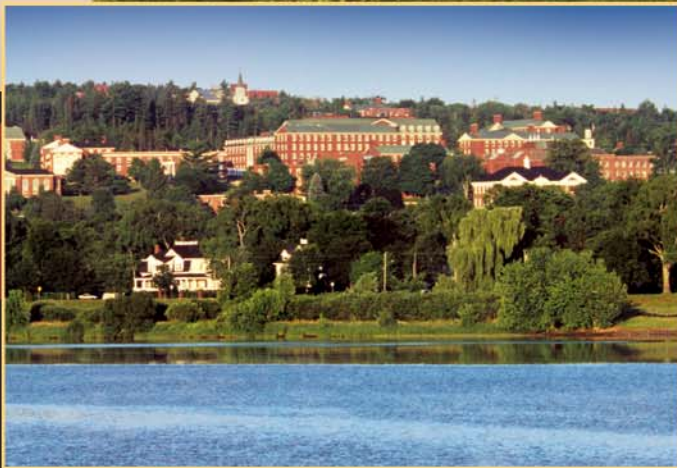


UNIVERSITY OF NEW BRUNSWICK

PRESIDENT'S REPORT
2003-2004



MAKING A SIGNIFICANT
DIFFERENCE

UNIVERSITY OF NEW BRUNSWICK BOARD OF GOVERNORS MEMBERS, 2003-2004

Ex-Officio Members (10)

Richard J. Currie, (Chancellor)
John D. McLaughlin (President)
Angelo N. Belcastro (VP Academic)
Kathryn E. Hamer (VP Saint John)
Daniel V. Murray (VP Finance & Admin.)
Gregory S. Kealey (VP Research)
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)

Estey, George
Fairweather, Roxanne
Howie, Robert
Little, John
McCain, Kathryn
McFadyen, Nancy
O'Brien, David
Roy, Georges
Stevenson, David

Appointed by Associated Alumni(ae) (5)

Gregg, Margie
McAllister, Sally
Neill, Marti-Lou
Ratcliff, Kevin
Scott, Richard

Appointed by Board of Governors (5)

Baxter, Brian
Ganong, David
Lordon, Pauline
McGrath, Anne Marie
Squibb, Wayne

Elected by Faculty Members, Fredericton (4)

Bisson, Barry G.
Kuttner, Thomas
Passaris, Constantine
Tryphonopoulos, Demetres

Elected by Faculty Members, Saint John (2)

Clark, Roberta
Hill, Rod

Appointed by the New Brunswick Teachers' Association (1)

Bawn, Brian

Elected by Students, Fredericton (2)

Campbell, John
Chotai, Milan

Elected by Students, Saint John (1)

Griffith, Kelly

Governors Emeriti (4)

Condon, Thomas J.
Gillin, M. Patrick
Lynch, M. Louise, Q.C.
Tweeddale, Reginald E.

BOARD OF GOVERNORS COMMITTEES, 2003-2004

Audit Committee

Ratcliff, K. – Chair
Callbeck, C.
Gregg, M.
Guitard, L.
Little, J.
McCain, K.
McLaughlin, J.
Murray, C.
Squibb, W.
Strople, S.

Executive Committee

McLaughlin, J. – Chair
Strople, S. – Secretary
Ganong, D.
McAllister, S.
McGrath, A. M.
O'Brien, D.
Stevenson, D.
Tryphonopoulos, D.

External Relations Committee

McCain, K. – Chair
Armstrong, L.
Christensen, L.
Emerson, D.
Fairweather, R.
Gregg, M.

Griffith, K.
Hazlett, M.
Howie, B.
Hull, L.
McLaughlin, J.
Mesheau, S.
Montague, S.
Morell, J.
Neil, M. L.
Nolan, R.
O'Brien, D.
Roy, G.

Finance Committee

Stevenson, D. – Chair
Baxter, B.
Belcastro, A.
Callbeck, C.
Chotai, M.
Estey, G.
Fairweather, R.
Ganong, D.
Gonnason, T.
Guitard, L.
Hamer, K.
Kealey, G.
McLaughlin, J.
Montague, S.
Murray, D.
O'Brien, D.
Strople, S.

Human Resources Committee

McGrath, A. M. – Chair
Belcastro, A.
Boswell, T.
Ganong, D.
Hamer, K.
Lordon, P.
MacDougall, P.
McLaughlin, J.
Murray, D.
Neil, M. L.
O'Brien, D.

Investments Committee

O'Brien, D. – Chair
Baxter, B.
Campbell, J.
Estey, G.
Gerow III, W. H.
Guitard, L.
Hill, R.
McLaughlin, J.
Montague, S.
Murray, D.
Ratcliff, K.
Schofield, M.
Scott, I. T.
Stevenson, D.
Strople, S.

Ward, E.
Wheatley, S.

Magee Loan Committee

McLaughlin, J. – Chair
Bonner, K.
Clark, R.
Clayton, S.
Forrestall, A.
Gregg, M.
Griffith, K.
Guitard, L.
Neill, M. L.
Strople, S.

Nominating and Review Committee

Stevenson, D. – Chair
Ganong, D.
Kuttner, T.
McAllister, S.
McLaughlin, J.
O'Brien, D.
Strople, S.

Nominations to the Office of the Chair and Vice-Chair of the Board

Chotai, M.
McAllister, S.

McGrath, A. M.
Passaris, C.
Strople, S.

Properties Committee

Squibb, G. W. – Chair
Belcastro, A.
Boswell, T.
Callbeck, C.
Gillin, M. P.
Guitard, L.
Hamer, K.
Kealey, G.
Kuttner, T.
McFadyen, N.
McLaughlin, J.
Murray, D.
Roy, G.
Ryan, M.

University Honorary Degrees Committee

McLaughlin, J. – Chair
Kuttner, T.
McCain, K.
Scott, R.

A MESSAGE FROM PRESIDENT MCLAUGHLIN



It is an exciting time to be president of the University of New Brunswick.

In January 2004 we kicked off the family component of our new capital campaign, Forging Our Futures. This campaign will move the university into the future, and I'm very pleased that a UNB alumnus, Allison McCain, chairman of McCain Foods, is leading that process as our campaign chair.

The campaign got a tremendous jump start in February when another UNB alumnus, William S. Lewis, donated \$2.5 million – the largest donation the university has ever received from a living graduate. This landmark gift will create a prestigious fellowship for doctoral students, which in turn will help us to attract some of the best graduate students in the world.

In 2003-04 our strategy to attract high-quality students and research funding really paid off: UNB recorded the largest increase in graduate student enrolment in the country and the largest total enrolment increase in the Atlantic region.

Not only are we attracting more students, we're attracting better students. This fall, the number of students entering undergraduate programs with a scholarship average of 90 per cent or better increased by nearly 50 per cent.

Within our national peer group of comprehensive universities, UNB experienced the largest increase in grant funding – over 41 per cent – between 1999 and 2003.

We are moving forward with strategic plans to guide the management and development of the university's land endowment as well as the Fredericton and Saint John campuses.

We're also in the process of effecting change with a new Strategic and Academic Plan. This plan will sustain and enhance our status as a national comprehensive university.

In 2004, we launched Year 3 of our Making a Significant Difference campaign. This award-winning campaign is fostering and reinforcing public understanding of UNB's important role in New Brunswick. We also initiated a dialogue with New Brunswickers, Next NB/Avenir N-B, with a view to transforming New Brunswick society – economically, socially and culturally.

All these initiatives move us closer to achieving the goals I articulated at the first of my term: 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.

This year we celebrated the 175th anniversary of a landmark building on the Fredericton campus and opened a state-of-the-art student residence in Saint John. We celebrated 150 years of engineering education and launched an innovative program that changes the way adult learners pursue a post-secondary degree. This year also marked the 40th anniversary of the establishment of UNB Saint John.

While UNB is an institution steeped in tradition, we are not resting on our laurels. We are driving the engine of change in New Brunswick and transforming ourselves to be competitive and relevant far into the future.



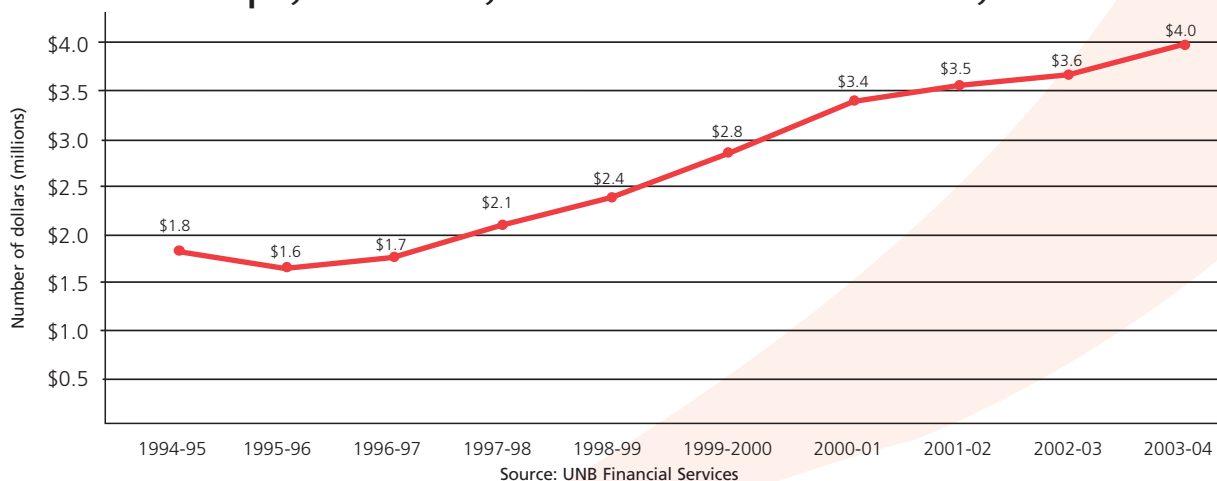
John D. McLaughlin
President and Vice-Chancellor

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.

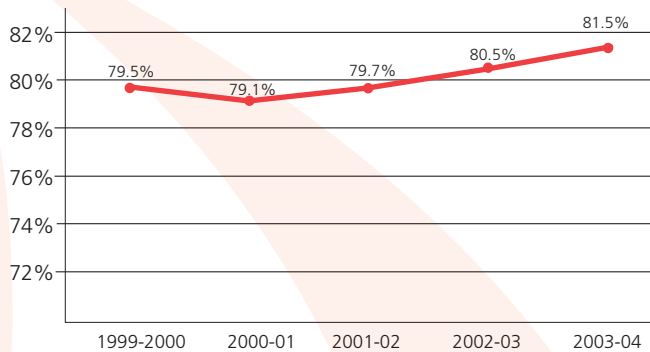
- Doug Willms, Canada Research Chair in Human Development, received a \$3-million grant to help disadvantaged children succeed in the classroom. The grant, the largest ever awarded by SSHRC to a UNB researcher, was ranked first out of 44 applications across Canada.
- For the third consecutive year, UNB students captured first place at the national Model NATO Conference in Ottawa.
- Erin Walton, a PhD candidate in planetary geology, was featured in a *Maclean's* special report, The Best and Brightest, and is the recipient of a new Canadian Space Agency award for her work on Martian meteorites.
- UNB garnered top national honours for teaching, research and innovation in 2003. Pierre Zundel, a professor of forestry and leadership studies, was awarded a 3M Teaching Fellowship; biologist Gary Saunders received NSERC's prestigious Steacie Fellowship; and Nancy Mathis, who commercialized the technology she developed as a PhD student, won the Manning Foundation's \$100,000 Principal Award for Innovation.
- For the second year in a row, 100 per cent of the nursing graduates from UNB Saint John passed the demanding Canadian National Regulatory Exam.
- Education professor Dianne Conrad received an international distance education award, the Charles Wedemeyer Award for Excellence in Research.
- John Dawe, civil engineering, received the international 2003 John B. Scalzi Award from The Masonry Society for his outstanding contributions to masonry research.
- The Student Investment Fund Team took first place at the international RISE (Redefining Investment Strategy Education) competition in Ohio.
- Nursing professor Margaret Dykeman received the 2003 Award of Excellence from the Canadian Association of Nurses in AIDS Care. She is also a member of the federal government's Ministerial Council on HIV/AIDS.
- Arun Valsangkar received the Geoffrey Meyerhof Award from the Canadian Geotechnical Society for his exceptional contributions to the art and science of foundation engineering.
- UNB was awarded five more prestigious Canada Research Chairs in 2003-04 — bringing our total to 14.
- Wiktor Askanas, faculty of administration, was awarded the Order of Poland for his contribution to the well-being of Polish society. He also received the National Post Leaders in Management Education Award.
- Arts student David Shipley was appointed chair of the Canadian University Press.
- Nancy Strickland, field director of the UNB Bhutan Project, received the World University Service of Canada Individual Award for her role as a global citizen and her commitment to international development.
- Biologist Tillmann Benfey is the 2003 recipient of the Aquaculture Association of Canada's Research Award of Excellence.
- Silke Klenk, International Liaison Office, was one of only 12 Canadians chosen to take part in a Canadian German Young Leaders Forum administered by the government of Germany.

Scholarships, Bursaries, and Prizes — Total Funds, 1994-95 to 2003-04



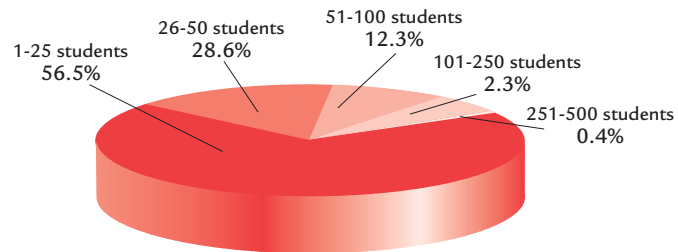
UNIVERSITY OF NEW BRUNSWICK
MAKING A SIGNIFICANT DIFFERENCE

Entering Grade Average of First-Year, Full-time Students, 1999-00 to 2003-04



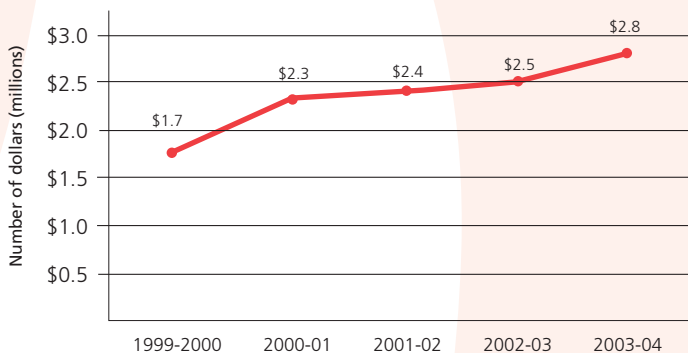
Source: Maclean's historical survey data, 1999-2000 to 2003-2004.

Total Undergraduate Class Sizes, 2003-04



Source: UNB Datatel Student Module extracts, 2003-04.

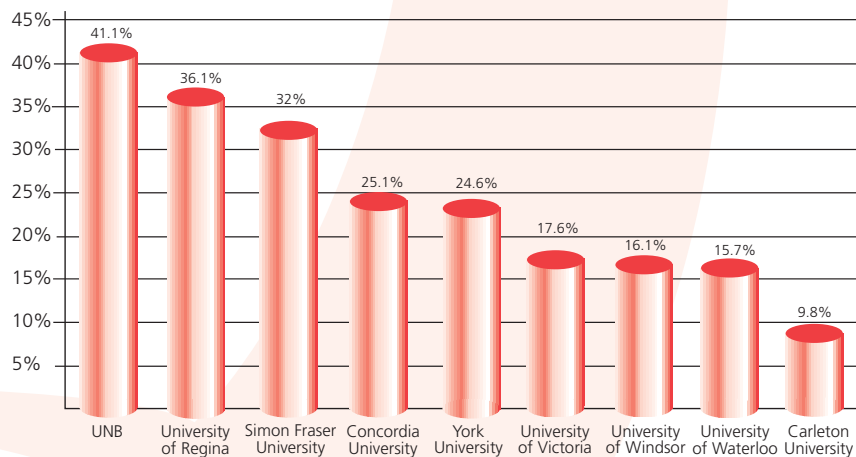
Total Entrance/Undergraduate Scholarships at UNB, 1999-00 to 2003-04



Source: Undergraduate Student Awards, Registrar's Office.

UNB and Peer Institutions' Research Funding

Percent Growth from 1999-2000 to 2002-03 (Combined Total: NSERC, SSHRC, CIHR, NCE)

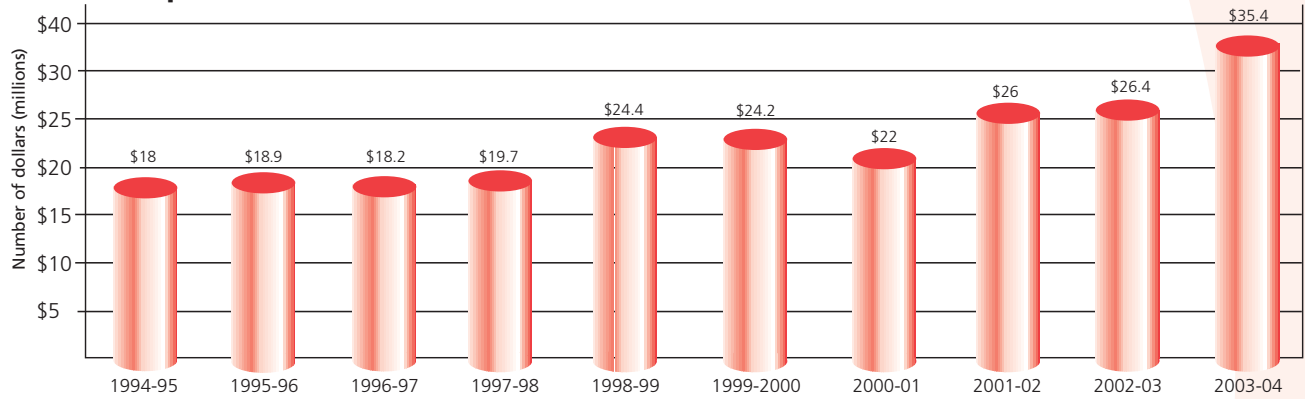


Source: UNB Research Services; Canada Research Chair Allocation.

Innovative Programs

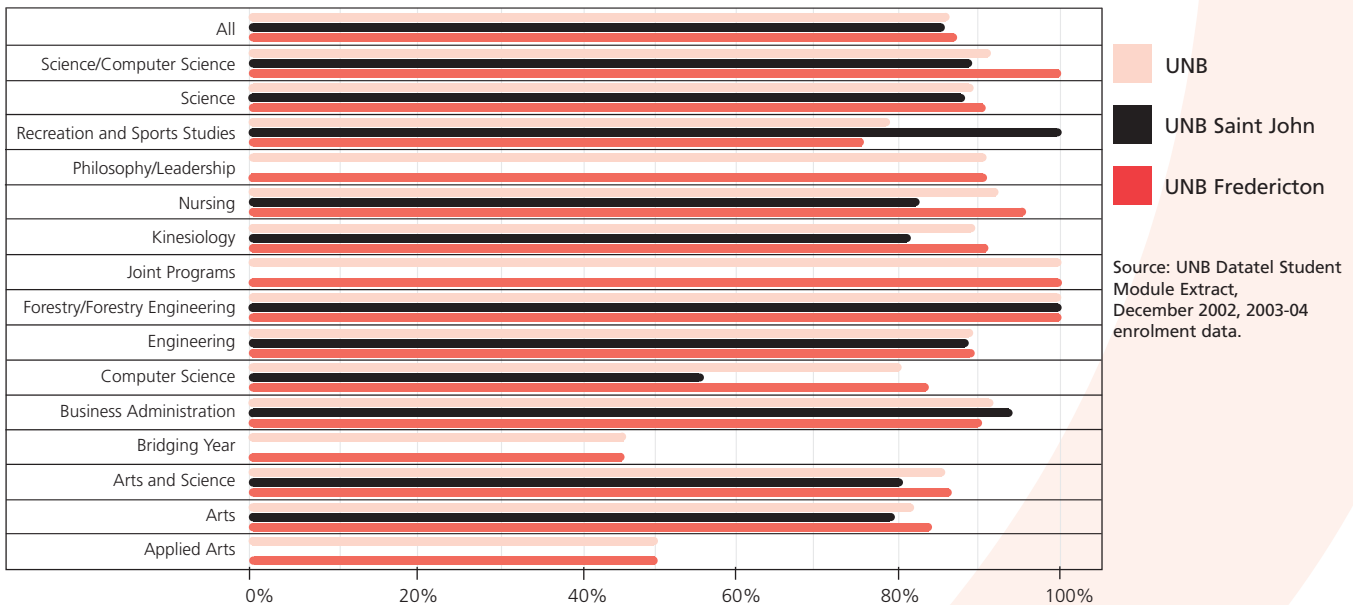
- Renaissance College, with its focus on experiential learning, offers the only program of its kind in Canada — a bachelor of philosophy in interdisciplinary leadership studies.
- A new bachelor of integrated studies program enables adult learners to complete an academic degree in a flexible learning environment.
- UNB's articulated programs in health sciences are meeting the needs of an ever-changing health-care environment. The bachelor of health sciences degree — with streams in radiology, radiography, respiratory therapy and nuclear medicine — is delivered in partnership with hospitals, community colleges and regional health authorities.
- The 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.

UNB-Sponsored Research Income: 1994-95 to 2003-04



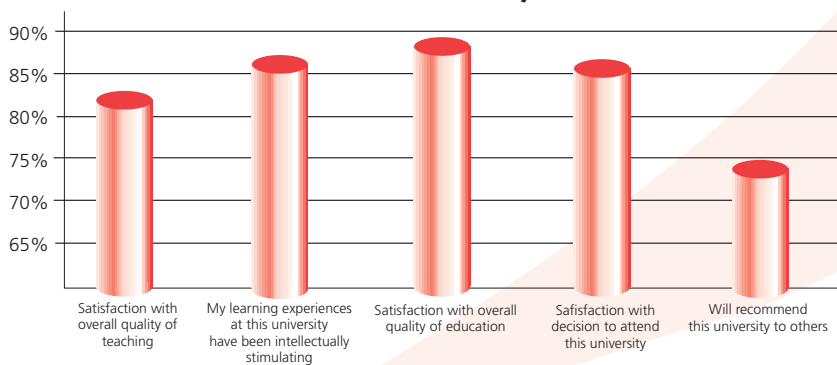
Source: UNB Financial Services.

Retention Rate: Percentage of Students First Enrolled in 2002 Remaining at UNB in 2003-04



Source: UNB Datatel Student Module Extract, December 2002, 2003-04 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: Office of Institutional Research and Analysis. Graduating Students Survey 2004.

ENROLMENT AND DIVERSITY OF STUDENT BODY

Attracted by world-renowned programs and researchers, students come to UNB from across Canada and around the globe.

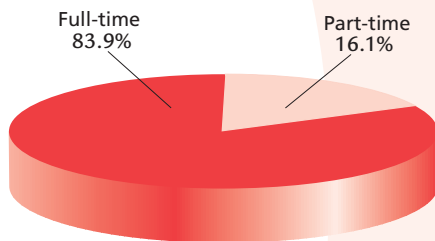
With 76 countries represented, UNB has one of the largest and most diverse populations of international students in Atlantic Canada. Numbering nearly 1,500, international students constitute 12 per cent of the overall student body — 24 per cent on the Saint John campus.

In 2003-04, UNB had the largest enrolment increase of any university in Atlantic Canada, 11.9 per cent.

UNB also recorded the largest increase in graduate enrolment in the country for 2003-04, 15 per cent.

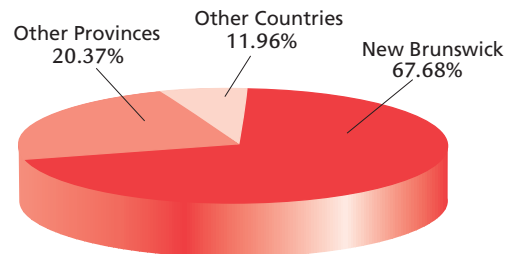
At Dec. 1, 2003, UNB's total enrolment was 12,545 students. There were 7,080 full-time and 1,020 part-time students enrolled in undergraduate programs in Fredericton and another 2,516 full-time and 583 part-time undergraduates in Saint John. The total graduate student enrolment on both campuses was 1,346 students.

UNB Total Student Enrolment by Status, December 2003



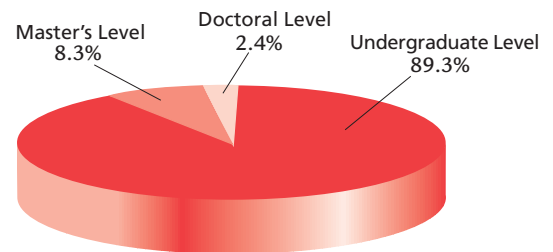
Source: UNB Datatel Student Module Extract, December 2003 enrolment data.

UNB Total Student Enrolment by Geographic Distribution, December 2003



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

UNB Total Student Enrolment by Level, December 2003



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

Athletics

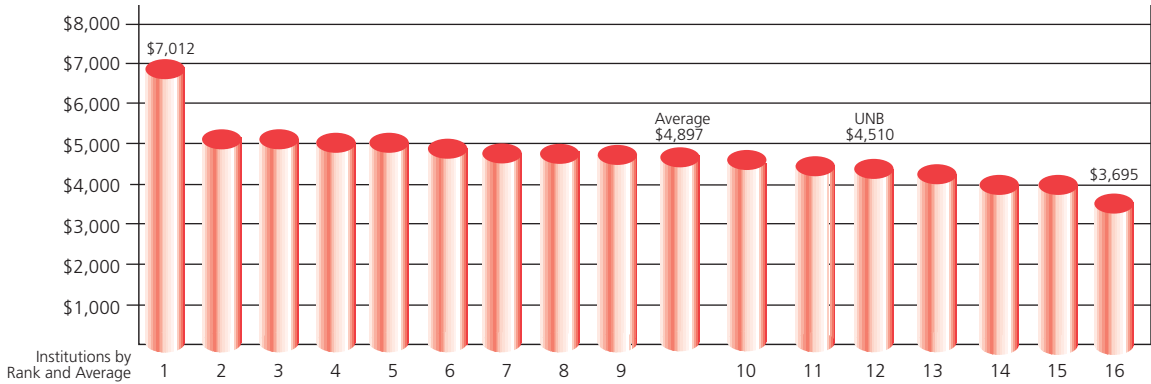
- The UNB CARIS Cougars captured the Canadian Intercollegiate Baseball Association national championship.
- For the second year in a row, UNB hosted the Canadian Interuniversity Sport (CIS) men's national hockey tournament. In 2004, the host Varsity Reds took silver in an exhilarating double-overtime final.
- V-Reds swimmer Carla Geurts-Cole won a CIS gold medal and was named MVP by Atlantic University Sport (AUS) for 2003-04. Her teammate, Dan Monid, won a CIS silver medal.
- Four V-Reds coaches received AUS Coach of the Year honours in 2003-04: Paula Crutcher, swimming; Thom Gillespie, men's basketball; Miles Pinsent, men's soccer; and Gardiner MacDougall, men's hockey.
- Men's basketball Coach of the Year honours in the Atlantic Colleges Athletic Association went to the Seawolves' Clayton Mitchell.
- The Seawolves' Sarah Yaschuk, women's soccer, was named a National Athlete of the Month by the Canadian Colleges Athletic Association.
- In the past 10 years, the Varsity Reds program has produced more than 400 Academic All-Canadians.
- V-Reds wrestler Promise Mwenga won a silver medal at the CIS national championship.
- UNB has more than 200 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.

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

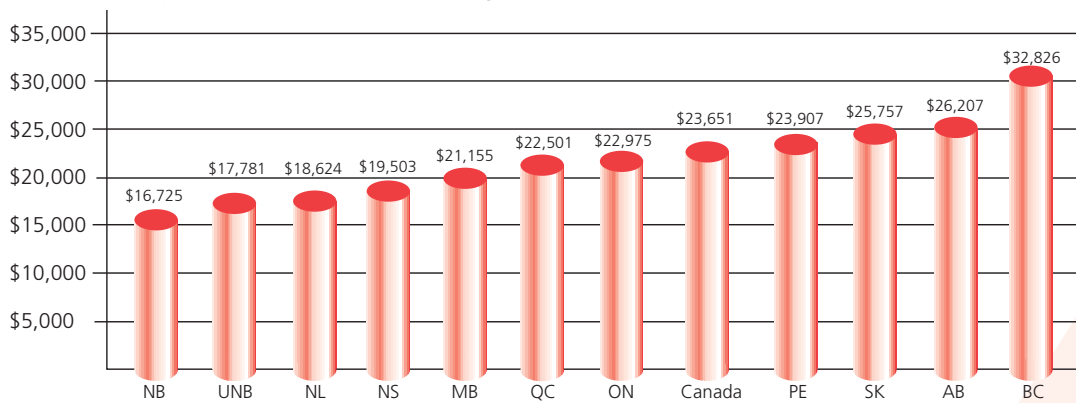
in tuition and other fees has steadily increased. Despite this trend, UNB's tuition fees continue to be among the lowest in the region. Of the 16 colleges and universities in the Maritimes, there are only four with lower tuition than UNB.

Undergraduate Tuition Fees* for Maritime Universities, 2003-04



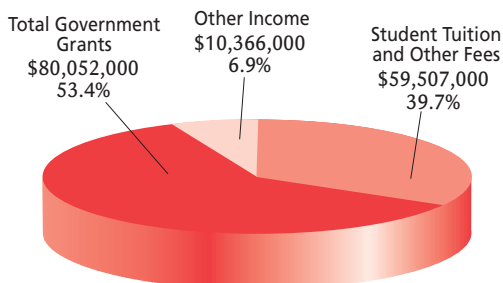
*General Arts Programs
Source: Association of Atlantic Universities, 2003-2004.

Total University Income Per Full-time Equivalent (FTE) Student, 2001-02 – UNB/Provinces and Canada



Source: CAUBO Financial Information for Universities and Colleges, Reports 2.1 & 3.1; Statistics Canada for Student Enrolment Data and MPHEC for the calculation of UNB's Student FTEs.

UNB General Operating Income by Source, 2002-03



Source: CAUBO Financial Information for Universities and Colleges, 2002-2003, Report 3.1.

2004 Milestones

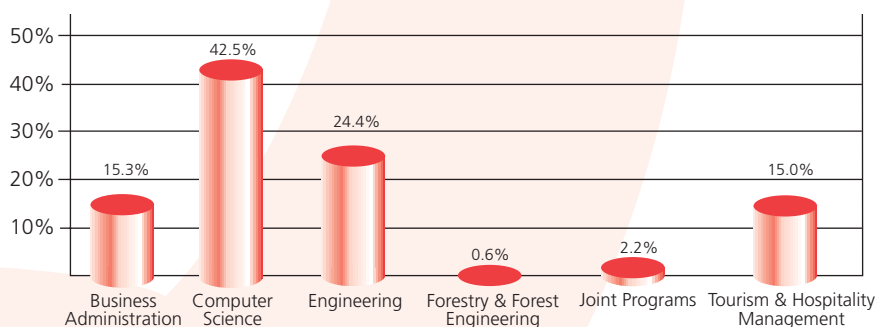
- 175th anniversary of the opening of Sir Howard Douglas Hall, the oldest university building in Canada in continuous use.
- 150th anniversary of the birth of engineering education in Canada. The first lecture in civil engineering was given at King's College (now UNB) in 1854.
- 40th anniversary of the establishment of UNB Saint John and the 35th anniversary of the opening of the Tucker Park campus in Saint John.

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 29,000 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.
- 75 per cent of UNB's nursing graduates choose to work and live in New Brunswick.
- UNB conducts more than half of all research in the province — more than all the other universities, government research facilities and private companies combined.
- Technology transfer and partnership programs are just two more ways UNB contributes to the prosperity of the business and industrial sectors. Successful spin-off companies include ADI Limited, CARIS, and Q1 Labs.
- The \$1-million Community University Research Alliance Project in Saint John involves university and community researchers working together on 30 projects with the common theme, the Industrial City in Transition.
- 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 reaches out to adult learners with 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 2003 data.

Making a Significant Difference

Making a Significant Difference, UNB's award-winning integrated marketing campaign, is doing just what the name implies.

Launched in September 2002, this ambitious multi-year campaign is making 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.

By sharing UNB's stories and successes — through TV and print ads, a Web site and a variety of public relations activities — the university is fostering a greater appreciation of the roles of its faculty, staff, students and alumni as educators, researchers and partners in New Brunswick's future.

The campaign has not only generated increased awareness of UNB in the marketplace, it has positively changed public and alumni perceptions about UNB.

At the end of the first year of the campaign, a public opinion survey — conducted by an independent marketing firm — indicated that 71 per cent of survey respondents said UNB is relevant to New Brunswickers and 66 per cent said UNB makes a difference in their lives.

Since the campaign began, UNB has experienced a series of positive outcomes, including increases in government funding, alumni participation, donor activity, student enrolment and media coverage.

The campaign has also captured the attention of UNB's peers. In 2003 it won the Gold Medal Award at an international competition of Council for the Advancement of Secondary Education.

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

2003-04 Financial Results

The Board of Governors of the University of New Brunswick approved a balanced operating budget for the 2003-04 fiscal year. This was the seventh consecutive year the University approved a balanced operating budget. The final year-end audited financial results illustrate that a balanced budget was achieved and that \$379,000 from operations was applied towards reducing the accumulated operating deficit to \$2,655,000.

Over the past two years, UNB experienced significant growth in overall student enrolment of over 5% per year. Additional revenues from this enrolment growth played a major role in financing new investments in student services, graduate student teaching and research assistantships and other initiatives to improve the learning environment. In total, operating budget support for academic and student support has grown by nearly 22% in the last two years.

UNB implemented basic tuition fee increases of 5.75% in 2003-04, compared to the Maritime average undergraduate increase of 6.9%. UNB tuition fees remain competitively positioned in the Maritimes with 11 out of 16 institutions reporting higher tuition fees than UNB.

Returns for the University endowment and other trust funds amounted to 19.23% for the year ended April 30, 2004. This compares to a benchmark of market returns for a similarly invested portfolio of 18.21%.

Financial Planning

Multi-year financial forecasts are prepared on an annual basis comparing projected operating expenses to possible revenue sources. These forecasts continue to illustrate that careful planning and prioritization, as well as new and creative sources of funding, will be required in order for balanced operating budgets to continue.

One of the key financial challenges will be obtaining the necessary capital funds to renew the capital infrastructure that is so important to the student learning environment. While UNB will need to be as resourceful as possible in renewing the facilities, it is clear that new provincial and federal government funding will be required in order to make the required improvements.

Next NB/Avenir NB

I believe that the university has a role to play in the development of New Brunswick. The province faces a number of challenges, and it is time for New Brunswickers to talk about them in a meaningful way.

-UNB President John McLaughlin

UNB is initiating the discussion with **Next NB/Avenir NB**. Launched in February 2004, the project asks the province's citizens one central question: What kind of New Brunswick do we want? It is doing so by issuing 10 discussion papers on public policy issues, holding public forums throughout New Brunswick, and promoting online discussion.

Next NB/Avenir NB provides a unique opportunity to explore what New Brunswickers think about themselves, their province and its place in Canada and the world. The fully bilingual project reflects New Brunswick's bicultural nature and its distinction as the only officially bilingual province in Canada.

Next NB/Avenir NB will culminate in June 2005 with a conference in Saint John. The conference will bring New Brunswickers together to hear what citizens have to say and to develop recommendations for moving forward.

Join the discussion at www.nextnb.ca



STATEMENT OF MANAGEMENT'S RESPONSIBILITY

THE UNIVERSITY OF NEW BRUNSWICK

for the year ended April 30, 2004

Statement of Management's 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, 2004, and the results of its operations and its cash flows for the year then ended.

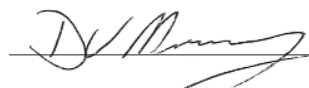
In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis 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, 2004 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 and Administration

Deloitte.

Deloitte & Touche LLP
Brunswick House
44 Chipman Hill, 7th Floor
P.O. Box 6549
Saint John NB E2L 4R9
Canada
Tel: (506) 632-1080
Fax: (506) 632-1210
www.deloitte.ca

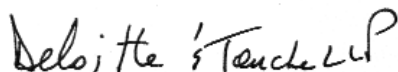
AUDITORS' REPORT

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, 2004, 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, 2004 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.



DELOITTE & TOUCHE LLP
Chartered Accountants

Saint John, New Brunswick
July 27, 2004

Member of
Deloitte Touche Tohmatsu

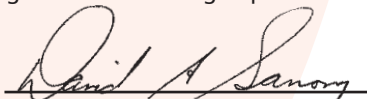
THE UNIVERSITY OF NEW BRUNSWICK CONSOLIDATED BALANCE SHEET

as at April 30, 2004 (in thousands of dollars)

	2004	2003
ASSETS		
Current assets		
Cash and short-term deposits	\$ 36,110	\$ 24,002
Accounts receivable	13,633	17,020
Inventories (Note 4)	1,633	1,617
Prepaid expenses	<u>752</u>	<u>860</u>
	<u>52,128</u>	<u>43,499</u>
Deferred charges	927	1,091
Long-term investments (Note 5)	103,939	101,240
Capital assets (Note 6)	<u>100,504</u>	<u>88,988</u>
	<u>205,370</u>	<u>191,319</u>
	<u>\$ 257,498</u>	<u>\$ 234,818</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 19,508	\$ 19,460
Unearned revenue	3,934	2,598
Current portion of long-term debt (Note 8)	<u>728</u>	<u>622</u>
	<u>24,170</u>	<u>22,680</u>
Long-term liabilities		
Deferred contributions (Note 7)	38,418	40,502
Long-term debt (Note 8)	12,580	7,398
Early retirement and employee benefit plans (Note 9)	37,599	37,236
Unamortized deferred capital contributions (Note 10)	<u>61,923</u>	<u>55,883</u>
	<u>150,520</u>	<u>141,019</u>
Net assets		
Accumulated operating deficit	(2,655)	(3,034)
Restricted for specific purposes (Note 11)	2,891	(762)
Invested in capital assets (Note 12)	20,073	18,191
Endowed (Note 13)	<u>62,499</u>	<u>56,724</u>
	<u>82,808</u>	<u>71,119</u>
	<u>\$ 257,498</u>	<u>\$ 234,818</u>

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

PRESIDENT'S REPORT
2003-2004

THE UNIVERSITY OF NEW BRUNSWICK CONSOLIDATED STATEMENT OF OPERATIONS

as at April 30, 2004 (in thousands of dollars)

	2004	2003
Revenues:		
Government grants	\$ 81,656	\$ 83,506
Tuition and related fees	62,914	54,390
Research grants and contracts	34,467	24,907
Ancillaries	15,300	13,552
Services and other income	10,435	10,555
Donations	3,257	5,567
Investment income	3,346	3,249
Amortization of deferred capital contributions (Note 10)	<u>8,693</u>	<u>8,105</u>
	<u>220,068</u>	<u>203,831</u>
Expenses:		
Instruction and non-sponsored research	87,017	81,756
Non-credit instruction	4,636	3,430
Research grants and contracts	34,366	27,425
Plant operations	14,748	14,334
Administration and general	16,187	15,396
Ancillaries	13,825	12,512
Library	9,830	9,121
Central computing	5,421	5,186
Student services	5,432	5,024
Scholarships and bursaries	4,007	3,648
Early retirement plan and retiring allowances (Note 9)	3,426	6,196
Property taxes (Note 15)	7	3,946
Amortization of capital assets	12,931	11,762
Other	<u>1,899</u>	<u>2,372</u>
	<u>213,732</u>	<u>202,108</u>
Excess of revenues over expenses before changes in net assets	6,336	1,723
Changes in:		
Net assets restricted for specific purposes	(4,075)	2,626
Net assets invested in capital assets (Note 12)	<u>(1,882)</u>	<u>(4,148)</u>
Decrease in accumulated operating deficit	\$ 379	\$ 201

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

THE UNIVERSITY OF NEW BRUNSWICK CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

as at April 30, 2004 (in thousands of dollars)

	2004					2003
	Accumulated Operating Deficit	Restricted for Specific Purposes	Invested in Capital Assets	Endowed	Total	Total
Net assets, beginning of year	\$ (3,034)	\$ (762)	\$ 18,191	\$ 56,724	\$ 71,119	\$ 70,546
Changes during the year						
Excess of revenues over expenses for the year	379	4,075	1,882	-	6,336	1,723
Capitalized income and other transfers	-	(422)	-	2,089	1,667	(2,652)
Endowment contributions	-	-	-	3,686	3,686	1,502
Net change during the year	<u>379</u>	<u>3,653</u>	<u>1,882</u>	<u>5,775</u>	<u>11,689</u>	<u>573</u>
Net assets, end of year	<u>\$ (2,655)</u>	<u>\$ 2,891</u>	<u>\$ 20,073</u>	<u>\$ 62,499</u>	<u>\$ 82,808</u>	<u>\$ 71,119</u>

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

THE UNIVERSITY OF NEW BRUNSWICK CONSOLIDATED STATEMENT OF CASH FLOWS

as at April 30, 2004 (in thousands of dollars)

	2004	2003
Operating activities		
Excess of revenues over expenses before changes in net assets	\$ 6,336	\$ 1,723
Add (deduct) non-cash items		
Amortization of capital assets	12,931	11,762
Amortization of deferred capital contributions	(8,693)	(8,105)
Early retirement plan and retiring allowances	3,426	6,196
Net increase (decrease) in employee benefit plan liability	(382)	(59)
Net change in non-cash working capital balances (Note 16)	<u>5,027</u>	<u>(522)</u>
	<u>18,645</u>	<u>10,995</u>
Investing activities		
Net increase in long-term investments	(2,699)	(432)
Capital asset acquisitions	<u>(24,447)</u>	<u>(23,214)</u>
	<u>(27,146)</u>	<u>(23,646)</u>
Financing activities		
Net increase in long-term debt	5,288	482
Early retirement benefit and retiring allowance payments	(2,842)	(2,514)
Capital contributions received	14,733	8,034
Net increase (decrease) in deferred contributions	(2,084)	4,706
Endowment contributions	3,686	1,502
Transfers to endowment capital	(422)	-
Increase (decrease) in endowment inflation reserves	2,089	(2,652)
Other	<u>161</u>	<u>(21)</u>
	<u>20,609</u>	<u>9,537</u>
Net increase (decrease) in cash and short-term deposits	12,108	(3,114)
Cash and short-term deposits, beginning of year	<u>24,002</u>	<u>27,116</u>
Cash and short-term deposits, end of year	<u>\$ 36,110</u>	<u>\$ 24,002</u>

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

THE UNIVERSITY OF NEW BRUNSWICK NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at April 30, 2004 (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 date of incorporation was January 13, 2003. At that date, Enterprise UNB Inc. assumed all of the assets and liabilities of Incutech Brunswick Inc., a predecessor company which was not controlled by the University. 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. for 2003-2004, the company's first full year of operations. 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.

(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.

d) 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.

e) 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.

f) 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

g) 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.

h) 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.

i) 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.

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

3. Fund Accounting Results

The following schedule summarizes the financial results for the University's unrestricted operating accounts for 2004 by campus, with comparative information for 2003 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 CONSOLIDATED FINANCIAL STATEMENTS

as at April 30, 2004 (in thousands of dollars)

	2004			2003
	Fredericton Campus	Saint John Campus	Total	Total
Revenues				
Provincial operating grant	\$ 67,830	\$ 12,601	\$ 80,431	\$ 77,592
Tuition and related fees	44,234	18,680	62,914	54,390
Ancillary operations	12,756	3,504	16,260	14,510
Services and other	10,340	1,456	11,796	11,496
Transfers from (to) other funds	2,615	(1,008)	1,607	2,189
	<u>137,775</u>	<u>35,233</u>	<u>173,008</u>	<u>160,177</u>
Expenses				
Operating	119,257	28,336	147,593	138,393
Ancillary operations	12,684	3,507	16,191	15,497
Early retirement and retiring allowances	2,419	423	2,842	2,514
	<u>134,360</u>	<u>32,266</u>	<u>166,626</u>	<u>\$ 156,404</u>
Excess of revenues over expenses	3,415	2,967	6,382	3,773
Changes in internal restrictions	<u>(3,107)</u>	<u>(2,896)</u>	<u>(6,003)</u>	<u>(3,572)</u>
Net change in unrestricted fund balance	<u>\$ 308</u>	<u>\$ 71</u>	<u>\$ 379</u>	<u>\$ 201</u>
Budgeted change in unrestricted fund balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

4. Inventories

	2004	2003
Bookstores	\$ 797	\$ 889
Physical Plant	676	594
Chemistry Department	160	134
	<u>\$ 1,633</u>	<u>\$ 1,617</u>

5. Long-term Investments

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

	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 1,450	\$ 1,450	\$ 985	\$ 985
Fixed income securities	40,136	40,741	38,991	38,705
Equity securities	62,353	69,220	61,264	54,113
	<u>\$ 103,939</u>	<u>\$ 111,411</u>	<u>\$ 101,240</u>	<u>\$ 93,803</u>

Fair values have been determined on the basis described in Note 17 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 3.0% to 10.125% with maturities that range from 2004 to 2032.

6. Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 772	\$ -	\$ 772	\$ 772
Buildings	195,153	130,580	64,573	60,273
Roads and Tunnels	4,215	3,195	1,020	278
Furniture and Equipment	62,931	38,102	24,829	18,864
Computer Hardware and Software	50,100	40,790	9,310	8,801
	<u>\$ 313,171</u>	<u>\$ 212,667</u>	<u>\$ 100,504</u>	<u>\$ 88,988</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:

	2004	2003
Balance, beginning of year	\$ 40,502	\$ 35,796
Increases during the year: Restricted contributions/income	50,717	48,017
Decreases during the year: Transferred to unamortized deferred capital contributions	(14,733)	(7,861)
Transferred to endowed net assets	(1,312)	-
Recognized as revenue	(36,756)	(35,450)
Balance, end of year	<u>\$ 38,418</u>	<u>\$ 40,502</u>
The balance is made up of the following:		
Sponsored research	\$ 19,425	\$ 20,644
Unexpended restricted donations	14,845	14,380
Unexpended endowment income	4,148	5,478
	<u>\$ 38,418</u>	<u>\$ 40,502</u>

8. Long-term Debt

Long-term debt consists of:

	2004	2003
Mortgages payable	\$ 1,088	\$ 1,170
Bank loans	12,220	6,850
	13,308	8,020
Less: Current portion	(728)	(622)
	<u>\$ 12,580</u>	<u>\$ 7,398</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	2004	2003
5 3/8 %	2013	\$ 734	\$ 796
5 3/8 %	2016	354	374
		<u>\$ 1,088</u>	<u>\$ 1,170</u>

b) Bank Loans

Bank loans include the following:

	Interest Rate	Maturity Date	2004	2003
Student Union Building	6.90 %	2008	\$ 562	\$ 682
Residence Improvements	6.64 %	2013	3,690	3,050
Residence Buildings	6.45 %	2020	1,860	1,920
Residence Buildings	6.50 %	2022	1,166	1,198
Residence Building-Saint John	6.45 %	2028	4,942	-
			<u>\$ 12,220</u>	<u>\$ 6,850</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 Improvements loan includes 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 fifth and final advance under the Agreement was implemented in 2004. 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 CONSOLIDATED FINANCIAL STATEMENTS

as at April 30, 2004 (in thousands of dollars)

On May 1, 2002 two CMHC mortgages on University operated student residences were paid out using the proceeds of two floating rate term loans negotiated with a Canadian chartered bank. The floating rate loans 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.

The Residence Building-Saint John 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 matures in 2028. 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 bankers acceptance floating interest rates for a fixed interest rate of 6.45%.

c) Interest paid on long-term debt amounted to \$889 for the year ended April 30, 2004 (2003-\$507).

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

2005	2006	2007	2008	2009
\$728	\$777	\$828	\$869	\$807

9. Early Retirement and Employee Benefit Plans

Details of this liability are as follows:

	2004	2003
Early retirement plan	\$ 21,089	\$ 21,340
Retiring allowance	15,498	14,502
Other employee benefit plans	1,012	1,394
	<u>\$ 37,599</u>	<u>\$ 37,236</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:

	2004	2003
Balance, beginning of year	\$ 21,340	\$ 19,641
Increases during the year:		
Interest on benefit obligation	1,325	1,313
Retirements	20	352
Actuarial loss	94	1,767
Decreases during the year:		
Benefits paid	(1,690)	(1,733)
Balance, end of year	<u>\$ 21,089</u>	<u>\$ 21,340</u>

Details of early retirement plan expense are as follows:

	2004	2003
Interest on liability	\$ 1,325	\$ 1,313
Retirements during the year	20	352
Net investment loss (gain) on internal fund	(161)	22
Actuarial loss	94	1,764
	<u>\$ 1,278</u>	<u>\$ 3,451</u>

The estimated amount of early retirement benefit payments which will be made in 2005 is \$1,572.

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:

	2004	2003
Balance, beginning of year:	\$ 14,502	\$ 12,538
Increases during the year:		
Current service cost	903	823
Interest on benefit obligation	972	938
Actuarial loss	273	984
Decreases during the year:		
Retiring allowances paid	(1,152)	(781)
Balance, end of year	<u>\$ 15,498</u>	<u>\$ 14,502</u>

Details of retiring allowance expense are as follows:

	2004	2003
Current service cost	\$ 903	\$ 823
Interest on benefit obligation	972	938
Actuarial loss	273	984
	<u>\$ 2,148</u>	<u>\$ 2,745</u>

The estimated amount of retiring allowance payments which will be made in 2005 is \$942.

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:

	2004	2003
Health and Dental Plan	\$ 165	\$ 168
Long-term Disability Plan	847	1,226
	<u>\$ 1,012</u>	<u>\$ 1,394</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:

	2004	2003
Balance, beginning of year	\$ 55,883	\$ 55,955
Increases during the year:		
Purchases of externally funded capital assets	14,733	8,033
Decreases during the year:		
Recognized as revenue	(8,693)	(8,105)
Balance, end of year	<u>\$ 61,923</u>	<u>\$ 55,883</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:

	2004	2003
General Operating		
Departmental non-salary carryovers	\$ 10,419	\$ 9,923
Departmental share of contract overhead income	1,761	1,308
	<u>12,180</u>	<u>11,231</u>
Specific Purposes		
Donations restricted by the Board	3,716	5,040
Unexpended income on internal endowments	976	1,455
Reserve for future endowment spending	-	1,600
Indirect research and other non-recurring expenditures	1,872	822
Contingency for energy costs	579	500
Systems and equipment replacement	558	463
Capital requirements	8,385	4,773
Other operational priorities	3,622	2,006
	<u>19,708</u>	<u>16,659</u>
Unfunded Employee Benefits		
Early retirement plans	(12,113)	(12,803)
Retiring allowances	(15,498)	(14,502)
Staff unused vacation pay entitlement	(1,386)	(1,347)
	<u>(28,997)</u>	<u>(28,652)</u>
	<u>\$ 2,891</u>	<u>\$ (762)</u>

THE UNIVERSITY OF NEW BRUNSWICK NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at April 30, 2004 (in thousands of dollars)

12. Net Assets Invested In Capital Assets

Net assets invested in capital assets consists of the following:

	2004	2003
Capital assets	\$ 100,504	\$ 88,988
Amounts financed by long-term debt	(13,308)	(8,020)
Amounts financed by working capital	(5,200)	(6,894)
Unamortized deferred capital contributions (Note 10)	<u>(61,923)</u>	<u>(55,883)</u>
Net assets invested in capital assets	<u>\$ 20,073</u>	<u>\$ 18,191</u>

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

	2004	2003
Increases in net assets invested in capital assets:		
Purchases of capital assets funded from operations	\$ 9,715	\$ 15,180
Less: Purchases funded by long-term debt	(960)	(960)
Less: Purchases funded by working capital	(3,306)	(6,894)
Repayment of long-term debt	<u>671</u>	<u>479</u>
	<u>6,120</u>	<u>7,805</u>
Decreases in net assets invested in capital assets:		
Amortization expense	(12,931)	(11,762)
Less: Amortization of deferred capital contributions (Note 10)	<u>8,693</u>	<u>8,105</u>
	<u>(4,238)</u>	<u>(3,657)</u>
Net increase in net assets invested in capital assets	<u>\$ 1,882</u>	<u>\$ 4,148</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. 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:

	2004	2003
Externally endowed	\$ 54,721	\$ 49,150
Internally endowed	<u>7,778</u>	<u>7,574</u>
Total endowments	<u>\$ 62,499</u>	<u>\$ 56,724</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. In 2003, the Province revisited this issue at the request of New Brunswick universities and decided to cover the universities' 2003 property taxes. After a thorough review, the Province announced its decision to exempt the four publicly funded universities from both provincial and municipal property tax. This exemption will not include property, or any portion of a property, that is used for commercial purposes. These commercial properties will be subject to provincial and municipal property taxes at non-residential rates.

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:

	2004	2003
Accounts receivable	\$ 3,387	\$ (1,995)
Inventories	(16)	(102)
Prepaid expenses and deferred charges	272	169
Accounts payable and accrued liabilities	48	1,433
Unearned revenue	<u>1,336</u>	<u>(27)</u>
	<u>\$ 5,027</u>	<u>\$ (522)</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 \$2,996 (2003-\$2,697).

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:

	2004	2003
University contributions	\$ 5,185	\$ 4,210
Employee contributions	5,185	4,210
Retirement benefits paid	3,253	3,220

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 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 resulted in additional annual contributions of approximately \$1 million from each of the University and employees. The University and the AUNBT have agreed to further benefit reductions effective July 1, 2004. These benefit reductions will result in cost savings of approximately \$500 thousand annually from each of the University and employees, and will help offset actuarially projected rate increases. The parties have agreed to continue to review the funding, benefits, and financial status of the Plan.

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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