



COMPTROLLER'S REPORT

For the Year Ended April 30, 2023

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Comptroller



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Introduction

This report offers commentary on the University's financial statements and should be read in conjunction with the University's consolidated financial statements and accompanying notes (hereinafter referred to as the "financial statements") for the year ended April 30, 2023. The Comptroller's Report and financial statements are reviewed and approved by the University's Board of Governors on the recommendation of the Audit Committee.

The financial statements report on the operations and financial position of the entire University, including the operating fund, restricted fund, and trust & endowment. The financial statements have been audited by Deloitte LLP and their Auditor's Report is part of the audited financial statement package.

The major highlights of the 2022-23 financial statements include:

- The University's consolidated revenues exceeded consolidated expenses by \$21.9 million. The surplus can be attributed to increases across most revenue streams but most notably from tuition fees combined with a growth in overall enrolment, and investment income.
- After reflecting changes in net assets, including transfers to internally restricted net assets and net assets invested in capital assets, the net unrestricted operating surplus is \$2.2 million which decreases the accumulated unrestricted operating deficit to \$2.6 million.
- The University's total assets increased by \$32.0 million or 4%. This increase is due to an increase in the Long-term investments, which increased by \$33.0 million and an increase in capital assets of \$15.6 million. Offsetting these was a reduction in Cash and short-term investments of approximately \$22.5 million.
- Total net assets increased by \$45.7 million, or 12%. This change is the result of an increase in the Endowed Net Assets and Net Assets Invested in Capital Assets, partially offset by a decrease in Internally Restricted Net Assets. In addition, decreases in both the Unfunded Employee Benefits and the Accumulated Unrestricted Operating Deficit had a positive impact on the overall net asset balance.

Basis of Accounting

The University's audited financial statements have been prepared in accordance with Accounting Standards for Non-Profit organizations (ASNPO) as issued by the Chartered Professional Accountants of Canada (CPA Canada). Canadian Universities generally apply either these standards or Public Sector Accounting Standards depending on the level of control exercised by the government in the province where they reside.

Within the ASNPO standards, not-for-profit organizations have the option to adopt either the deferral method of revenue recognition or the restricted method. UNB follows the deferral method. Under this method, the University is required to report the operations of all Funds on a consolidated basis in the financial statements. All contributions with external restrictions placed on their use are deferred and recognized as revenue only in the period the funds are used for their intended purpose. This includes items such as sponsored research revenue, contributions for specific purposes, and contributions for capital asset acquisitions. Contributions to the Endowment Fund, which are required by the donor to be held in perpetuity, are credited directly to net assets, and are not reflected as revenue.

While the audited financial statements offer a consolidated view of operations and a basis for global comparisons with other universities, it is important to note that other universities may use different accounting standards based on the degree of control by their provincial government or may use different revenue recognition standards.

In the case of UNB, the deferral accounting method results in some significant differences from the funds format financial statements (operating statement). The funds format financial statements are used throughout the year by the University's management to make day-to-day decisions on resource allocation and by the Board of Governors to assess performance against approved budgets.

Differences include:

- Donations and research grants received are reported as revenue in the year received in the funds format financial statements but in the audited financial statements, are only recognized to the extent the revenue is spent in the year. Unspent amounts are deferred and reported on the statement of financial position as unexpended deferred contributions until they are spent for the restricted purpose.
- Endowment contributions received are not recognized in the audited financial statements as revenue but rather as a direct increase to endowed net assets.
- Capital assets are expensed as acquired in the funds format financial statements but are capitalized and amortized (expensed) over their useful lives in the audited financial statements.
- Employee future benefits are expensed as incurred in the funds format financial statements but are reported on an actuarially determined accrual basis in the audited financial statements.

The two accounting methods result in significant differences in amounts reported in the audited financial statements and the funds format financial statements.

The fund accounting approach used by management to monitor operations is widely used in the University and not-for-profit sector and more closely aligns with the approach to manage resources. Other benefits include:

- It provides a central mechanism to ensure external and internal restrictions of funds such as research grants, endowment contributions and restricted capital grants are respected; and
- It provides an additional measure of expenditure control in that expenditures can only be made when/if there are budgeted funds available in the account.

The University operates the following three funds, which are consolidated in the audited financial statements:

- Operating – supports the University's core mission and includes teaching and administrative activities supported mainly by the unrestricted provincial operating grant; student tuition and fees; and certain ancillary revenues;
- Restricted - holds restricted research, capital projects and other accounts which are funded from internally and externally restricted sources as well as the University's capital assets; and
- Trust and Endowment - holds the endowed assets (contributions which are required to be held in perpetuity) and other contributions which have legal restrictions with respect to their use.

The audited financial statements include:

- Statement of Management Responsibility where senior management acknowledge their responsibility for preparing the financial statements and maintaining adequate internal controls. In addition, it acknowledges the Board of Governors' responsibility for the review of the audited financial statements primarily through its Audit Committee.
- Auditor's Report which outlines the responsibilities of management and the auditor. The auditor's report for 2023 is unmodified.
- Consolidated Statement of Financial Position, which shows the financial position of the University as at the end of the fiscal year. This includes the assets owned by the University less the liabilities, resulting in the Net Assets of the University.
- Consolidated Statement of Operations and Changes in Net Assets, which shows the gross revenues and expenses of all University funds, excluding deferred amounts, resulting in the difference of revenues and expenses. This amount is then adjusted for the amounts applicable to the various components of net assets, ending in the change in the net unrestricted operating surplus or deficit for the year.

- Consolidated Statement of Changes in Net Assets, which shows the changes in each category of net assets.
- Consolidated Statement of Cash Flows, which shows the primary sources and uses of cash during the fiscal year.
- Notes to Consolidated Financial Statements, which provide additional disclosure and information to assist the reader in understanding the financial results.

The Consolidated Statement of Operations and Changes in Net Assets reports an excess of revenues over expenses before changes in net assets, of approximately \$21.9 million (5.8% of total revenues). This reflects all restricted and unrestricted activities of the University. The \$21.9 million is then adjusted for the changes in net assets resulting from various internal and external restrictions that ultimately resulted in a decrease to the net accumulated unrestricted operating deficit of \$2.2 million. The adjustments to the excess of revenues over expenses in 2022-23 were as follows:

- The excess of revenues over expenses decreased by \$0.5 million because of differences between the actuarially determined employee future benefit expense, the actual cash contributions made and the gain on the internal fund.
- The excess of revenues over expenses decreased by \$8.9 million in the year due to a change in investments in capital assets. Specifically, there was \$25.4 million in capital asset acquisitions funded from operations, \$10.8 million in amortization of deferred capital contributions and a net decrease in external financing of \$2.4 million. All offset by \$16.9 million in amortization of capital assets and \$12.8 from internally restricted net assets (internal loans).
- The excess of revenues over expenses decreased by \$10.3 million because of transfers to internally restricted net assets.
- After the above noted adjustments for changes in net assets, the Statement of Operations and Changes in Net Assets reports a net unrestricted operating surplus for the year of \$2.2 million and a corresponding decrease in the University's accumulated unrestricted operating deficit from \$4.8 million in 2022 to \$2.6 million in 2023.

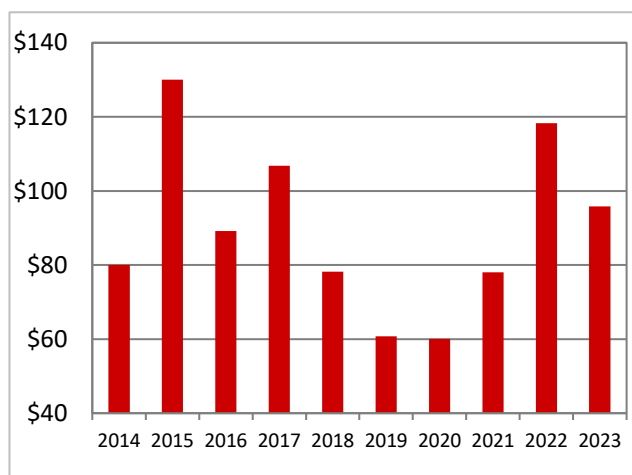
Analysis of Major items on the Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position reports the assets owned and controlled by the University; the liabilities owed by the University and the Net Assets of the University as at the end of the fiscal year, April 30, 2023 (with comparative balances). Assets and liabilities are categorized according to their liquidity, or how quickly they are expected to be converted into cash or require the use of cash, with assets and liabilities closest to cash being classified as current and those with time horizons greater than one year shown as long-term.

The following charts illustrate a ten-year comparison of the values reported in various categories on the Consolidated Statement of Financial Position.

Cash and Short-term Investments

(\$ millions)



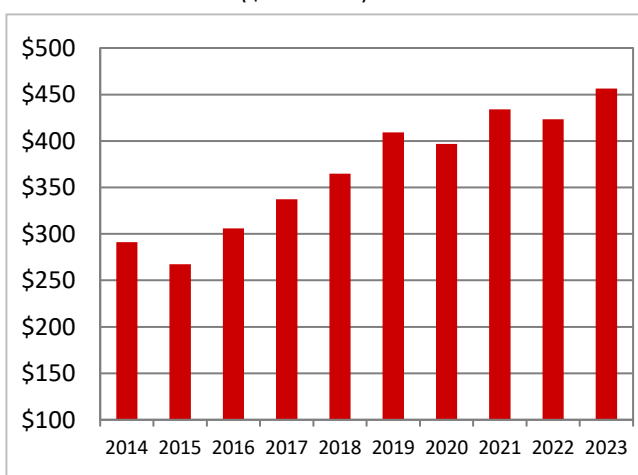
Description: Includes cash and short-term investments with maturity dates of less than 12 months. A large portion of the cash is invested in short-term, fixed income vehicles with an emphasis on preserving liquidity and capital. The remainder is invested over a longer investment horizon.

2023 Comments: The combination of cash and short-term investments decreased by \$22.5M for the fiscal year ending April 30, 2023. This decrease is largely timing related. Costs incurred in the 2020-21 fiscal year (renovations to Joy Kidd) that were financed internally, were recovered externally in fiscal 2021-22. In addition, the University received its first operating grant payment for the 2022-23 fiscal year of \$13.3M in April 2022.

Trend: The year-end cash balance has fluctuated over the past ten years but remains strong. A key factor in the large balance is the fact that the research year ends in March and a significant portion of the new year's funding is received in April.

Long-term Investments

(\$ millions)

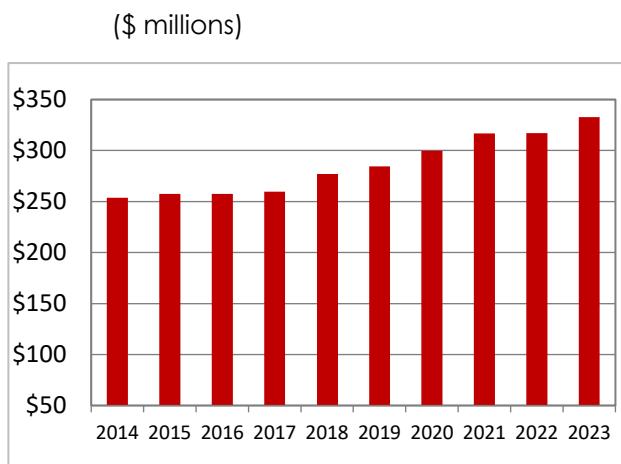


Description: Long-term investments primarily represent the assets of the Trust and Endowment Fund and specific purpose contributions held in trust. The investment pool assets are under the oversight of the Board of Governors Investments Committee. Long-term investments also include fixed income vehicles with maturity dates greater than 12 months.

2023 Comments: Long-term investments increased by \$33.0M due to positive investment returns in the Long-term Investment Fund as well as an increase in Guaranteed Investment Certificate holdings with maturities in excess of 12 months. The Long-term Investment Fund had an annual investment return of 6.34% compared to (0.67%) in 2022.

Trend: The University's investments have performed well over the last ten years, but returns have been volatile since the pandemic.

Capital Assets

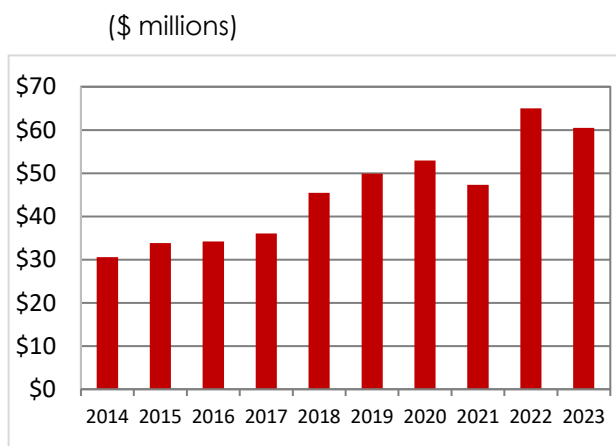


Description: Capital assets represent the undepreciated cost of university owned buildings, infrastructure, equipment, and other tangible assets used in University operations.

2023 Comments: The University had net capital asset acquisitions of \$33.1M in 2023. This includes the work required to complete the Aitken House renovation; ongoing capital renewal of the biomass system (Central Heating Plant); the purchase of 25 Gillis Road; the MacKay Residence renovation and the Ganong Hall lab renovation.

Trend: Capital asset acquisition levels have been stable over the last number of years but are expected to grow as the University continues with residence renewal as well as plans for the Health & Social Innovation Centre, the Engineering Commons, the Law School renewal, and other capital infrastructure projects.

Current Liabilities

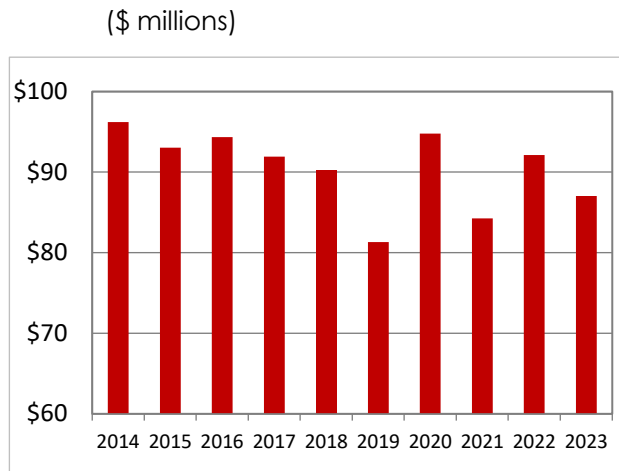


Description: Current liabilities are made up of accounts payable, accrued liabilities, unearned revenue, demand loans and the current portion of the long-term debt.

2023 Comments: Current liabilities decreased by \$4.6M from 2022. This is mostly due to a decrease in the current portion of unearned revenue which, in the prior year, was abnormally high because of the receipt of the first 2022-23 operating grant payment in April 2022. The amount received in advance was \$13.3M. This decrease is offset by an increase of \$7.1M in accounts payable & accrued liabilities. This increase relates primarily to the construction projects ongoing at year end and the timing of payments and holdbacks to contractors.

Trend: Current liabilities have generally been increasing which is in line with the University's overall growth.

Long-Term Liabilities

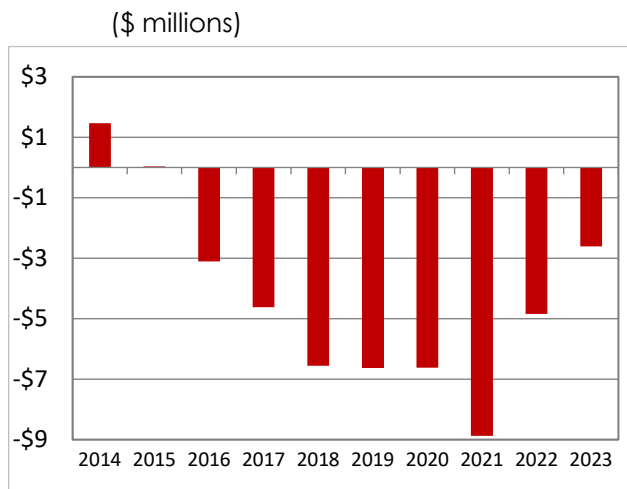


Description: Long-term liabilities consist of long-term debt and employee future benefits.

2023 Comments: Overall the long-term liabilities decreased by \$5.3M. This reduction is the result of the reclassification of the current portion of long-term debt of \$2.5M, to current liabilities, offset by in year additions to other long-term debt of \$0.1M. In addition, the liability associated with the University's employee future benefits decreased by \$2.9M, which is mostly attributed to the early retirement plans. The University's actuaries determine this liability annually.

Trend: The long-term liability balance has fluctuated since 2019 mostly due to the fluctuations in the gains and losses experienced within the employee future benefits. Long-term debt is expected to increase as the University moves forward with capital projects.

Accumulated Unrestricted Operating (Deficit) Surplus

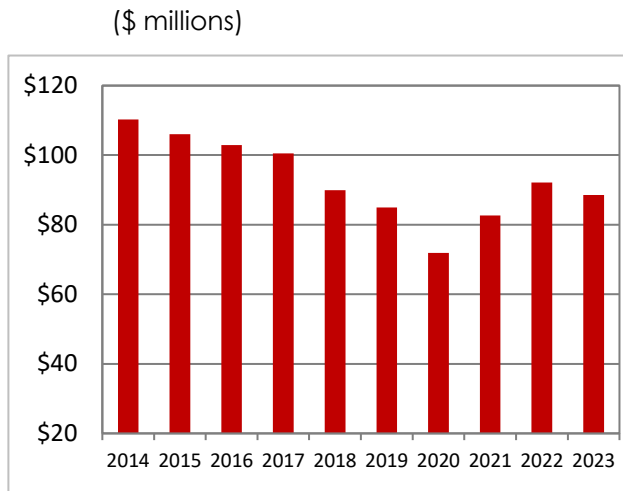


Description: This balance represents the accumulation of unrestricted operating surpluses and deficits since the inception of the University. It changes each year by the amount of the annual net unrestricted operating surplus or deficit.

2023 Comments: The University reported a net unrestricted operating surplus, after one-time transfers, of \$2.2M for fiscal 2022-23 which has decreased the accumulated unrestricted operating deficit to \$2.6M (2021-22 - \$4.8M).

Trend: This is the second year in a row where there has been a reduction in the accumulated unrestricted operating deficit. The accumulated deficit will only be reduced through the accumulation of surpluses or transfers from internally restricted net assets.

Internally Restricted Net Assets (IRNA)

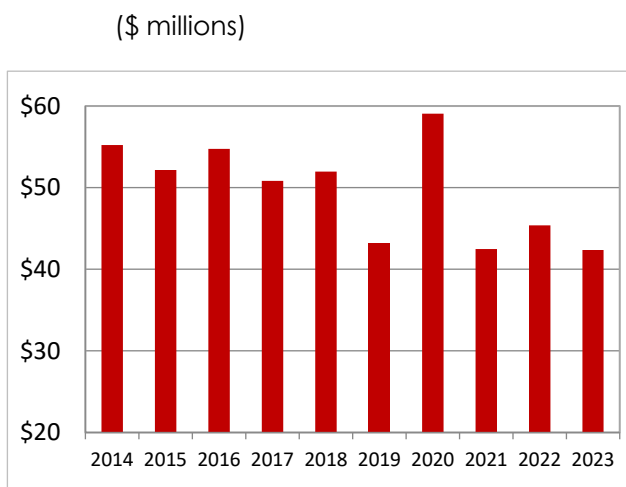


Description: This balance represents net assets that have been internally restricted based on the priorities established by the Board of Governors, management, faculties, and departments.

2023 Comments: The IRNA balance has decreased by \$3.6M from 2022. There are ten categories within the IRNA and while there are variances in each individual category, the most notable change relates to an increase in the internal loans of just over \$11.5M, which results in an overall decrease to the IRNA balance. This decrease is offset by transfers to other IRNA balances, mainly the operating budget carry forwards (\$1.7M); and balances carried forward for entrepreneurial activities (\$2.0M).

Trend: This balance will continue to fluctuate as funds are approved for internal loans and these internal loans are repaid. A more detailed analysis of the IRNA is found in the supplementary information section of this report.

Unfunded Employee Benefits



Description: The unfunded employee benefits include retiring allowances, post-retirement benefits, early retirement plans, unused vacation, the academic pension plan, and other post-employment benefits. This balance represents the extent to which these liabilities are unfunded.

2023 Comments: The decrease of \$3.0M relates primarily to the in-year adjustments resulting from the updated actuarial valuations specifically related to the early retirement plans.

Trend: Except for 2020, the unfunded employee benefits have been stable over the past 5 years. The impact of COVID-19 on the markets at the end of the University's 2020 fiscal year, saw a significant increase in the unfunded balance because of the unfavorable returns on the AESRPP plan assets.

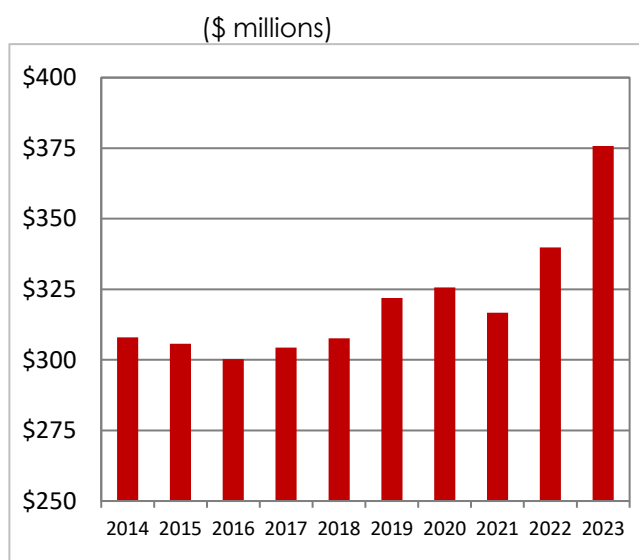
Analysis of Major items on the Consolidated Statement of Operations and Change in Net Assets

The Consolidated Statement of Operations and Changes in Net Assets shows the gross revenues and expenses of the University on a consolidated basis. This includes results from the Restricted Fund (including Physical Plant), Endowment Fund and Operating Fund (including ancillary services) accounted for according to Accounting Standards for Non-Profit organizations. As previously discussed, these results are not merely a summation of the three funds because accounting policies require that some items, such as unspent restricted funds, be deferred and brought into income when the funds are actually spent. In addition, endowment contributions which are required to be held in perpetuity are reported as direct increases in Endowed Net Assets in accordance with the accounting standards and are never recognized as revenue.

Revenues are categorized on the Consolidated Statement of Operations and Changes in Net Assets according to the source of the revenue, such as Government grants, Tuition and student fees, Research grants and contracts, Investment income and Donations. Expenses are categorized according to functions such as Instruction and non-sponsored research, Research grants and contracts, Plant operations, Administration and General, Student services, and Libraries. This presentation is consistent with prior years.

The following charts offer additional information with respect to revenues and expenses for the past ten years.

Total Revenue



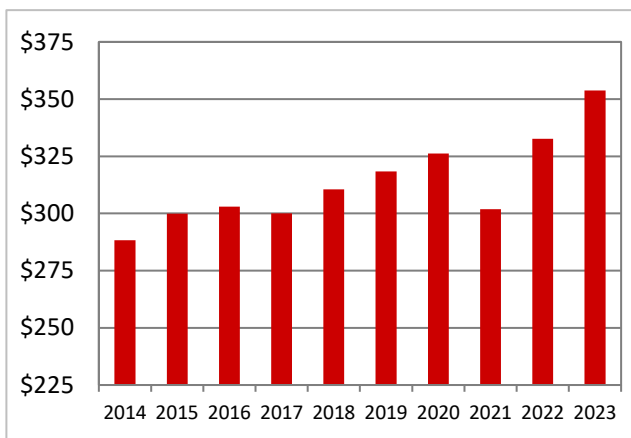
Description: Reported revenues include funding from all sources (restricted and unrestricted). Accounting standards require that restricted revenues be reported in the year spent regardless of when the funds were received.

2023 Comments: Total revenues increased by \$35.9M (11%) from 2022. This increase is reflective of an increase in tuition fees and enrolment as well as increases in investment income, research grants and contracts and services and other income. The increase in services and other income is largely the result of the NB Power retrofit program (\$1.1M) and the ongoing recovery of activities, including event admissions, gate receipts, and conference revenue.

Trend: With the exception of 2021, revenues have been progressively increasing since 2016. The changes in the major revenue stream components are discussed in subsequent sections.

Total Expenses

(\$ millions)



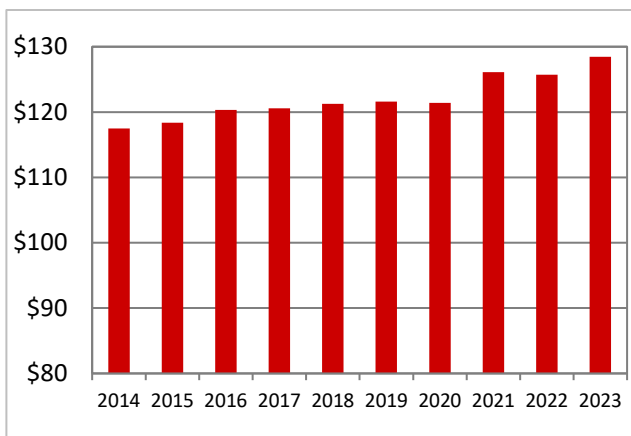
Description: Expenses are outflows of resources to pay for goods and services. Capital assets are amortized (expensed) over their estimated useful lives.

2023 Comments: Total expenses increased by \$20.9M (6%) from 2022. The largest increases were in Research Grants & Contracts which saw a comparable increase in revenue as well as Administration & General, and Instruction & Non-Sponsored Research.

Trend: With the exception of 2021, the University's expenses have been steadily increasing. This is expected to continue as the University continues to grow.

Government Grants

(\$ millions)



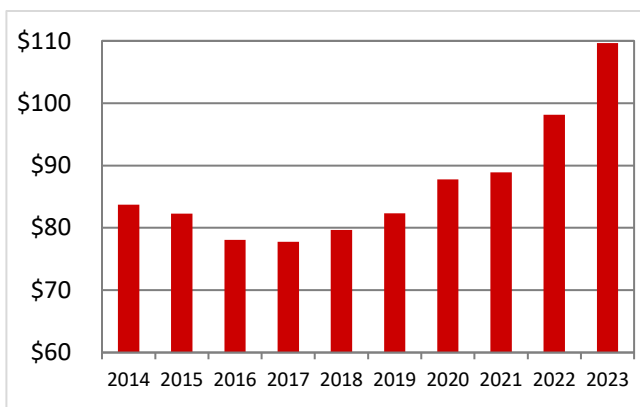
Description: Government grants include both the annual operating grant and grants received for specific purposes such as infrastructure and special projects.

2023 Comments: Overall, government grant revenue increased by \$2.7M from 2022. This includes an increase of \$1.8M (1.5%) in the provincial operating grant as well as additional operating assistance in the amount of \$1.25M related to the successful achievement of the University's negotiated enrolment target. In addition, the University received new funding for the Nursing and LPN programs. Offsetting these increases was a change in the funding structure for government grants received for strategic and targeted initiatives of \$1.2M.

Trend: While government relations are strong, without a multi-year Memorandum of Understanding, there is uncertainty with respect to the province's long-term operating grant funding commitment.

Tuition and Related Fees

(\$ millions)



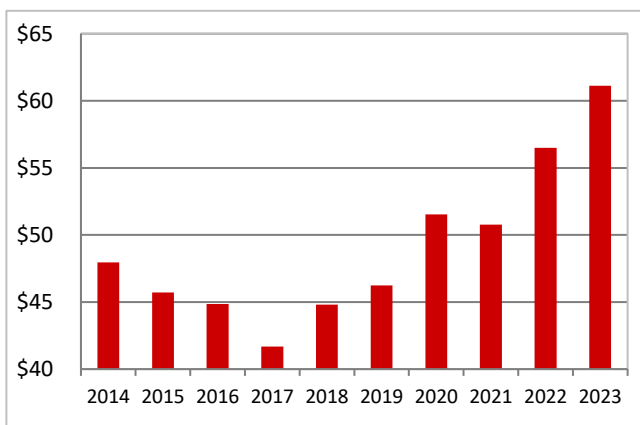
Description: Tuition and related fee revenues include tuition and other fees paid by students for specific purposes.

2023 Comments: Student fee revenue increased by \$11.2M (11%) from 2022. This increase reflects an increase in enrolment of 3% and a 4.5% increase in tuition rates. To a lesser extent, the tuition reset that went into effect in 2019-20 is still positively impacting this revenue source. The tuition reset, which applied only to new students, saw increases in tuition ranging from 5.45% to just under 25%. Legacy, those enrolled before 2019-20, have a tuition cap of 2%. Each year, there are fewer legacy students and more students paying the reset tuition amounts.

Trend: Growth in tuition and related fees is expected to continue. For the 2023-24 academic year, tuition fees increased again by 4.5%. Enrolment is also expected to continue to increase as the University continues to move forward with its Strategic Vision, *UNB Towards 2030*.

Research Grants and Contracts

(\$ millions)

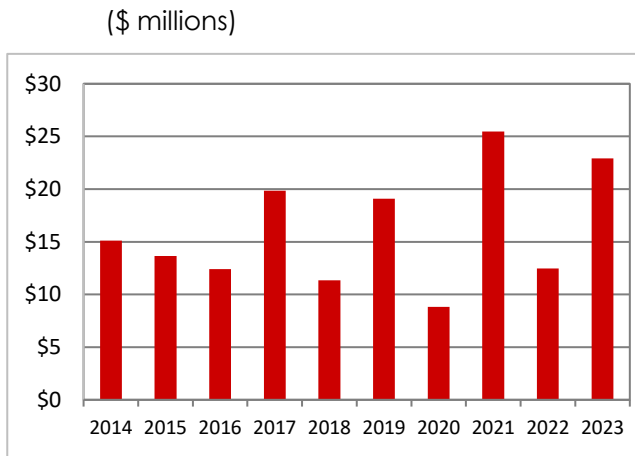


Description: Research grants and contracts revenue is received from governments, agencies, and companies for research and specific projects. Funds received are deferred until they are spent.

2023 Comments: Research grants and contracts revenue increased by \$4.6M (8%) from 2022. This increase is reflective of the ongoing activity related to various initiatives, including the Smart Grid Centre, the McKenna Institute, Experiential Education, and the Canadian Institute for Cybersecurity, as well as the University's Integrated Health Initiative and the Research Institute in Data Science & Artificial Intelligence.

Trend: With the addition of 6 new named chairs, and the University's continued commitment to UNB Towards 2030, the expectation is that research and other contract revenue will continue to grow.

Investment Income



Description: Investment earnings on externally restricted donations are deferred and recognized as income in the year the funds are spent. Investment earnings on unrestricted donations and other unrestricted investments are recognized as earned.

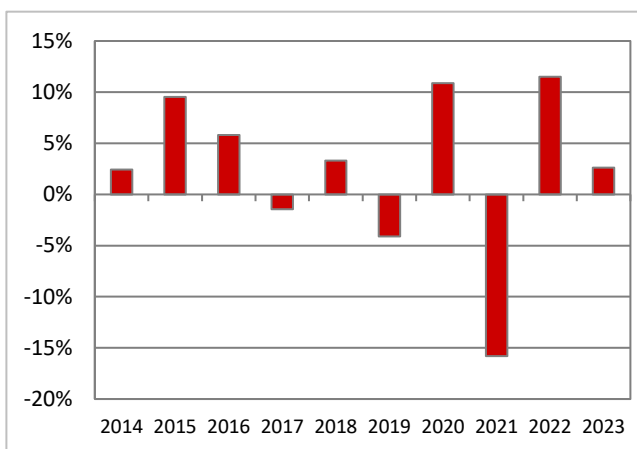
2023 Comments: Although the first half of the fiscal year saw significant increases in interest rates accompanied by negative equity markets; the markets experienced a reversal in the latter half of the year where interest rates were more stable and equity markets experienced positive returns. As a result, the University's Long-term Investment Fund earned 6.34% for the year, compared to (0.67%) for 2021-22.

Trend: Investment income earned is dependent on market returns and the amount recognized is dependent on spending. As such, it is subject to volatility.

Key Financial Indicators

Financial indicators have been developed as a quick assessment tool for use by management and the Board of Governors to assess the financial position and condition of the University. The following indicators have been selected by management to assess a variety of areas. Each indicator is briefly described below and analyzed in the context of the University.

Growth in Operating Expenses per FTE Student

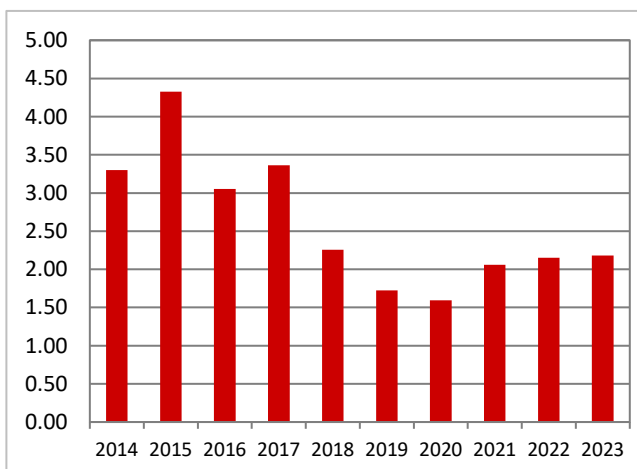


Description: This shows the growth/decline in actual operating expenses per full-time equivalent (FTE) student. Under normal circumstances a stable or declining percentage is preferred.

2023 Comments: With an increase in both the operating expenses and the number of FTE, the growth in operating expenses per FTE is 2.6%.

Trend: Growth in operating expenses per student has fluctuated over the last ten years and will likely continue to fluctuate as the University grows.

Working Capital Ratio

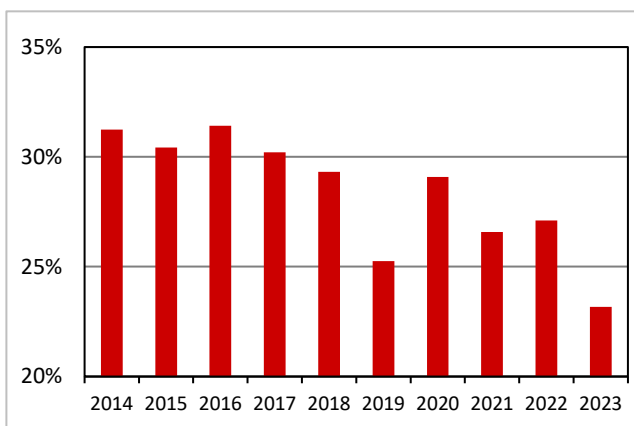


Description: The working capital ratio is a measure of the ability of the University to meet its current obligations from its current assets. A higher ratio indicates greater liquidity. A ratio of three or more is strong.

2023 Comments: While both the current assets and current liability have decreased compared to 2022, this ratio remains consistent, at 2.2:1, with the prior year.

Trend: This ratio will fluctuate because of timing differences affecting both current assets and current liabilities as well as decisions by management specifically as it relates to the financing arrangements for capital projects.

Long-term Liabilities as a percentage of Total Revenue



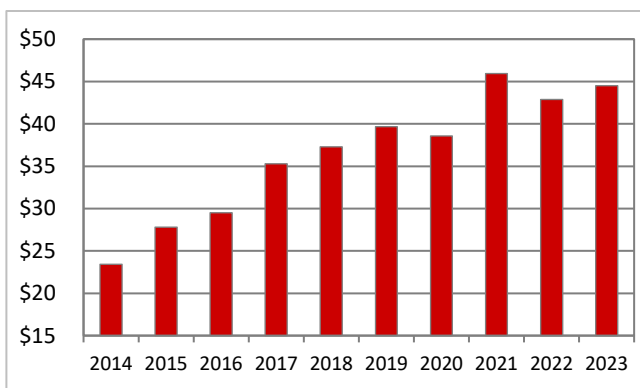
Description: This measure is an indicator of the University's ability to meet debt obligations from revenue. A lower percentage is preferred.

2023 Comments: This indicator decreased by 4% from 2022 from 27.1% to 23.1%. This is reflective of the increase in total revenues (11%) and an overall decrease in the long-term liabilities (6%).

Trend: This measure is expected to fluctuate as the University executes its growth plan while it continues with residence renewal and other capital infrastructure projects.

Endowment and Trust Funds per FTE Student

(\$ thousands)

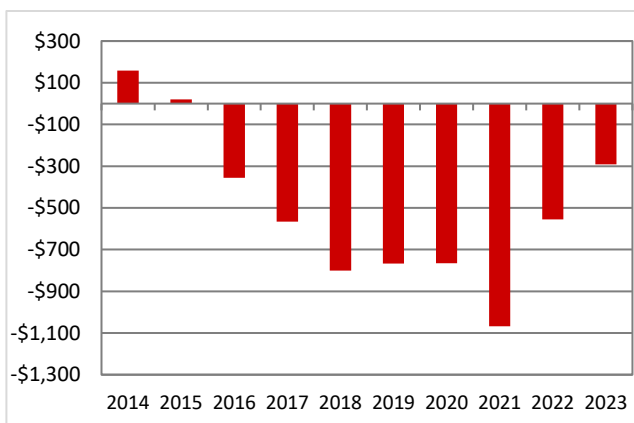


Description: This indicator shows the value of the endowment and trust fund assets being held per student, as an indicator of resources available for student assistance.

2023 Comments: The endowment and trust fund assets per student increased in 2022-23 by just over \$1.6K to \$44.5K per student. This increase was the result of an increase in the market value of assets.

Trend: This financial indicator is impacted by the market value of trust and endowment assets, which has experienced volatility in recent years.

Accumulated Unrestricted Operating (Deficit) Surplus per FTE Student



Description: This indicator is intended to measure the deficit burden that must be supported by each student.

2023 Comments: The accumulated unrestricted operating deficit decreased by \$2.2M from 2022. With an increase in enrolment, the deficit burden per student decreased from \$556 per student in 2022 to \$291 per student in 2023.

Trend: This indicator will continue to improve as enrolment increases, and surpluses are applied to the accumulated deficit.

Deferred Maintenance

Deferred maintenance (DM) refers to maintenance and repair activities that were not performed when they should have been or were scheduled to be and which, therefore, have been put off, or deferred, to a future period. Maintenance and repairs are activities directed toward keeping capital assets in an acceptable condition. Activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use. This indicator gives a picture of the condition of the University's capital assets.

As one of the oldest Universities in Canada, UNB is in a more challenging position than other universities due to the age of many campus buildings. As such, deferred maintenance is an ongoing challenge, as annual capital spending is not sufficient to maintain the University's current infrastructure. Estimated at \$328 million (Fredericton Campus \$308 million, Saint John Campus \$20 million), the accumulated deferred maintenance balance at UNB remains a major concern. Annual spending is not sufficient to keep up with required maintenance.

The following tables provide additional information.

Campus	Total Area (Sq. Ft)	Avg. Age of Buildings (Years)	Current Replacement Value (\$millions)	Deferred Maintenance (\$millions)	Facilities Condition Index*
Fredericton	2.6M	62.0	1,148	308	27%
Saint John	<u>0.7M</u>	40.7	<u>195</u>	<u>20</u>	<u>10%</u>
Total	3.3M		1,343	328	24%
* Deferred maintenance divided by current replacement value. A value greater than 10% is considered poor.					

There is currently an annual shortfall in funding for deferred maintenance of approximately \$15.4 million. This target, calculated at 2.4% of the current replacement value, is a minimum target to stop the increasing backlog and risk profile. Additional funding would be required to also address the existing deferred maintenance balance.

Building and Space Budget for 2022-23*		(\$millions)
Fredericton Campus		15.5
Saint John Campus		1.3
Total		16.8
Sightlines Study recommends annual spending of 2.4% of replacement value		32.2
Shortfall		(15.4)
*Budget intended to support DM as well as program, regulatory compliance, and accessibility projects. Therefore, any DM shortfall will be greater depending on the allocation of the budget to program, regulatory compliance, and accessibility projects.		

While there are significant challenges ahead, it is important to recognize that there are several capital projects that are ongoing and in the planning phases that will address considerable amounts of deferred maintenance. These projects include the Engineering & Computer Science renewal project, the Health and Social Innovation Centre, and ongoing residence renewal.

As the University continues to execute its Strategic Vision which includes creating a modern, integrated and sustainable UNB, the reduction of deferred maintenance remains a priority as the University aspires to reduce this liability by 50% by 2030.

Supplementary Information

Donation Revenue

As stated earlier, the University follows not-for-profit accounting standards as established by CPA Canada. These standards require that funds received from external parties with restrictions on the spending of those funds be accounted for differently than unrestricted funds. Externally restricted funds are reported as deferred contributions and not recognized as revenue until the funds are spent for the purpose specified by the external party. Funds with no external restrictions are recognized as revenue immediately.

In accordance with these accounting standards, donations are recorded in the financial statements as follows:

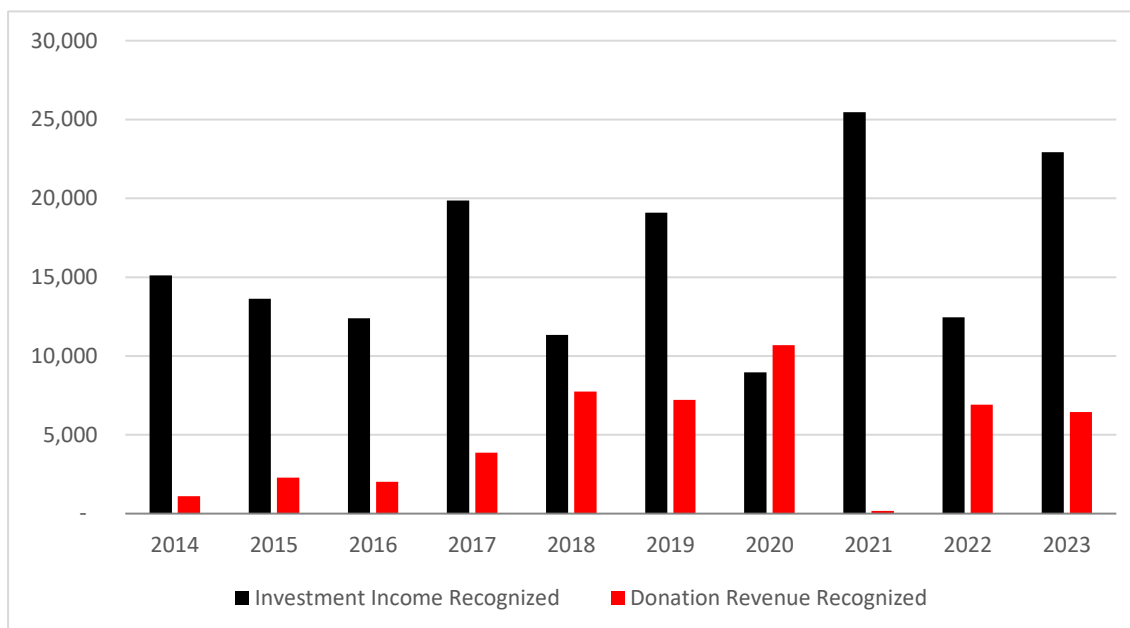
- Unrestricted donations are recorded as revenue when received
- Restricted donations are recorded as revenue when the related expenditures are incurred
- Unspent restricted donations are recorded as liabilities (unexpended deferred contributions or deferred capital contributions)
- Endowed donations are not recorded as revenue but are added directly to Endowed Net Assets.

In addition, the University has a practice of spending the investment income earned on a restricted donation before spending the original donation received. This practice impacts the amount of investment income and donation revenue recognized in any given year.

For the fiscal year ending April 30, 2023, the University received \$18.8 million in donations, however, only \$6.4 million was recognized on the Consolidated Statement of Operations and Changes in Net Assets. Of the \$12.4 million difference, \$5.3 million was reported as a direct increase to the Endowed Net Assets because of donor stipulations requiring the funds to be held in perpetuity, \$5.8 million was reported as Unexpended Deferred Contributions and will be recognized as revenue when the funds are spent in accordance with the external restrictions, and \$1.0 million was reported as Deferred Capital Contributions and will be recognized as revenue on the same basis as the amortization of the capital assets the donations funded. The remaining \$0.3 million difference relates to timing differences created by foreign exchange, securities, and in-kind donations.

The amount of donations deferred and ultimately, the amount of donation revenue recognized, directly relates to the investment income earned. As noted above, the Long-term Investment Fund earned 6.34% (2022 (0.67) %) for the year, which meant the investment income earned in 2022-23 was sufficient to meet most of the University's Trust and Endowment spending requirements. As a result, less donation revenue was recognized.

The chart below illustrates and compares the investment income and donation revenues recognized over the last ten years.



Internally Restricted Net Assets

UNB, like most Canadian universities, places internal restrictions on some of the funds received, or net operating surpluses earned, based on the priorities established by the Board of Governors, management, faculties, and departments. These are not external restrictions, but they are still binding as they have been approved by the governing body of the University. These funds may be restricted according to a Board decision (for example program fees, scholarships and bursaries, risk mitigation reserves, etc.) or according to a University policy or practice (operating budget carry forwards, contract overhead, surpluses in non-core operations, etc.).

From an accounting and reporting perspective, this means the amounts are first recognized as revenue in the Consolidated Statement of Operations and then internally restricted and reported as internally restricted net assets on the Consolidated Statement of Financial Position. The University established these protocols to incent wise resource utilization; to provide a tool to facilitate long-term planning of programs and initiatives; to allow savings to accumulate over several years to fund a project or initiative of a significant magnitude; to establish reserves to mitigate against risks; as well as in recognition of the decentralized nature of many university operations to promote self-sufficiency and budget management.

UNB has made efforts over the years to be transparent in disclosing the amount and nature of both internally and externally restricted accounts. In the April 30, 2023 audited financial statements, the University reported \$194.8 million in unspent deferred contributions (externally restricted amounts received for specific purposes), \$146.2 million in deferred capital contributions (external funding for capital assets that is amortized into revenue over

the lives of the assets the funds were used to acquire), \$88.5 million in internally restricted net assets (restricted by a policy of the Board of Governors or a decision for specific purposes), and \$238.3 million in endowed net assets (\$223.7 million externally endowed and \$14.6 million internally endowed). Endowed net assets must be held in perpetuity with only investment income available for spending according to the established criteria of the endowment.

Note 16 to the Consolidated Financial Statements presents the details of the internally restricted net assets by category. Total internally restricted net assets as of April 30, 2023, were \$88.5 million compared to \$92.2 million as of April 30, 2022.

Some additional information about the amounts in the various categories is provided below as well as some details with respect to the types of items included in each category.

Capital (2023 - \$31.0M / 2022 - \$29.8M) – these funds come from various sources such as the land development and lease revenue; facility fees and technology fees charged to students; as well as ancillary revenues set aside for future residence capital renewal and decisions by the Board of Governors to internally restrict previous year's operating surpluses. The decision to restrict portions of past years' operating surpluses for capital purposes was made to address the profoundly serious issue of accumulated deferred maintenance.

CAPITAL	\$ millions		
	2023	2022	Change
Infrastructure Renewal Projects	14.1	13.2	0.9
Funds from Land & Lease Transactions	3.8	3.7	0.1
Residence Renewal & Ancillary Projects Fund- Fredericton	2.6	2.9	-0.3
Currie Center Future Maintenance Fund	2.6	2.4	0.2
Engineering Commons- One-Time Funds	2.0	0.0	2.0
Health & Social Innovation Centre	1.7	3.4	-1.7
Klohn Commons Future Maintenance Fund	1.0	1.0	0.0
Tweedale Centre	0.9	1.1	-0.2
Facilities Management Fleet Renewal- Fredericton	0.9	0.4	0.5
Engineering Program Fund Projects	0.8	0.7	0.1
Tech Fee Program	0.5	0.2	0.3
VOIP Project 14-15- Saint John	0.4	0.3	0.1
Residence Renewal Fund- Saint John	0.3	0.7	-0.4
Incutech- One-Time Funds	0.2	0.0	0.2
Alumni Memorial Building Renovation	0.0	0.5	-0.5
Central Heating Plant Wood Boiler Design	0.0	0.1	-0.1
Kinesiology Building- Fredericton	-1.4	-1.4	0.0
Various Others	0.6	0.6	0.0
TOTAL CAPITAL	31.0	29.8	1.2

Risk (2023 - \$9.5M / 2022 - \$10.0M) – many of these funds have arisen from operating account surpluses which management, upon approval of the Board of Governors, has internally restricted to mitigate specific and general risks. Some amounts have arisen from specific sources (for example, insurance premium refunds and surpluses in the employee benefits stabilization accounts) which have also been internally restricted to guard against future risk.

RISK	\$ millions		
	2023	2022	Change
Short-Term Investment Fund Reserve	3.8	3.3	0.5
Employer Rate Stabilization Reserve	2.0	2.2	-0.2
Vice President Contingencies	1.9	2.9	-1.0
Insurance Reserves	1.2	1.1	0.1
Disabled Life Premium	0.5	0.5	0.0
Various Others	0.1	0.0	0.1
TOTAL RISK	9.5	10.0	-0.5

Entrepreneurial (2023 - \$16.9M / 2022 - \$14.9M) – these funds come from a wide variety of sources but are primarily cost recovery and net revenue-oriented initiatives taken on by various departments or individuals within the University. The costs associated with these initiatives must be covered by revenues generated from the initiatives. Any surpluses generated from these activities are internally restricted according to university policy and are available to the originating unit as an incentive to develop and grow the business in the future according to the University's strategic plan.

ENTREPRENEURIAL	\$ millions		
	2023	2022	Change
MBA Program- Saint John	3.8	2.3	1.5
Limerick Pulp & Paper Centre	1.1	0.8	0.3
Biomedical Institute	1.0	0.9	0.1
NB Institute for Research, Data & Training	1.0	0.6	0.4
Nursing Reserve- Saint John	0.9	0.9	0.0
Atlantic Innovation Fund	0.4	0.4	0.0
Canadian Rivers Institute	0.4	0.4	0.0
Research Royalties	0.4	0.3	0.1
UREC Services	0.4	0.1	0.3
Laboratory for Forest Soils & Environment Quality	0.3	0.4	-0.1
Faculty of Education- Trinidad & Tobago	0.3	0.2	0.1
Q1 labs- Researcher Portion	0.2	0.3	-0.1
Engineering Program Differential	0.1	0.2	-0.1
Various Others	6.6	7.1	-0.5
TOTAL ENTREPRENEURIAL	16.9	14.9	2.0

Specific Projects (2023 - \$15.8M / 2022 - \$14.4M) – the funds in these accounts have largely come from operating accounts and represent both unspent amounts at the fiscal year end related to specific projects which are already in progress, and unplanned savings in the implementation of other projects that have been internally restricted for future projects. Other amounts are budgeted annually in the operating accounts but are not spent each year and can accumulate to eventually be used for their intended purpose.

	\$ millions		
SPECIFIC PROJECTS	2023	2022	Change
Professional Expense Allowance- Fredericton*	3.3	3.0	0.3
Engineering Program Fees	3.2	3.0	0.2
Specific Projects- Saint John	2.1	1.6	0.5
Professional Expense Allowance- Saint John*	0.9	0.8	0.1
Administrative Leaves/Searches	0.8	0.8	0.0
Library Acquisitions	0.7	0.3	0.4
Vice President Academic- College of Extended Learning	0.5	0.6	-0.1
Budget Deferrals	0.4	0.7	-0.3
J. William Andrews Fund	0.4	0.0	0.4
Retirement Allowance Reserve	0.3	0.0	0.3
Ongoing Position Returns	0.0	0.6	-0.6
COVID-19 Provision	0.0	0.3	-0.3
Various Others	3.2	2.7	0.5
TOTAL SPECIFIC PROJECTS	15.8	14.4	1.4

*In previous years, the Professional Expense Allowance was reported as a current liability.

Strategic Priorities (2023 - \$11.2M / 2022 - \$9.6M) - the funds in this category have come from one-time operating items including HST rebates and operating surpluses.

	\$ millions		
STRATEGIC PRIORITIES	2023	2022	Change
Operating Deficit Support Fund	7.7	7.7	0.0
Academic Development Fund- Fredericton	1.0	0.9	0.1
President's Strategic Funds	1.0	0.0	1.0
Academic Development Fund- Saint John	0.7	0.5	0.2
Unallocated One Time Priorities	0.5	0.4	0.1
Student Priorities	0.2	0.0	0.2
Various Others	0.1	0.1	0.0
TOTAL STRATEGIC PRIORITIES	11.2	9.6	1.6

Operating Budget Carry Forwards (2023 - \$15.9M / 2022 - \$14.1M) – there is a Board approved policy that allows academic and operational units to “carry forward” any unspent non-salary budget, that is the amount of any non-salary amounts that were budgeted but not spent during the year. The intent of this policy is to encourage long-term planning, provide flexibility to execute those plans and provide a means of accumulating monies to fund larger projects that would not otherwise be possible through regular annual operating budgets.

	\$ millions		
OPERATING BUDGET CARRY FORWARDS	2023	2022	Change
Canadian Institute for Cybersecurity	0.5	0.4	0.1
FR-College of Extended Learning	0.2	0.2	0.0
FR-Facilities Management	0.6	0.8	-0.2
FR-Faculty of Arts	0.8	0.6	0.2
FR-Faculty of Computer Science	0.9	0.4	0.5
FR-Faculty of Education	0.5	0.6	-0.1
FR-Faculty of Engineering	0.7	0.4	0.3
FR-Faculty of Kinesiology	0.3	0.5	-0.2
FR-Faculty of Management	0.5	0.4	0.1
FR-Faculty of Nursing	0.6	0.4	0.2
FR-Faculty of Science	0.7	0.6	0.1
FR-Student Services	0.9	0.7	0.2
FR-Vice-President Academic	1.7	1.6	0.1
SJ-Faculty of Business	0.2	0.1	0.1
SJ-Faculty of Science, Applied Science & Engineering	0.4	0.4	0.0
SJ-School of Graduate Studies	0.2	0.1	0.1
SJ-Vice-President	0.4	0.7	-0.3
UW-Advancement	0.8	0.3	0.5
UW-Information Technology Services	0.6	0.7	-0.1
UW-President - Special Projects	1.0	1.6	-0.6
UW-School of Graduate Studies	0.6	0.7	-0.1
UW-University Comptroller	0.5	0.4	0.1
Various Others	2.3	1.5	0.8
TOTAL OPERATING BUDGET CARRY FORWARDS	15.9	14.1	1.8

Scholarships, Bursaries and Other Awards (2023 - \$6.5M / 2022 - \$6.3M) – these amounts arose from donations and internally restricted income and contain un-awarded operating funds set aside for scholarships, bursaries, and other student assistance in addition to a limited number of internally restricted scholarship trust funds that were designated by the Board from allocations of unbudgeted proceeds from land sales. These funds are not available for general operating expenses.

Contract overhead (2023 - \$7.2M / 2022 - \$8.1M) – this amount is the remaining unspent value of the departmental share of funds received on research and other contracts to assist the University in covering indirect costs associated with fulfilling the research or contract commitments that are not specifically identified in the project budget. The University policy provides that at least 40% of overhead payments are to be retained by the department undertaking the project to provide an incentive to departments to undertake research contracts. These funds are controlled by the department and are recorded as internally restricted net assets as they are not available for use in general operations according to the approved University policy. The other portion of contract overhead funds are controlled by central administration to pay for indirect research costs incurred in the operating fund and to the Vice President Research for research initiatives and graduate training programs.

Internal loans (2023 - \$21.0M/ 2022 - \$9.5M) – the internal loans program provides a source of long-term financing for capital projects and / or major equipment purchases in appropriate circumstances. The program may also be used to provide internal or short-term financing for projects waiting for external financing arrangements to be finalized. Internally financed projects are only considered in circumstances where there is an identified expected cash flow stream available to service the internal debt.

Internal Loans	\$ millions		
	2023	2022	Change
Central Heating Plant Boiler Project	-6.1	-6.7	0.6
Central Heating Plant Biomass System Renewal	-5.2	0.0	-5.2
Aitken House Residence	-5.0	0.0	-5.0
Firewall Replacement	-1.1	-1.3	0.2
Gillis Road	-0.9	0.0	-0.9
MacKay Residence Renovations	-0.9	0.0	-0.9
Turf Field	-0.8	0.0	-0.8
AUC Ice Plant Renewal	-0.5	-0.7	0.2
Central Heating Plant Generator	-0.4	-0.5	0.1
VOIP Recovery	-0.1	-0.2	0.1
Enterprise Network Storage	0.0	-0.1	0.1
TOTAL Internal Loans	-21.0	-9.5	-11.5

Energy management (2023 – \$4.5M / 2022 – \$5.5M) – the energy management program provides a source of financing for projects that control and reduce energy consumption. The program was established in 1997 with approval from the Board of Governors. Projects are approved, through an established committee, with the expectation that, through utility cost avoidance, the project cost will be recovered in five to eight years.

As detailed above, there are a wide variety of funds that are reported as internally restricted. In some cases, the funds have been paid to the University by students and other stakeholders (i.e., the technology fee will be spent on technology). In other cases, the funds have been generated by faculty and staff through effective management of their budgets, with the intent to spend the funds in the future on enhancements and large-scale projects. The commonality is that in all cases, the funds have been internally restricted in the past so that they can be accessed in the future for the benefit of a specific program, activity, or project.

Accounting for the Shared Risk Pension Plan

The former academic employee pension plan (AEPP) was converted to a shared risk plan (AESRP) effective July 1, 2013 pursuant to an MOU between the AUNBT and UNB. Under the AEPP both parties were only responsible for making contributions as agreed to through the collective bargaining process with no liability to fund any deficit resting with the University. Parties agreed that a change was required to make the plan sustainable. A shared risk model was chosen because it provides some security over benefit payments to retirees while also providing stability in contribution rates for both the employer and employees.

Because the plan is jointly governed by the University and the Faculty Association, only 50% of the actuarially determined plan deficit is recorded as a liability on the Consolidated Statement of Financial Position. It is important to note that the University does not "owe" this money to anyone, nor would it ever be responsible to pay the plan deficit under the terms of the plan agreement and legislation over shared risk pension plans.

Consistent with our accounting for non-pension employee benefit liabilities, this unfunded amount has been disclosed separately in the Net assets section of the Consolidated Statement of Financial Position to identify that the liability is not funded. The University's 50% share of the liability at April 30, 2023 is \$12.4 million, which is a decrease of approximately \$0.5 million from 2022.

In addition, accounting standards require that the actuarially determined annual expense amount be reported partially on the Consolidated Statement of Operations and partially as a direct charge against net assets on the Consolidated Statement of Financial Position. Note 23 to the financial statements provides an overall summary of the plan, the expense, and the liability.

Non-Pension Employee Benefit Costs

The University operates several cost shared employee benefit plans including health & dental, group life family protection, and long-term disability (LTD) benefits. The overall cost of these benefit plans is paid 50% by the University and 50% by employees. These plans are largely self-insured, with risk management tools in place to limit the University's (and employees') exposure to adverse claims experience. These tools include the purchase of large amount pooling coverage on the health & dental plan whereby the Plan's exposure is capped at \$50,000 per individual claim, and similar insurance on the LTD Plan to limit the Plan's exposure to 5 years of coverage per individual claim.

All plans are operated in accordance with prudent actuarial principles with respect to setting premium rates and maintenance of appropriately funded benefit reserves for each plan. In addition to these plan specific reserves, employer and employee rate stabilization reserves are maintained to help provide an additional measure of security for benefits, and to stabilize premiums. In the event of a plan surplus, 50% of the plan surplus is added to the employer rate stabilization account and 50% of the surplus is added to the employee rate

stabilization account. In the event of a plan deficit, 50% of the deficit is funded from each of the employer and employee rate stabilization accounts. As noted, the benefit reserves and the employer and employee rate stabilization accounts are funded reserves that are invested as part of the University's trust and endowment investment pool.

The University also offers other employee benefits including a retirement allowance program, past early retirement offerings, post-retirement group life insurance and supplementary health and dental benefits in certain specific circumstances. The liabilities relative to these programs are detailed in Note 11 to the financial statements.