



CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended April 30, 2020



University of New Brunswick

April 30, 2020

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**UNIVERSITY OF NEW BRUNSWICK
STATEMENT OF MANAGEMENT RESPONSIBILITY**

For the Year Ended April 30, 2020

The University of New Brunswick (the University) is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with Accounting Standards for Non-Profit Organizations as prescribed by the Chartered Professional Accountants of Canada.

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 consolidated 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 the audit examination and financial reporting matters. The external auditors have full access to the Audit Committee, with and without the presence of management.

The consolidated financial statements for the year ended April 30, 2020 have been reported on by Deloitte LLP, Professional Accountants. The auditors are appointed by the Audit Committee under the authority delegated by the Board of Governors. The independent auditor's report outlines the scope of their audit and their opinion on the fairness of presentation of the information in the consolidated financial statements.



Paul J. Mazerolle, Ph.D.
President & Vice-Chancellor



Karen Cunningham, CPA, CA
Vice-President
Administration & Finance

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

Independent Auditor's Report

To the Board of Governors of
University of New Brunswick

Opinion

We have audited the consolidated financial statements of University of New Brunswick (the "University"), which comprise the consolidated statement of financial position as at April 30, 2020 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University of New Brunswick as at April 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
October 15, 2020


**UNIVERSITY OF NEW BRUNSWICK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

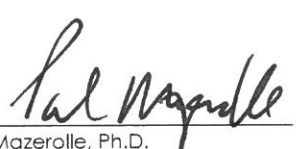
As at April 30, 2020

	(\$ thousands)	
	2020	2019
ASSETS		
Current assets		
Cash and short-term investments (Note 3)	\$ 60,040	\$ 60,778
Accounts receivable (Note 4)	23,705	25,419
Inventories (Note 5)	1,385	1,580
Prepaid expenses	4,461	3,857
	89,591	91,634
Capital improvements (Note 6)	3,999	3,129
Long-term investments (Note 7)	396,963	409,226
Capital assets (Note 8)	298,148	284,397
	699,110	696,752
	\$ 788,701	\$ 788,386
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 42,153	\$ 43,966
Current portion of unearned revenue	10,024	7,488
Demand loans (Note 10)	2,400	-
Current portion of long-term debt (Note 11)	1,555	1,653
	56,132	53,107
Long-term liabilities		
Long-term debt (Note 11)	14,305	15,860
Employee future benefits (Note 12)	79,655	65,462
	93,960	81,322
Unearned revenue and contributions		
Long-term unearned revenue (Note 13)	1,035	1,150
Unexpended deferred contributions (Note 14)	163,312	172,546
Deferred capital contributions (Note 15)	153,323	152,424
	317,670	326,120
Net assets (liability)		
Accumulated unrestricted operating (deficit)	(6,622)	(6,622)
Unfunded employee benefits (Note 16)	(59,829)	(43,277)
Internally restricted net assets (Note 17)	72,266	84,746
Invested in capital assets (Note 18)	126,565	114,460
Endowed (Note 19)	188,559	178,530
	320,939	327,837
	\$ 788,701	\$ 788,386

See Note 21 for information regarding contingent liabilities and commitments.

Approved:


Larry Hachey
Chair, Board of Governors


Paul J. Mazerolle, Ph.D.
President & Vice-Chancellor

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

UNIVERSITY OF NEW BRUNSWICK
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended April 30, 2020

	(\$ thousands)	
	2020	2019
Revenues		
Government grants	\$ 118,555	\$ 121,604
Tuition and related fees	87,764	82,336
Research grants and contracts	51,545	46,236
Investment income	8,960	19,088
Ancillaries	16,556	18,227
Services and other income	18,521	17,450
Amortization of deferred capital contributions (Note 15)	10,203	9,798
Donations	13,530	7,210
	325,634	321,949
Expenses		
Instruction and non-sponsored research	128,690	126,210
Research grants and contracts	47,688	46,446
Plant operations	33,637	32,962
Administration and general	26,267	26,822
Ancillaries	14,379	15,656
Library	12,307	12,464
Amortization of capital assets	14,958	14,266
Student services	12,157	12,029
Scholarships and bursaries	16,633	15,367
Central computing	6,542	7,017
Non-credit instruction	4,586	4,829
Other	2,969	2,102
Employee future benefits (Note 12)	5,589	2,163
	326,402	318,333
Excess of (expenses over revenue) revenues over expenses before changes in net assets	(768)	3,616
Changes in net assets:		
Unfunded non-pension employee benefits	767	(618)
Net assets used to acquire capital assets (Note 18)	(12,105)	(7,000)
Change in internally restricted net assets	12,106	3,937
	-	(65)
Decrease in accumulated unrestricted operating deficit	\$ -	\$ (65)

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

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

For the year ended April 30, 2020

(\$ thousands)

	Accumulated Unrestricted Operating Deficit	Unfunded Employee Benefits	Internally Restricted Net Assets	Invested in Capital Assets (Note 18)	Endowed	Total
Net assets (liability), as at May 1, 2018	\$ (6,557)	\$ (51,958)	\$ 89,994	\$ 107,460	\$ 168,990	\$ 307,929
Changes during the year						
Excess of revenues over expenses (expenses over revenues)	(65)	618	(3,937)	7,000	-	3,616
Transfer to Internally Restricted Net Assets	-	991	(991)	-	-	-
Remeasurement gains	-	7,072	-	-	-	7,072
Capitalized income and other transfers	-	-	(320)	-	4,406	4,086
Endowment contributions	-	-	-	-	5,134	5,134
Net change during the year	(65)	8,681	(5,248)	7,000	9,540	19,908
Net assets (liability), as at April 30, 2019	(6,622)	(43,277)	84,746	114,460	178,530	327,837
Changes during the year						
Excess of (expenses over revenues) revenues over expenses	-	(767)	(12,106)	12,105	-	(768)
Remeasurement losses	-	(15,785)	-	-	-	(15,785)
Capitalized income and other transfers	-	-	(374)	-	5,198	4,824
Endowment contributions	-	-	-	-	4,831	4,831
Net change during the year	-	(16,552)	(12,480)	12,105	10,029	(6,898)
Net assets (liability), as at April 30, 2020	\$ (6,622)	\$ (59,829)	\$ 72,266	\$ 126,565	\$ 188,559	\$ 320,939

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

**UNIVERSITY OF NEW BRUNSWICK
CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended April 30, 2020

	(\$ thousands)	
	2020	2019
Operating activities		
Excess of (expenses over revenue) revenues over expenses before changes in net assets	\$ (768)	\$ 3,616
Add (deduct) non-cash items		
Amortization of capital assets	14,958	14,266
Amortization of capital improvements	739	790
Amortization of deferred capital contributions	(10,203)	(9,798)
Decrease (increase) in unrealized gain on long-term investments	19,043	(17,188)
Remeasurement (losses) gains of unfunded employee benefits	(15,785)	7,072
Net change in operating assets and liabilities (Note 22)	16,221	(2,114)
	24,205	(3,356)
Investing activities		
Decrease in short-term investments	4,257	21,025
Purchases of long-term investments	(38,613)	(39,798)
Sales of long-term investments	14,313	2,388
Increase in capital improvements	(1,609)	(642)
Net capital asset acquisitions	(28,709)	(22,141)
	(50,361)	(39,168)
Financing activities		
Long-term debt repayments	(1,653)	(1,583)
Increase in demand loans	2,400	-
Deferred capital contributions received	11,102	12,256
Net (decrease) increase in long-term unearned revenues and unexpended deferred contributions	(9,349)	16,226
Endowment contributions	4,831	5,134
Capitalized endowment income and other transfers	4,824	4,086
	12,155	36,119
Net (decrease) in cash and cash equivalents	(14,001)	(6,405)
Cash and cash equivalents, beginning of year	50,703	57,108
Cash and cash equivalents, end of year (Note 3)	\$ 36,702	\$ 50,703

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

UNIVERSITY OF NEW BRUNSWICK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2020
(in thousands of dollars)

1. Authority and Purpose

The University of New Brunswick (the University) operates under the authority of the University of New Brunswick Act. It is a Board-governed, comprehensive university offering undergraduate and graduate degree programs, a broad range of research, and continuing education programs and activities. The University is a registered charity and is therefore exempt from the payment of income taxes under Section 149 of the Income Tax Act.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO), Part III of the Chartered Professional Accountants (CPA) handbook.

A summary of significant accounting policies is as follows:

a) Accounting Method

The financial statements are prepared on a non-fund basis as the operations for the University have been combined for reporting purposes. The University follows the deferral method of revenue recognition.

b) Principles of Consolidation and Presentation

The University's financial statements consolidate the accounts of Enterprise UNB Inc. (EUNB). In 2010, EUNB ceased operations, although it continues to exist as a corporate entity with no assets and no liabilities.

c) Revenue Recognition

Amounts received or receivable for tuition and related 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. Amounts received in advance are reported as unearned revenue.

The University receives grants and donations from a number of different sources for 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 reported as deferred capital contributions invested in capital assets. Deferred capital contributions are amortized and recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Endowment donations that are required by the donor to be held in perpetuity are recognized as direct increases in endowed net assets in the year received. The University has a policy to protect the economic value of the endowments from the impact of inflation

UNIVERSITY OF NEW BRUNSWICK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2020
(in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

c) Revenue Recognition (continued)

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 if the amount to be received can be reasonably estimated and collection is reasonably assured.

Pledged amounts are not recorded in the accounts.

Restricted investment income is deferred and recognized as revenue in the period in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

d) Contributed Services

Many of the activities of the University are dependent on services donated by volunteers. The value of donated services is not recognized in these statements.

e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in bank and investments with original maturity of 90 days or less.

f) Short-Term Investments

Short-term investments consist of Guaranteed Investment Certificates issued by Canadian chartered banks with terms to maturity ranging from 91 days to one year.

g) Inventories

Inventories for resale are held by the Bio-Medical unit in the Faculty of Engineering. These inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated amount that could be realized upon the sale of the inventory, net of estimated costs associated with its sale or disposal. Inventories held for consumption are in place in the Chemistry Department, Facilities Management and Central Computing. These inventories are valued at cost with cost determined using the average cost method of inventory valuation.

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

**For the year ended April 30, 2020
(in thousands of dollars)**

2. Summary of Significant Accounting Policies (continued)

h) Capital improvements

Capital improvements include energy management improvements that increase the service potential of capital assets and are recorded at cost. Repairs and maintenance costs are charged to operating expenses. Energy management improvements include amounts expended on energy management projects that result in demonstrated net savings through reduced energy costs. Such amounts are amortized on a straight line basis over the expected payback period which is not materially different than the expected useful life.

The University also incurs certain lease-specific direct costs associated with major land development projects. These costs are also recorded as capital improvements and amortized on a straight-line basis over the term of the respective lease.

i) Investments

Investments in pooled funds, equities and fixed income securities are recorded at fair value. The change in fair value related to endowed and/or externally restricted accounts is reflected as a change in Unexpended Deferred Contributions on the Consolidated Statement of Financial Position. The change related to unrestricted or internally restricted accounts is reflected in the Consolidated Statement of Operations and Changes in Net Assets.

j) 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 expenses. 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:

Land Improvements	20 years
Buildings	40 years
Roads and Tunnels	20 years
Furniture and Equipment	10 years
Vehicles	5 years
Computer Hardware	5 years
Computer Network Infrastructure	20 years

Costs of construction in progress on capital assets, including interest, are capitalized within the respective asset classes. Amortization is charged only once the asset is available for use.

UNIVERSITY OF NEW BRUNSWICK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2020
(in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

k) Employee Future Benefits

The actuarial values of the non-pension liabilities (early retirement plans, retirement allowance and post-retirement benefits) are updated each year by our actuaries. The current service cost and finance costs as determined by the actuaries are expensed each year in the statement of operations and re-measurement adjustments are adjusted directly to net assets each year.

An actuarial funding valuation is available for the faculty pension plan (see Note 2 (l)) and is used to value the plan for accounting purposes in accordance with section 3462 of the CPA handbook. No actuarial funding valuation is available for the other future employee benefit plans therefore they have been measured using actuarial valuations for accounting purposes. As UNB budgets for these items on a cash basis, any differences between the actuarial expense and the cash outlay are reported as an adjustment to net assets restricted for unfunded employee benefits to reflect the fact these funds have been appropriated for future payments.

Details of the cost of such plans, and the related liabilities, are disclosed in Note 12.

l) Pension Plans

The staff pension plan is a multi-employer plan that is administered by the Province of New Brunswick. Effective January 1, 2014, it was converted to a shared risk pension plan. The faculty pension plan was converted to a shared risk pension plan effective July 1, 2013 by the plan sponsors; the University and the union representing the faculty. Details with respect to both plans are contained in Note 24. Pension expense for the staff pension plan is equal to employer contributions to the plan. Pension expense for the faculty pension plan is determined based on the actuarial funding valuation and is equal to the current service cost plus finance cost. Re-measurement gains and losses are adjusted directly to net assets. Contribution rates are determined by the Trustees of the pension plans based on the advice of an actuary.

m) Internal Restrictions

The University has an approved policy permitting most departments and faculties to carry forward unspent budgeted appropriations in a year for spending in future years. In addition, the University's Board of Governors specifically approves restrictions of net assets generated from operations for specific purposes. Details of internally restricted net assets are disclosed in Note 17.

UNIVERSITY OF NEW BRUNSWICK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2020
(in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

n) Accounting Estimates

The preparation of financial statements in accordance with ASNPO 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

If actual results differ from the estimates, the impact is recorded in future periods when the difference is known. The most significant estimates made include the allowance for doubtful accounts, the estimated useful life of capital assets, and the accrued liabilities for early retirement, retiring allowance, post-retirement benefits and the academic employee shared risk pension plan.

o) Financial Instruments

The fair value of long-term investments is determined by using published price quotations in an active market at year end.

Financial assets and financial liabilities are initially recognized at fair value when the University becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments except for investments and derivatives are measured at amortized cost.

i. Transaction costs

The University's transaction costs are recognized in net income in the period incurred. However, the carrying amount of the financial instruments that will not be subsequently measured at fair value is adjusted for transaction costs directly attributable to the origination, issuance or assumption of these instruments.

Transaction costs associated with financing agreements are recognized as a reduction in the debt and amortized on a straight-line basis over the term of the financing agreement.

ii. Impairment

Financial assets measured at cost or amortized cost are tested for impairment if there are indications of possible impairment. The amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, either directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment loss not been recognized previously. The amount of the reversal is recognized in net income.

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

**For the year ended April 30, 2020
(in thousands of dollars)**

2. Summary of Significant Accounting Policies (continued)

p) Derivative Financial Instruments (Hedges)

Derivative financial instruments are utilized by the University in the management of its interest rate exposure.

The University enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The University designates its interest rate swap agreements as hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

The University formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various interest rate hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the Consolidated Statement of Financial Position. The University also formally assesses, both at the hedge's inception and on an ongoing basis, whether the interest rate swaps that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

For interest rate swaps, interest on the hedged item is recognized using the instruments stated interest rate. Net amounts receivable or payable on the interest rate swap are recorded on the accrual basis of accounting and are recognized as an adjustment to interest on the hedged item in the period in which they accrue.

3. Cash and Short-Term Investments

	2020	2019
Cash and cash equivalents	\$ 36,702	\$ 50,703
Short-term investments	23,338	10,075
	<u>\$ 60,040</u>	<u>\$ 60,778</u>

4. Accounts Receivable

	2020	2019
General	\$ 13,145	\$ 15,167
Research receivables	2,953	3,320
Federal funding agencies	5,019	4,449
Student receivables	1,402	1,335
HST rebates	1,953	1,907
Travel advances	97	224
	<u>24,569</u>	<u>26,402</u>
Less: Allowance for doubtful accounts	<u>(864)</u>	<u>(983)</u>
	<u>\$ 23,705</u>	<u>\$ 25,419</u>

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

**For the year ended April 30, 2020
(in thousands of dollars)**

5. Inventories

	2020	2019
Physical plant	\$ 662	\$ 705
Chemistry	403	367
Bookstores	-	199
Bio-Medical program	194	194
Other	126	115
	<u>\$ 1,385</u>	<u>\$ 1,580</u>

6. Capital Improvements

	2020	2019
Energy management improvements	\$ 2,756	\$ 3,025
Land development	1,243	104
	<u>\$ 3,999</u>	<u>\$ 3,129</u>

7. Long-Term Investments

	2020	2019
Equity securities	\$ 239,647	\$ 243,576
Fixed income securities	139,655	149,125
Real Estate	17,661	16,460
Cash and cash equivalents	-	65
	<u>\$ 396,963</u>	<u>\$ 409,226</u>

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

Investments are made primarily through pooled funds of external investment managers. The Investment Committee must approve the use of the pooled fund if guidelines governing the pooled fund differ from the University's Statement of Investment Objectives and Policy.

As at April 30, 2020 \$358,537 or 90.3% of long-term investments were held in pooled funds (2019 - \$362,543 or 88.5%).

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

**For the year ended April 30, 2020
(in thousands of dollars)**

8. Capital Assets

	2020		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,132	\$ -	\$ 1,132
Land improvements	16,272	5,900	10,372
Buildings	474,521	223,977	250,544
Roads and tunnels	26,700	15,012	11,688
Furniture and equipment	118,807	100,777	18,030
Vehicles	3,206	2,593	613
Computer hardware	64,413	60,930	3,483
Computer network infrastructure	3,600	1,314	2,286
	\$ 708,651	\$ 410,503	\$ 298,148

	2019		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,132	\$ -	\$ 1,132
Land improvements	15,418	5,306	10,112
Buildings	451,263	215,770	235,493
Roads and tunnels	26,700	13,842	12,858
Furniture and equipment	115,445	96,999	18,446
Vehicles	3,107	2,569	538
Computer hardware	63,466	60,114	3,352
Computer network infrastructure	3,600	1,134	2,466
	\$ 680,131	\$ 395,734	\$ 284,397

As at April 30, 2020, the University had \$19,708 (2019 - \$7,568) in work in progress that is included in the cost of Buildings \$18,855 (2019 - \$7,568) and Land Improvements \$853 (2019 - Nil). These amounts will not be amortized until the additions are put in use.

9. Accounts Payable and Accrued Liabilities

	2020	2019
Trade payables and accruals	\$ 9,694	\$ 16,360
Employee benefit reserves	11,180	10,880
Payroll liabilities	10,659	7,498
Professional development allowance accounts	3,275	3,192
Unused employee vacation pay	2,568	2,284
Other	3,165	2,974
Holdbacks and contractor deposits	1,612	778
	\$ 42,153	\$ 43,966

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

**For the year ended April 30, 2020
(in thousands of dollars)**

10. Demand Loan

During the year, the University revised its credit facilities with a Canadian chartered bank to include two non-revolving demand construction loans. These loans are for the renovations to the Lady Dunn and Joy Kidd residences, in the amounts of \$8,500 and \$11,000, respectively. The demand loans are due and payable on demand and will be drawn down as the renovations progress. During the construction phase, only the interest component is repayable. The interest rate is adjusted periodically based on the Canadian Bankers' Acceptance, Canadian Dealer Offered Rate (Canadian BA, CDOR). Upon completion of the renovations, the non-revolving demand construction loans will be converted to loans that will be amortized over 20 years and repaid in monthly blended instalments.

At April 30, 2020, the total amount outstanding for the Lady Dunn renovation was \$2,400 and for the Joy Kidd renovation nil.

11. Long-Term Debt

	2020	2019
Bank loans	\$ 15,860	\$ 17,513
Less: Current portion	<u>(1,555)</u>	<u>(1,653)</u>
	<u><u>\$ 14,305</u></u>	<u><u>\$ 15,860</u></u>

Bank Loans

	Interest Rate	Maturity Date	2020	2019
Magee Residence	6.45%	2020	\$ 15	\$ 191
Tibbits Hall Residence	6.50%	2022	202	294
MacKay Residence	6.45%	2028	2,552	2,779
Elizabeth Parr Johnston Residence	5.34%	2031	4,974	5,289
Medical Education Building	5.10%	2030	4,380	4,724
Richard J. Currie Center	2.64%	2027	<u>3,737</u>	<u>4,236</u>
			<u><u>\$ 15,860</u></u>	<u><u>\$ 17,513</u></u>

The Magee Residence and Tibbits Hall Residence building loans maturing in 2020 and 2022 are ten-year term floating rate loans related to student residence buildings on the Fredericton Campus. The rate is adjusted monthly based on the Canadian Bankers' Acceptance, Canadian Dealer Offered Rate (Canadian BA, CDOR). 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.

UNIVERSITY OF NEW BRUNSWICK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2020
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11. Long-Term Debt (continued)

Bank Loans (continued)

The MacKay Residence building loan maturing in 2028 is a floating rate term loan negotiated with a Canadian chartered bank to partially finance the construction of a student residence on the Saint John campus. The ten-year term loan has 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.

The Elizabeth Parr Johnston Residence building loan maturing in 2031 is a floating rate loan negotiated with a Canadian chartered bank to partially finance the construction of an apartment style student residence on the Fredericton campus. The ten-year term loan has a related amortization period to September 2031. The rate is adjusted monthly based on the Canadian BA, CDOR rate. For hedging purposes the University entered into an interest rate swap transaction with the bank to effectively change its interest rate exposure from a floating rate to a fixed rate basis. The swap involves the exchange of one month promissory notes at floating interest rates for promissory notes at a fixed interest rate of 5.34%. The floating interest rate is set at the Canadian BA, CDOR rate, which is an exact offset to the floating rate term loan. The maturity date of the swap is September 2031.

The Medical Education building loan is a floating rate loan negotiated with a Canadian chartered bank to partially finance the construction of a major renovation and addition to an existing academic building on the Saint John Campus. The 10-year term loan has a related amortization period to April 2030. 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 of 5.10%. 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 April 2030.

**UNIVERSITY OF NEW BRUNSWICK
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**For the year ended April 30, 2020
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11. Long-Term Debt (continued)

Bank Loans (continued)

The Richard J. Currie Center facility loan is a floating rate loan negotiated with a Canadian chartered bank to partially finance the construction of a Health and Wellness Facility on the Fredericton campus. The ten-year term loan has a related amortization period to February 2027. 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 2.64%. 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 February 2027.

- (a) Interest paid on long-term debt during the year ended April 30, 2020 totalled \$810 (2019 - \$886).
- (b) Principal payments required on long-term debt in each of the next five years are as follows:

2021	\$	1,555
2022	\$	1,606
2023	\$	1,565
2024	\$	1,631
2025	\$	1,699

12. Employee Future Benefits

	2020	2019
Retiring allowances	\$ 27,387	\$ 26,865
Early retirement plans	18,775	19,472
Academic employee shared risk pension plan	19,900	10,854
Post retirement benefits	11,698	5,931
Other employee future benefits	1,895	2,340
	<u>\$ 79,655</u>	<u>\$ 65,462</u>

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

**For the year ended April 30, 2020
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12. Employee Future Benefits (continued)

Details of the expense and remeasurement items are as follows. Remeasurement items are recognized directly in net assets.

	2020		
	Expense	Remeasurement items loss	Total
Retiring allowance	\$ 2,744	\$ -	\$ 2,744
Early retirement plans	980	203	1,183
Post-retirement benefits	<u>1,865</u>	<u>4,115</u>	<u>5,980</u>
	5,589	4,318	9,907
Academic employee shared risk pension plan	<u>6,837</u>	<u>11,467</u>	<u>18,304</u>
	<u>\$ 12,426</u>	<u>\$ 15,785</u>	<u>\$ 28,211</u>

The academic employee shared risk pension plan expense is included on the instruction and non-sponsored research line on the statement of operations.

	2019		
	Expense	Remeasurement items loss (gain)	Total
Retiring allowance	\$ 2,903	\$ (1,151)	\$ 1,752
Early retirement plans	(1,166)	-	(1,166)
Post-retirement benefits	<u>426</u>	<u>1,659</u>	<u>2,085</u>
	2,163	508	2,671
Academic employee shared risk pension plan	<u>7,306</u>	<u>(7,580)</u>	<u>(274)</u>
	<u>\$ 9,469</u>	<u>\$ (7,072)</u>	<u>\$ 2,397</u>

a) Retiring Allowance Benefit

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 eligible retiring employees, laid off workers, 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 most recent complete actuarial valuation of this plan was completed as at April 30, 2019. The actuary provides an annual update to the valuation reflecting revised assumptions as appropriate in years when a valuation is not performed.

The discount rate to be used is prescribed by the Chartered Professional Accountants of Canada 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 3.1% per annum as at April 30, 2020 (2019 – 3.1% per annum).

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

**For the year ended April 30, 2020
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12. Employee Future Benefits (continued)

a) Retiring Allowance Benefit (continued)

Changes in the retiring allowance liability are as follows:

	2020	2019
Balance, beginning of year	\$ 26,865	\$ 27,286
Changes during the year:		
Current service cost	1,916	2,032
Interest on benefit obligation	828	871
Retiring allowances paid	(2,222)	(2,173)
Actuarial gain	-	(1,151)
Balance, end of year	<u>\$ 27,387</u>	<u>\$ 26,865</u>

Details of retiring allowance expense and remeasurement items are as follows:

	2020	2019
Current service cost	\$ 1,916	\$ 2,032
Interest on benefit obligation	828	871
Actuarial gain	-	(1,151)
	<u>\$ 2,744</u>	<u>\$ 1,752</u>

b) Early Retirement Plans

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. The early retirement plan liability reflects the estimated present value of these expected future benefit payments, as calculated by the plan actuary. The most recent complete actuarial valuation of this plan was completed as at April 30, 2020. The actuary provides an annual update to the valuation reflecting revised assumptions as appropriate in years when a full valuation is not performed.

The discount rate to be used is prescribed by the Chartered Professional Accountants of Canada 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 for the early retirement plan was 2.8% per annum as at April 30, 2020 (2019 – 3.0% per annum) and the rate for the supplementary early retirement plan was 3.1% per annum as at April 30, 2020 (2019 – 3.4% per annum).

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

**For the year ended April 30, 2020
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12. Employee Future Benefits (continued)

b) Early Retirement Plans (continued)

Changes in the early retirement plans liability are as follows:

	2020	2019
Balance, beginning of year	\$ 19,472	\$ 20,348
Changes during the year:		
Interest on benefit obligation	567	593
Retirements and current service cost	69	67
Benefits paid	(1,536)	(1,536)
Actuarial loss	203	-
Balance, end of year	<u>\$ 18,775</u>	<u>\$ 19,472</u>

Details of early retirement plan expense (recovery) and remeasurement items are as follows:

	2020	2019
Interest on benefit obligation	\$ 567	\$ 593
Retirements during the year	69	67
Net investment loss (gain) on internal fund	344	(1,826)
Actuarial loss	203	-
	<u>\$ 1,183</u>	<u>\$ (1,166)</u>

c) Academic Employees Shared Risk Pension Plan (AESRP)

The Academic employees' pension plan was converted to a shared risk plan as of July 1, 2013 and is described in more detail in Note 24. The employees and employer contribute at a blended rate of 11.5% of pensionable salary. Pension benefits accrued at varying rates dependent on the plan in place at the time of the service.

The most recent funding valuation, which was used for the purposes of valuing the pension benefit obligation, was completed as of July 1, 2019. Key assumptions are as follows:

	July 1, 2019	July 1, 2018
Discount rate	4.00	4.00
Inflation	2.00	2.00
Salary escalation*	1.80	1.80 plus annual PTR adjustments
Expected long-term return on assets	5.13	5.58

*1.80% for one year, 3.00% thereafter plus annual PTR adjustments

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended April 30, 2020
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12. Employee Future Benefits (continued)

c) Academic Employees Shared Risk Pension Plan (AESRP) (continued)

Details of the net liability related to the plan are as follows:

	2020	2019
Balance, beginning of year	\$ 10,854	\$ 20,337
Changes during the year:		
Interest on benefit obligation	383	764
Current service cost	6,454	6,542
Contributions	(9,258)	(9,209)
Actuarial loss (gain)	<u>11,467</u>	<u>(7,580)</u>
Balance, end of year	<u>\$ 19,900</u>	<u>\$ 10,854</u>

Details of the AESRP expense and remeasurement items are as follows:

	2020	2019
Interest on benefit obligation	\$ 383	\$ 764
Retirements during the year	6,454	6,542
Actuarial loss (gain)	<u>11,467</u>	<u>(7,580)</u>
	<u>\$ 18,304</u>	<u>\$ (274)</u>

d) Post-Retirement Benefits

The University pays for one half of the cost of group life insurance and supplementary health and dental benefits for active employees. For certain employees who retire prior to age 65, the University continues to pay for one half the cost of these benefits until the retiree reaches age 65. Other retirees are entitled to continue coverage under these plans at their own cost.

Contribution rates for these self-insured benefit plans are determined on a combined basis for active employees and retirees. Since the paid claims for retirees are generally larger than the paid claims for active employees, the difference between the paid claims for retirees and the contribution rates represent a retiree subsidy.

The Post-Retirement Benefit liability includes both the projected University contributions for those employees who are eligible for continued cost sharing of benefits to age 65, as well as the University contribution to the rate subsidy for all retirees.

The discount rate used is prescribed by the Chartered Professional Accountants of Canada 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 3.3% per annum as at April 30, 2020 (2019 – 3.3%)

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

**For the year ended April 30, 2020
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12. Employee Future Benefits (continued)

d) Post-Retirement Benefits (continued)

The most recent complete actuarial valuation of this plan was completed as at May 1, 2018. The actuary provides an annual update to the valuation reflecting revised assumptions as appropriate in years when a full valuation is not performed.

Changes in the post-retirement benefit liability are as follows:

	2020	2019
Balance, beginning of year	\$ 5,931	\$ 4,060
Changes during the year:		
Current service cost	332	286
Interest on benefit obligation	203	140
Benefits paid	(213)	(214)
Change in plan design	1,330	-
Actuarial loss	4,115	1,659
Balance, end of year	<u>\$ 11,698</u>	<u>\$ 5,931</u>

Details of post-retirement benefit expense (recovery) and rereasurement items are as follows:

	2020	2019
Current service cost	\$ 332	\$ 286
Interest on benefit obligation	203	140
Change in plan design	1,330	-
Actuarial loss	4,115	1,659
	<u>\$ 5,980</u>	<u>\$ 2,085</u>

e) Other Employee Future Benefits

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.

The University offers certain members of Senior Administration, administrative leave as part of their employment. The expense and related liability are recorded as incurred.

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12. Employee Future Benefits (continued)

e) *Other Employee Future Benefits (continued)*

Details of the liability related to other employee benefits are as follows:

	2020	2019
Long-Term Disability Plan	\$ 371	\$ 376
Health and Dental Plan	285	295
Administrative leaves	1,239	1,669
	<u>\$ 1,895</u>	<u>\$ 2,340</u>

13. Long-Term Unearned Revenue

Deferred revenue consists of the unamortized balance of a prepaid long-term land lease. The original amount of \$2,300 is being recognized as income on a straight-line basis over the twenty year period of the lease ending in 2031.

	2020	2019
Original lease amount	\$ 2,300	\$ 2,300
Accumulated amortization	<u>(1,150)</u>	<u>(1,035)</u>
	1,150	1,265
Less: Current portion	<u>(115)</u>	<u>(115)</u>
	<u>\$ 1,035</u>	<u>\$ 1,150</u>

14. Unexpended Deferred Contributions

Unexpended deferred contributions represent amounts which are subject to externally imposed restrictions. Accordingly, they are deferred and reported as revenue when the related expenses occur.

Changes in the balance of deferred contributions are as follows:

	2020	2019
Balance, beginning of year	\$ 172,546	\$ 156,205
Changes during the year:		
Restricted contributions\income	63,657	86,303
Transferred to unamortized deferred capital contributions	-	(5,411)
Other transfers	(12,644)	(14,604)
Recognized as revenue	<u>(60,247)</u>	<u>(49,947)</u>
Balance, end of year	<u>\$ 163,312</u>	<u>\$ 172,546</u>

**UNIVERSITY OF NEW BRUNSWICK
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14. Unexpended Deferred Contributions (continued)

The account balance is made up of the following:

	2020	2019
Sponsored research	\$ 41,314	\$ 39,207
Unexpended restricted donations	78,152	76,502
Unexpended endowment income	36,445	54,088
Unexpended infrastructure funding	<u>7,401</u>	<u>2,749</u>
	<u><u>\$ 163,312</u></u>	<u><u>\$ 172,546</u></u>

15. Deferred Capital Contributions

Deferred contributions invested in capital assets represent the unamortized amount of donations and grants used for the purchase of capital assets.

Changes in the balance of deferred contributions invested in capital assets are as follows:

	2020	2019
Balance, beginning of year	\$ 152,424	\$ 149,966
Changes during the year:		
Contributions received during the year	11,102	12,256
Recognized as revenue	<u>(10,203)</u>	<u>(9,798)</u>
Balance, end of year	<u><u>\$ 153,323</u></u>	<u><u>\$ 152,424</u></u>

16. Unfunded Employee Benefits

The unfunded portion of amounts expensed with respect to unused vacation pay entitlement for support staff, supplementary early retirement and executive retirement plans, retiring allowance benefits, post-retirement benefits and the academic employee shared risk pension plans are recorded as an internally restricted deficit. This is to reflect the fact that under the terms of these plans, the majority of these payments will be made in years subsequent to the expense being incurred, and are included as operating budget expenditures in the year paid.

The University created an internal fund which is used to fund early retirement payments to those retirees who retired under one of the early retirement programs. Actual salary savings arising from the early retirements were allocated to the fund as funding contributions and the University continued to allocate the difference between the annual budgeted amount for early retirement payments and the amounts actually paid to retirees. The fund is invested in the long term investment pool and as a result of strong investment returns, the balance currently exceeds the liability, resulting in a net overfunded position. The University has ceased making funding contributions and future retirement payments will be made from the fund. The excess funding will remain in the internal fund pending the development and approval of a funding policy.

**UNIVERSITY OF NEW BRUNSWICK
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16. Unfunded Employee Benefits (continued)

	2020	2019
<i>Unfunded Non-Pension Employee Benefits</i>		
Retiring allowances	\$ 27,387	\$ 26,865
Academic employees shared risk pension plan	19,900	10,854
Post-retirement benefits	11,698	5,931
Early retirement plans	18,775	19,472
Internal fund - early retirement plans	(21,160)	(22,962)
Staff unused vacation pay entitlement	2,474	2,284
Other	755	833
	<u>\$ 59,829</u>	<u>\$ 43,277</u>

17. Internally Restricted Net Assets

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 accomplished by an internal restriction of operating net assets.

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.

Amounts included in Internally Restricted Net Assets have been classified into the following categories to reflect the intended purposes of the funds.

Capital

These amounts have been restricted for specific capital projects to be completed in a future year.

Risk

These amounts have been generated from operational activities and restricted for the mitigation of specific and general risks of the University, including self-insurance reserves.

Entrepreneurial activities

Faculties and departments undertake significant levels of activity that generate net revenues above that in the operating budget. The excess of revenues over expenses from these activities have been restricted for use in completion of the activity, enhancement of the program or to offset future costs in the area.

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

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17. Internally Restricted Net Assets (continued)

Specific projects

Sourced from operating funds, these amounts have been restricted for use in a number of specific projects or for specific purposes over varying time horizons.

Strategic Priorities

Sourced primarily from operational activities, these items have been restricted for future use in implementing strategic directions and priorities.

Operating budget carry-forwards

These amounts represent unspent non-salary budget savings related to timing, multi-year planning or savings realized through efficiencies. These amounts are restricted according to policy for future use in the department or faculty.

Scholarships, bursaries and awards

These amounts have been sourced from donations and internally restricted income and can only be spent according to the internally designated purpose.

Contract overhead

These funds were received for research or contract overhead in accordance with the terms of the granting agency or contractor and have been restricted for use by the Office of Research Services and originating units in accordance with University policy.

Internal loans

The internal loans program provides a source of financing for capital projects and / or major equipment purchases.

Details of internally restricted net assets are as follows:

	2020		2019
Capital	\$ 24,596	\$	28,456
Risk	10,946		11,041
Entrepreneurial activities	15,563		19,581
Specific projects	7,062		8,855
Strategic priorities	3,377		4,520
Operating budget carry-forwards	11,290		10,929
Scholarships, bursaries and other awards	5,867		6,455
Contract overhead	6,626		4,929
Internal loans	(13,061)		(10,020)
	<u>\$ 72,266</u>	\$	<u>84,746</u>

UNIVERSITY OF NEW BRUNSWICK
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18. Net Assets Invested in Capital Assets

Net assets invested in capital assets represent the amount of net assets that are not available for other purposes because they have been used to fund the purchase of capital assets. It consists of unamortized capital assets purchased with unrestricted funds, net of related debt.

	2020	2019
Capital assets (Note 8)	\$ 298,148	\$ 284,397
Amounts financed by long-term debt (Note 11)	(15,860)	(17,513)
Amounts financed by demand loan (Note 10)	(2,400)	-
Deferred contributions invested in capital assets (Note 15)	<u>(153,323)</u>	<u>(152,424)</u>
Net assets invested in capital assets	<u>\$ 126,565</u>	<u>\$ 114,460</u>

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

	2020	2019
Changes during the year		
Acquisitions of capital assets funded from operations	\$ 17,607	\$ 9,885
Decrease in long-term debt	1,653	1,583
Increase in demand loan	(2,400)	-
Amortization expense	(14,958)	(14,266)
Amortization of deferred contributions invested capital assets (Note 15)	<u>10,203</u>	<u>9,798</u>
Net increase in net assets invested in capital assets	<u>\$ 12,105</u>	<u>\$ 7,000</u>

19. Endowed Net Assets

Endowed net assets consist of restricted donations to the University, the principal of which is required to be maintained intact, as well as funds which have been internally endowed by the University's Board of Governors and endowment inflation reserves. The investment income generated from endowments must be used in accordance with the purposes specified by the donors or by the Board.

The income from internally endowed funds is to be used for the payment of scholarships and to fund specific operating expenses.

Total endowments are as follows:

	2020	2019
Externally endowed	\$ 176,039	\$ 166,388
Internally endowed	<u>12,520</u>	<u>12,142</u>
Total endowments	<u>\$ 188,559</u>	<u>\$ 178,530</u>

UNIVERSITY OF NEW BRUNSWICK
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For the year ended April 30, 2020
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20. Capital Disclosures

The University defines its capital as the amounts included in unrestricted net assets, internally restricted net assets (Note 17), unfunded non-pension employee benefits (Note 16), endowed net assets (Note 19), long-term liabilities (Notes 11 and 12), and unexpended deferred contributions (Note 14). The University's objective in managing its capital is to ensure that the University will continue as a going concern, maintaining and enhancing its ability to attract students and fulfill its mission.

A significant portion of the University's capital is externally restricted. The University has investment policies (Note 7), spending policies and internal controls to ensure that such funds are safeguarded and are used for the purposes designated by the contributor. The University's unrestricted operating capital is funded primarily through the unrestricted operating grant received from the Province of New Brunswick (the Province) and student fee income. The Province's funding policy imposes limits on the level of accumulated operating deficit that the University can incur. Accumulated deficits in excess of the limit may be deducted from the next year's operating grant.

The University must comply with externally imposed covenants on its long-term debt. This includes a requirement that annual earnings before interest and amortization be maintained at or above a stated multiple of annual principal and interest payments on the debt. The University was in compliance with its loan covenants for the year ended April 30, 2020.

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21. Contingent Liabilities and Commitments

Contingent Liabilities Related to Legal Matters

The University is a defendant in various legal proceedings. Potential costs, if any, related to 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 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.

Contingent Liabilities Related to Canadian University Reciprocal Insurance Exchange

The University is one of 64 Canadian university subscribers to the Canadian University Reciprocal Insurance Exchange (CURIE), a self-insurance co-operative established to provide property and general liability insurance coverage. The anticipated cost of claims based on actuarial projections is funded through member premiums. As a member institution, the University is exposed to share in any net losses experienced by CURIE should premiums be insufficient to cover losses and expenses. The University is committed to this insurance arrangement until December 31, 2020. Each CURIE member is required to participate for a minimum of five years which allows financial risk to be spread over time as well as among other subscribers.

As at December 31, 2019, CURIE had a surplus of \$90.2 million for adverse experience.

Land Development Activities

The University leases and develops certain non-core land holdings. Under the various development agreements, the University is committed to paying for specified infrastructure costs when activity and development meet certain thresholds. Depending on the extent and timing of these activities, the University has current exposure for up to \$10.8 million in future costs. The majority of these costs would be funded by future proceeds from land development activities.

22. Statement of Cash Flows

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

	2020	2019
Accounts receivable	\$ 1,714	\$ 494
Inventories	195	(201)
Prepaid expenses	(604)	377
Accounts payable and accrued liabilities	(1,813)	3,530
Unearned revenue	2,536	892
Employee future benefits	14,193	(7,206)
	<u>\$ 16,221</u>	<u>\$ (2,114)</u>

UNIVERSITY OF NEW BRUNSWICK
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23. Financial Instruments

a) Foreign Currency Risk

The University transacts certain revenues and expenditures in foreign currencies and is therefore exposed to foreign currency fluctuations. The University does not actively manage this risk.

The University is also exposed to foreign currency risk on a portion of its long-term equity investments held in its trust and endowment portfolio. The University believes that, over a long time frame, fluctuations in currency tend to offset. The University believes that there is a role for currency management within the fund in order to reduce some of the volatility that may result from interim currency fluctuations. The decision as to the extent of currency management used is based on the trade-off between the cost of management versus the benefits of reduced volatility and risk of adverse impact on spending patterns.

b) Interest Rate Risk Management

The University has interest bearing loans on which general interest rate fluctuations apply.

The University uses derivatives to manage interest rate exposures. Interest rate swaps allow the University to raise long-term borrowings at floating rates and effectively swap them into fixed rates that are lower than those available to the University if fixed-rate borrowings were made directly. Under interest rate swaps, the University agrees with the counterparty to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to the notional amount.

Although the University has no intention of settling these instruments as at April 30, 2020, the interest rate swap contracts have a fair value of (\$2,873) (2019 - (\$2,252)).

c) Credit Risk

The University is exposed to credit-related losses in the event of non-performance by counterparties to its financial instruments, including accounts receivable. The amounts disclosed in the Consolidated Statement of Financial Position are net of allowances for doubtful accounts, estimated by the University's management based on previous experience and its assessment of the current economic environment. The University does not have a significant exposure to any individual customer or counterparty.

d) Other Price Risk

The University is subject to other price risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The concentration of risk is minimized because of the diverse investment portfolio held by the University, as mandated by the diversification policies included in the Board approved Statement of Investment Objectives and Policy.

UNIVERSITY OF NEW BRUNSWICK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2020
(in thousands of dollars)

24. Pension Plans

The University contributes to two separate employee pension plans. As explained in the following two sections, both plans are Shared Risk Pension Plans (SRP) which are subject to legislation under the *Provincial Pension Benefits Act (PBA)*. The PBA contains a number of requirements that must be met in order to qualify for registration by the New Brunswick Superintendent of Pensions. SRP plans are also subject to the *Federal Income Tax Act*. SRPs' are governed jointly by the employees and the employer through a Board of Trustees which must include equal representation from both groups. The objective of SRP plans is to provide secure, but not guaranteed pension benefits to members of the plans and predictability and stability in contribution rates to both employers and employees. These objectives are achieved through the development of a risk management framework that adheres to the legislated criteria, results in a low probability that base benefits will be reduced, and sets out the specific steps to be taken should the plan funding fall below, or exceed specified thresholds. These steps include the non-approval of indexing benefits; increasing contribution rates (to a predetermined maximum) and reducing base benefits when the plan is underfunded; and reversing previous benefit reductions and decreasing contribution rates (to a predetermined maximum) when the plan has excess funding.

Pension Plan for Support Staff

Support staff are members of the New Brunswick Public Service Pension Plan (NBPSPP) which was converted by the Province of New Brunswick from the former Public Service Superannuation Plan effective January 1, 2014. The NBPSPP provides pensions based on the length of service and enhanced average career earnings. Certain portions of the benefits, such as indexing, are conditional on plan performance. Base benefits earned by members up to December 31, 2013 are guaranteed not to be reduced. Normal retirement age is 65 with reduced benefits available starting at age 55.

Contribution rates are established by the Board of Trustees in accordance with the Funding Policy for the Plan. Initial rates have been set at 7.5% of pensionable earnings up to Yearly Maximum Pensionable Earnings (YMPE) and 10.7% above YMPE for employees and currently at 12.0% of pensionable earnings by the employer. Rates can fluctuate in accordance with the Funding Policy. The University is only responsible to make contributions at the annually established current employer contribution rate. Under the predecessor plan, the University was not required to make deficit amortization or "special" payments to the plan.

The NBPSPP is a multi-employer, defined benefit plan. Contributions are made by both the University and the employees at rates established by the Board of Trustees. The University does not have membership on this Board. Since it is not practicable or feasible to obtain all the information required for a materially precise attribution of the University's portion of the obligation; the University uses defined contribution accounting to account for its contribution to the NBPSPP.

Shared Risk Plan for Academic Employees of the University of New Brunswick

Academic employees of the University are members of the Shared Risk Plan for Academic Employees of the University of New Brunswick (AESRP). The former Academic Employee Pension Plan was converted to the AESRP effective July 1, 2013 by agreement of the University and the Association of University of New Brunswick Teachers (AUNBT). The AESRP provides pensions based on the length of service and adjusted average career salary (designed to take into account the salary scale unique to academic employees).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2020
(in thousands of dollars)

24. Pension Plans (continued)

Shared Risk Plan for Academic Employees of the University of New Brunswick (continued)

Certain portions of the benefits, such as indexing, are conditional on plan performance. Normal retirement age is 65 with reduced benefits available starting at age 55.

Contribution rates are established by the Board of Trustees in accordance with the Funding Policy for the Plan. Initial rates have been set at a blended (above and below YMPE) rate of 11.5% of pensionable earnings for employees and matched by the employer. Rates can fluctuate in accordance with the Funding Policy to a maximum of 2.25% above or below the initial contribution rate. The University has no financial obligation or responsibility except to make contributions at the current employer contribution rate. The AESRP valuation at July 1, 2019 reaffirmed the assumptions and confirmed the funding status of the plan in accordance with the Pension Benefits Act to be in excess of 110% therefore the Board of Trustees has maintained the contribution rates at 11.5% of pensionable earnings by each party.

The characteristics of the AESRP as described in the agreement between the University and the AUNBT to convert the former AEPP to the AESRP are as follows:

- Purpose of AESRP is to provide secure (but not guaranteed) pension benefits
- Risk focused management approach to provide high degree of certainty that base benefits can be paid in the majority of future scenarios
- Future cost of living adjustments (COLA's) and best average salary formula based benefits are replaced by contingent indexing
- Plan is to provide a reasonable expectation, but no guarantee that some COLA can be granted
- Plan designed to result in low probability of base benefits ever being reduced
- Funding Policy includes specific steps to recover from unacceptable funding levels that take priority over reduction of base benefits.

Canadian accounting standards as written do not contemplate pension plans designed as SRP Plans under the Pension Benefits Act. SRP plans do not fit the definition of a defined benefit or a defined contribution plan as outlined in the CPA Handbook. However, variability in employer contribution rates (up to 2.25% of employee pensionable salary in a year) could occur in the future that could conceivably relate to service by existing employees in this period. The accounting standards require that the AESRP is accounted for by UNB as a defined benefit plan because of the rate variability risk to the University. The University shares the risk of the Plan on an equitable basis with the Plan members. Funding contributions, including any contribution adjustments, are shared equally (50/50 basis) between the University and the Plan members. There is a joint governance structure in place whereby the University and the Plan members share control over decisions relating to the administration of the Plan and the level of benefits and contributions.

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24. Pension Plans (continued)

Shared Risk Plan for Academic Employees of the University of New Brunswick (continued)

As such, the amounts recognized in the financial statements reflect 50% of the net benefit liability (asset) and 50% of the related costs (including remeasurements). All assumptions relating to the AESRP have been made on a going-concern basis and the University does not foresee a wind-up of the Plan.

The most recent actuarial valuation of the Plan for funding purposes was completed as at July 1, 2019. The valuation reported a funding policy excess of \$22,943 (July 1, 2018 - \$40,828).

The financial position of the plan on a funding policy basis is determined by deducting the funding policy liability from the funding policy value of the assets. The funding policy asset value includes the present value of excess contributions \$85,735 (July 1, 2018 - \$80,312) defined as the excess of expected contributions less normal cost for each year in the 15 years after the valuation date. The funding policy liability is the actuarial present value of past base benefits and past ancillary benefits but does not include any adjustment for future progress through the ranks adjustments.

The results of the most recent funding valuation at July 1, 2019 are presented below.

	July 1, 2019	July 1, 2018
Funding policy value of assets		
Fair value	\$ 379,047	\$ 348,805
Present value of excess contributions	85,735	80,312
	464,782	429,117
Funding policy liability	406,174	388,289
Net plan surplus	\$ 58,608	\$ 40,828

The liability determined under the actuarial funding valuation at July 1, 2019 was extrapolated to April 30, 2020 using the actual benefits paid and indexing granted to April 30th. The fair value of plan assets is taken at April 30, 2020. The extrapolation also reflects the interest cost using the assumptions contained in the funding policy valuation. Benefit accruals from employee service during the year are based on the funding policy normal cost. The University only reflects 50% of the estimated liability and cost components in April 30, 2020 financial statements as the plan is jointly governed by the University and the AUNBT.

The funding policy valuation results presented include the present value of excess contributions for 15 years following the valuation date. This amount is added to the asset value for policy testing only in order to determine if the indexing at a certain measurement date may be provided. This does not represent an actual asset as per the accounting standards and is therefore excluded when determining the accounting position for financial statement purposes. The liability under the funding policy is the deemed measure of obligation for purposes of the accounting standards, using an actuarial funding valuation approach. This amount excludes the indexing for future years as required by the funding policy.

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24. Pension Plans (continued)

The results of the extrapolation, as at April 30, 2020, for accounting purposes are presented below.

	2020	2019
Fair value of assets	\$ 376,418	\$ 376,738
Liability	416,218	398,446
Net liability	<u>(39,800)</u>	<u>(21,708)</u>
Net liability University 50%	<u><u>\$ (19,900)</u></u>	<u><u>\$ (10,854)</u></u>

25. Comparative Figures

Certain amounts in prior periods have been reclassified to conform to the current year's presentation.

26. COVID-19

On March 11, 2020, the World Health Organization declared a global pandemic because of the spread and severity of the novel coronavirus ("COVID-19"). The situation evolved quickly across Canada and the World. This unprecedented situation resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including travel bans and restrictions, quarantine periods and physical distancing requirements. These measures impacted the operations of the University and resulted in the University transitioning to a remote online learning format and most staff working from home.

While the financial impact of COVID-19 was not significant for the year ended April 30, 2020, the long-term effects will depend on many factors outside of the University's control. As a result, we are unable to estimate the potential impact on the University's operations as at the date of these financial statements.