



**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006**

**THE UNIVERSITY OF WINNIPEG**

**WINNIPEG, MANITOBA, CANADA**

**THE UNIVERSITY OF WINNIPEG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended March 31, 2006**

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***Report on the Consolidated Financial Statements  
Report of the Vice-President Finance & Administration  
The University of Winnipeg***

The University also entered into an agreement with Government whereby, through change in regulation, the University was given exemption from making special solvency payments into the pension plan, pending the outcome of an independent actuary review in terms of options to develop a sustainable pension plan. Positive discussions have continued with government as all parties work toward an effective resolution.

The University of Winnipeg Community Renewal Corporation (UWCRC) was established in 2005-2006 to assist the University with both development opportunities and the generation of additional revenue streams. During this year the UWCRC successfully completed its first major property investment transaction that provides future strategic opportunities for the University as well as access to additional revenue streams. The University of Winnipeg Foundation continued with its fundraising efforts during 2005-2006, which included the successful completion of the Family Campaign within the University community, which exceeded the campaign target of \$1million by raising \$2.4 million.

The significant challenges, for the University, that are present

**UNIVERSITY OF WINNIPEG**  
**MANAGEMENT REPORT**

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to ensure the assets of the University are properly safeguarded.

The Board of Regents has reviewed and approved these consolidated financial statements.

On Behalf of Management

*(Original signed by Stephen Willetts)*

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Stephen Willetts, CPFA  
Vice-President (Finance & Administration)

*(Original signed by B. Douglas Prophet)*

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B. Douglas Prophet, CA  
Executive Director, Financial Services

Winnipeg, Manitoba  
June 2, 2006



Office of the Auditor General

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba  
To the Board of Regents of the University of Winnipeg

We have audited the consolidated statement of financial position of the University of Winnipeg as at March 31, 2006, and the consolidated statement of operations and cash flows for the year then ended, in accordance with Canadian generally accepted auditing standards. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards.

The consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

June 2, 2006

AUDITOR GENERAL

**THE UNIVERSITY OF WINNIPEG  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**Statement I**

**THE UNIVERSITY OF WINNIPEG**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the Year Ended March 31, 2006  
(with comparative figures for 2005)

**Statement II**

	<b>2006</b> <b>\$000</b>	<b>2005</b> <b>\$000</b>
<b>REVENUE</b>		
Government Grants:		
Council on Post Secondary Education	\$37,753	\$35,792
Other Province of Manitoba	1,542	2,092
Government of Canada	2,473	2,515
Student Academic Fees	26,973	25,211
Gifts, Grants & Bequests	2,181	1,332
Investment Income	1,574	1,358
Sales of Services & Products	4,310	4,240
Other Revenues	4,806	4,752
Amortization of Deferred Capital Contributions	1,323	1,207
	<hr/> 82,935 <hr/>	<hr/> 78,499 <hr/>
<b>EXPENSE</b>		
Salaries	47,634	44,938
Staff Benefits	6,294	5,961
Supplies, Services & Other Expenses	12,376	10,929
Cost of Sales	3,045	2,927
Building, Utility & Related Expenses	6,289	5,829
Provincial & Municipal Taxes	1,398	1,819
Scholarships & Awards	2,362	2,060
Gifts to Related Parties (Note 20)	1,565	813
Amortization of Capital Assets	2,450	2,465
	<hr/> 83,413 <hr/>	<hr/> 77,741 <hr/>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<hr/> <b>(\$ 478)</b> <hr/>	<hr/> <b>\$ 758</b> <hr/>

*See accompanying notes to the consolidated financial statements.*



THE UNIVERSITY OF WINNIPEG  
 CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS  
 For the Year Ended March 31, 2006  
 (with comparative figures for 2005)

Statement III

	-----2006-----				2005
	UNRESTRICTED NET ASSETS \$000	INTERNALLY RESTRICTED NET ASSETS (Note 11) \$000	ENDOWMENTS (Note 12) \$000	INVESTMENT IN CAPITAL ASSETS \$000	TOTAL \$000
<b>BALANCE, BEGINNING OF YEAR</b>	\$2,314	\$2,402	\$650	\$9,920	\$15,286
Excess (Expense) Revenue	(478)				( 478)
Direct Increases (Decreases):					
Endowment Contributions			1,812		1,812
Endowed Investment Net Realized Gains					0
Unspent Investment Earnings					0
Transfer to Related Foundation (Note 12)					0
Adjustment to Prior Year					0
Transfers:					
Internally Fu Oued 22 0 TDALA					

**THE UNIVERSITY OF WINNIPEG  
CONSOLIDATED STATEMENT OF CASH FLOWS**

**Statement IV**



**C) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments with original maturities of one year or less. Bank borrowings are considered to be financing activities.

**D) Investments**

## **H) Employee Future Benefits**

The University accounts for employee future benefits on a prospective basis. Under this method, the cost of pension benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Future plan obligations are discounted using current market interest rates.

## **I) Financial Instruments**

Financial instruments include receivables, investments, bank overdraft, payables and accrued liabilities and long-term debt.

### **a) Fair Value of Financial Instruments**

The fair value of financial instruments are assumed to approximate carrying values, unless otherwise noted.

### **b) Credit Risk**

The University is subject to credit risk through receivables. Receivables are with numerous organizations and individuals which reduces the concentration of

### 3. Cash and Short Term Investments

Cash and short term investments consist of the following:

	<b>2006</b> <b>\$000</b>	<b>2005</b> <b>\$000</b>
Operating Funds	\$7,694	\$8,585
Sponsored Research & Designated Funds	1,946	1,969
	<hr/> 9,640	<hr/> 10,554
Trust Funds	3,465	3,165
	<hr/> \$13,105	<hr/> \$13,719

### 4. Long Term Investments

Long term investments are comprised of endowment funds (Note 12):

	<b>2006</b>		<b>2005</b>	
	<b>Fair Value \$000</b>	<b>Cost \$000</b>	<b>Fair Value \$000</b>	<b>Cost \$000</b>
Cash & Fixed Term Instruments	\$600	\$600	\$618	\$618
Investment Shares	50	50	50	50
Property	916	916	0	0
	<hr/> \$1,566	<hr/> \$1,566	<hr/> \$ 668	<hr/> \$ 668

Fair value, as represented above, was derived from the market value of investments and properties.

## 5. Capital Assets

## 7. Unfunded Staff Benefits

The balance of unfunded staff benefits includes:

	<b>2006</b> <b>\$000</b>	<b>2005</b> <b>\$000</b>
Accrued Vacation Pay	\$1,326	\$1,161
Supplementary Pension Payable - Current Portion	83	82
	<hr/> \$1,409 <hr/>	<hr/> \$1,243 <hr/>

## 8. Bank Indebtedness

The University has an operating line of credit with a bank in the amount of \$750,000 that is unsecured and bears interest at prime. The line of credit was not utilized at March 31, 2006 or March 31, 2005.

## 9. Long Term Liabilities

	<b>2006</b> <b>\$000</b>	<b>2005</b> <b>\$000</b>
Promissory Note	\$792	\$0
Mortgage Payable	203	231
UWEHC Mortgages Payable	287	612
Supplementary Pensions Payable	631	714
	<hr/> \$1,913 <hr/>	<hr/> \$1,557 <hr/>

The mortgage payable, secured by Graham Hall, is payable to Canada Mortgage and Housing at 5 3/8% due October 1, 2012. The Council on Post-Secondary Education annual operating grant provides for the \$40,054 annual mortgage payment.

UWEHC mortgages are secured by Balmoral Street and Spence Street properties and are payable to the Assiniboine Credit Union. The mortgage payable on the Balmoral Street properties is due August 30, 2006 and has an interest rate of 6.61%. It is repayable at \$2,715 per month including principal and interest. The four individual mortgages payable on the Spence Street properties are due April 1, 2007 and have an interest rate of 6.75%. They are repayable at \$2,521 per month including principal and interest.

Principal payments on the mortgages during the next five years are:

2007 - \$353,060; 2008 - \$316,208; 2009 - \$31,137; 2010 - \$32,833; 2011 - \$34,621.



The promissory note represents an unsecured loan from the Province of Manitoba. The loan in the amount of \$980,000 was used to finance the property located at 509 Ellice Avenue and 433 Young Street. The loan is due on April 15, 2015 and has an interest rate of 4.45%. It is repayable at \$8,167 principal plus interest per month.

Principal payments on the loan amount to \$98,000 per year.

Included in accounts payable and accrued liabilities is the current portion of long term debt of \$451,000 (2005 - \$47,000).

### **10. Deferred Capital Contributions**

Deferred capital contributions represent the unamortized external contributions for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	<b>2006 \$000</b>	<b>2005 \$000</b>
Balance, Beginning of Year	\$36,402	\$32,275
Contributions Received	2,910	808
Contributions from University of Winnipeg Foundation Specified Fund	2,920	4,500
Mortgage Principal Contributions	27	26
Transfer to Revenue – Amortization	(1,323)	(1,207)
Balance, End of Year	<u>\$40,936</u>	<u>\$36,402</u>

### **11. Internally Restricted Net Assets**

Internally restricted net assets balance at March 31, 2006 is \$1,488,000 (2005 - \$2,402,000). It consists of cumulative net unrestricted trust income of \$561,000 (2005 - \$439,000) and strategic provisions of \$927,000 (2005 - \$1,963,000).

The cumulative net unrestricted trust income of \$561,000 is available to fund Board of Regents scholarships.

The strategic provisions represents an appropriation from unrestricted net assets to internally restricted assets. This transfer is made to provide for future funding support of initiatives within the Strategic Plan and the Academic Plan. Actual expenditures are authorized in accordance with appropriate policy.

The strategic provisions provide for:

	March 31, 2005 \$000	Expended \$000	Transfers \$000	Additions \$000	March 31, 2006 \$000
<b>Fiscal Stabilization</b>					
Defined Benefit Pension	\$ 500				\$ 500
Sinking Fund					
<b>Infrastructure</b>					
Deferred Maintenance	8	(8)			0
Academic Equipment	100				100
Building Renovations	466	(400)			66
<b>Strategic Development</b>					
Internal Research Grants	75				75
Library Endowment	150	(137)			13
Support to Academic Initiatives	154	(154)			0
Advancement Services	85	(4)	(81)		0
World Council on Gifted Children	12	(3)			9
Employment Equity	20				20
Project Development	393	(330)	81		144
	<u>\$1,963</u>	<u>(\$1,036)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 927</u>

## 12. Net Assets Restricted for Endowment Purposes

Endowments consist of externally restricted contributions where the principal donation is required to be maintained in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors.

Endowments are comprised of long-term investments of \$1,566,000 – Note 4 (2005 - \$650,000) and accounts receivable of \$896,000 (2005 - \$0).

Endowments of \$1,812,000 are held in trust in accordance with the terms of a certain bequest. In 2006, The University of Winnipeg has a 10% share in the income distribution from this trust.

During 2004-05, endowments totalling \$20,979,000 were transferred to the University of Winnipeg Foundation pursuant to the Endowment Fund Agreement. The University of Winnipeg Foundation maintains the endowment fund and provides the income distribution that is used to fund special purpose trust expenditures.

### **13. University of Winnipeg Pension Plan**

The University of Winnipeg Pension Plan was established as a contributory defined benefit pension plan at September 1, 1972. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). A Pension Committee oversees the administration of the Plan, monitors investments and makes policy recommendations to the Board of Regents of the University. A trust company holds the assets under a trust agreement and provides daily administration of the Pension Plan. Professional investment managers administer the portfolio.

The Plan covers all eligible employees of the University of Winnipeg, except those who are members of the United Church of Canada Pension Plan. Permanent academic employees join the Plan on their date of employment. Permanent non-academic employees may elect to join on their date of employment but must join on their first anniversary date of employment.

At December 31, 2005 the fair value of the Plan's net assets was \$127,055,101 (2004 - \$115,820,845). Under the Plan, contributions are made by Plan members and matched by the University of Winnipeg. A member who receives benefits from the long term disability plan of the University is not required to contribute to the Plan. The annual pension payable to a defined benefit member on retirement is based on the member's final average earnings and years of credited service.

Based on a Board of Regents' resolution of December 4, 2000 and implemented by amendment #2001/1 to the Pension Plan, Plan members at December 31, 2000, who were less than age 55 at December 31, 1999, could elect to either remain in the existing contributory defined benefit pension plan or alternatively, convert their accrued benefits at December 31, 1999 to a defined contribution equivalent. This resulted in their future benefits being determined on a defined contribution basis. Approximately one-quarter of the eligible members converted to the defined contribution plan. Employees at December 31, 2000 who were not members of the Plan at that date had the ability to elect to have their future benefits determined on a defined benefit or a defined contribution basis. Employees hired after December 31, 2000 have their future benefits determined on a defined contribution basis.

The amendment also provided for an initial surplus distribution to the members who stayed in the defined benefit segment, a full surplus distribution for those who transferred to the defined contribution segment and a mechanism to allow the University to use its share of the surplus to fund its contributions. The Board resolution also provided, at a later date, for the members' share of the remaining surplus to be used to enhance benefits and for the establishment of a Board of Trustees to operate the Plan at arm's length from the University.

The University contributions to the Pension Plan from April 1, 2000 to March 31, 2002 were funded out of its share of the surplus in the defined benefit segment of the Pension Plan. The University resumed its contributions to the Pension Plan effective April 1, 2002.

In 2004, the University and the stakeholders who represent the members of the defined benefit segment of the Pension Plan reached an agreement to modify the provisions of both the Plan Amendment #2001/1 and the December 4, 2000 Board Resolution as described in Note 19. These modifications were included in Amendment 2004/B which was approved by the Board of Regents in October, 2004 and has been filed with the Pension Commission of Manitoba and the Canada Revenue Agency.

### **Defined Contribution Obligation**

The obligation for pension benefits under the defined contribution segment of the Plan will always be equal to the net assets in each member's account. Therefore, no surplus or deficiency arises from fluctuations in the investment market.

The defined contribution segment of the Pension Plan consists of:

	<b>December 31</b>	<b>December 31</b>
	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
Balance, Beginning of Year		

**Change in Defined Benefit Obligation**

	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
Benefit Obligation, January 1	\$110,756	\$102,219
Current Service Cost \$102,219		

**Components of Pension Expense**

	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
Employer Share of Current Service Cost	\$1,607	\$1,447



## 15. Commitments





The financial position of the Foundation at March 31 is summarized as follows:

	<b>2006</b> <b>\$000</b>	<b>2005</b> <b>\$000</b>
Statement of Financial Position:		
Assets	<u>\$33,765</u>	<u>\$34,161</u>
Liabilities	<u>\$388</u>	<u>\$1,559</u>
Fund Balances:		
Operating Fund	463	627
Investment in Capital Assets	42	48
Building and Program Fund	350	605
Funds Held Pending Terms of Reference	-	265
Specified Fund	5,074	8,000
Endowment Fund	27,448	23,057
	<u>\$33,377</u>	<u>\$32,602</u>
	<u>\$33,765</u>	<u>\$34,161</u>

	<b>2006</b> <b>\$000</b>	<b>2005</b> <b>\$000</b>
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Restrictions are placed upon expenditures within Funds including:

- i) The Operating Fund reflects the administrative and overhead costs of undertaking the Foundation's activities.
- ii) The Unrestricted Fund records the receipt of donations received in the year that are identified by the donor to go to the area of greatest need.
- iii) The Building & Program Fund is specifically intended to record the receipt of all donations intended for the University of Winnipeg programs and capital projects.
- iv) The Specified Fund consists of the initial funding of \$14,000,000 transferred to the Foundation from The University of Winnipeg, pursuant to the "Specified Fund Agreement".
- v) The Funds held pending Terms of Reference includes donations received for capital gifts, endowment gifts, and other restricted purposes not yet allocated pending donor wishes.
- vi) The Endowment Fund reports the receipt of funds established from gifts by donors, which are designated to remain under the Foundation's management in perpetuity for endowment purposes.

In the Coordination Cooperation and Funding Agreement, the University has agreed to provide the Foundation with a \$300,000 per annum operating grant, reducing by \$30,000 per annum commencing in 2010-2011. This funding commitment will end in 2013-2014.

The University is required to make annual payments over the next 5 years and in aggregate as follows:

	<b>\$000</b>
2006/07	\$300
2007/08	300
2008/09	300
2009/10	300
2010/11	270
Thereafter	630
	\$2,100
	\$2,100

### **17. University of Winnipeg Community Renewal Corporation**

The University of Winnipeg Community Renewal Corporation ("UWCRC") was incorporated by Articles of Incorporation, without share capital, on April 6, 2005, as a controlled entity of The University of Winnipeg ("University"). As of March 31, 2006, because of a change in the membership composition, UWCRC became a related entity. At the first UWCRC board meeting immediately following the year-end, the membership of UWCRC was changed to conform to its status as a controlled entity.

UWCRC's mandate is to support the University by developing a sustainable university community that promotes the attractiveness of the University to its faculty, staff, students, and the greater

## 18. Contingencies

(f) The University made an additional contribution of \$600,000 into the defined benefit

