

March 31

2004

Dalhousie University
**Annual
Financial
Report**

Published June 2004



DALHOUSIE UNIVERSITY
ANNUAL FINANCIAL REPORT
March 31, 2004

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SECTION A

Dalhousie Financial Overview

March 31, 2004

INTRODUCTION

2003-04 Financial Report

The purpose of this stewardship report is to provide members and friends of the Dalhousie community with a comprehensive overview of the financial affairs of the University. The Introduction and first Section of the Report draws attention to significant developments in the University's major Funds. Section B provides a comparison of budgeted and actual Operating Fund results, and explains material variances. The Report concludes with the audited Financial Statements for the year ended 31 March 2004.

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1. Total revenues across all six Funds (Operating, Endowment, Ancillary, Capital, Special Purpose and Research) were \$377.3 million (\$348.5 million in 2003). Revenues increased year-over-year in all Funds except Special Purpose, with Operating at \$15.5 million and Research at \$9.1 million experiencing the largest growth.
2. Significant Operating Fund revenue growth occurred in Provincial Grants and in Tuition Fees. The core Operating Grant increased by \$3.0 million or 3%, though halfway through the fiscal year the Government clawed back from the University \$439,000 of this increase. The grant also increased as a result of the transfer of financial responsibility to Dalhousie for the Collaborative Nursing Program (\$1.7 million), and of planned enrolment growth in the Medical School (\$451,000).
3. While the increase in Provincial funding in 2003-04 was most welcomed, that Grant needs to be viewed in the context of the historical trends in Government support for the University. The total Grant for the year just ended (\$105,627 million) remains below the \$107,969 million funding level received in 1991-92, when our enrolment level was only about three-quarters of the current student numbers. In constant 1991-92 dollars, our current Government support is worth \$85 million. The financing of post-secondary education in Nova Scotia is experiencing a fundamental restructuring.
4. Tuition fee revenues grew by 15.6% (\$10.5 million) over the previous year. Approximately half of this amount was due to enrolment growth, with the balance resulting from increased tuition levels. By way of comparison, tuition totaled \$22,267 million in 1991-92. The burden of funding higher education has shifted significantly to students and to other non-Government revenue sources (e.g. Endowments, cost recoveries, etc.).
5. Dalhousie's Endowment Funds, after two years of very depressed market returns, achieved a 25.6% rate-of-return in fiscal 2004. (The annualised return over 10 years was 10.4%.) At the end of March the market value of the Endowments was \$283 million. Major work was undertaken in 2003-04 on endowment management, resulting in changes to spending policies and asset mix, with a view to providing greater stability of returns and spending.
6. Although the assets and liabilities of the University's Pension Plan are not included in these Financial Statements, Plan performance has a major impact on the Operating Fund. Pension Plan assets totaled \$552 million as at 31 March 2004, and the Plan's investment

return was 25.0% for the year (10.6% annualised return over 10 years). Even with this excellent rate-of-return in 2003-04, the extrapolated Plan deficit was \$43 million as of 31 March. The University will have to continue making large overmatching contributions to the Fund for the foreseeable future.

7. In 2003-04 the University began implementing its carefully designed program of strategic investments in areas which previously had been shown to be underfunded when compared with other research-intensive universities in Canada. \$5.2 million were added to the budgets for student financial assistance, student services, libraries, information technology, academic initiatives, facilities (including deferred maintenance and major classroom upgrading), and administrative services. It is our intention to continue with further strategic investments in the years to come.
8. In April 2003 construction began on Dalhousie's newest residence project, which will provide accommodation for approximately 500 students, with attendant dining and parking amenities. This \$19.6 million project, to be fully funded through revenues generated in the complex, will be available for occupancy by September 2004.

In December 2003 the Board of Governors approved a long-term capital re-investment plan for six other University residences. This program will allow the buildings concerned to be restored to and maintained at more appropriate levels.

After several years of planning and fund-raising, a contract was awarded in April 2004 for the construction of the 118,700 gross square foot Faculty of Management Building, prominently located on University Avenue. The building is scheduled to open in late summer 2005. Funding for this \$25 million capital project is in place.

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In 2003-04 Dalhousie University's teaching programs attracted a record number of students. Dalhousie scholars competed for and won record levels of research grants and contracts. The University continued to move forward with its efforts to renew existing facilities and provided needed new ones. Previously underfunded activities began to benefit from the strategic investment of additional resources. While stresses and challenges remain, the University community may take justifiable pride in what has been achieved.

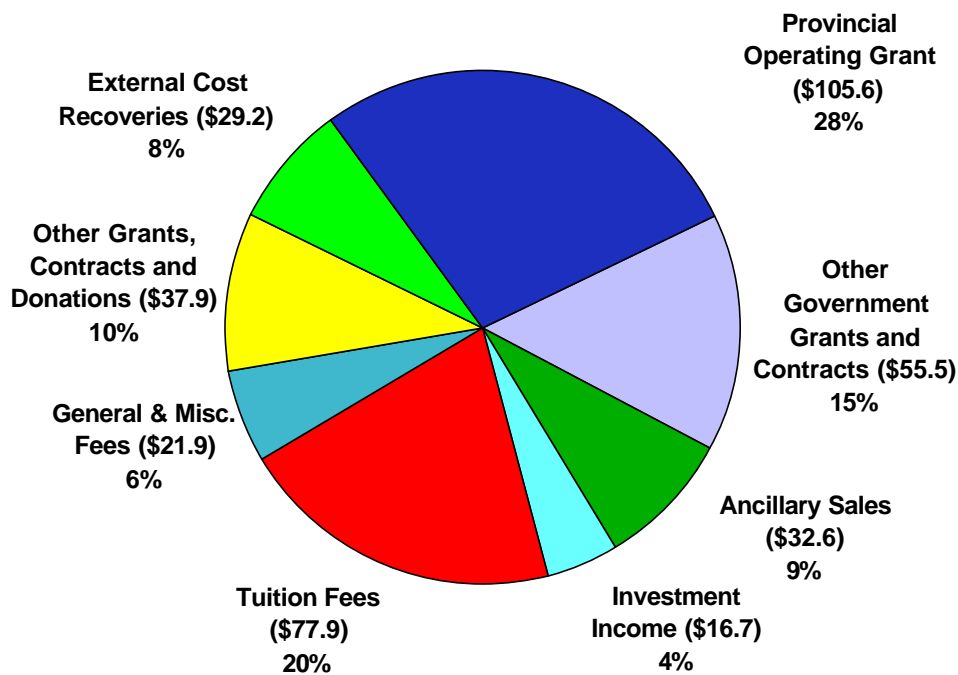


BRYAN G. MASON
Vice-President (Finance & Administration)

TOTAL REVENUE

Dalhousie's revenue from all sources totalled \$377.3 million in 2003-04. The growth and intensity of research activity in recent years has been dramatic, evidenced by a 14% increase (\$9.1 million) over last year. In the past decade revenue for sponsored research at Dalhousie has doubled. The other major change occurred in tuition revenue which increased by \$10.5 million in 2003-04. Approximately one-half of this increase is attributable to a planned increase in enrolment and the balance from increased tuition rates. Enrolment has grown by 2,800 students since 2001 and has occurred in almost every Faculty. This larger and more diverse student population has placed additional demands on Faculty, support and ancillary services.

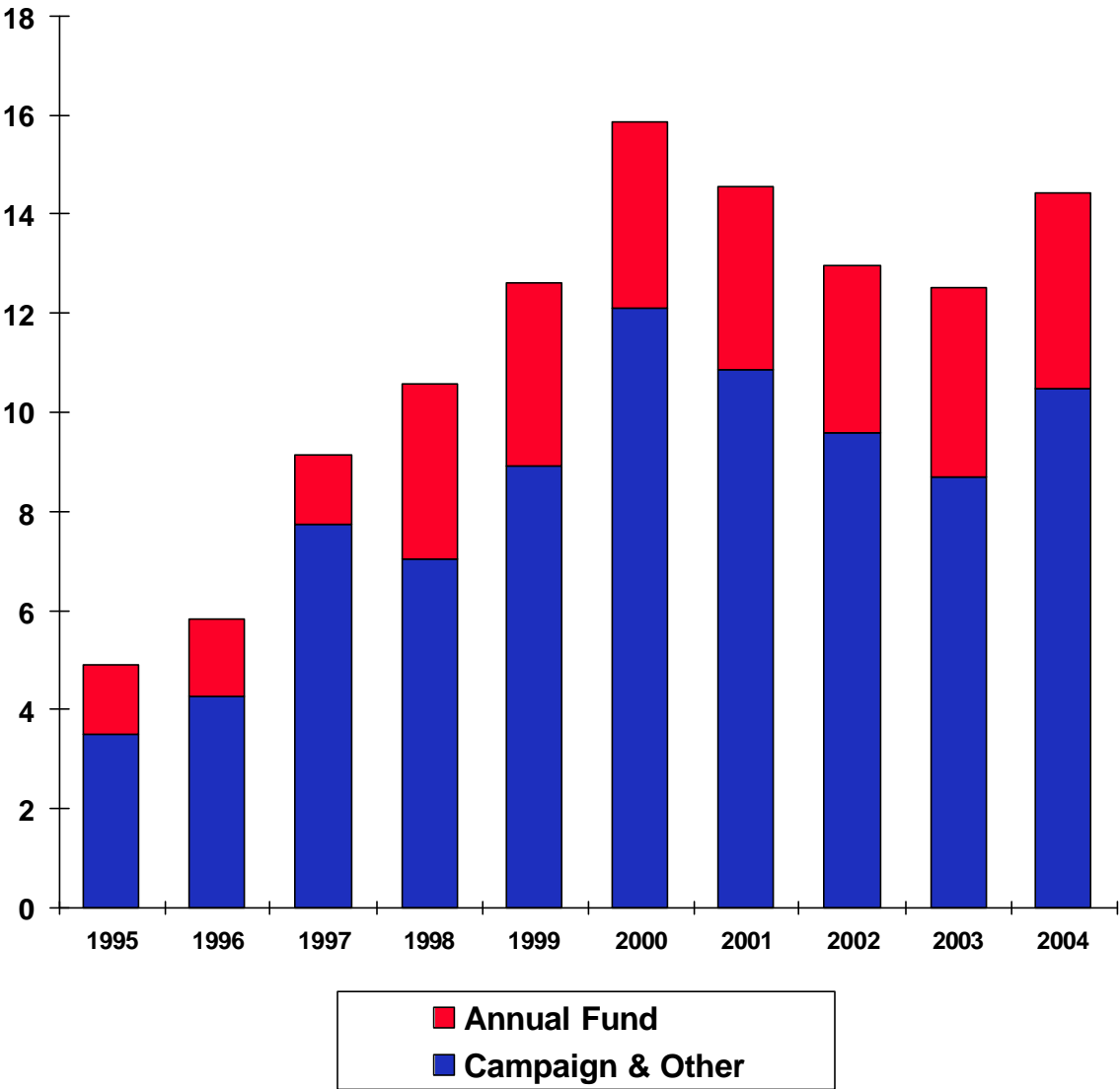
CHART 1
Total Revenue
For the Year Ended March 31, 2004
(\$ Million)



Total \$377.3 million
(2003 \$348.5 million)

Dalhousie enjoyed another strong year through the generous support of Alumni and friends who contributed \$14.5 million. Donations and gifts are crucial to the development and enhancement of many University programs and projects. The construction of purpose-built academic facilities has been a key focus of fundraising activity in recent years. Contributions have also allowed the University to meet today's growing and changing needs in advancing scholarship through student assistance and equipment for laboratories and classrooms.

CHART 2
Total Donations and Gifts
(reported on a cash basis)

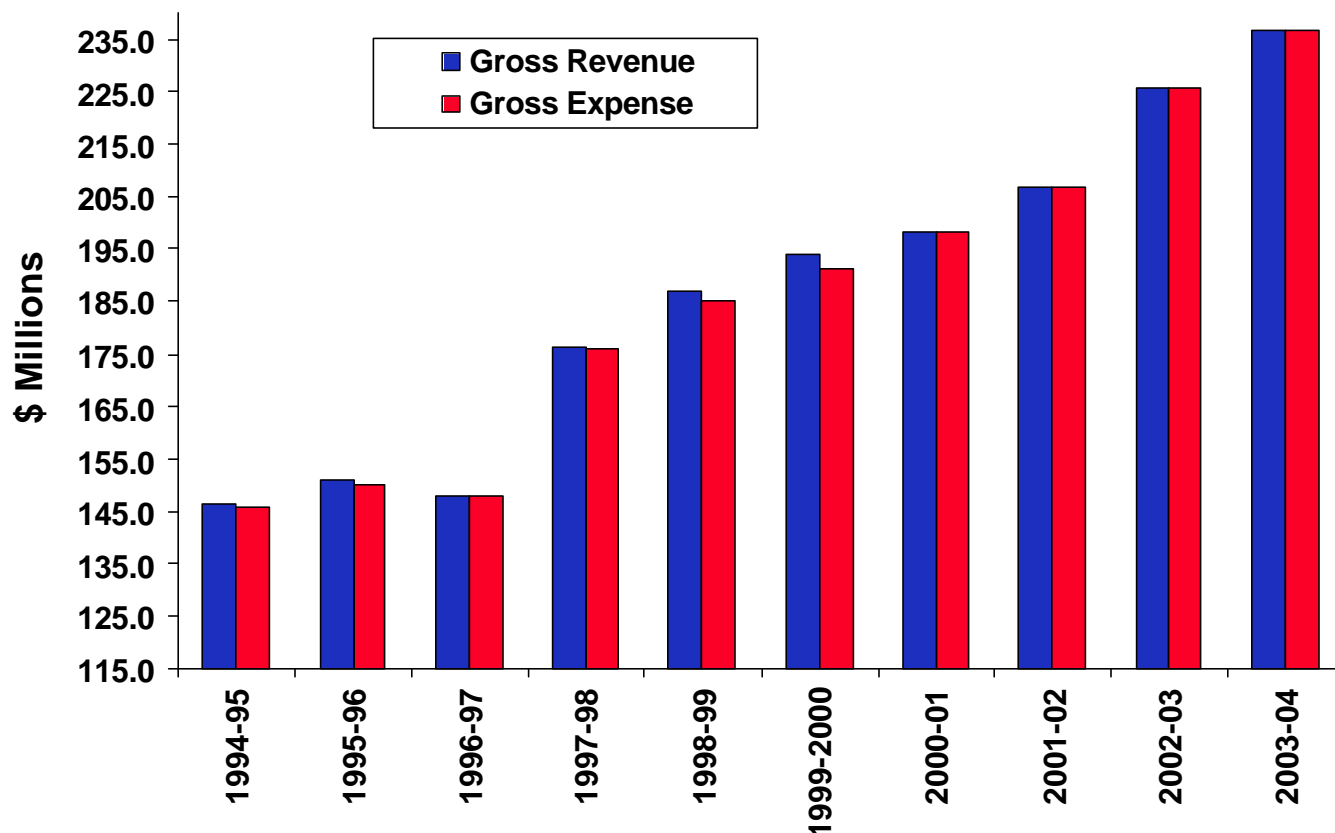


OPERATING REVENUE AND EXPENSE

Operating revenue increased by \$15.5 million or 7.0% in the 2003-04 fiscal year. Government grant revenue increased by \$4.7 million in 2003-04 as a result of a \$2.6 million adjustment to the basic operating grant, the addition of \$1.7 million relating to the transfer to the University of expanded responsibilities for nursing education, and \$0.4 million for increased enrolment in the Faculty of Medicine. As noted earlier in this report, Dalhousie's planned growth in enrolment was a major factor in the \$10.5 million increase in tuition revenue for the year.

Operating revenue sources included the provincial operating grant (\$105.6 million), tuition revenue (\$77.9 million), cost recoveries from the sale of goods and services through Faculties and other units (\$26.5 million) and other revenue (\$26.7 million). Included in other revenue are investment income, non-credit fees and general revenue.

CHART 3
Operating Revenue and Expense
(1994-95 to 2003-04)



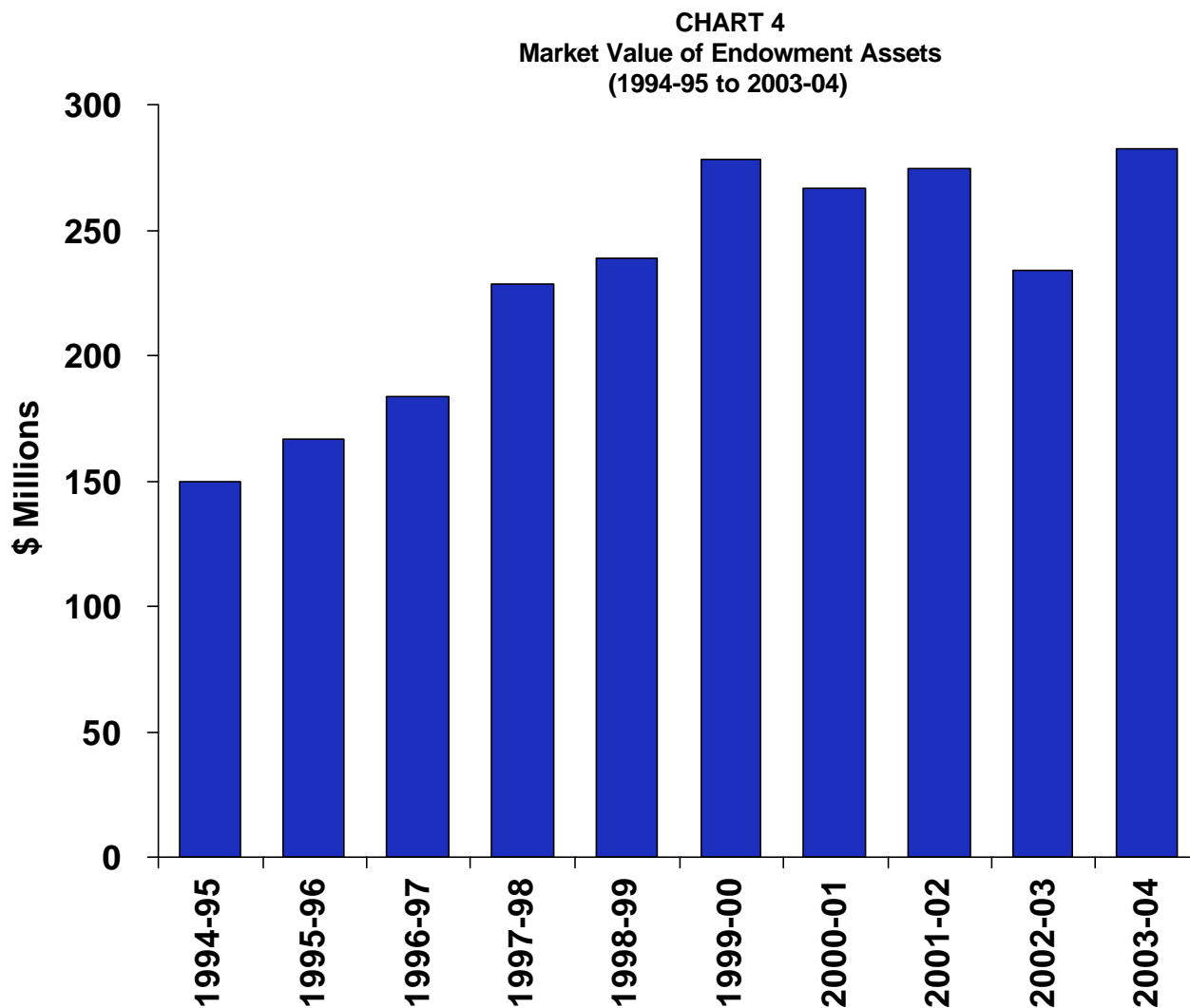
\$ Million	94-95	95-96	96-97	97-98 ¹	98-99 ²	99-00 ²	00-01	01-02	02-03	03-04
Gross Revenue	146.5	151.0	147.8	176.2	186.9	193.3	198.4	206.9	221.2	236.7
Gross Expense	<u>145.7</u>	<u>150.0</u>	<u>147.7</u>	<u>176.0</u>	<u>185.3</u>	<u>190.7</u>	<u>198.4</u>	<u>206.9</u>	<u>221.2</u>	<u>236.7</u>
Annual Surplus	0.8	1.0	0.1	0.2	1.6	2.6	0	0	0	0

1 Commencing in 1997-98 the operating revenue and expense includes the combined budgets of Dalhousie and the former Technical University of Nova Scotia

2 Surplus includes \$2.6 million (\$1.4 million in 1999) in pension surplus recoveries used for debt retirement.

ENDOWMENTS

Following two years of depressed capital markets, there was a very positive rebound in 2003-04 resulting in a 25.6% rate of return for the University's endowment. Consequently, the market value of the endowment reached \$283 million at March 31, 2004 compared with \$234 million a year earlier. In spite of the market turbulence in recent years, Dalhousie has been able to maintain the level of spending for endowment supported programs including student scholarships and bursaries, academic chairs and professorships, research, library services, laboratory and teaching, and equipment and facilities.



Note: Commencing in 1997-98 former Technical University of Nova Scotia funds are included in the market value figure.

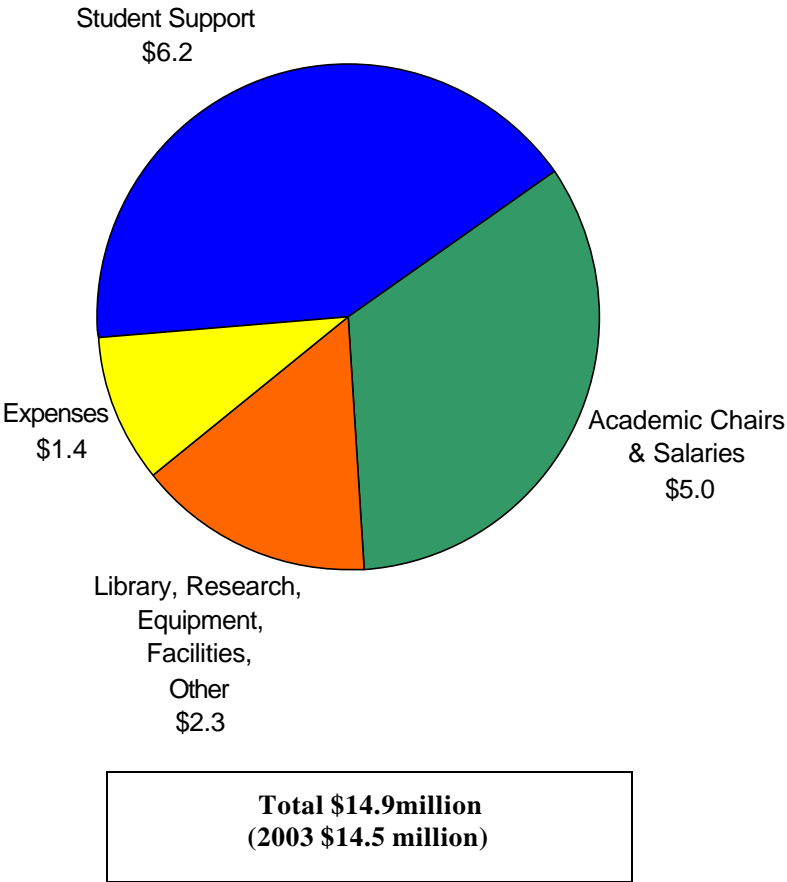
The Board of Governors' approved Endowment Management Policy was designed to achieve certain goals as follows:

- to balance present spending needs with expected future requirements;
- to protect the purchasing power of the capital base while achieving stability in year-to-year spending; and
- to attain real increases in spending through capital appreciation from new gifts, capital investment gains, and the capitalization of income.

During the year the University undertook a review of the Endowment Spending Policy with the assistance of an external consultant. The recommendations of the study were reviewed by the Investment Committee and implementation of a modified spending policy in 2004-05 was approved by the Board of Governors in April of this year.

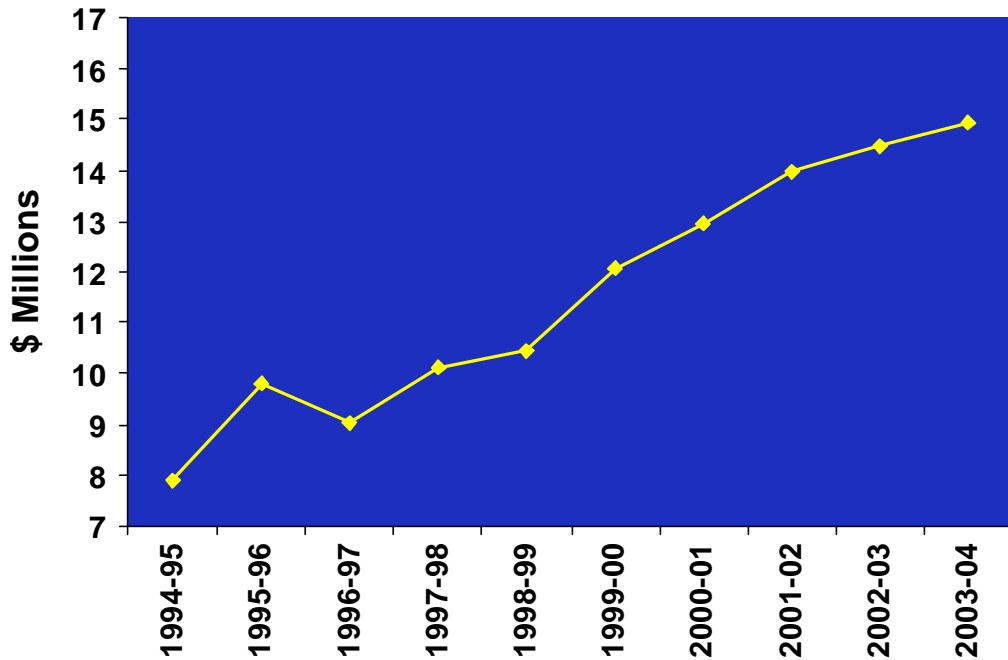
The new policy will set the spending rate for 2004-05 at 4.75% of the market value of the previous September. Thereafter, the spending allocation will be adjusted for inflation to provide stability in the amount available for endowment supported programs. Limits will be placed on the annual spending allocation to ensure that the amount is kept within a “band” whereby spending would not exceed 5.75% or be less than 3.75% of the prior year’s market value.

CHART 5
2003-04 Endowment Expenditures
(\$ Millions)



Note: Actual expenditures will vary somewhat from the amount available for spending in any given year due to factors such as the receipt of funds from externally-held estates and endowments, use of unspent income balances of prior years, decisions to accumulate several years’ income to fund a major purchase, etc.

CHART 6
Endowment Expenditures
1994-95 to 2003-04



Note: Commencing in 1997-98 the former Technical University of Nova Scotia is included with expenditure figures. 1995-96 includes \$1.2 million in expenditure of endowment principal for a capital project as specified by the terms and conditions of the gift.

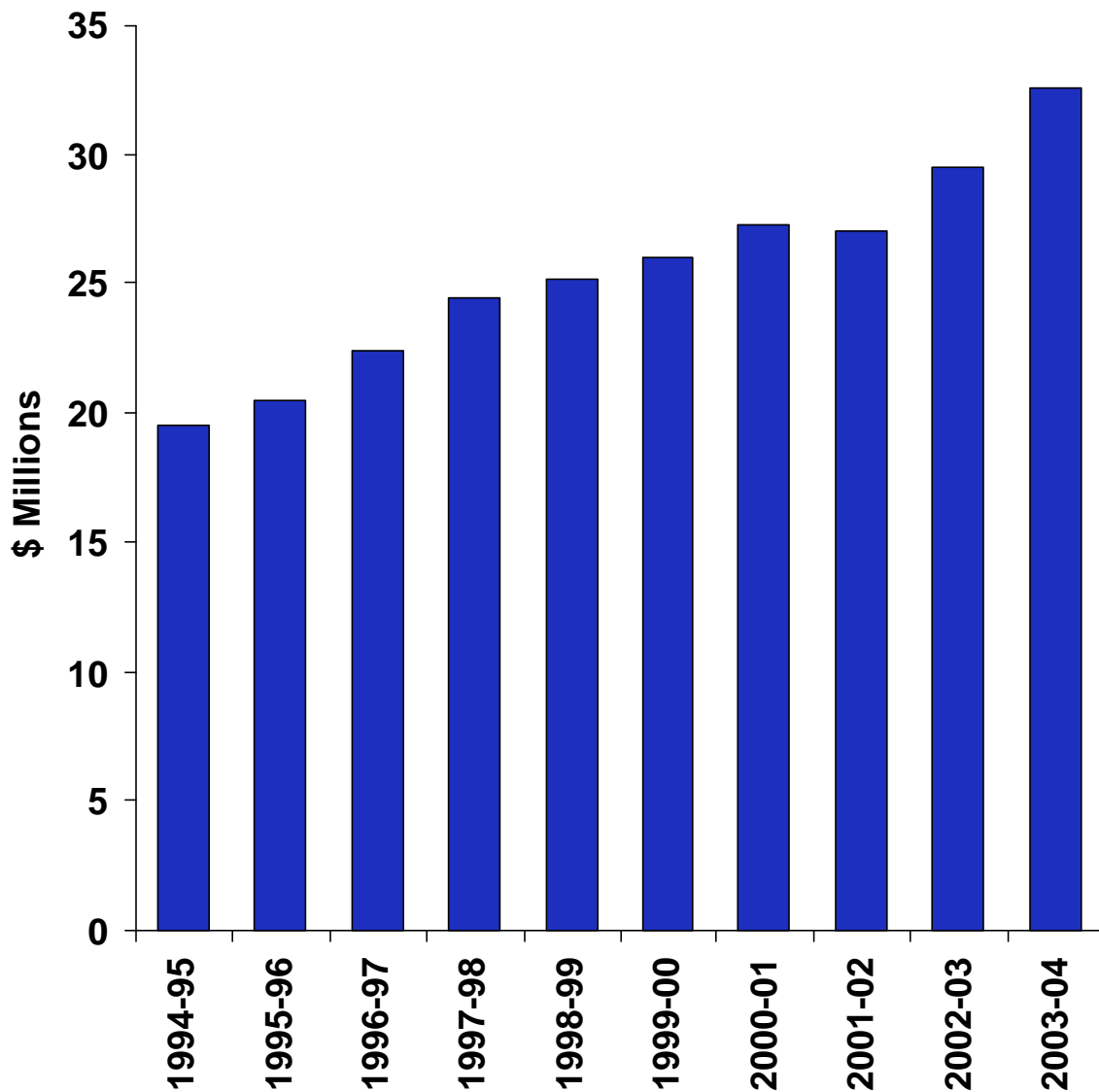
The table below provides a summary of the market value and one-through-four year and ten year annualized performance for each of the Endowment, Pension Trust Fund and Retirees' Trust Fund.

FUND	Market Value	Performance (%)				
	<i>(\$million)</i>	<u>Annualized Returns</u>				
		<u>1 year</u>	<u>2 years</u>	<u>3 years</u>	<u>4 years</u>	<u>10 years</u>
Endowment	283	25.6	5.7	6.1	4.0	10.4
Pension Trust Fund	377	24.7	6.2	6.5	4.0	10.8
Retirees' Trust Fund	175	25.6	6.5	6.8	4.6	9.7
	835					

ANCILLARY ENTERPRISES

The ancillary enterprises include the Bookstore, University Housing and Conference Services, Dalplex (and Arena), the Arts Centre (Rebecca Cohn Auditorium), Food Services and the Personal Computer Purchase Centre (PCPC). Ancillary revenue grew by \$3.4 million or 11% to \$32.6 million in 2003-04. The growth in enrolment and expanded student residence operations have contributed to increased revenues in a number of ancillary operations (i.e. Housing, Food Services, Bookstore and PCPC). The ancillary operations record all direct revenues and expenses and as a group require no subsidy from the operating revenue of the University.

CHART 7
Ancillary Revenues
1994-95 to 2003-04



SECTION B

Report on the 2003-04

Budget vs Actual Operating Results

2003-04 FISCAL YEAR

OPERATING BUDGET VERSUS ACTUAL RESULTS

2003-04 APPROVED OPERATING BUDGET

On the recommendation of the Operations Committee the 2003-04 operating budget for the University was approved by the Board of Governors at its June 17, 2003 meeting. The balanced budget included net revenues and expenditures of \$203.9 million respectively and marked the sixteenth consecutive year of balanced budgets at Dalhousie. The attached schedule reports on the budget versus actual results for the year ended March 31, 2004 and shows the approved budget, the final budget, the actual revenue and expenditure and variances between the final budget and the actual results for the year.

For the first time in 2003-04 the budget included the distribution of endowment revenues of \$14.6 million by unit to reflect the total resources available to Faculties and other budget areas. The endowment budget is an integral component of University operations, supplementing operating budget funds for student assistance, academic chairs and professorships, facilities and equipment, etc.

THE FINAL BUDGET

The Final Budget column reflects certain adjustments to the approved budget, most notably compensation adjustments distributed to each of the units in the Responsibility Centre Expenditure category. Government Grant income now includes funding from the Department of Health for additional student places in the Faculty of Medicine and there is a corresponding increase in the Faculty's budget. During the year Strategic Initiatives Funding has been distributed to a number of budget lines. For example, funding for Administrative Initiatives has been allocated to External Relations, Financial Services and University Computing.

ACTUAL RESULTS

Revenues and expenditures varied somewhat from the budget and explanations for the major variances are as follows:

1. **Provincial Government Grants**

In the fall of 2003 the province rolled back its grants to universities causing a loss in funding of \$439,000 for Dalhousie.

2. **Indirect Costs of Research Grant**

The 2003-04 budget included an estimate of \$5 million in funding from the federal government to support the indirect costs of research. The actual grant received for 2003-04 resulted in a favourable variance of \$536,000 on this line. This variance is offset by an unfavourable variance in the responsibility centres (see 9a below) relating to the commitment to renew emergency power generators at the Life Sciences Centre and Tupper building both of which house major research facilities.

3. Investment Income - Endowment

Endowment Income and Endowment Expenditures (see the Responsibility Centre section) are both over budget by \$261,000 resulting in no bottom line impact on the University's financial results. Endowment income is recognized each year in an amount sufficient to cover the expenditures for that year. Actual endowment expenditures and revenue will vary from the amount available for spending in any given year due to factors such as the receipt of funds from externally-held endowments and expendable contributions, use of unspent income balances of prior years and decisions by units to accumulate income for several years to fund a major purchase. Any unspent income is carried forward in the Endowment Fund for use in subsequent years.

Schedules on page 16 and 17 detail the underspending and overspending of the annual endowment allocation for Faculty and other budgets.

4. Investment Income - Operating (Net of Interest and Bank Charges)

The \$72,000 favourable variance is a result of better-than-budget cash flow for the fiscal year.

5. Tuition Fees

There is a \$1,564,000 positive variance in tuition revenue. Overall enrolment, particularly in the summer term, exceeded the projections of the Enrolment Management Committee. In addition, increased numbers of international students beyond that predicted resulted in increased international differential fee revenue.

6. Facilities Renewal Fees and Facilities Renewal Expenditures

The offsetting variance on these two lines (i.e. \$30,000) reflects the increase in facilities renewal fee revenue generated by enrolment growth in 2003-04 and the corresponding expenditure commitment on facilities renewal projects.

7. Scholarships, Bursaries and Student Assistance

The overspending on this line reflects the impact of enrolment growth on scholarship requirements.

8. Energy, Water, Taxes and Insurance

Fuel oil prices climbed during the latter part of the year resulting in a higher than budget expenditure variance of \$92,000 on this line. There were negative variances in insurance costs resulting in an over-expenditure of \$34,000 on this budget line.

9. Responsibility Centre Expenditures

- a) Academic - In accordance with University policy, budget savings/overruns in academic budgets are carried forward and, hence, no variances are reported in any of the Faculties and major academic units. There are, however, three variances identified in the academic responsibility centre category. The negative variance of \$600,000 on the Centres, Institutes and Special Projects line relates to an appropriation for use in 2004-05 to partially fund emergency power generators on campus. The second item relates to the annual transfer from King's for teaching services that in 2003-04 resulted in a favourable variance of \$140,000. The last variance appears on the line labelled Endowment Expenditures in excess of budget is a result of over expenditures discussed in Note 3 above and is offset by a favourable variance in Endowment Income.
- b) Administration – The significant components of the \$101,000 variance in this section are increased application fee revenue of \$40,000 and savings in Institutional Affairs of \$47,000 as a result of a staff vacancy during a portion of the year.
- c) Provision for Compensation – The approved budget included a provision for salary, wage and benefit increases for all employee groups which have been distributed to budget units in the Final Budget column.

10. Total Surplus for the Year

The University's operating budget for 2003-04 produced a net favourable variance of \$728,000. These funds have been appropriated at year end and together with the net variance of \$582,000 appropriated from 2002-03 the cumulative balance of \$1,310,000 is available on a one-time only basis in 2004-05 and beyond. To put this amount in perspective, it represents only 1.5% of the 2004-05 projected tuition revenue budget. These appropriated funds will provide the University with fall-back support should the planned enrolment growth of 600 students not be fully achieved.

DALHOUSIE UNIVERSITY
2003-04 OPERATING BUDGET RESULTS
(\$ 000's omitted)

	Approved Budget	Final Budget (1)	Actual	Variance Fav (Unfav)
REVENUE				
Provincial Government Grants				
Basic	100,657	100,657	100,218	(439)
Medicine Expansion		451	451	-
Facilities/Space	1,000	1,000	1,000	-
Targeted	50	50	50	-
Equipment & Alterations	3,908	3,908	3,908	-
	<u>105,615</u>	<u>106,066</u>	<u>105,627</u>	<u>(439)</u>
Federal Indirect Costs of Research Grant	5,000	5,000	5,536	536
Investment		-		
Endowment	14,634	14,634	14,895 (2)	261
Operating (net of bank & finance charges)	1,688	1,688	1,760	72
Tuition Fees	76,147	76,147	77,711	1,564
Facilities Renewal Fee	840	840	870	30
	<u>203,924</u>	<u>204,375</u>	<u>206,399</u>	<u>2,024</u>
GENERAL OPERATING EXPENDITURES				
Equipment & Alterations	3,908	3,908	3,908	-
Scholarships, Bursaries and Student Assistance				
Operating	5,959	5,959	6,399	(440)
Endowment	4,857	4,857	4,958 (2)	(101)
Energy (net of recoveries)	6,272	6,272	6,364	(92)
Facilities Renewal	2,502	2,502	2,532	(30)
Classroom Upgrade	500	500	500	-
Water, Taxes & Insurance (net of recoveries)	1,952	1,952	1,986	(34)
Facilities/Space	1,000	1,000	1,000	-
Endowment Management Expenses	1,500	1,500	1,465 (2)	35
Contingency	600	600	658	(58)
	<u>29,050</u>	<u>29,050</u>	<u>29,770</u>	<u>(720)</u>
RESPONSIBILITY CENTRE EXPENDITURES				
Academic	129,893	139,823	140,443	(620)
Academic Support	6,604	7,114	7,130	(16)
Administration	12,045	13,193	13,092	101
General	1,131	1,134	1,134	-
Facilities Management	10,313	11,071	11,093	(22)
Student Services	2,631	2,773	2,791	(18)
Provision for Compensation	12,040	-	-	-
	<u>174,657</u>	<u>175,108</u>	<u>175,683</u>	<u>(575)</u>
TOTAL GENERAL OPERATING EXPENDITURES	<u>29,050</u>	<u>29,050</u>	<u>29,770</u>	<u>(720)</u>
TOTAL OPERATING EXPENDITURES	<u>203,707</u>	<u>204,158</u>	<u>205,453</u>	<u>(1,295)</u>
NET ANCILLARY EXPENDITURES	<u>217</u>	<u>217</u>	<u>218</u>	<u>(1)</u>
TOTAL EXPENDITURES	<u>203,924</u>	<u>204,375</u>	<u>205,671</u>	<u>(1,296)</u>
TOTAL SURPLUS FOR THE YEAR	<u>-</u>	<u>-</u>	<u>728 (3)</u>	<u>728</u>

- (1) The approved budget has been restated to reflect a number of adjustments and developments that occurred during the year. These include:
The Provision for Compensation Adjustments which has been distributed to Faculty and Unit budgets;
Government Grant income now includes funding from the Department of Health for the student expansion in the Faculty of Medicine
(and there is a corresponding increase in the Faculty of Medicine budget.); and
During the year Strategic Initiatives Funding has been distributed to a range of budget lines.
- (2) Actual endowment expenditures and revenue will vary from the amount available for spending in any given year due to factors such as the receipt of funds from externally-held endowments, use of unspent income balances of prior years and decisions by units to accumulate income for several years to fund a major purchase.
- (3) The 2003-04 Surplus of \$728,000 has been appropriated for use in 2004-05.

DALHOUSIE UNIVERSITY
2003-04 OPERATING BUDGET RESULTS - DETAIL

(\$000's omitted)

	Approved Budget	Final Budget	Actual (2)	Variance Fav (Unfav)
ACADEMIC				
Architecture and Planning	3,021	3,191	3,191	-
Arts and Social Sciences	14,057	15,199	15,199	-
Computer Science	4,475	4,821	4,821	-
Dentistry	7,057	7,587	7,587	-
Engineering	12,279	13,157	13,157	-
Graduate Studies	1,456	1,528	1,528	-
Health Professions	15,423	16,564	16,564	-
Law	5,206	5,711	5,711	-
Management	6,797	7,391	7,391	-
Medicine	26,552	29,122	29,122	-
Science	21,860	23,368	23,368	-
University Library	9,757	10,087	10,087	-
College of Continuing Education	439	500	500	-
Centres, Institutes & Special Projects	1,735	1,802	2,402	(600)
Technical Co-op Education & Career Services	363	387	387	-
Faculty Related Costs (Travel, Sabbatical Leave Grants, Anomalies etc.)	1,283	1,275	1,275	-
Kings' Transfer	(2,167)	(2,167)	(2,307)	140
Academic Initiatives	300	300	300	-
Indirect Costs of Research One time Projects				
Endowment Expenditures in Excess of Budget (net)			160	(160)
TOTAL ACADEMIC	129,893	139,823	140,443	(620)
ACADEMIC SUPPORT				
Art Gallery	97	107	107	-
Centre for Learning and Teaching	833	956	956	-
Printing Centre	(154)	(154)	(154)	-
University Computing & Information Services	5,628	6,205	6,205	-
Academic IT Initiatives	200			
Endowment Expenditures in Excess of Budget			16	(16)
TOTAL ACADEMIC SUPPORT	6,604	7,114	7,130	(16)
ADMINISTRATION				
Environmental Health and Safety Office	267	279	279	-
External Relations (incl. Communications and Marketing)	3,116	3,425	3,425	-
Financial Services	2,781	3,084	3,072	12
Institutional Affairs	253	272	225	47
Inter-University Services	44	44	44	-
Personnel Services	1,741	1,888	1,883	5
President's Office	1,646	1,961	1,961	-
Registrar & Admissions	2,250	2,436	2,436	-
Research Services	446	484	484	-
Secretary -The Board of Governors	83	88	78	10
Senate Office	153	167	180	(13)
Application Fees and Services Recovery	(935)	(935)	(975)	40
Administrative Initiatives	200			
TOTAL ADMINISTRATION	12,045	13,193	13,092	101

(1) The final budget includes distributions of Strategic initiatives funding to Budget Units.

(2) The actual column includes operating transfers to (from) appropriations in accordance with University policy.
(see detailed analysis on pages 16 and 17)

DALHOUSIE UNIVERSITY
2003-04 OPERATING BUDGET RESULTS - DETAIL

(\$000's omitted)

	Approved Budget	Final Budget	Actual (2)	Variance Fav (Unfav)
<u>GENERAL</u>	1,131	1,134	1,134	-
<u>FACILITIES MANAGEMENT</u>	10,313	11,071	11,093	(22)
<u>STUDENT SERVICES</u>				
Awards Office	225	244	244	-
Counselling	513	625	625	-
General Student Services	708	939	939	-
Office of the Vice-President	487	408	408	-
Student Health	79	79	79	-
Varsity, Intramurals & Clubs	419	478	478	-
Student Services Initiatives	200		-	-
Endowment Expenditures in Excess of Budget			(1)	-
			18	(18)
TOTAL STUDENT SERVICES	2,631	2,773	2,791	(18)
<u>ANCILLARIES</u>				
Dalhousie Arts Centre	324	324	324	-
Dalplex and Arena	181	181	181	-
Food Services	-	-	-	-
Personal Computer Purchase Centre	-	-	-	-
University Bookstore	(133)	(133)	(133)	-
University Housing	(155)	(155)	(155)	-
Endowment Expenditures in Excess of Budget			1	(1)
TOTAL ANCILLARIES	217	217	218	(1)

(1) The final budget includes distributions of the Strategic Initiatives funding

(2) The actual column includes transfers to (from) appropriations in accordance with the University Policy.

DALHOUSIE UNIVERSITY
2003-04 OPERATING BUDGET RESULTS - DETAILED ANALYSIS OF CONSOLIDATED BUDGET, ACTUAL AND VARIANCE
(000's)

	Operating					Endowment					Consolidated
	* Column 1	* Column 2	* Column 3	* Column 4	* Column 5	* Column 6	* Column 7	* Column 8	* Column 9	* Column 10	* Column 11
	Final Budget	Actual before transfer to/ from appropriation	Transfer to (from) appropriation	Actual	Year End Variance Fav/(Unfav)	Final Budget	Actual before transfer to/ from unspent balance	Transfer to (from) Unspent Balance	Actual	Year End Variance Fav/(Unfav)	Operating and Endowment Variance Fav/(Unfav)
ACADEMIC											
Architecture and Planning	3,158	3,083	75	3,158	-	33	42	(9)	33	-	-
Arts and Social Sciences	14,455	14,099	356	14,455	-	744	719	25	744	-	-
Computer Science	4,790	5,055	(265)	4,790	-	31	-	31	31	-	-
Dentistry	7,560	7,871	(311)	7,560	-	27	20	7	27	-	-
Engineering	12,543	12,454	89	12,543	-	614	730	(116)	614	-	-
Graduate Studies	1,054	964	90	1,054	-	474	460	14	474	-	-
Health Professions	16,134	16,263	(129)	16,134	-	430	267	163	430	-	-
Law	5,307	5,302	5	5,307	-	404	412	(8)	404	-	-
Management	6,962	7,113	(151)	6,962	-	429	373	56	429	-	-
Medicine	26,776	26,828	(52)	26,776	-	2,346	2,823	(477)	2,346	-	-
Science	21,107	21,236	(129)	21,107	-	2,261	2,175	86	2,261	-	-
University Library	9,917	9,821	96	9,917	-	170	124	46	170	-	-
College of Continuing Education	458	363	95	458	-	42	44	(2)	42	-	-
Centres, Institutes & Special Projects	1,767	1,856	511	2,367	(600)	35	11	24	35	-	(600)
Technical Co-op Education & Career Services	387	344	43	387	-	-	-	-	-	-	-
Faculty Related Costs	1,275	681	594	1,275	-	-	-	-	-	-	-
Kings' Transfer	(2,167)	(2,307)		(2,307)	140	-	-	-	-	-	140
Academic Initiatives	300	300		300	-	-	-	-	-	-	-
Indirect Costs of Research One time Projects		1,975	(1,975)	-	-	-	-	-	-	-	-
Endowment Expenditures in Excess of Budget (net)								160	160	(160)	(160)
TOTAL ACADEMIC	131,783	133,301	(1,058)	132,243	(460)	8,040	8,200	-	8,200	(160)	(620)
ACADEMIC SUPPORT											
Art Gallery	100	101	(1)	100	-	7	23	(16)	7	-	-
Centre for Learning and Teaching	955	911	44	955	-	1	1	-	1	-	-
Printing Centre	(154)	(147)	(7)	(154)	-	-	-	-	-	-	-
University Computing & Information Services	6,205	6,140	65	6,205	-	-	-	-	-	-	-
Endowment Expenditures in Excess of Budget								16	16	(16)	(16)
TOTAL ACADEMIC SUPPORT	7,106	7,005	101	7,106	-	8	24	-	24	(16)	(16)
ADMINISTRATION											
Environmental Health and Safety Office	279	289	(10)	279	-	-	-	-	-	-	-
External Relations	3,425	3,443	(18)	3,425	-	-	-	-	-	-	-
Financial Services	3,084	3,152	(80)	3,072	12	-	-	-	-	-	12
Institutional Affairs	272	237	(12)	225	47	-	-	-	-	-	47
Inter-University Services	44	44		44	-	-	-	-	-	-	-
Personnel Services	1,888	1,943	(60)	1,883	5	-	-	-	-	-	5
President's Office	1,961	1,961		1,961	-	-	-	-	-	-	-
Registrar & Admissions	2,436	2,475	(39)	2,436	-	-	-	-	-	-	-
Research Services	484	484		484	-	-	-	-	-	-	-
Secretary -The Board of Governors	88	78		78	10	-	-	-	-	-	10
Senate Office	167	180		180	(13)	-	-	-	-	-	(13)
Application Fees and Services Recovery	(935)	(975)		(975)	40	-	-	-	-	-	40
TOTAL ADMINISTRATION	13,193	13,311	(219)	13,092	101	-	-	-	-	-	101

* The information on pages 14 and 15 of this report is a consolidation of the Endowment and Operating Expenditure budgets. Columns 1 and 6 above are the Final Budget, Columns 4 and 9 are the Total Actual and Columns 5 and 10 total column 11 which is the Variance reported on the consolidated schedules.

DALHOUSIE UNIVERSITY
2003-04 OPERATING BUDGET RESULTS - DETAILED ANALYSIS OF CONSOLIDATED BUDGET, ACTUAL AND VARIANCE
(000's)

	Operating					Endowment					Consolidated
	* Column 1	* Column 2	* Column 3	* Column 4	* Column 5	* Column 6	* Column 7	* Column 8	* Column 9	* Column 10	* Column 11
	Final Budget	Actual before transfer to/ from appropriation	Transfer to (from) appropriation	Actual	Year End Variance Fav/(Unfav)	Final Budget	Actual before transfer to/ from unspent balance	Transfer to (from) Unspent Balance	Actual	Year End Variance Fav/(Unfav)	Operating and Endowment Variance Fav/(Unfav)
GENERAL	1,134	1,134		1,134	-						-
FACILITIES MANAGEMENT	11,071	11,093		11,093	(22)						(22)
STUDENT SERVICES											
Awards Office	244	244		244	-						-
Counselling	625	628	(3)	625	-						-
General Student Services	939	892	47	939	-						-
Office of the Vice-President	408	393	15	408	-						-
Student Health	79	79		79	-						-
Varsity, Intramurals & Clubs	466	364	102	466	-	12	30	(18)	12	-	-
Endowment Expenditures in Excess of Budget								18	18	(18)	(18)
TOTAL STUDENT SERVICES	2,761	2,600	161	2,761	-	12	30	-	30	(18)	(18)
ANCILLARIES											
Dalhousie Arts Centre	324	322	2	324	-						-
Dalplex and Arena	181	102	79	181	-						-
Food Services	-	-	-	-	-						-
Personal Computer Purchase Centre	-	-	-	-	-						-
University Bookstore	(133)	(373)	240	(133)	-						-
University Housing	(372)	(838)	466	(372)	-	217	218	(1)	217	-	-
Endowment Expenditures in Excess of Budget								1	1	(1)	(1)
TOTAL ANCILLARIES	-	(787)	787	-	-	217	218	-	218	(1)	(1)

* The information on pages 14 and 15 of this report is a consolidation of the Endowment and Operating Expenditure budgets. Columns 1 and 6 above are the Final Budget, Columns 4 and 9 are the Total Actual and Columns 5 and 10 total column 11 which is the Variance reported on the consolidated schedules.

SECTION C

2003-04

Audited Financial Statements

Dalhousie University

**Management Notes on the Audited
Financial Statements**

March 31, 2004

MANAGEMENT NOTES ON THE AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

The financial statements of Dalhousie University have been audited by the firm of KPMG and are presented in this section of the Annual Financial Report for the year ended March 31, 2004. The notes below provide an overview of the results, contents of the financial statements and explanation of major changes.

Overview

- The University achieved a balanced operating result for 2003-04. This makes the sixteenth consecutive year that the University has achieved a balance or surplus from regular operations.
- Total revenues were \$377.3 million from all fund sources including operating, endowment, ancillary, research, special purpose and capital.
- Total University assets increased year-over-year by \$22.4 million.

Financial Statements Contents

The Auditor's Report attests, without qualification, that the 2003-04 financial statements present the financial position of the University fairly. (page 21)

The Balance Sheet shows the assets, liabilities, and net assets (equity) of the University as at March 31, 2004. (page 22)

The Statement of Revenue, Expense, and Change in Operating Surplus records the revenue and matching expense of all funds of the University for the year. (page 23)

The Statement of Changes in Net Assets provides a continuity of the major changes in each of the net asset balances shown on the Balance Sheet. (page 24)

The Statement of Cash Flows discloses the sources and uses of cash by the University for the year. (page 25)

The Notes to the Financial Statements are designed to give the reader information on the accounting practices and policies used by the University. The notes also provide more detailed information on balance sheet items and other financial matters which may not be included in, or be obvious from a reading of, the financial statements. (pages 26 to 32)

Supplementary Schedule 1 (page 33) provides additional detail on a fund basis of University revenues and expenses.

Supplementary Schedules 2 and 3 (pages 34 and 35) provide a detailed breakdown of the Operating and Endowment Funds and Schedules 4 and 5 (pages 36 and 37) provide comparative data for the Ancillary, Special Purpose and Research columns on Schedule 1.

Funds

The University follows a fund accounting approach which aggregates the financial aspects of similar activities. The following funds are maintained by the University:

Operating - an unrestricted fund that accounts for the University's primary operating activities of instruction, non-sponsored research and related support activities.

Endowment - a restricted fund that accounts for the capitalization of externally and internally restricted amounts, primarily donations, which cannot be spent. Dalhousie also receives \$1.1 million annually from estates, endowments and foundations which are held and invested outside the University.

Ancillary - an unrestricted fund that separately accounts for all sales-producing operations that are supplementary to the University's primary operating activities. These operations include Housing and Conference Services, the Arts Centre (Rebecca Cohn Auditorium), University Bookstore, Dalplex and Arena, Food Services and the Personal Computer Purchase Centre. These operations normally operate as a group on a self-sustaining basis.

Capital - a restricted fund that accounts for resources provided to the University for capital purposes and not reported in any other fund.

Special Purpose - a restricted fund including donations which are restricted mainly by external sources for purposes other than sponsored research.

Research - a restricted fund that accounts for revenues and expenses for all sponsored research.

Comments

Balance Sheet (page 22)

Total assets increased year over year by \$22.4 million. Increases occurred in capital assets (\$23.3 million) and investments (\$5.3 million on a cost basis). These increases were partly offset by the elimination of the deferred pension asset (\$7.4 million). Capital assets increased as a result of the purchase of equipment (\$17.0 million), library books (\$1.1 million), and building additions (\$20.6 million) including construction of a new 490 bed student residence scheduled to commence operations in September 2004. Amortization of capital assets in the amount of \$16.3 million partially offsets these additions.

Statement of Revenue and Expense (page 23)

The \$28.7 million increase in revenue resulted mainly from an increase in restricted research grants and contracts from government, corporations and foundations, and tuition revenue relating to enrolment growth and rate increases. Ancillary sales and services revenue increased in a number of areas resulting from the demands of enrolment growth (e.g. student accommodation, bookstore and food service).

As indicated in the statement there is no surplus or deficit for the year just ended as the excess of operating revenue over expense of \$728,000 was appropriated for future use.

Supplementary Schedules (pages 33 to 37)

Comparative figures are presented on a year-over-year basis for each of the funds described on page 19.

Auditor's Report



KPMG LLP
Chartered Accountants
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Canada

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AUDITORS' REPORT

To the Board of Governors of
Dalhousie University

We have audited the balance sheet of Dalhousie University as at March 31, 2004 and the statements of revenue, expense and changes in operating surplus, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Halifax, Canada

June 4, 2004



Dalhousie University

Financial Statements

March 31, 2004

**DALHOUSIE UNIVERSITY
BALANCE SHEET
AS AT MARCH 31, 2004
(thousands of dollars)**

ASSETS

	2004	2003
Current assets		
Cash and Cash Equivalents	\$ 62,146	77,471
Temporary Investments	16,076	-
Accounts Receivable	20,341	20,031
Inventories	2,490	2,779
Prepaid Expense	721	398
	101,774	100,679
Deferred pension asset (note 8)	-	7,356
Investments (note 3)	252,245	246,940
Capital assets (note 4)	192,265	168,948
	\$ 546,284	523,923

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued liabilities	\$ 26,871	26,174
Deferred revenue (note 5)	84,434	77,857
Current portion of long-term debt	465	397
	111,770	104,428
Deferred capital contributions (note 6)	78,408	71,836
Long-term debt (note 7)	14,377	14,194
Deferred pension liability (note 8)	267	-
	204,822	190,458
Net Assets (note 8)		
Endowment principal	241,194	236,705
Restricted for future pension benefits	(267)	7,356
Restricted funds	27,052	23,725
Equity in capital assets	73,483	65,679
	341,462	333,465
	\$ 546,284	523,923

Commitments and contingent liabilities (note 9)

(See accompanying notes to the financial statements)

**DALHOUSIE UNIVERSITY
STATEMENT OF REVENUE, EXPENSE
AND CHANGES IN OPERATING SURPLUS
FOR THE YEAR ENDED MARCH 31, 2004
(thousands of dollars)**

	Total	
	2004	2003
Revenue		
Provincial government operating grants	\$ 105,627	100,886
Other government grants and contracts	55,480	51,367
Corporations and foundations	24,119	20,787
Tuition fees	77,933	67,419
Non-credit and other fees	16,266	14,796
General	5,583	5,941
Gifts	8,088	8,911
Investment income	16,664	15,773
Ancillary sales and service	32,563	29,114
External cost recoveries	29,203	28,454
Amortization of deferred capital contributions	5,735	5,066
Total revenue	377,261	348,514
Expense		
Salaries and employee benefits	220,984	206,291
Pension expense adjustment	7,623	(5,663)
Library acquisitions	3,926	4,146
Laboratory and teaching supplies	8,890	8,753
Equipment and service	11,113	10,776
Finance costs	2,532	1,892
Utilities and taxes	9,966	10,305
Externally contracted services	28,156	27,803
Scholarships, bursaries and prizes	23,970	20,270
Ancillary cost of sales and service	9,473	8,801
Travel	8,738	9,134
Amortization of capital assets	16,277	13,859
General operating	21,657	21,506
Total expense	373,305	337,873
Excess of revenue over expense	3,956	10,641
Use of excess of revenue over expense		
Committed to equity in capital assets	(7,066)	(2,641)
Committed to future pension benefits (note 8)	7,623	(5,663)
Committed to restricted funds	(4,513)	(2,337)
Net change in operating surplus	-	-
Accumulated operating surplus, beginning of year	-	-
Accumulated operating surplus, end of year	\$ -	-

(See accompanying notes to the financial statements)

DALHOUSIE UNIVERSITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2004
(thousands of dollars)

	2004					2003
	Endowment Principal	Restricted For Future Pension Benefits	Restricted Funds	Equity in Capital Assets	Total	Total
Net Assets, Beginning of Year	\$ 236,705	7,356	23,725	65,679	333,465	330,305
Excess of Revenue over Expense	-	(7,623)	4,513	7,066	3,956	10,641
Gifts of Endowed Principal	1,867	-	-	-	1,867	3,270
Transfers to(from) endowment principal	1,436	-	-	738	2,174	(10,751)
Internally restricted contributions	1,186	-	(1,186)	-	-	-
Net Change for the Year	4,489	(7,623)	3,327	7,804	7,997	3,160
Net Assets, End of Year (note 8)	<u>\$ 241,194</u>	<u>(267)</u>	<u>27,052</u>	<u>73,483</u>	<u>341,462</u>	<u>333,465</u>

(See accompanying notes to the financial statements)

DALHOUSIE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2004
(thousands of dollars)

	2004	2003
Cash flow from operating activities:		
Excess of revenue over expense	\$ 3,956	10,641
Items not involving cash:		
Amortization of capital assets	16,277	13,859
Amortization of deferred capital contributions	(5,735)	(5,066)
(Increase) decrease in deferred pension asset/liability	7,623	(5,663)
Adjustments for changes in current assets	(344)	(470)
Adjustments for changes in current liabilities	7,274	12,390
	<u>29,051</u>	<u>25,691</u>
Cash flow from investing activities		
Purchase of capital assets	(39,594)	(21,371)
Net (increase) decrease in investments	(5,305)	7,330
Net (increase) decrease in temporary investments	(16,076)	10,436
	<u>(60,975)</u>	<u>(3,605)</u>
Cash flow from financing activities		
Endowment gifts	1,867	3,270
Endowment income capitalized (transferred)	2,174	(10,751)
Deferred capital contributions received	12,307	5,966
Issue of long-term debt	870	7,121
Principal payments on long-term debt	(619)	(875)
	<u>16,599</u>	<u>4,731</u>
Increase in cash and cash equivalents	(15,325)	26,817
Cash and cash equivalents, beginning of year	77,471	50,654
Cash and cash equivalents, end of year	<u>\$ 62,146</u>	<u>77,471</u>

(See accompanying notes to the financial statements)

Dalhousie University

**Notes to the
Financial Statements**

March 31, 2004

1. Authority and Purpose:

Dalhousie University operates under the authority of the statutes of Nova Scotia 1863, Chapter 24 as amended. It is a Board-governed comprehensive research university offering a full range of undergraduate, graduate, professional, and continuing studies programs. The University is a registered charity and therefore, exempt from the payment of income tax under Section 149 of the Income Tax Act.

2. Significant Accounting Policies:

These financial statements have been prepared in accordance with generally accepted accounting principles.

a) Revenue Recognition:

Revenue that is restricted in its use by an external contributor is deferred and recognized in the period in which the related expenses are incurred.

Grants and donations for the purchase of capital assets are recorded as deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions stipulating that the principal should be retained in perpetuity are recorded as a direct increase in endowment principal. Restricted income from these endowment investments is recognized when the related expense occurs.

Revenues received without restriction include the operating grant from the Province of Nova Scotia, tuition fees, and sales of services and goods. These amounts are reported as revenue at the time the services are provided or the goods are sold.

b) Appropriations:

The University has approved a policy of permitting certain responsibility centres to carry forward unspent appropriations in one year for expenditure in the following years. For such responsibility centres, the policy provides that expenditures in excess of budget be met from the budget allocation of subsequent years.

c) Cash and Cash Equivalents:

Cash and cash equivalents include amounts on deposit with financial institutions and investments with maturities of less than one year.

d) Temporary Investments:

Temporary investments include bonds with terms to maturity in excess of one year and are carried at the lower of cost and market.

e) Inventories:

Inventories are valued at the lower of cost and net realizable value.

f) Investments:

Segregated investments are carried at cost.

Investments in pooled funds are carried at book value representing cost plus any capital gains or losses realized within the pool and remitted to the University. These capital gains or losses as well as those realized upon redemption of units in the pool, being the difference between the redemption price and the book value, are recorded as realized.

g) Capital Assets:

All capital assets are recorded at cost as acquired, except donated assets that are recorded at fair value at the date of contribution. Betterments that extend the estimated useful life of an asset are capitalized. Amortization is recorded on a straight-line basis over the estimated useful lives of those assets.

The following assets are amortized on a straight-line basis over their estimated useful life:

Buildings	40 years
Leasehold Improvements	5 years
Equipment	3 to 10 years
Vehicles	5 years
Library Books	10 years
Computing	3 years
Land Improvements	20 years

h) Pension Plan:

The University maintains a defined-benefit plan providing pension benefits for certain employees. Pension plan assets are valued at fair market value for purposes of calculating expected return on plan assets. The cost is computed on an accrual basis using the projected unit credit method of estimating the cost of service and management's best estimates of investment performance, salary escalation, and other factors. The University will amortize actuarial gains or losses (such as changes in actuarial assumptions and experience gains and losses) over a certain minimum amount. The amortization is over the expected average remaining service life of active employees.

i) Contributed Services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in these financial statements.

j) Investment in an affiliated entity:

The University uses the equity method to account for GINI University Services Incorporated, an affiliated entity which the University controls. Under the equity method of accounting, the investment is initially recorded at cost and the carrying value of the investment is adjusted to recognize the net earnings of the entity.

3. Investments:

	2004		2003	
	Market Value	Cost	Market Value	Cost
Treasury Bills & Notes	4,149	4,149	2,265	2,265
Bonds	100,170	95,740	98,829	98,256
Canadian Equities	63,268	45,968	47,211	44,872
US Equities	57,724	58,754	42,630	50,206
Non-North American Equities	58,492	47,634	43,836	51,341
	\$283,803	\$252,245	\$234,771	\$246,940

DALHOUSIE UNIVERSITYNotes to Financial Statements (*Continued*)

Year ended March 31, 2004

*(In Thousands of Dollars)***4. Capital Assets:**

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	1,869	--	1,869	1,869	--	1,869
Buildings	276,211	131,623	144,588	257,722	126,425	131,297
Leasehold Improvements	562	112	450	--	--	--
Equipment	74,416	38,688	35,728	57,482	31,786	25,696
Vehicles	303	182	121	259	129	130
Library Books	14,391	7,493	6,898	13,254	6,287	6,967
Computing	4,690	4,361	329	4,410	3,923	487
Land Improvements	5,146	2,864	2,282	5,474	2,972	2,502
	\$377,588	\$185,323	\$192,265	\$340,470	\$171,522	\$168,948

5. Deferred Revenue:

Deferred revenue includes unspent grants, contributions, donations, payments or income received for which the contributor has specified a particular use. Since these amounts are designated to fund certain expenditures, they are deferred and reported as revenue when the related expenses occur.

	2004					2003
	Operating	Endowed	Special Purpose	Sponsored Research	Total	Total
Balance, Beginning of Year	14,689	17,245	8,088	37,835	77,857	70,211
Income Received	17,140	14,966	17,608	73,450	123,164	111,596
Recognized as Revenue in the Current Year	(14,689)	(14,941)	(13,352)	(73,605)	(116,587)	(103,950)
Balance, End of Year	\$17,140	\$17,270	\$12,344	\$37,680	\$84,434	\$77,857

In accordance with the University's Endowment Management Policy, the University has set aside as deferred revenue an income stabilization reserve to be used to maintain level spending in those years when endowment spending allocations are less than a previous year. This stabilization reserve totalled \$10,403 for 2004 and 2003.

DALHOUSIE UNIVERSITYNotes to Financial Statements (*Continued*)

Year ended March 31, 2004

*(In Thousands of Dollars)***6. Deferred Capital Contributions:**

Deferred capital contributions represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of revenue, expense, and changes in operating surplus.

	2004	2003
Balance, Beginning of Year	\$71,836	\$70,936
Contributions Received	\$12,307	\$5,966
Amortization of Contributions	(\$5,735)	(\$5,066)
Balance, End of Year	\$78,408	\$71,836

7. Long-Term Debt:

	2004	2003
Shirreff Hall:		
• 5% due October 1, 2013 repayable in quarterly instalments of \$12	\$358	\$ 386
• 5 7/8% due October 1, 2018 repayable in quarterly instalments of \$20	778	813
Howe Hall:		
• 5 1/8% due July 1, 2014 repayable in quarterly instalments of \$9	296	317
• 5 7/8% due April 1, 2018 repayable in quarterly instalments of \$15	575	600
• 5.86% due January 10, 2013 repayable in quarterly instalments of \$136	6,991	7,121
Peter Green Hall:		
• 5 7/8% due December 1, 2017 repayable in monthly instalments of \$7	786	822
Fenwick Place:		
• 7 1/2% due July 1, 2022 repayable in semi-annual instalments of \$190	3,773	3,865
Parkade:		
• 5.41% due December 1, 2013 payable in quarterly instalments of \$22	870	–
O'Brien Hall:		
• 5 3/4% due March 31, 2018 repayable in semi-annual instalments of \$22	415	434
5247 Morris Street:		
• repaid in full during the year	–	233
	14,842	14,591
Less: Current Portion	465	397
	\$14,377	\$ 14,194

All above payments include principal and interest.

The principal due within each of the next five years on long-term debt is as follows: 2005 - \$465; 2006 - \$480; 2007 - \$505; 2008 - \$535; 2009 - \$565.

The University has entered into two interest rate swap agreements whereby the University has fixed interest rates on long-term loans. Swap payments are reflected as interest expense and accounted for on an accrual basis. The principal underlying the swap agreements amounts to \$7,861 at March 31, 2004 (2003 - \$7,121). A further \$20 million advance will be drawn in September 2004 for the construction of a 490 bed student residence.

8. Net Assets:

a) *Endowment Principal:*

Endowment principal consists of restricted donations to the University and funds that have been internally designated. The investment income generated from endowments must be used in accordance with the various purposes established by the donor or by the University. However, benefactors as well as University policy stipulate that, over time, the economic value of endowment principal should be protected by limiting the amount of income that may be expended.

To meet the foregoing requirement, the University has established an Endowment Management policy with the following goals:

- to balance present spending needs with expected future requirements,
- to protect the purchasing power of the capital base of endowments while achieving stability in year-to-year spending, and
- to attain real increases in spending through capital appreciation from new gifts, capital investment gains, and the capitalization of income.

	Endowment Principal March 31, 2003	New Contributions	Transfer To (From) Endowment Principal	Endowment Principal March 31, 2004
Externally Restricted	234,983	1,867	2,051	23,8901
Internally Restricted	1,722	1,186	(615)	2,293
TOTAL	\$236,705	\$3,053	\$1,436	\$241,194

b) *Restricted For Future Pension Benefits:*

The University's operating budget includes as a cost the amount of contributions made to the pension plan each year. The total amount recorded for pension expense in the annual financial statements differs from the contributed amount. This difference, which may vary significantly from year to year, results from the requirement to use assumptions and methodologies for accounting that differ from those used for funding purposes. For accounting purposes the expense was \$7,623 (2003 - (\$5,663)) higher than contributions made. The statutory contributions are determined by the actuary in accordance with the Pension Benefit Act of Nova Scotia to permit an appropriate level of funding over the long term.

c) *Restricted:*

Restricted funds represent amounts set aside by the University for specific uses such as unspent budget appropriations accumulated by academic and other budget units, departmental research overhead and development funds, and certain fundraising activities.

d) Equity in Capital Assets:

Equity in capital assets represents the unamortized cost of capital assets acquired through the expenditure of unrestricted resources.

Equity in capital assets consists of:

	2004	2003
Capital assets	192,265	168,948
less amounts financed by:		
deferred capital contributions	(78,408)	(71,836)
long-term debt	(14,842)	(14,591)
cashflow in advance of long-term debt	(12,173)	–
cashflow pending repayment by ancillaries or other identified sources	(13,367)	(16,842)
Equity in capital assets	\$73,483	\$65,679

9. Commitments and Contingent Liabilities:

The University has a capital project valued at \$19,617 for the construction of a student residence. The portion of the \$19,617 committed but unspent at March 31, 2004 is \$5,974. Subsequent to year end, the University committed to the construction of a new academic building for the Faculty of Management and renovations to the Law Building for \$20,775 and \$1,385 respectively.

The University has provided guarantees to third parties of \$3,443 on borrowings in connection with student residences and this represents the maximum debt on these obligations. In the event of a default by the borrower, the University would assume debt obligation and take title to the underlying property with a value in excess of the guaranteed amount.

Effective April 1, 1988, the University became a member of the "Canadian Universities Reciprocal Insurance Exchange" (CURIE) self-insurance program, and membership was renewed effective January 1, 2003. The University is subject to risk for insurance losses experienced by CURIE members and the University has met all of its obligations under the subscribers agreement. Each CURIE member is required to participate for a minimum of five years. This long-term period creates an environment for CURIE where financial risk can be spread over time as well as among subscribers.

The University has pledged a short-term investment as security for standby letters of credit of \$166 (2003 - \$488) with the Royal Bank of Canada in favour of the National Bank of Kuwait relating to a contract between the University and the Ministry of Health, State of Kuwait.

As of March 31, 2004, there are a number of claims against the University the amount of which is indeterminable at this time. The University has filed a defence as appropriate to these claims. Management is of the opinion that it is not likely that the claims against the University will be successful and no provision has been made for them in the accounts.

10. Pension Plan:

For certain employees, the University has a contributory defined benefit pension plan which provides benefits based on best years' average earnings. The participating employees normally contribute 4.65% on the first five thousand dollars of earnings and 6.15% on the balance of their earnings. The University funds the balance of the cost of benefits under the plan with contributions on a regular basis.

The most recent actuarial valuation of the plan for funding purposes was as of June 30, 2002. This valuation reflected a plan deficit of \$16,984. Subsequently, the Plan's actuary extrapolated the results of this valuation to March 31, 2004. The actuarial value of net assets which reflect long-term market trends and accrued pension benefits of the plan yielded a projected plan deficit of \$42,976 (2003 - \$58,363). The funding status of the plan as calculated in accordance with actuarial requirements determines the level of contributions by the University.

The calculation of the plan deficit for accounting purposes is based on assumptions for the valuation of assets and liabilities that differ from those used for actuarial funding purposes resulting in a variance of \$11,267 in the plan deficit.

	March 31, 2004	March 31, 2003
	Total	Total
Market Value of Net Assets Available for Benefits	546,835	456,772
Accrued Pension Benefits	601,078	573,009
Net Plan Deficit for Accounting Purposes	(\$54,243)	(\$116,237)

The assets and liabilities of the plan are not included in the financial statements of the University.

	March 31, 2004	March 31, 2003
Employer Contributions During the Year	14,462	12,260
Employee Contributions During the Year (including voluntary contributions)	9,113	8,200
Amount of Retirement Benefits Paid	\$12,991	\$12,351

The significant assumptions adopted in measuring the University's accrued benefit obligations for accounting purposes are as follows:

	March 31, 2004	March 31, 2003
Discount Rate (weighted average)	5.5%	5.8%
Expected Long-Term Rate of Return on Plan Assets	7.5%	7.5%
Salary Escalation Rate	5%	5%

11. Financial Instruments:

The carrying values of cash and cash equivalents, temporary investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to their relatively short terms to maturity.

The fair value of the investments is defined as their quoted market value at year end and is disclosed in Note 3.

The carrying value of the long-term debt approximates fair value.

12. Pledges:

Pledges to the University at March 31, 2004 were \$16,331 (2003 - \$12,317). While these pledges are expected to be honoured over the next several years, they have not been recorded as receivable.

13. Fine Artwork Collections:

Fine artwork are recorded in the financial statements at nominal value.

14. Comparative Figures:

Certain 2003 figures have been reclassified to conform to the 2004 financial statement presentation.

Dalhousie University

Supplementary Schedules

March 31, 2003

The University's audited financial statements are prepared in accordance with financial accounting and reporting standards recommended by the Canadian Institute of Chartered Accountants and are consistent with the format for Canadian Universities as recommended by the Canadian Association of University Business Officers.

The supplementary schedules in this section have been prepared without audit to provide further detailed information on the major functional areas of activity within the University on a basis similar to that used in prior years.

DALHOUSIE UNIVERSITY
Schedule of Revenue and Expense
Year Ended March 31, 2004 (With Comparatives Figures for 2003)
(in Thousands of Dollars)

	Operating 2004 (Schedule 2)	Endowment 2004 (Schedule 3)	Ancillary 2004 (Schedule 4)	Capital 2004	Special Purpose 2004 (Schedule 5)	Research 2004 (Schedule 5)	2004	Total 2003
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Provincial government operating grants	105,627	-	-	-	-	-	105,627	100,886
Other government grants and contracts	6,057	-	100	-	393	48,930	55,480	51,367
Corporations and foundations	65	-	-	-	837	23,217	24,119	20,787
Tuition fees	77,933	-	-	-	-	-	77,933	67,419
Non-credit and other fees	15,738	-	-	-	528	-	16,266	14,796
General	1,967	-	-	116	3,424	76	5,583	5,941
Gifts	99	1,133	-	47	5,678	1,131	8,088	8,911
Investment	2,719	13,808	-	-	111	26	16,664	15,773
Ancillary sales and service	-	-	32,563	-	-	-	32,563	29,114
External cost recoveries	26,496	-	-	-	2,381	326	29,203	28,454
Amortization of capital grants	-	-	-	5,735	-	-	5,735	5,066
Total revenue	236,701	14,941	32,663	5,898	13,352	73,706	377,261	348,514
Expense								
Salaries								
Academic	92,865	4,402	-	-	829	9,102	107,198	99,691
Library	2,990	-	-	-	-	-	2,990	2,790
Plant maintenance	8,441	-	288	-	-	-	8,729	8,393
Administrative and support	47,592	330	4,034	-	3,240	17,690	72,886	69,084
Benefits costs	24,901	595	625	-	474	2,586	29,181	26,333
Total salaries and benefits	176,789	5,327	4,947	-	4,543	29,378	220,984	206,291
Library acquisitions	3,754	61	-	-	39	72	3,926	4,146
Laboratory and teaching supplies	2,906	18	-	-	275	5,691	8,890	8,753
Equipment and service	6,382	118	613	-	463	3,537	11,113	10,776
Finance costs	1,106	-	1,420	-	3	3	2,532	1,892
Utilities and taxes	8,337	-	1,629	-	-	-	9,966	10,305
Externally contracted services	11,316	1,121	5,189	-	2,663	7,867	28,156	27,803
Scholarships, bursaries and prizes	5,259	6,212	-	-	775	11,724	23,970	20,270
Ancillary cost of sales and service	-	-	9,473	-	-	-	9,473	8,801
Travel	3,487	127	42	-	459	4,623	8,738	9,134
Amortization of capital assets	-	-	-	16,277	-	-	16,277	13,859
General operating	13,001	357	1,592	-	2,925	3,782	21,657	21,506
Internal / interfund transfers	2,287	1,556	6,972	(17,445)	660	5,970	-	-
Total expense	234,624	14,897	31,877	(1,168)	12,805	72,647	365,682	343,536
Change in year before appropriations	2,077	44	786	7,066	547	1,059	11,579	4,978
Change in net assets	(2,077)	(44)	(786)	(7,066)	(547)	(1,059)	(11,579)	(4,978)
Surplus before pension expense adjustment	-	-	-	-	-	-	-	-
Pension expense adjustment	(7,623)	-	-	-	-	-	(7,623)	5,663
Net assets after pension adjustment	(7,623)	-	-	-	-	-	(7,623)	5,663

DALHOUSIE UNIVERSITY
Schedule of Revenue and Expense - Operating
Year Ended March 31, 2004 (With Comparatives Figures for 2003)
(in Thousands of Dollars)

	Academic		Academic Support		Administration and General		Facilities Management		Student Services		Institution		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Revenue	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Provincial government operating grants	-	-	-	-	-	-	-	-	-	-	105,627	100,886	105,627	100,886
Other government grants and contracts	467	1,421	-	-	-	-	-	-	53	30	5,537	5,289	6,057	6,740
Corporations and foundations	65	738	-	-	-	-	-	-	-	-	-	-	65	738
Tuition fees	4,243	3,807	-	-	-	-	-	-	-	-	73,690	63,612	77,933	67,419
Non-credit and other fees	6,977	7,114	30	45	2,199	1,994	-	-	1,672	1,486	4,860	3,672	15,738	14,311
General	-	-	10	9	472	379	813	594	672	653	-	-	1,967	1,635
Gifts	50	541	40	35	-	-	-	-	9	540	-	-	99	1,116
Investment	-	-	-	-	-	-	-	-	-	-	2,719	2,321	2,719	2,321
Ancillary sales and service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
External cost recoveries	24,244	23,996	692	693	642	551	875	690	43	88	-	-	26,496	26,018
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	36,046	37,617	772	782	3,313	2,924	1,688	1,284	2,449	2,797	192,433	175,780	236,701	221,184
Expense														
Salaries														
Academic	91,958	86,597	-	-	44	38	-	-	863	744	-	-	92,865	87,379
Library	2,990	2,790	-	-	-	-	-	-	-	-	-	-	2,990	2,790
Plant maintenance	74	79	-	-	-	-	8,367	8,001	-	-	-	-	8,441	8,080
Administrative and support	26,644	25,853	5,923	5,635	10,906	10,164	1,984	2,017	2,135	2,033	-	-	47,592	45,702
Benefits costs	19,142	17,695	1,074	950	2,088	1,885	2,131	1,872	466	492	-	-	24,901	22,894
Total salaries and benefits	140,808	133,014	6,997	6,585	13,038	12,087	12,482	11,890	3,464	3,269	-	-	176,789	166,845
Library acquisitions	3,720	3,286	5	3	27	22	-	-	2	2	-	-	3,754	3,313
Laboratory and teaching supplies	2,906	2,896	-	-	-	-	-	-	-	-	-	-	2,906	2,896
Equipment and service	2,070	2,116	2,678	2,502	362	189	1,006	663	266	277	-	-	6,382	5,747
Finance costs	65	47	4	5	39	28	39	14	-	-	959	728	1,106	822
Utilities and taxes	14	50	-	-	-	-	8,323	8,684	-	-	-	-	8,337	8,734
Externally contracted services	5,619	5,839	109	75	833	942	4,578	4,138	177	181	-	-	11,316	11,175
Scholarships, bursaries and prizes	965	752	1	2	-	-	-	-	4,293	3,417	-	-	5,259	4,171
Ancillary cost of sales and service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	2,600	2,707	66	43	341	294	25	19	455	457	-	-	3,487	3,520
General operating	6,053	6,279	618	812	2,436	2,284	3,085	2,495	588	423	221	169	13,001	12,462
Internal / interfund transfers	6,477	4,506	(2,283)	(2,121)	677	162	(2,827)	(3,506)	243	653	-	132	2,287	(174)
Total expense	171,297	161,492	8,195	7,906	17,753	16,008	26,711	24,397	9,488	8,679	1,180	1,029	234,624	219,511
Change in year before appropriations	(135,251)	(123,875)	(7,423)	(7,124)	(14,440)	(13,084)	(25,023)	(23,113)	(7,039)	(5,882)	191,253	174,751	2,077	1,673
(Increase) decrease in appropriations	1,055	(4,380)	(255)	(82)	(226)	(21)	(1,167)	64	(748)	(601)	(728)	3,347	(2,069)	(1,673)
Net (increase) decrease in expenditures to be funded from future revenue (note 8)	(8)	-	-	-	-	-	-	-	-	-	-	-	(8)	-
Surplus before pension expense adjustment	(134,204)	(128,255)	(7,678)	(7,206)	(14,666)	(13,105)	(26,190)	(23,049)	(7,787)	(6,483)	190,525	178,098	-	-
Pension expense adjustment	-	-	-	-	-	-	-	-	-	-	7,623	(5,663)	7,623	(5,663)
Change in net assets after pension adjustment	(134,204)	(128,255)	(7,678)	(7,206)	(14,666)	(13,105)	(26,190)	(23,049)	(7,787)	(6,483)	182,902	183,761	(7,623)	5,663

Schedule 2

DALHOUSIE UNIVERSITY
Schedule of Revenue and Expense for Operating and Endowment
Year Ended March 31, 2004 (With Comparatives Figures for 2003)
(in Thousands of Dollars)

	2004			2003		
	Operating	Endowment	Total	Operating	Endowment	Total
Revenue	\$	\$	\$			\$
Provincial government operating grants	105,627	-	105,627	100,886	-	100,886
Other government grants and contracts	6,057	-	6,057	6,740	-	6,740
Corporations and foundations	65	-	65	738	-	738
Tuition fees	77,933	-	77,933	67,419	-	67,419
Non-credit and other fees	15,738	-	15,738	14,311	-	14,311
General	1,967	-	1,967	1,635	-	1,635
Gifts	99	1,133	1,232	1,116	1,087	2,203
Investment	2,719	13,808	16,527	2,321	13,408	15,729
Endowment transfers	-	-	-	-	-	-
Ancillary sales and service	-	-	-	-	-	-
External cost recoveries	26,496	-	26,496	26,018	-	26,018
Amortization of deferred capital contributions	-	-	-	-	-	-
Total revenue	236,701	14,941	251,642	221,184	14,495	235,679
Expense						
Salaries						
Academic	92,865	4,402	97,267	87,379	4,145	91,524
Library	2,990	-	2,990	2,790	-	2,790
Plant maintenance	8,441	-	8,441	8,080	-	8,080
Administrative and support	47,592	330	47,922	45,702	312	46,014
Benefits costs	24,901	595	25,496	22,894	595	23,489
Pension expense adjustment	-	-	-	-	-	-
Total salaries and benefits	176,789	5,327	182,116	166,845	5,052	171,897
Library acquisitions	3,754	61	3,815	3,313	159	3,472
Laboratory and teaching supplies	2,906	18	2,924	2,896	40	2,936
Equipment and service	6,382	118	6,500	5,747	57	5,804
Finance costs	1,106	-	1,106	822	-	822
Utilities and taxes	8,337	-	8,337	8,734	-	8,734
Externally contracted services	11,316	1,121	12,437	11,175	1,230	12,405
Scholarships, bursaries and prizes	5,259	6,212	11,471	4,171	6,097	10,268
Ancillary cost of sales and service	-	-	-	-	-	-
Travel	3,487	127	3,614	3,520	123	3,643
Amortization of capital assets	-	-	-	-	-	-
General operating	13,001	357	13,358	12,462	407	12,869
Internal / interfund transfers	2,287	1,556	3,843	(174)	1,330	1,156
Total expense	234,624	14,897	249,521	219,511	14,495	234,006
Change in year before appropriations	2,077	44	2,121	1,673	-	1,673
Change in net assets	(2,077)	(44)	(2,121)	(1,673)	-	(1,673)
Surplus for the year	-	-	-	-	-	-

The combined results of operating and endowment funds are intended to provide a more complete reporting of the sources and use of resources required for the operation of the University.

Schedule 3

DALHOUSIE UNIVERSITY
Schedule of Revenue and Expense - Ancillary
Year Ended March 31, 2004 (With Comparatives Figures for 2003)
(in Thousands of Dollars)

	Arts Centre		Housing and Conference Services		Bookstore		Dalplex & Arena		Personal Computing Purchase Centre		Food Service		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Revenue	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Provincial government operating grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other government grants and contracts	100	120	-	-	-	-	-	-	-	-	-	-	100	120
Corporations and foundations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tuition fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-credit and other fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gifts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ancillary sales and service	2,427	2,088	12,545	10,975	7,368	7,090	2,279	2,184	2,378	1,983	5,566	4,794	32,563	29,114
External cost recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	2,527	2,208	12,545	10,975	7,368	7,090	2,279	2,184	2,378	1,983	5,566	4,794	32,663	29,234
Expense														
Salaries														
Academic	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant maintenance	-	-	288	313	-	-	-	-	-	-	-	-	288	313
Administrative and support	458	419	1,585	1,537	479	459	1,244	1,119	241	241	27	25	4,034	3,800
Benefits costs	64	55	275	256	85	75	153	131	42	38	6	4	625	559
Pension expense adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total salaries and benefits	522	474	2,148	2,106	564	534	1,397	1,250	283	279	33	29	4,947	4,672
Library acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Laboratory and teaching supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment and service	9	25	206	353	112	25	132	119	13	9	141	100	613	631
Finance costs	30	29	1,011	699	179	162	26	25	26	21	148	120	1,420	1,056
Utilities and taxes	64	57	1,313	1,302	8	7	193	181	-	-	51	24	1,629	1,571
Externally contracted services	28	37	732	585	55	33	49	53	23	47	4,302	3,874	5,189	4,629
Scholarships, bursaries and prizes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ancillary cost of sales and service	1,843	1,507	-	-	5,530	5,591	201	171	1,899	1,532	-	-	9,473	8,801
Travel	2	-	27	20	5	7	4	6	2	3	2	-	42	36
General operating	86	94	932	794	328	303	69	147	63	46	114	123	1,592	1,507
Internal / interfund transfers	(57)	(15)	5,710	5,422	347	673	206	232	69	46	697	520	6,972	6,878
Total expense	2,527	2,208	12,079	11,281	7,128	7,335	2,277	2,184	2,378	1,983	5,488	4,790	31,877	29,781
Change in year before appropriations	-	-	466	(306)	240	(245)	2	-	-	-	78	4	786	(547)
Net (increase) decrease in appropriations	-	-	(466)	306	(240)	245	(2)	-	-	-	(78)	(4)	(786)	547
Surplus for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Schedule 4

DALHOUSIE UNIVERSITY
Schedule of Revenue and Expense for Restricted Funds
Year Ended March 31, 2004 (With Comparatives Figures for 2003)
(in Thousands of Dollars)

	Special Purpose		Research	
	2004	2003	2004	2003
Revenue	\$	\$	\$	\$
Provincial government operating grants	-	-	-	-
Other government grants and contracts	393	511	48,930	43,934
Corporations and foundations	837	873	23,217	19,176
Tuition fees	-	-	-	-
Non-credit and other fees	528	485	-	-
General	3,424	3,837	76	435
Gifts	5,678	5,965	1,131	743
Investment	111	33	26	11
Ancillary sales and service	-	-	-	-
External cost recoveries	2,381	2,130	326	306
Amortization of deferred capital contributions	-	-	-	-
Total revenue	<u>13,352</u>	<u>13,834</u>	<u>73,706</u>	<u>64,605</u>
Expense				
Salaries				
Academic	829	731	9,102	7,945
Library	-	-	-	-
Plant maintenance	-	-	-	-
Administrative and support	3,240	3,278	17,690	15,992
Benefits costs	474	386	2,586	1,899
Pension expense adjustment	-	-	-	-
Total salaries and benefits	<u>4,543</u>	<u>4,395</u>	<u>29,378</u>	<u>25,836</u>
Library acquisitions	39	211	72	463
Laboratory and teaching supplies	275	283	5,691	5,534
Equipment and service	463	579	3,537	3,762
Finance costs	3	4	3	10
Utilities and taxes	-	-	-	-
Externally contracted services	2,663	2,403	7,867	8,366
Scholarships, bursaries and prizes	775	790	11,724	9,212
Ancillary cost of sales and service	-	-	-	-
Travel	459	616	4,623	4,839
Amortization of capital assets	-	-	-	-
General operating	2,925	3,274	3,782	3,857
Internal / interfund transfers	660	1,273	5,970	2,031
Total expense	<u>12,805</u>	<u>13,828</u>	<u>72,647</u>	<u>63,910</u>
Change in year before appropriations	547	6	1,059	695
Change in net assets	(547)	(6)	(1,059)	(695)
Surplus for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Schedule 5