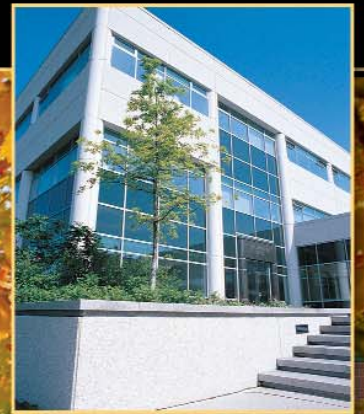


UNIVERSITY OF NEW BRUNSWICK

PRESIDENT'S REPORT
2004-2005



MAKING A SIGNIFICANT
DIFFERENCE

UNIVERSITY OF NEW BRUNSWICK BOARD OF GOVERNORS MEMBERS, 2004-2005

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 & Corp. Services)
Gregory S. Kealey (VP Research)
Mark Hazlett (Exec. Dir. of Alumni Affairs)
Stephen Strople (University Secretary)
Mayor Brad Woodside (Fredericton)
Mayor Norm McFarlane (Saint John)

Appointed by Lieutenant-Governor in Council (9)

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)

Devereaux, Andy
Gregg, Margie
McAllister, Sally
Murray, Bonnie
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
van den Hoonard, Will

Elected by Faculty Members, Saint John (2)

Clark, Roberta
Lindsay, Debra

Appointed by the New Brunswick Teachers' Association (1)

Bawn, Brian

Elected by Students, Fredericton (2)

LeBlanc, Greg
Ouellette, Nicholas

Elected by Students, Saint John (1)

Richard, Trevor

Governors Emeriti (4)

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

BOARD OF GOVERNORS COMMITTEES, 2004-2005

Audit Committee

O'Brien, D. – Chair
Callbeck, C.
Gregg, M.
Guitard, L.
McCain, K.
McLaughlin, J.
Murray, D.
Scott, R.
Squibb, W.
Strople, S.

Executive Committee

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

External Relations Committee

McCain, K. – Chair
Armstrong, L.
Christensen, L.
Devereaux, A.
Emerson, D.
Fairweather, R.

Ganong, D.

Gregg, M.
Hazlett, M.
Howie, B.
Hull, L.
McLaughlin, J.
Mesheau, S.
Montague, S.
Morell, J.
Murray, B.
O'Brien, D.
Richard, T.

Finance Committee

Stevenson, D. – Chair
Baxter, B.
Belcastro, A.
Callbeck, C.
Estey, G.
Fairweather, R.
Ganong, D.
Gonnason, T.
Guitard, L.
Hamer, K.
Kealey, G.
LeBlanc, G.
McLaughlin, J.
Montague, S.
Murray, D.
Strople, S.

Human Resources Committee

McGrath, A. M. – Chair
Baxter, B.
Belcastro, A.
Fairweather, R.
Ganong, D.
Hamer, K.
Lordon, P.
MacDougall, P.
McLaughlin, J.
Murray, D.

Investments Committee

Baxter, B.
Devereaux, A.
Estey, G.
Gerow III, W. H.
Guitard, L.
McLaughlin, J.
Montague, S.
Murray, D.
Ouellette, N.
Passaris, C.
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.
Flann, C.
Forrestall, A.
Gregg, M.
O'Brien, D.
Richard, T.
Sleep, R.
Strople, S.
van den Hoonard, W.

Nominating and Review Committee

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

Properties Committee

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

University Honorary Degrees Committee

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

A MESSAGE FROM PRESIDENT McLAUGHLIN



Forging Our Futures. That's the name of the most important fundraising campaign in UNB's 220-year history. It's also what we are doing as a university.

Officially launched in June 2005, Forging Our Futures is the single largest fundraising campaign in New Brunswick history. With six months to go, we've already achieved 75 per cent of our \$80-million goal.

This campaign will have a major impact on the future of UNB, New Brunswick, and, quite possibly, Canada. Thanks to Forging Our Futures, UNB has the country's first research chair in nanotechnology. The chair will position UNB as a leader in this emergent field, a field which deals with atoms and molecules as building blocks for manufacturing and which is being hailed as the next industrial revolution.

At UNB we're forging our futures by investing in our people, our programs and our places. Over the past five years, for example, we've increased funding to students — in scholarships, assistantships and work-study grants — by nearly 75 per cent to \$19.6 million in 2004-05.

We've established Saint John College, a state-of-the-art language training centre specializing in second-language education to support our international students as well as New Brunswick's immigration agenda. And we've merged the Teaching and Learning Centre, Media Services, and Instructional Support Services into one Centre for Enhanced Teaching and Learning at UNB Fredericton.

We are also 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.

In Fredericton, a 171-bed suite/apartment style residence is under construction and plans are in the works for a Healthy Living Village. We're also developing a new revenue stream by strategically leasing off-campus property.

In Saint John, we're expanding the premises of the Canadian Rivers Institute — which this year became the North American virtual learning centre for river basins for United Nations University— and we're planning for the new University Commons.

On the following pages, you'll learn about some of our achievements over the past year. The accomplishments of our faculty and students are truly impressive, and I am proud that we are forging our futures together.

John D. McLaughlin
President and Vice-Chancellor

QUALITY OF STUDENTS, FACULTY AND RESEARCH

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

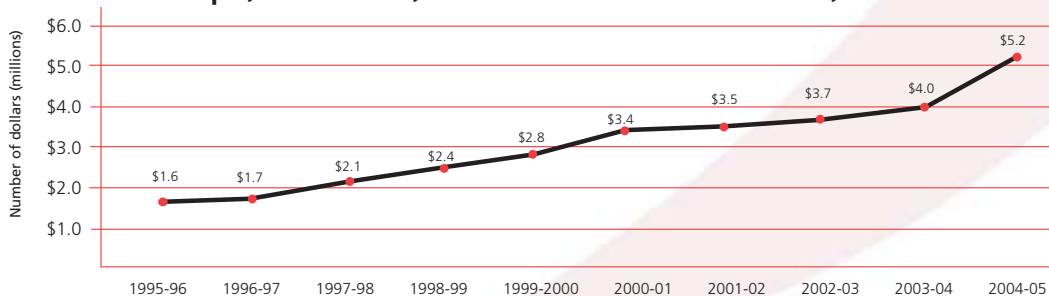
Students:

- In 2004-05, the number of students entering undergraduate programs with a scholarship average of 90 per cent or better nearly doubled
- For the third consecutive year, UNB students captured the top award at the national Model NATO Conference in Ottawa
- Marcie Balch, a PhD candidate in psychology, is a 2005 recipient of the Graduate Student Award of Merit from the Senior Women Academic Administrators of Canada
- A team of four UNB engineering students won first place in the junior design category at the Canadian Engineering Competition
- 100 per cent of the master's students nominated by UNB received Canadian Graduate Scholarships from the Social Sciences and Humanities Research Council of Canada
- The Student Investment Fund team took first place at the national Credit Case Competition in Halifax and placed third at the international RISE (Redefining Investment Strategy Education) competition in Ohio
- Business student Ning Luo was awarded an internship to study NAFTA and its business implications in Washington, D.C.
- With an 81 per cent success rate, UNB's graduate students continue to earn fellowships from the Natural Sciences and Engineering Research Council at a rate well above the national average of 70 per cent
- A team of computer science students earned a berth at the world programming finals in China after placing second to MIT at the Northern Eastern North America Regional competition

Faculty:

- Donald Fleming, professor of law, has been elected president of the Canadian Council on International Law
- Judith MacIntosh received the 2004 Canadian Association of Schools of Nursing Award for Excellence in Nursing Education
- Gwen Davies, an expert in Maritime literary history and associate VP (research), has been named a Fellow of the Royal Society of Canada
- Thomas J. Condon, VP (Saint John) emeritus, and Margaret Conrad, Canada Research Chair in Atlantic Canada Studies, were invested into the Order of Canada
- A new book by information and communication studies professor Dan Downes, *Interactive Realism: The Poetics of Cyberspace*, has been hailed by reviewers as an extension and refinement of Marshall McLuhan's work
- Chemist Ajit Thakkar has received the 2004 Prize in Theoretical and Computational Chemistry from the European Society of Computational Methods in Science and Engineering
- Richard Langley, a professor of geodesy and geomatics engineering, has been elected a Fellow of the Institute of Navigation for his contributions to GPS education and his research
- John Spray, director of the Planetary and Space Science Centre, has been named associate editor of the international journal *Meteoritics and Planetary Science*
- Martin Wielemaker, a professor of business administration, received the 2005 Best Paper Award at the European Conference on Organizational Knowledge, Learning, and Capabilities

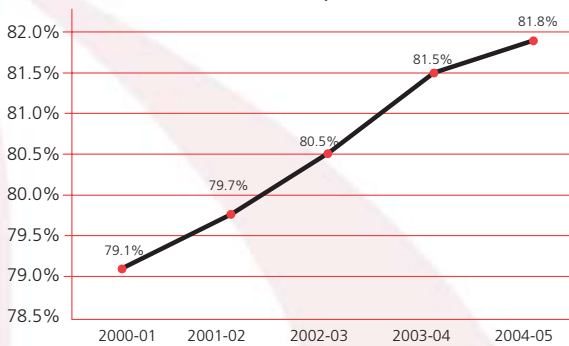
Scholarships, Bursaries, and Prizes – Total Funds, 1995-96 to 2004-05



Source: UNB Financial Services

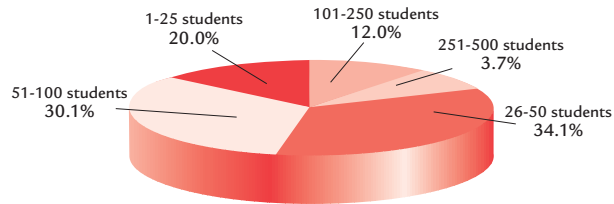
UNIVERSITY OF NEW BRUNSWICK
MAKING A SIGNIFICANT DIFFERENCE

Average Entering Grade of First-Year, Full-time Students, 2000-01 to 2004-05



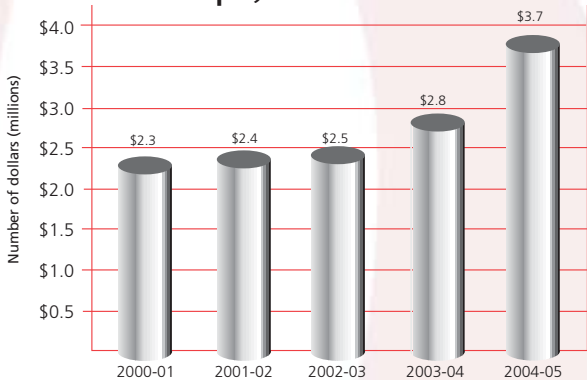
Source: Maclean's historical survey data, 2000-01 to 2004-2005.

Total Undergraduate Class Sizes, 2004-05



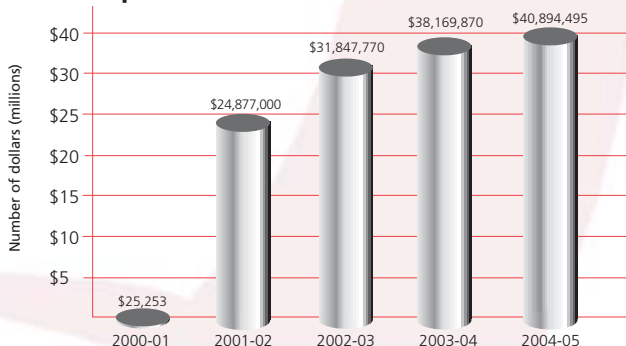
Source: UNB Datatel Student Module course extract data, Fall 2004.

UNB Total Entrance Undergraduate Scholarships, 2000-01 to 2004-05



Source: Undergraduate Student Awards, Registrar's Office.

UNB Sponsored Research Income: 2000-01 to 2004-05

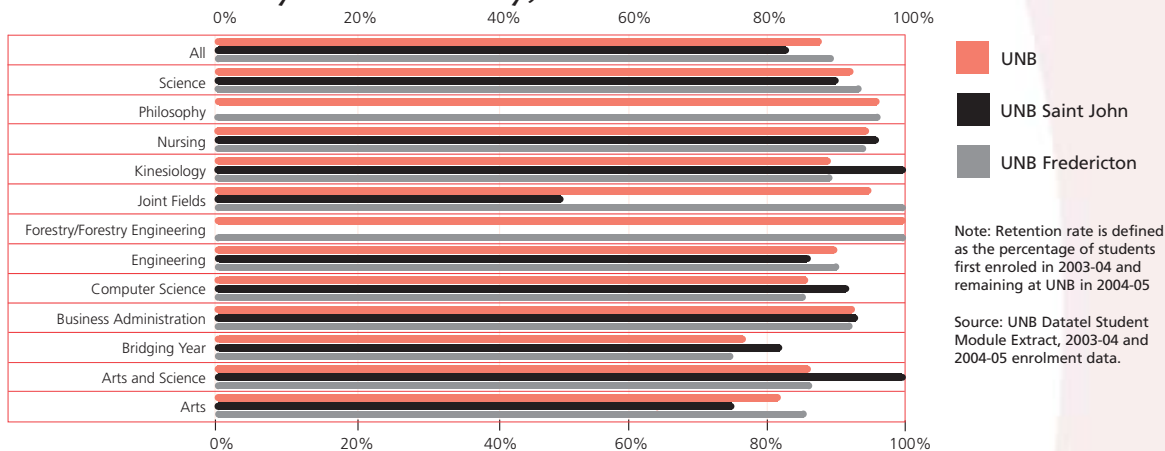


Source: Vice President Research, Office of Research Services.

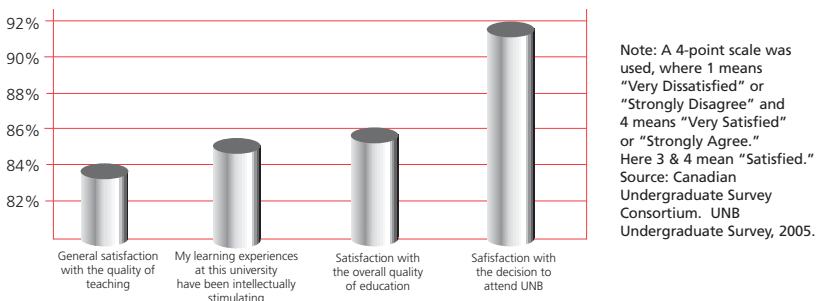
Research

- UNB conducts more than half of all research in the province of New Brunswick — more than all the other universities, government research facilities and private companies combined
- UNB was awarded two more prestigious Canada Research Chairs in 2004-05 — bringing our total to 16
- Nursing professors Judith MacIntosh and Nicole Letourneau received Canadian Institute for Health Research (CIHR) New Investigator Awards in support of their research
- History professor David Frank was awarded a \$1-million grant by SSHRC for a collaborative Community-University Research Alliances (CURA) Project on labour in New Brunswick
- Carlos Santos of the department of geodesy and geomatics engineering is leading a \$7.3-million project that will help Brazil to develop a national geospatial framework
- Matthew Litvak, director of the Centre for Coastal Studies and Aquaculture, has been awarded more than \$458,000 by NSERC to study the viability of winter flounder for New Brunswick's aquaculture industry
- UNB's research funding has increased 48 per cent from 1999-2000 to 2003-04

Retention Rate by Field of Study, 2004-05



Instructional and University Satisfaction of UNB Students



Athletics

- Andrea Kelly, a second-year business student, skipped Team Canada to a bronze medal at the 2005 World Junior Women's Curling Championship in Italy
- Varsity Reds swimmer Carla Geurts won two gold medals at the CIS national swimming championships. Her teammate, Dan Monid, brought home a gold and a silver
- The Seawolves women's basketball and men's volleyball teams won their respective Atlantic Colleges Athletic Association championships advancing to the Canadian Colleges Athletics Association National Championships
- V-Reds swim coach Paula Crutcher received an AUS Coach of the Year award and the Seawolves' Richard Johnson has been named Badminton Coach of the Year by the Atlantic Colleges Athletic Association
- In the past 10 years, the Varsity Reds program has produced more than 475 Academic All-Canadians
- Jeff Allen, V-Reds assistant coach, helped the Canadian wrestling team take second place, with a 4-1 record, at the 2004 World Cup of Wrestling

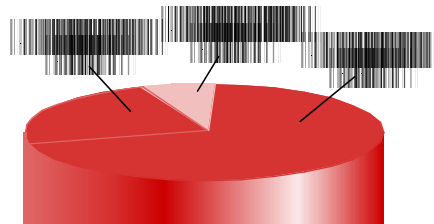
ENROLMENT AND DIVERSITY OF STUDENT BODY

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

With 90 countries represented, UNB has one of the largest and most diverse populations of international students in Atlantic Canada. Numbering more than 1,550, international students constitute 12 per cent of the overall student body — 21 per cent on the Saint John campus.

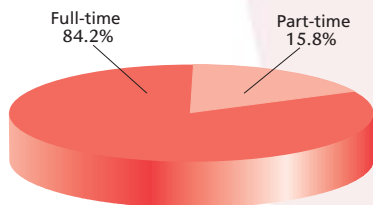
At Dec. 1, 2004, UNB's total enrolment was 12,725 students. There were 7,155 full-time and 1,074 part-time students enrolled in undergraduate programs in Fredericton and another 2,575 full-time and 537 part-time undergraduates in Saint John. The total graduate student enrolment on both campuses was 1,384 students.

UNB Total Student Enrolment by Geographic Distribution, December 2004



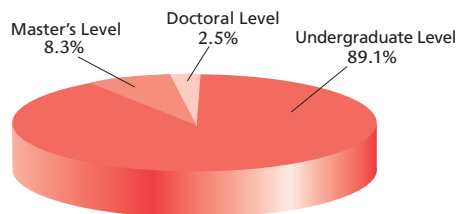
Source: UNB Datatel Student Module Extract, December 2004 enrolment data.

UNB Total Student Enrolment by Registration Status, December 2004



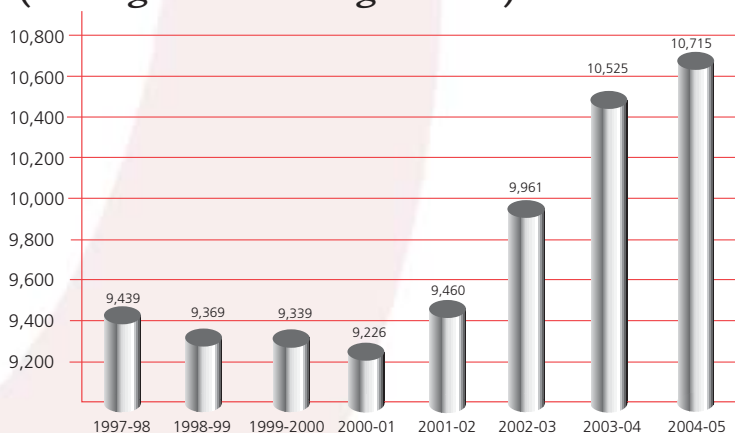
Source: UNB Datatel Student Module Extract, December 2004 enrolment data.

UNB Total Student Enrolment by Level, December 2004



Source: UNB Datatel Student Module Extract, December 2004 enrolment data.

UNB Full-time Enrolment (undergraduate and graduate) 1997-98 to 2004-05



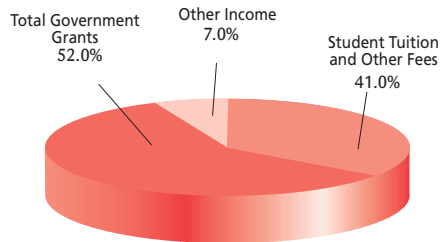
Source: Office of Registrar, USIS and Datatel Student Module Extract, December 1 student enrolment data.

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.

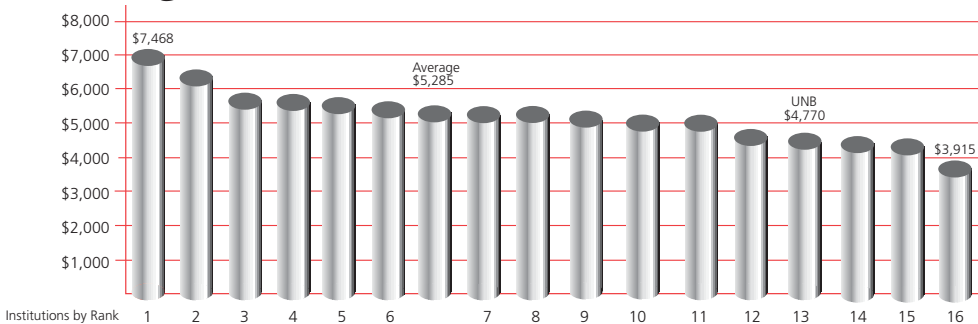
UNB's tuition fees continue to be among the lowest in the region. Of the 16 colleges and universities in the Maritimes, there are only three with lower tuition than UNB.

UNB General Operating Income by Source, 2003-04



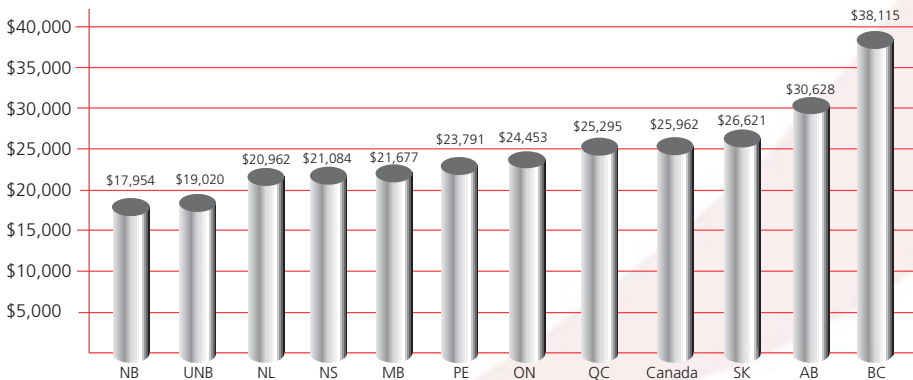
Source: CAUBO Financial Information for Universities and Colleges, 2003-2004, Report 3.1.

Undergraduate Tuition Fees* for Maritime Universities, 2004-05



*General Arts Programs
Source: Association of Atlantic Universities, July 2004; Statistics Canada, September 2004.

Total University Income Per Full-time Equivalent (FTE) Student, 2003-04 – UNB/Provinces and Canada



Source: CAUBO Financial Information for Universities and Colleges, 2003-2004 Reports 2.1A & 3.1; Statistics Canada University Enrolment by Province for student enrolment data, 2003-04 and Maritime Provinces Higher Education Commission for compilation of FTE for UNB.

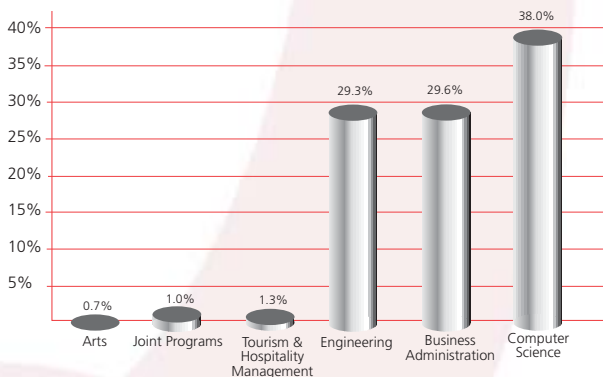
UNIVERSITY OF NEW BRUNSWICK
MAKING A SIGNIFICANT DIFFERENCE

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 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
- 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
- A mass media campaign aimed at reducing smoking among teenagers was launched at UNB Fredericton in February 2005. Entitled **Spend Money on Living**, the campaign targets youth in N.B. and P.E.I.
- 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 Saint John received a 2004-05 Canadian Colleges Athletics Association Community Service Award. The award recognizes the Athletics, Recreation and Wellness department and Seawolves athletes for their successful community relations program
- Technology transfer and partnership programs are just two more ways UNB contributes to the prosperity of the business and industrial sectors

Co-operative and Professional Experience Program Enrolment by Major Field of Study



Source: UNB Datatel Student Module Extract, December 2004 data.

- The Community Health Clinic, operated by the faculty of nursing in Fredericton, received the Community Star Award from Addiction Services for its work in drug addiction awareness and education
- 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

Students in the Community

UNB students contribute thousands of volunteer hours off campus each year helping school children, youth with mental challenges, victims of abuse, and the needy.

They also volunteer internationally through such organizations as Healing Hands for Haiti and Habitat for Humanity. Law student Jessica Patterson, who founded Habitat for Humanity at UNB Fredericton, and 16 other UNB students spent their 2005 March break in Georgia building a home for a low-income family.

Charity fundraising by UNB students supports community food banks, hospitals, women's shelters, Child Find, and agencies such as the Canadian Cancer Society.

As Shinerama coordinator at UNB Saint John, Brendan Sheehan increased the total annual giving for this campaign from \$5,000 to over \$27,000 and received the Canadian Cystic Fibrosis Foundation's Best Overall Campaign Award for 2005.

Students at UNB Fredericton raised over \$50,000 for a variety of charities in 2004-05, including \$10,000 for tsunami relief.

In addition, UNB's co-op and internship students contribute to the workplace by providing employers with a regular infusion of fresh perspective and new skills.

2004-05 Financial Results

The financial position of the University of New Brunswick was strengthened during the 2005 fiscal year. University assets grew by over \$28 million, amounting to \$285.9 million as at April 30, 2005. This growth in assets is a direct result of initiatives to grow the University research base, initial proceeds from the *Forging our Futures* capital campaign, and efforts to sustain our level of quality-based student enrolment.

Some of the financial highlights from 2004-05 include:

- a one-year return on long-term investments of 9.57% with a year-end balance of \$113.6 million.
- total growth in endowments of 13.5% resulting in a year-end balance of \$70.9 million.
- total University revenue growth of 6% with categories other than government grant and tuition revenue leading the way, with a combined growth of 10.0%.
- Student services expenditures increased by 13.4% with scholarships and bursaries growing by 28.9%.

The University operating budget plan was to achieve a break-even result for the year. This objective was achieved with \$255,000 also being transferred to reduce the accumulated operating deficit to \$2.4 million. Net savings from various budget categories were also realized and directed towards approved priorities such as scholarship funds, accessibility projects, enrolment-based teaching funds and priority infrastructure renewal projects.

Infrastructure renewal continues to be an important priority at UNB. In 2004-05, over \$5.6 million was allocated to infrastructure renewal projects. Infrastructure renewal continues to be a major challenge for most Canadian universities. UNB has an estimated \$100 million in infrastructure renewal requirements.

Looking ahead, it is clear that UNB will face many significant challenges. Student enrolment is a key component of our overall financial model. With declining provincial demographics, student recruitment and retention and continuing to enhance our student-centred environment will remain key strategic priorities.

UNB is the national university for the province. The scope of this mission requires that UNB have the appropriate level of resources to attract and retain quality faculty and staff, upgrade and modernize our facilities, laboratories and equipment in order to provide the calibre of programs and opportunities that our undergraduate and graduate students expect and deserve. In order to achieve this quality-based national-calibre agenda, the University will require enhanced levels of funding from current sources as well as expanding and diversifying our revenue base.

UNB has a tradition of fiscal responsibility and operational efficiency. These values remain unchanged. UNB also enjoys tremendous support from our internal and external stakeholders. This support is one of the most important endowments that UNB has and will be central to our future.

Next NB/Avenir NB

In 2004, UNB launched **Next NB/Avenir NB**, an ambitious program designed to get New Brunswickers thinking and talking about the future of the province.

In the ensuing 16 months, a series of 10 opinion papers, each followed by public forums, engendered lively discussions with thousands of people throughout New Brunswick.

Next NB/Avenir NB also recruited 21 Leaders for the 21st Century. More than 250 exceptional New Brunswickers between the ages of 20 and 35 applied to be part of this group. Their involvement culminated in Seachange/Metamorphose, a June 2005 summit, which brought 250 New Brunswickers together to develop recommendations for moving forward.

Since June, the President's Office has engaged a former deputy minister to formulate a structure for public policy research focused on the key issues that emerged at the summit. Faculty are coalescing around the development of a policy network that could advise and inform the future direction of the province, and a business leaders group has formed to talk about an action plan for the New Brunswick economy. The discussion continues...



STATEMENT OF MANAGEMENT RESPONSIBILITY

THE UNIVERSITY OF NEW BRUNSWICK

for the year ended April 30, 2005

Statement of Management Responsibility

The University is responsible for the preparation of the financial statements and has prepared them in accordance with accounting principles generally accepted for Universities in accordance with guidelines developed by the Canadian Institute of Chartered Accountants. The financial statements present fairly the financial position of the University as at April 30, 2005, 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, 2005 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 and Vice-Chancellor



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

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

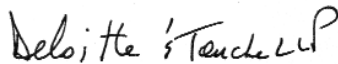
AUDITORS' REPORT

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, 2005, 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, 2005 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
August 23, 2005

Member of
Deloitte Touche Tohmatsu

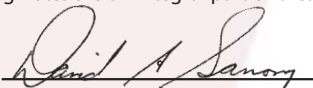
THE UNIVERSITY OF NEW BRUNSWICK CONSOLIDATED BALANCE SHEET


as at April 30, 2005 (in thousands of dollars)

	2005	2004
ASSETS		
Current assets		
Cash and short-term deposits	\$ 54,865	\$ 36,110
Accounts receivable	13,062	13,633
Inventories (Note 4)	1,647	1,633
Prepaid expenses	<u>1,090</u>	<u>752</u>
	<u>70,664</u>	<u>52,128</u>
Deferred charges	741	927
Long-term investments (Note 5)	113,610	103,939
Capital assets (Note 6)	<u>100,948</u>	<u>100,504</u>
	<u>215,299</u>	<u>205,370</u>
	<u>\$ 285,963</u>	<u>\$ 257,498</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 20,365	\$ 19,508
Unearned revenue	10,569	3,934
Current portion of long-term debt (Note 8)	<u>777</u>	<u>728</u>
	<u>31,711</u>	<u>24,170</u>
Long-term liabilities		
Deferred contributions (Note 7)	49,127	38,418
Long-term debt (Note 8)	11,803	12,580
Early retirement and employee benefit plans (Note 9)	40,279	37,599
Unamortized deferred capital contributions (Note 10)	<u>59,166</u>	<u>61,923</u>
	<u>160,375</u>	<u>150,520</u>
Net assets		
Accumulated operating deficit	(2,400)	(2,655)
Restricted for specific purposes (Note 11)	3,484	2,891
Invested in capital assets (Note 12)	21,825	20,073
Endowed (Note 13)	<u>70,968</u>	<u>62,499</u>
	<u>93,877</u>	<u>82,808</u>
	<u>\$ 285,963</u>	<u>\$ 257,498</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 and Vice-Chancellor

PRESIDENT'S REPORT
2004-2005

THE UNIVERSITY OF NEW BRUNSWICK CONSOLIDATED STATEMENT OF OPERATIONS

for the year ended April 30, 2005 (in thousands of dollars)

	2005	2004
Revenues:		
Government grants	\$ 84,198	\$ 81,656
Tuition and related fees	66,129	62,914
Research grants and contracts	37,757	34,467
Ancillaries	15,836	15,300
Services and other income	12,246	10,435
Donations	1,566	3,257
Investment income	7,494	3,346
Amortization of deferred capital contributions (Note 10)	8,186	8,693
	<u>233,412</u>	<u>220,068</u>
Expenses:		
Instruction and non-sponsored research	91,958	87,017
Non-credit instruction	4,784	4,636
Research grants and contracts	36,287	33,883
Plant operations	16,754	14,748
Administration and general	17,063	16,187
Ancillaries	15,755	13,825
Library	10,221	10,084
Central computing	5,868	5,421
Student services	6,162	5,432
Scholarships and bursaries	5,169	4,007
Early retirement plan and retiring allowances (Note 9)	4,641	3,426
Amortization of capital assets	11,767	12,931
Other	4,573	2,135
	<u>230,642</u>	<u>213,732</u>
Excess of revenues over expenses before changes in net assets	2,770	6,336
Changes in:		
Net assets restricted for specific purposes	(763)	(4,075)
Net assets invested in capital assets (Note 12)	(1,752)	(1,882)
Decrease in accumulated operating deficit	\$ 255	\$ 379

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

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

for the year ended April 30, 2005 (in thousands of dollars)

	2005					2004
	Accumulated Operating Deficit	Restricted for Specific Purposes	Invested in Capital Assets	Endowed	Total	Total
Net assets, beginning of year	\$ (2,655)	\$ 2,891	\$ 20,073	\$ 62,499	\$ 82,808	\$ 71,119
Changes during the year						
Excess of revenues over expenses for the year	255	763	1,752	-	2,770	6,336
Capitalized income and other transfers	-	(170)	-	1,225	1,055	1,667
Endowment contributions	-	-	-	7,244	7,244	3,686
Net change during the year	255	593	1,752	8,469	11,069	11,689
Net assets, end of year	\$ (2,400)	\$ 3,484	\$ 21,825	\$ 70,968	\$ 93,877	\$ 82,808

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

THE UNIVERSITY OF NEW BRUNSWICK CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended April 30, 2005 (in thousands of dollars)

	2005	2004
Operating activities		
Excess of revenues over expenses before changes in net assets	\$ 2,770	\$ 6,336
Add (deduct) non-cash items		
Amortization of capital assets	11,767	12,931
Amortization of deferred capital contributions	(8,186)	(8,693)
Early retirement plan and retiring allowances	4,641	3,426
Net increase (decrease) in employee benefit plan liability	79	(382)
Net change in non-cash working capital balances (Note 15)	<u>7,897</u>	<u>5,027</u>
	<u>18,968</u>	<u>18,645</u>
Investing activities		
Net increase in long-term investments	(9,671)	(2,699)
Capital asset acquisitions	<u>(10,491)</u>	<u>(24,447)</u>
	<u>(20,162)</u>	<u>(27,146)</u>
Financing activities		
Net (decrease) increase in long-term debt	(728)	5,288
Early retirement benefit and retiring allowance payments	(2,735)	(2,842)
Capital contributions received	3,709	14,733
Net increase (decrease) in deferred contributions	10,709	(2,084)
Endowment contributions	7,244	3,686
Increase in endowment inflation reserves	1,055	1,667
Other	<u>695</u>	<u>161</u>
	<u>19,949</u>	<u>20,609</u>
Net increase in cash and short-term deposits	18,755	12,108
Cash and short-term deposits, beginning of year	<u>36,110</u>	<u>24,002</u>
Cash and short-term deposits, end of year	<u>\$ 54,865</u>	<u>\$ 36,110</u>

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

THE UNIVERSITY OF NEW BRUNSWICK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended April 30, 2005

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. 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, Vehicles – 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) Hedging Relationships

As disclosed in Note 8, the University has entered into a number of interest rate swap transactions to effectively change its interest rate exposure on certain floating rate debt to a fixed rate basis. The University has designated that hedge accounting will be applied to these hedging relationships. The floating rate term loans and interest rate swap combinations are accounted for as fixed rate term loans, which they emulate.

The Canadian Institute of Chartered Accountants Accounting Guideline 13 – Hedging Relationships (AcG-13) is effective for the University's 2004-05 fiscal year. The Guideline specifies the circumstances in which hedge accounting is appropriate including the identification, documentation, designation and effectiveness of hedging relationships. In accordance with the CICA requirements, the University reassessed its existing hedging relationships and determined that they meet the conditions for the continued application of hedge accounting as set out in the Guideline.

k) Accounting Estimates

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

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

3. Fund Accounting Results

The following schedule summarizes the financial results for the University's unrestricted operating accounts for 2005 by campus, with comparative information for 2004 for the two campuses combined. To facilitate a comparison of actual operating results with the University's unrestricted operating budget, revenues and expenses are reported on a cash basis.

PRESIDENT'S REPORT
2004-2005

THE UNIVERSITY OF NEW BRUNSWICK NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended April 30, 2005 (in thousands of dollars)

	2005			2004
	Fredericton Campus	Saint John Campus	Total	Total
Revenues				
Provincial operating grant				\$ 80,431
Tuition and related fees	\$ 68,872	\$ 12,595	\$ 81,467	62,914
Ancillary operations	46,710	19,419	66,129	16,260
Services and other	12,290	3,546	15,836	11,796
Transfers from (to) other funds	10,510	2,342	12,852	1,607
	<u>4,492</u>	<u>(2,577)</u>	<u>1,915</u>	<u>1,607</u>
	<u>142,874</u>	<u>35,325</u>	<u>178,199</u>	<u>173,008</u>
Expenses				
Operating	125,233	30,796	156,029	147,593
Ancillary operations	12,905	3,736	16,641	16,191
Early retirement and retiring allowance	2,357	531	2,888	2,842
	<u>140,495</u>	<u>35,063</u>	<u>175,558</u>	<u>\$ 166,626</u>
Excess of revenues over expenses	2,379	262	2,641	6,382
Changes in internal restrictions	<u>(2,224)</u>	<u>(162)</u>	<u>(2,386)</u>	<u>(6,003)</u>
Net change in unrestricted fund balance	<u>\$ 155</u>	<u>\$ 100</u>	<u>\$ 255</u>	<u>\$ 379</u>
Budgeted change in unrestricted fund balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

4. Inventories

	2005	2004
Bookstores	\$ 829	\$ 797
Physical plant	668	676
Chemistry department	150	160
	<u>\$ 1,647</u>	<u>\$ 1,633</u>

5. Long-term Investments

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

	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 4,933	\$ 4,933	\$ 1,450	\$ 1,450
Fixed income securities	44,024	45,224	40,136	40,741
Equity securities	64,653	73,292	62,353	69,220
	<u>\$ 113,610</u>	<u>\$ 123,449</u>	<u>\$ 103,939</u>	<u>\$ 111,411</u>

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

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

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

i) The quality of fixed income securities is supported by federal, provincial and municipal government guarantees or high quality corporate bonds. Direct investments are made only in fixed income securities with a credit rating of "A" or higher. Indirect investments in "BBB" bonds may be made through a pooled fund which includes holdings of such bonds, provided that the fund's total investment in "BBB" bonds cannot exceed 5% of the assets invested in fixed income securities.

ii) Interest rates on the fixed income securities range from 3.5% to 10.125% with maturities that range from 2005 to 2035.

6. Capital Assets

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 772	\$ -	\$ 772	\$ 772
Buildings	201,973	134,617	67,356	64,573
Roads and tunnels	6,459	3,257	3,202	1,020
Furniture and equipment	65,049	42,098	22,951	24,829
Vehicles	309	16	293	-
Computer hardware and software	50,820	44,446	6,374	9,310
	<u>\$ 325,382</u>	<u>\$ 224,434</u>	<u>\$ 100,948</u>	<u>\$ 100,504</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:		2005	2004
Balance, beginning of year		\$ 38,418	\$ 40,502
Increases during the year: Restricted contributions/income		58,489	50,717
Decreases during the year: Transferred to unamortized deferred capital contributions		(5,429)	(14,733)
Transferred to endowed net assets		(1,055)	(1,312)
Recognized as revenue		(41,296)	(36,756)
Balance, end of year		<u>\$ 49,127</u>	<u>\$ 38,418</u>

The balance is made up of the following:

Sponsored research	\$ 24,466	\$ 19,425
Unexpended restricted donations	20,509	14,845
Unexpended endowment income	4,152	4,148
	<u>\$ 49,127</u>	<u>\$ 38,418</u>

8. Long-term Debt

Long-term debt consists of:

	2005	2004
Mortgages payable	\$ 1,002	\$ 1,088
Bank loans	11,578	12,220
	12,580	13,308
Less: Current portion	(777)	(728)
	<u>\$ 11,803</u>	<u>\$ 12,580</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	2005	2004
5 3/8 %	2013	\$ 669	\$ 734
5 3/8 %	2016	333	354
		<u>\$ 1,002</u>	<u>\$ 1,088</u>

b) Bank Loans

Bank loans include the following:

	Interest Rate	Maturity Date	2005	2004
Student Union Building	6.90 %	2008	\$ 432	\$ 562
Residence Improvements	6.64 %	2013	3,374	3,690
Residence Buildings	6.45 %	2020	1,790	1,860
Residence Buildings	6.50 %	2022	1,130	1,166
Residence Building	6.45 %	2028	4,852	4,942
			<u>\$ 11,578</u>	<u>\$ 12,220</u>

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

The Residence Improvements loan includes advances under a Fixed Rate Term Loan Agreement to finance residence building improvements on the Fredericton Campus. The Agreement provided for total borrowing of \$4,800 to be implemented at the rate of \$960 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

for the year ended April 30, 2005 (in thousands of dollars)

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

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

c) Interest paid on long-term debt amounted to \$833 for the year ended April 30, 2005 (2004-\$889).

d) Principal payments required on long-term debt in each of the next five years are as follows: 2006: \$777, 2007: \$828, 2008: \$881, 2009: \$771, 2010: \$822

9. Early Retirement and Employee Benefit Plans

Details of this liability are as follows:

	2005	2004
Early retirement plan	\$ 21,864	\$ 21,089
Retiring allowance	17,324	15,498
Other employee benefit plans	<u>1,091</u>	<u>1,012</u>
	<u>\$ 40,279</u>	<u>\$ 37,599</u>

a) Early Retirement Plan and Post-Retirement Benefits

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

The discount rate to be used is prescribed by the Canadian Institute of Chartered Accountants as the market rate of interest on high-quality bonds of an appropriate duration which match the expected timing of the payments. The rate used was 5.75% per annum as at April 30, 2005 (2004 - 6.25% per annum).

Changes in the supplementary retirement plans liability are as follows:

	2005	2004
Balance, beginning of year	\$ 21,089	\$ 21,340
Increases during the year:		
Interest on benefit obligation	1,263	1,325
Retirements and current service cost	226	20
Actuarial loss	896	94
Decreases during the year:		
Benefits paid	<u>(1,610)</u>	<u>(1,690)</u>
Balance, end of year	<u>\$ 21,864</u>	<u>\$ 21,089</u>

Details of early retirement plan expense are as follows:

	2005	2004
Interest on liability	\$ 1,263	\$ 1,325
Retirements during the year	226	20
Net investment gain on internal fund	(695)	(161)
Actuarial loss	<u>896</u>	<u>94</u>
	<u>\$ 1,690</u>	<u>\$ 1,278</u>

The estimated amount of early retirement benefit payments which will be made in 2006 is \$1,590.

b) Retiring Allowance

Calculated at the rate of one week's final pay per year of service to a maximum of twenty-five years, retiring allowances are paid to retiring employees, laid off employees, and the estates of deceased employees who had at least five years of service and who were active employees at the time of death. The retiring allowance liability reflects the estimated present value of the expected future benefit payments, as calculated by the plan actuary. The discount rate to be used is prescribed by the Canadian Institute of Chartered Accountants as the market rate of interest on high-quality bonds of an appropriate duration which match the expected timing of the payments. The rate used was 5.75% per annum as at April 30, 2005 (2004 - 6.25% per annum). Changes in the retiring allowance liability are as follows:

	2005	2004
Balance, beginning of year	\$ 15,498	\$ 14,502
Increases during the year:		
Current service cost	961	903
Interest on benefit obligation	965	972
Actuarial loss	1,025	273
Decreases during the year:		
Retiring allowances paid	<u>(1,125)</u>	<u>(1,152)</u>
Balance, end of year	<u>\$ 17,324</u>	<u>\$ 15,498</u>

Details of retiring allowance expense are as follows:

	2005	2004
Current service cost	\$ 961	\$ 903
Interest on benefit obligation	965	972
Actuarial loss	<u>1,025</u>	<u>273</u>
	<u>\$ 2,951</u>	<u>\$ 2,148</u>

The estimated amount of retiring allowance payments which will be made in 2006 is \$982.

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:

	2005	2004
Health and Dental Plan	\$ 178	\$ 165
Long-term Disability Plan	913	847
	<u>\$ 1,091</u>	<u>\$ 1,012</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:

	2005	2004
Balance, beginning of year	\$ 61,923	\$ 55,883
Increases during the year:		
Purchases of externally funded capital assets	3,709	14,733
Donation of capital asset	1,720	-
Decreases during the year:	<u>(8,186)</u>	<u>(8,693)</u>
Recognized as revenue		
Balance, end of year	<u>\$ 59,166</u>	<u>\$ 61,923</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 include 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:

	2005	2004
General Operating		
Departmental non-salary carryovers	\$ 11,300	\$ 10,419
Departmental share of contract overhead income	1,721	1,761
	<u>13,021</u>	<u>12,180</u>
Specific Purposes		
Donations restricted by the Board	4,316	3,716
Unexpended income on internal endowments	1,028	976
Indirect research and other non-recurring expenditures	928	1,872
Contingency for energy costs	679	579
Systems and equipment replacement	392	558
Capital requirements	8,116	8,385
Other operational priorities	5,866	3,622
	<u>21,325</u>	<u>19,708</u>
Unfunded Employee Benefits		
Early retirement plans	(12,039)	(12,113)
Retiring allowances	(17,324)	(15,498)
Staff unused vacation pay entitlement	(1,499)	(1,386)
	<u>(30,862)</u>	<u>(28,997)</u>
	<u>\$ 3,484</u>	<u>\$ 2,891</u>

THE UNIVERSITY OF NEW BRUNSWICK NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended April 30, 2005 (in thousands of dollars)

12. Net Assets Invested In Capital Assets

Net assets invested in capital assets consists of the following:

	2005	2004
Capital assets	\$ 100,948	\$ 100,504
Amounts financed by long-term debt	(12,580)	(13,308)
Amounts financed by working capital	(7,377)	(5,200)
Unamortized deferred capital contributions (Note 10)	<u>(59,166)</u>	<u>(61,923)</u>
Net assets invested in capital assets	<u>\$ 21,825</u>	<u>\$ 20,073</u>

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

	2005	2004
Increases in net assets invested in capital assets:		
Purchases of capital assets funded from operations	\$ 6,781	\$ 9,715
Less: Purchases funded by long-term debt	-	(960)
Less: Purchases funded by working capital	(2,176)	(3,306)
Repayment of long-term debt	<u>728</u>	<u>671</u>
	5,333	6,120
Decreases in net assets invested in capital assets:		
Amortization expense	(11,767)	(12,931)
Less: Amortization of deferred capital contributions (Note 10)	<u>8,186</u>	<u>8,693</u>
	(3,581)	(4,238)
Net increase in net assets invested in capital assets	<u>\$ 1,752</u>	<u>\$ 1,882</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.

	2005	2004
Total endowments are as follows:		
Externally endowed	\$ 63,020	\$ 54,721
Internally endowed	<u>7,948</u>	<u>7,778</u>
Total endowments	<u>\$ 70,968</u>	<u>\$ 62,499</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. Statement of Cash Flows

a) Cash and short-term deposits include 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:

	2005	2004
Accounts receivable	\$ 571	\$ 3,387
Inventories	(14)	(16)
Prepaid expenses and deferred charges	(152)	272
Accounts payable and accrued liabilities	857	48
Unearned revenue	<u>6,635</u>	<u>1,336</u>
	<u>\$ 7,897</u>	<u>\$ 5,027</u>

c) Significant non-cash transactions for the year ended April 30, 2005:

A building having an appraised value of \$1,720 was donated to the University by a corporate donor.

16. Fair Value Disclosures

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

i) General

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

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

The carrying amounts approximate fair value due to the immediate or short-term maturity of these financial instruments. Bonds and equities are valued at year-end quoted market prices.

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.

17. Pension Plans

The University contributes to two separate employee pension plans. As explained in the following sections, the University's only obligation under these plans is to make contributions at specified rates as set out in applicable legislation or plan documents. Pension expense is therefore based on amounts contributed, and the assets and liabilities of these plans are not included in the University's financial statements.

Public Service Superannuation Plan

For support staff, the University contributes to the Province of New Brunswick Public Service Superannuation Pension Plan (PSSP). This contributory multi-employer plan provides pensions based on length of service and final average earnings. The Plan is established under the authority of the Public Service Superannuation Act (PSSA). The University's only financial obligation under the Act is to make employer current service contributions at the rate prescribed in the regulations under the Act. The University's contributions to the PSSP during the year amounted to \$3,175 (2004-\$2,996).

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:

	2005	2004
University contributions	\$ 5,544	\$ 5,185
Employee contributions	5,544	5,185
Retirement benefits paid	3,856	3,253

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	6,610
Actuarial value of net assets available for benefits	<u>77,791</u>
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 \$1,000 from each of the University and employees. The University and the AUNBT subsequently agreed to further benefit reductions effective July 1, 2004. These benefit reductions resulted in cost savings of approximately \$500 annually from each of the University and employees, and helped 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

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

- 9.30% of earnings up to the Year's Maximum Pensionable Earnings (YMPE) as defined under the Canada Pension Plan, and,
- 11.00% of earnings above the YMPE.

These rates were established following the filing of the July 1, 2002 actuarial valuation. The next actuarial valuation of the Plan must be filed not later than December 31, 2005.

18. 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 a knowledge-based economy.

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

Office of the President and Vice-Chancellor
University of New Brunswick
www.unb.ca

Fredericton Campus
PO Box 4400
Fredericton, NB E3B 5A3

Saint John Campus
PO Box 5050
Saint John, NB E2L 4L5