	463	870
Capital requirements	4,773	4,098
Other operational priorities	<u>2,006</u>	<u>2,508</u>
	<u>16,659</u>	<u>17,038</u>
Unfunded Employee Benefits		
Early retirement plans	(12,803)	(12,580)
Retiring allowances	(14,502)	(12,538)
Staff unused vacation pay entitlement	<u>(1,347)</u>	<u>(1,342)</u>
	<u>(28,652)</u>	<u>(26,460)</u>
	<u>\$ (762)</u>	<u>\$ 1,864</u>

THE UNIVERSITY OF NEW BRUNSWICK NOTES TO THE FINANCIAL STATEMENTS

for the year ended April 30, 2003
(in thousands of dollars)

12. Net Assets Invested In Capital Assets

Net assets invested in capital assets consists of the following:

	2003	2002
Capital assets	\$ 88,988	\$ 77,536
Amounts financed by long-term debt	(8,020)	(7,538)
Amounts financed by working capital	(6,894)	-
Unamortized deferred capital contributions (Note 10)	<u>(55,883)</u>	<u>(55,955)</u>
Net assets invested in capital assets	<u>\$ 18,191</u>	<u>\$ 14,043</u>

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

	2003	2002
Increases in net assets invested in capital assets		
Purchases of capital assets funded from operations	\$ 15,180	\$ 5,222
Less: Purchases funded by long-term debt	(960)	(960)
Less: Purchases funded by working capital	(6,894)	-
Repayment of long-term debt	<u>479</u>	<u>496</u>
	<u>7,805</u>	<u>4,758</u>
Decreases in net assets invested in capital assets		
Amortization expense	(11,762)	(11,275)
Less: Amortization of deferred capital contributions (Note 10)	<u>8,105</u>	<u>8,015</u>
	<u>(3,657)</u>	<u>(3,260)</u>
Net increase in net assets invested in capital assets	<u>\$ 4,148</u>	<u>\$ 1,498</u>

13. Endowed Net Assets

Endowed net assets consists 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, if any. 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.

Total endowments are as follows:

	2003	2002
Externally endowed	\$ 49,150	\$ 49,945
Internally endowed	<u>7,574</u>	<u>7,929</u>
Total endowments	<u>\$ 56,724</u>	<u>\$ 57,874</u>

14. Contingent Liabilities

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.

15. Property Taxes

Prior to January 1, 2002 the Province funded property taxes directly for New Brunswick universities. In 2002, the Province provided the universities with funding equal to the 2002 tax bills. An amount of \$5,919 was provided to the University of New Brunswick, which was used by the University to pay its 2002 tax bill. The Province has indicated that it will be funding university property taxes directly in 2003.

The 2002 financial statements included a provision of \$1,973 as accrued property tax expense and accrued Provincial restricted operating grant revenue to reflect the portion of 2002 property taxes applicable to the 2002 fiscal year. The 2003 statements include property tax expense and provincial restricted operating grant revenue in the amount of \$3,946 reflecting the portion of 2002 property taxes applicable to the 2003 fiscal year.

16. 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 non-cash working capital balances related to operations consists of the following:

	2003	2002
Accounts receivable	\$ (1,995)	\$ (2,576)
Inventories	(102)	(47)
Prepaid expenses and deferred charges	169	(250)
Accounts payable and accrued liabilities	1,433	4,004
Unearned revenue	<u>(27)</u>	<u>(707)</u>
	<u>\$ (522)</u>	<u>\$ 424</u>

17. 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 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.

18. 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 \$2,697 (2002-\$2,551).

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 and benefits paid during the year follows:

	2003	2002
University contributions	\$ 4,210	\$ 3,872
Employee contributions	4,210	3,872
Retirement benefits paid	3,220	3,216

The most recent actuarial valuation of the Plan for funding purposes was carried out as at July 1, 2002. The valuation reported an unfunded liability of \$22,519, determined as follows:

Market value of net assets available for benefits	\$ 71,181
Market value losses not reflected in actuarial value of net assets	<u>6,610</u>
Actuarial value of net assets available for benefits	77,791
Actuarial accrued benefit obligation	<u>100,310</u>
Net plan deficit	<u>\$ (22,519)</u>

Based on the results of this valuation, the University and the AUNBT have agreed to amend the Plan to provide for certain benefit reductions, and increased member and University contribution rates effective July 1, 2003. The rate increases will result in additional contributions of approximately \$750 thousand in 2003-2004 from each of the University and employees. The University and the AUNBT have agreed to continue to review the Plan with a view to further changes in benefits and/or contribution rates.

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

Discount rate	7.25%
Expected long-term rate of return on plan assets	7.25%
Salary escalation rate	3.5% Plus promotional increases

19. Comparative Figures

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

MISSION STATEMENT

The University of New Brunswick, with campuses in Fredericton and Saint John, and with its diverse programs and varied activities, strives:

- to be known for its excellence in teaching by providing students with the highest possible quality instruction, library, and laboratory resources which are appropriate for both undergraduate and graduate learning, and an environment conducive to the development of the whole person;
- to achieve national and, in selected areas, international recognition for its research programs by capitalizing on its comparative advantages and by maximizing the benefits to be derived from its two-campus structure through reinforcement and enhancement of their individual strengths;
- to serve New Brunswick, the Atlantic Region, and the Nation through the provision of broadly educated graduates, and through the development of applied programs involving the private sector and government agencies;
- to co-operate with governments and post-secondary institutions in developing a coherent system of advanced education, and to recognize the need for long-term financial stability and accountability;
- to serve as a source of information and expertise to help society understand and deal with the major issues and opportunities of our time;
- to encourage the development of a network of international co-operation in teaching, research, and community development;
- to be a responsible and responsive employer.

MAKING A SIGNIFICANT DIFFERENCE

UNB is a leading, national university that is fundamentally important to New Brunswick and New Brunswickers. We believe that:

- **New Brunswick students deserve a first-rate education**, and it should be equal to that offered anywhere in Canada. To this end, we are striving to maintain the high quality of education our students receive.
- **Our graduates must be prepared to compete internationally.** Opportunities know no boundaries, so our graduates must be able to hold their own with the best and brightest anywhere.
- **We must provide knowledge and skills on par with the rest of the world** if we are to be effective partners with government and business in creating greater prosperity for the people of New Brunswick and Canada.
- **Knowledge and innovation are the cornerstones of today's economy.** When UNB's knowledge, research, and capacity for innovation are on the leading edge, we all prosper.
- **UNB can help attract and retain those who will help transform our economy and our society.** By maintaining our reputation and national rank, UNB is a talent magnet able to compete for researchers and professors who will make a significant difference in New Brunswick.
- **UNB secures New Brunswick's place in a national community of ideas.** We have a responsibility to be this Province's voice on issues relating to innovation, culture, human resource development, technology, and the knowledge-based economy.

To learn more about UNB's commitment to making a significant difference, visit www.unb.ca/unbdifference.

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