

March 31

2006

Dalhousie University
Annual
Financial
Report

Published June 2006



DALHOUSIE
UNIVERSITY

Inspiring Minds

DALHOUSIE UNIVERSITY
ANNUAL FINANCIAL REPORT
March 31, 2006

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SECTION A

Dalhousie Financial Overview

March 31, 2006

INTRODUCTION

2005-06 Financial Report

Dalhousie's Annual Financial Report provides its readers with an account of the stewardship the University has exercised over the resources entrusted to it. This comprehensive overview of Dalhousie's financial affairs describes significant developments in the University's major Funds, compares budgeted and actual Operating Fund results and explains material variances, then concludes with the audited Financial Statements for the year ended 31 March 2006.

1. Total Revenues in all six Funds (Operating, Ancillary, Endowment, Capital, Special Purpose and Research) were \$409.8 million (\$398.5 million in 2005). The year-over-year increase of \$11.3 million (2.8%) reflected growth in the Operating and Ancillary Funds and declines in other Funds.
2. Total assets of the University increased by 5.7 % to \$645 million during the year, driven by growth in capital assets and investments.
3. The Operating Budget faced some unprecedented pressures during 2005-06. September enrolment numbers were below expectations and the University reduced the tuition revenue budget by \$1.9 million. By year-end some recovery had occurred, so that the final tuition revenue realized was only \$1.4 million below the originally approved Budget. On the expenditure side the University was affected by the extraordinary rise in oil prices, and by the end of the fiscal year had spent \$955,000 more than originally budgeted for utilities. The third major disruption arose as a result of the triennial actuarial valuation of the Pension Plan. The lingering impact of poor investment markets in the early years of this decade, combined with certain features of Dalhousie's defined benefit Pension Plan, resulted in the requirement for increased Employer contributions effective 1 July 2005. Pension costs were \$800,000 over the approved budget. The University had anticipated the Pension situation and had planned to use prior years' accumulated surplus funds to meet the cost in fiscal 2006. However, the enrolment shortfall and higher energy costs could not be accommodated except by imposing a mid-year 1% across-the-board budget reduction on all units and by reducing the scope of certain planned facility renewal projects and other initiatives. These necessary but unfortunate measures, combined with the other variances, did allow the University to end the year with a balanced Operating Budget result. The accumulated operating surplus of \$1,423,000 with which we entered the year was reduced to \$960,000 by year-end.
4. 2005-06 was the first year of the three-year Memorandum of Understanding between the Government of NS and the Province's universities which caps the increase in tuition fees for most programs at 3.9% p.a. in return for more generous Government grant support (5.8% grant increase in 2005-06). The Government's apparent commitment to a more supportive, multi-year grants strategy has been most welcome.
5. Fiscal 2006 was the third year of the planned 5-year Strategic Initiatives program, whereby \$15.6 million were earmarked for investment in the operational and physical infrastructure underpinning Dalhousie's teaching, learning and research missions. The base sum of \$3.3 million was allocated in 2005-06 to strengthen student financial assistance, student services, libraries, information technology services, new academic initiatives, facilities and administrative services and the renewal of our physical plant. To-date a total of \$10.5 million has been provided to redress the previously-identified underfunding in these areas.
6. Dalhousie's Endowment Funds reported a market value of \$331 million at the end of March 2006, up from \$299 million a year earlier. The Fund's rate of return was 14.3 % in fiscal 2006, as compared to 9.6% in 2005 and 25.6% in 2004. The 2005-06 return was well in excess of the funding requirement and of the policy benchmark set by the Investment Committee. The return was below median compared to the RBC Dexia universe of funds, which typically had a much higher concentration in Canadian equities than the more diversified Dalhousie asset mix. Over the ten year period, this University's Endowments have earned 2nd

Quartile performance. The Endowments, comprised of 944 individual funds, generated \$15.4 million of support for the teaching and research mission of the University. Actual expenditures during the fiscal year were \$13.9 million, with the balance being carried forward for spending in 2006-07.

7. The assets and liabilities of the University's Pension Funds are reported separately and are not incorporated in these Financial Statements. However, the Pension Plan's surplus or deficit position has a significant bearing on the Operating budget with respect to the amount of Employer contributions required. Pension Plan assets as of 31 March 2006 were \$630.3 million on an actuarial basis, and the extrapolated actuarial liabilities were \$625.1 million. The resulting actuarial surplus of \$5.2 million (\$34 million deficit in 2005 and \$43 million deficit in 2004) represented 0.8% of Plan liabilities. In other words the Dalhousie Pension Plan was fully funded. A recent report by the federal pension regulator noted that three-quarters of federally registered plans were in deficit, having assets sufficient to cover on average 90% of their obligations.

In terms of investment performance the Funds which make up the Pension Plan (Pension Trust Fund and Retirees Trust Fund) each earned 13.8 % in the year ending March 2006. The comparable returns in 2005 were 9.7% (PTF) and 10.0% (RTF). A lengthy asset-liability study of the Pension Funds was completed late in the fiscal year, and the Trustees of the two Funds were considering asset mix changes at year-end.

8. The June 2003 Annual Financial Report contained the following item:

The Department of Personnel Services working closely with the University's Employee Benefits Committee (representing employee groups and the employer), has initiated a review of the current benefits program. The review will include an examination of the cost drivers of health premiums, alternative risk management provisions, and a critique of plan coverages to determine if there can be reductions or a greater degree of flexibility. The outcome of this review will be significant for employees, some of whom already are opting out of health and dental plans due to high premium levels, and for the University and its ongoing operating costs.

The background to the review was the continuing trend of rapid increases in shared employee benefit costs, particularly in premium rates for health insurance. Working cooperatively, employee and employer representatives developed proposals which would require mandatory participation in the health plan for new employees, implement a card based drug payment plan using a revised drug formulary, and which would offer premium cost containment for all parties over the longer term. Employee groups and the Staff Relations Committee of the Board of Governors were considering these proposals at year-end. (Note: In May 2006 the Joint Employee Benefits Committee reported that it had received agreement from all parties and would be proceeding with the transition to the new arrangements.)

9. During 2005-06 the Board of Governor's ad hoc Long-Term Financial Planning Committee began its work of reviewing in detail all aspects of Dalhousie's finances, including the balance between public and private funding, tuition fee policies, fund raising, student assistance, and many other areas. The Committee will develop multi-year scenarios and make recommendations on strategic financial options to support academic excellence within a sustainable fiscal framework.
10. In September 2005 the University formally opened the 118,000 square foot Kenneth C. Rowe Faculty of Management Building. For the first time all the units which comprise the Faculty will have the opportunity to work together in one purpose-designed facility. The project was delivered on-time and on-budget, and has been extremely well-received by students, staff and visitors.

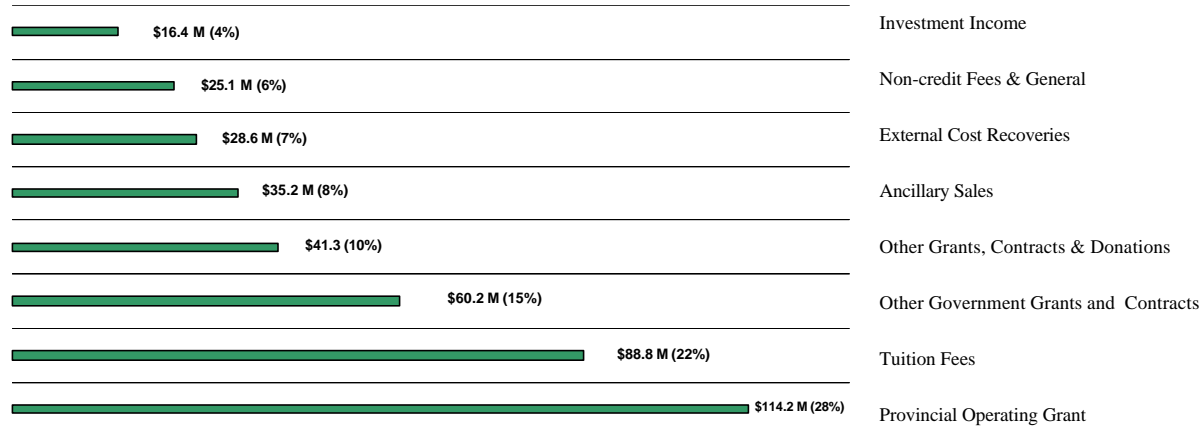


Bryan G. Mason
Vice-President (Finance & Administration)

TOTAL REVENUE

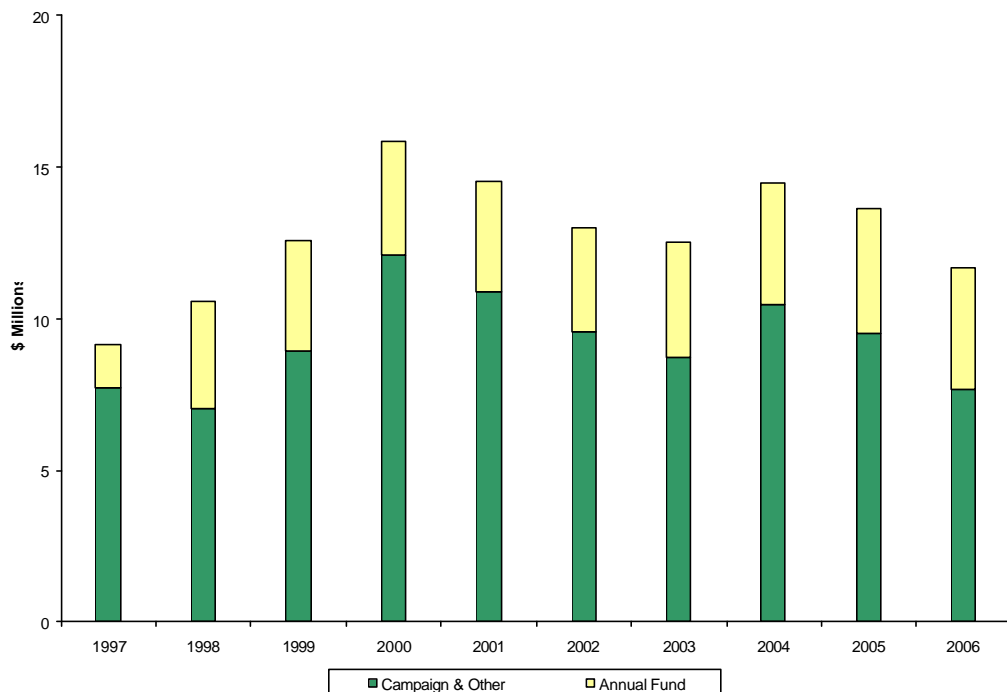
Dalhousie’s total revenue from all funds in fiscal 2005-06 was \$409.8 million – an increase of 2.8% over 2004-05 (\$398.5 million). General operations of the University are supported mainly through government grants, student fees and investment income and these sources contributed \$11.9 million in increased revenue for the year. Revenue and contributions of other University funds declined slightly for the year.

Revenues 2005-06 (total: \$409.8 million)



Dalhousie University maintains a range of ongoing and project-specific fundraising programs through which \$11.7 million was contributed in 2005-06. Annual Fund, Planned Giving and research related gifts have continued to develop during the past decade supplemented by targeted campaigns for new academic buildings, teaching facilities, student assistance and equipment. The most recent major fundraising program supported the capital costs of the \$25 million Kenneth C. Rowe Faculty of Management Building. The generous support of Dalhousie alumni, faculty, staff and friends will be vital to the future successes of the University.

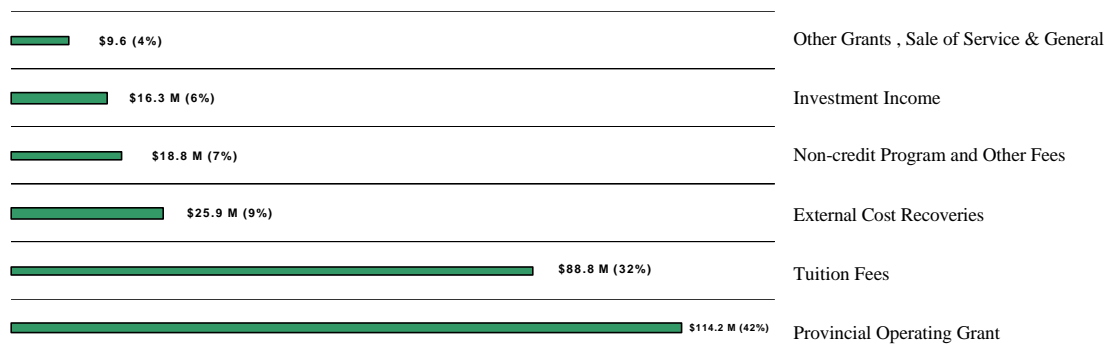
**Total Donations and Gifts
(reported on a cash basis)**



OPERATING AND ENDOWMENT REVENUE AND EXPENSE

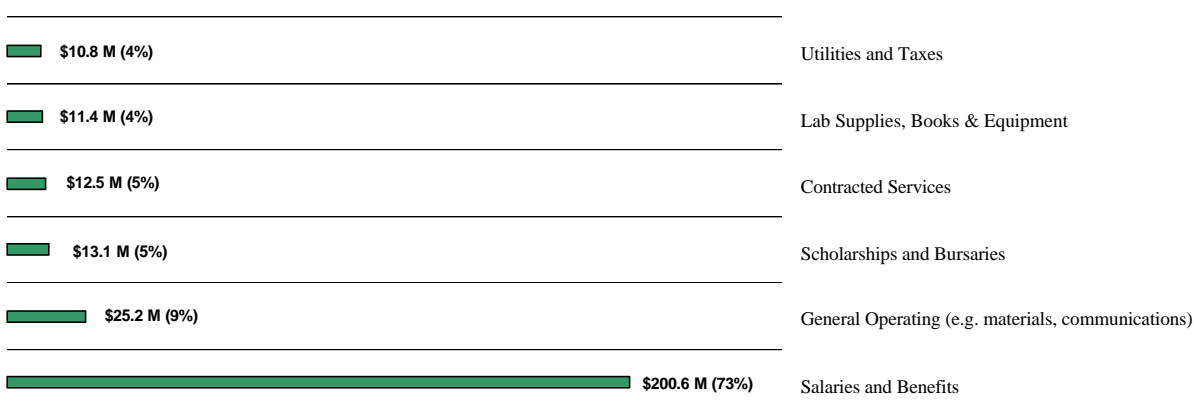
In spite of the significant pressures imposed on the operating budget in 2005-06, (explained in greater detail in Section B of this Annual Financial Report) a plan of remedial action at the midyear point permitted the University to achieve a balanced operating result for the eighteenth consecutive year. Nova Scotia universities have signed a Memorandum of Understanding with the Provincial Government to provide stability of funding through operating grants while limiting tuition fee increases to 3.9% in most programs of study. In addition the province provided increased funding of \$451,000 to support expanded enrolment in the Faculty of Medicine. As a result total provincial operating grants increased by \$6.6 million in 2005-06. The proportionate shares of operating revenue sources remained unchanged with operating grants and tuition fees accounting for 42% and 32% respectively.

Operating and Endowment Revenue 2005-06 (total: \$273.6 million)



The chart below reports on the major categories of operating and endowment expenditures. Salaries and employee benefits represent 73% of expenditures. Scholarships and bursaries supported by operating and endowed funds during 2005-06 increased by 9.1% to \$13.1 million. Awards provided through all funds of the University totalled \$28.2 million for the year while student employment totalled \$10.5 million, bringing total student assistance expenditures to almost \$40 million.

Operating and Endowment Expense 2005-06 (total: \$273.6 million)

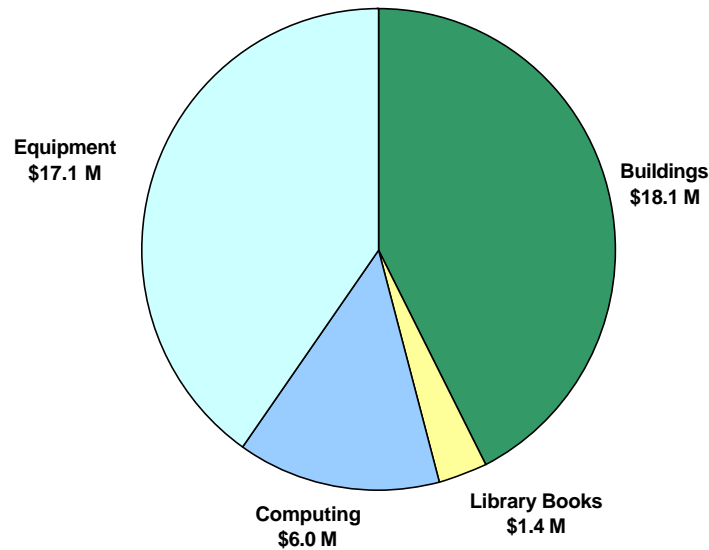


CAPITAL RENEWAL

Dalhousie's campus facilities have been significantly enhanced in recent years. Building construction projects completed include the Computer Science Building (1999), Marion McCain Faculty of Arts and Social Sciences Building (2001), Risley Hall Student Residence (2004) and Kenneth C. Rowe Faculty of Management Building (2005). These state-of-the-art facilities will enrich the learning and student life experience at Dalhousie for many years to come. Major renovations have also occurred in Sexton campus academic and student residence buildings.

In addition to new buildings, the University benefits from substantial research funding used to acquire scientific equipment. Operating budget resources also are allocated annually to support library acquisitions, computing needs and essential teaching equipment.

The chart below shows the capital additions of \$42.6 million funded from all sources for the year ended March 31, 2006.

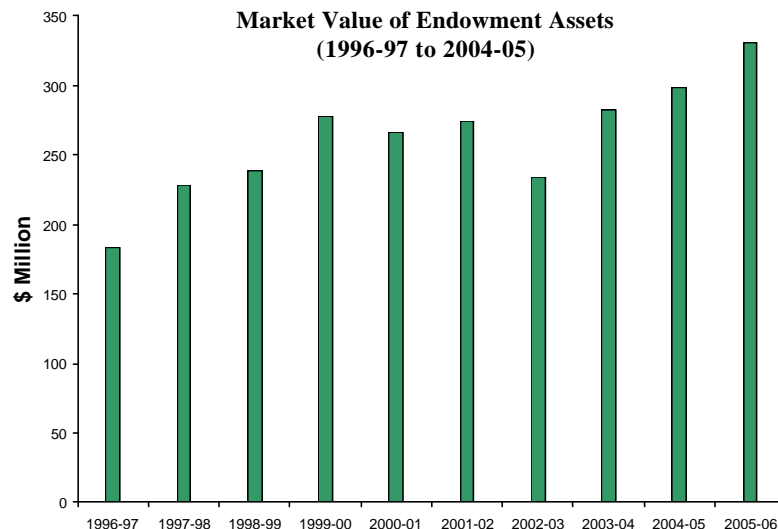


Included in Buildings are the Faculty of Management Building and student residence upgrades of \$10.9 million (representing that portion of the building completed in 2005-06) and \$3.4 million respectively. Equipment acquired through research funding was \$10.8 million of which \$4.3 million was provided through Canadian Foundation for Innovation grants.

In 2002 the Board of Governors reinforced the need for increased annual facilities renewal spending following completion of a study by its Facilities Renewal Strategy Committee. During the period 2002-03 to 2005-06 the facilities renewal budget has grown from \$2.8 million to over \$7 million and will increase to \$8 million in 2006-07.

ENDOWMENTS

The market value of the Dalhousie Endowment rose by \$31.6 million to \$331 million at March 31, 2006. During the year 19 new endowments were established and new gifts totalled \$3.3 million.



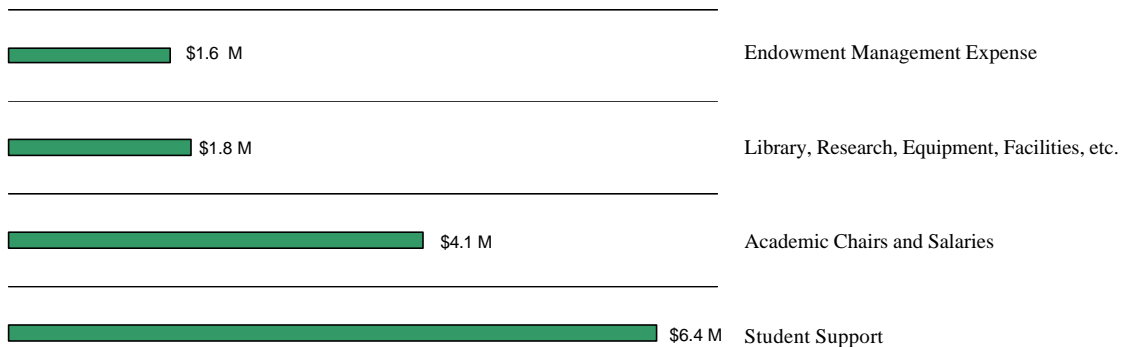
The Board of Governors' Endowment Management Policy was designed to achieve the following goals.

- 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.

A new spending policy adopted in 2004-05 set the spending rate at 4.75% of the market value of the previous September. In subsequent years, 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 will not exceed 5.75% or be less than 3.75% of the year's market value.

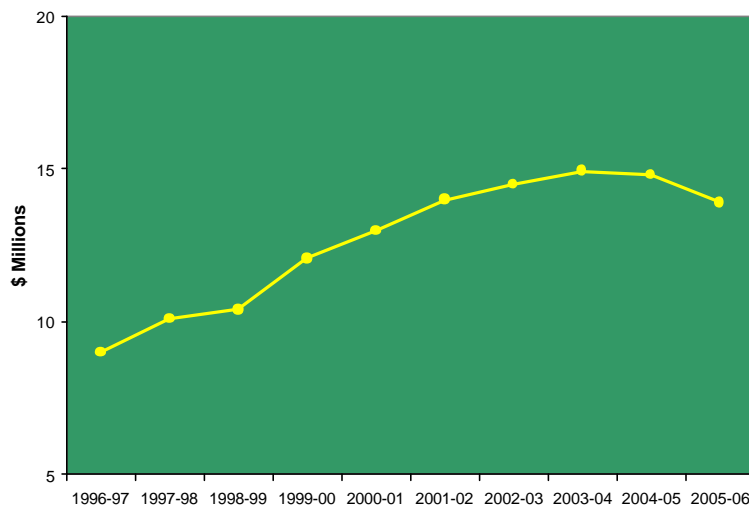
The Dalhousie endowments supported expenditures totalling \$13.9 million in 2005-06.

Endowment Expenditures 2005-06 (total: \$13.9 million)



Actual expenditures will vary somewhat from the amount available for spending in any given year. In 2005-06 expenditures supported by the endowment declined from the previous year for various reasons including a reduction in the amount transferred from externally held endowments/estates, vacancies in a number of senior academic chairs, the accumulation of funds for research and special projects in 2006-07 and beyond and the reinvestment of unspent amounts to increase the principal value of endowments.

**Endowment Expenditures
1996-97 to 2005-06**



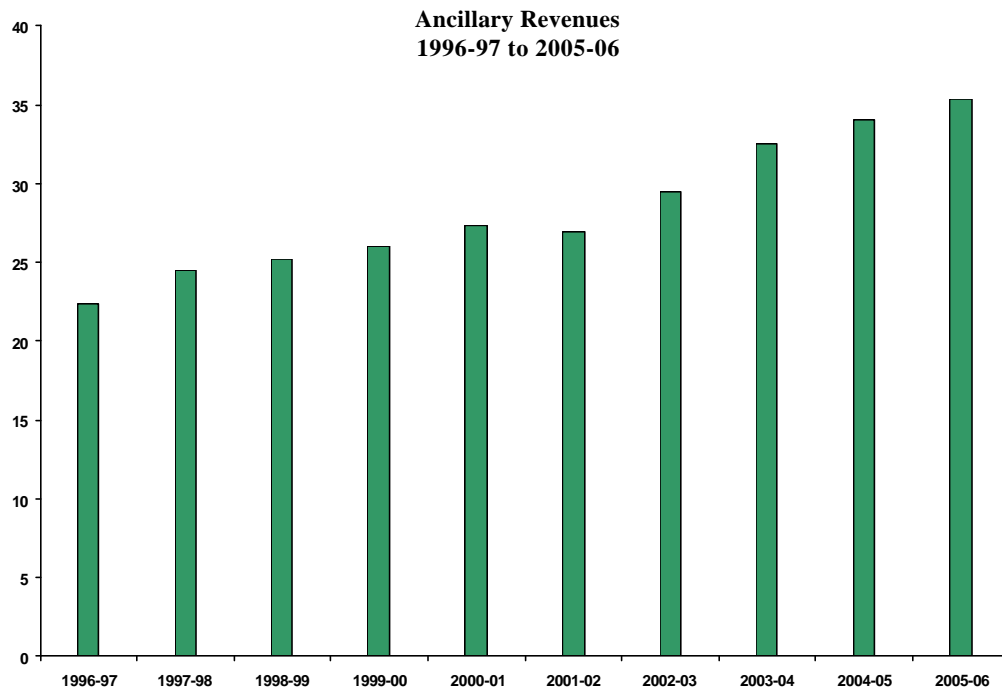
Note: Commencing in 1997-98 former Technical University of Nova Scotia funds are included in the market value figure.

The table below provides a summary of the market value and one-through-four year and ten year annualized performance for the Endowment. [The market value and performance information for the Pension Trust Fund and Retirees' Trust Fund is also provided for information purposes only. Pension Plan funds are not incorporated into these Financial Statements.]

FUND	Market Value	Performance (%)				
	<i>(\$million)</i>	Annualized Returns				
		<u>1 year</u>	<u>2 years</u>	<u>3 years</u>	<u>4 years</u>	<u>10 years</u>
Endowment	331	14.3	11.9	16.3	8.7	10.0
Pension Trust Fund	440	13.8	11.7	15.9	8.9	10.2
Retirees' Trust Fund	224	13.8	11.9	16.3	9.2	10.0
TOTAL	995					

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 increased by 4% to \$35.3 million in 2005-06. The ancillary operations record all direct revenues and expenses and as a group require no subsidy from the operating revenue of the University.



SECTION B

Report on the 2005-06

Budget vs Actual Operating Results

2005-06 FISCAL YEAR

OPERATING BUDGET VERSUS ACTUAL RESULTS

2005-06 APPROVED OPERATING BUDGET

On the recommendation of the Operations Committee, the 2005-06 operating budget for the University was approved by the Board of Governors at its June 21, 2005 meeting. The balanced budget included net revenues and expenditures of \$229,027,000 and marked the eighteenth consecutive year of balanced budgets at Dalhousie. The attached schedule reports on the budget versus actual results for the year ended March 31, 2006 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.

MIDYEAR BUDGET ADJUSTMENT

In September 2006 it became apparent that there were a number of financial challenges to balancing the annual budget approved in June. At the midyear point these challenges were projected to approach \$4 million and were due to a number of developments. These developments were anticipated increased University contributions to the pension plan of \$1.1 million resulting from the triennial actuarial valuation, a sharp escalation in heating oil prices expected to increase costs by \$0.9 million and a year-over-year decline in enrolment projected to result in up to a \$1.9 million shortfall in tuition revenue. The approved budget was adjusted at the midyear point to deal with these developments. These challenges and the measures necessary to address them are described in detail in a memo to the University community on September 23rd (Appendix A). The adjustments described in the memo are shown in the second column of the budget schedule on page 11 and are reflected in the Final Budget column.

THE FINAL BUDGET

In addition to the midyear budget adjustment the Final Budget column reflects compensation adjustments distributed to each of the units in the Responsibility Centre Expenditure category.

ACTUAL RESULTS

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

1. Provincial Government Grants

A favourable variance in the provincial grant amount of \$30,000 was the result of a minor adjustment to the grant finalized in the summer.

2. Indirect Costs of Research Grant

The 2005-06 operating budget included an estimate of \$6 million in funding from the federal government to support the indirect costs of research. The University uses this grant to provide partial funding for the costs of research infrastructure services which are embedded in the annual operating budget. In December 2005, increased funding was confirmed resulting in a favourable variance of \$161,000 on this line. These funds are being used to help fund a new chemical storage facility. An offsetting charge is reported in the Academic category under Responsibility Centre Expenditures.

3. Investment Income - Endowment

Endowment Income and Endowment Expenditures (see the Responsibility Centre section) are both less than budget by \$1.5 million and hence there is 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 and actual endowment expenditures and revenue will vary from the amount available for spending in any given year for a variety of reasons. In 2005-06 gift income transferred from externally-held endowments/estates was considerably lower than the previous year, there were vacancies in a number of

senior academic chairs, spending allocations were deliberately underspent and accumulated for research and other projects in 2006-07, and in some cases where the full spending allocation was not required to meet immediate commitments the unspent amount was reinvested with the endowment principal.

Schedules on pages 14 and 15 provide detail on the annual endowment allocations for Faculties and other budget units.

4. Investment Income - Operating

Operating interest income resulted in a \$119,000 favourable variance in 2005-06. This was as a result of improved interest rates compared to budget.

5. Tuition Fees

The approved budget for 2005-06 had projected overall enrolment at the 2004-05 level. In early September student registrations indicated a decline in excess of 300 students as compared to enrolment figures from September 2004. Accordingly, the midyear adjustment to the budget reduced tuition revenue by \$1.9 million. Actual experience for the remainder of the fall and winter terms resulted in some improvement over the final budget resulting in a favourable variance of \$479,000 on this line.

6. Energy, Water, Taxes and Insurance

In the summer of 2005, fuel prices spiked as a result of world oil prices. Bunker C and furnace fuel oil costs were forecast to result in a \$900,000 unfavourable variance. In fact, energy prices continued to rise resulting in a further shortfall of \$79,000 on this line. The unfavourable variance of \$50,000 in water, taxes and insurance is due mainly to higher expenditures for water service due to higher consumption.

7. Endowment Management Expense

Endowment management expense is comprised of external management, custodial, consulting, other professional fees and administrative support. Approximately two-thirds of the expense is based on asset value and is therefore variable. The slight over expenditure in 2006 relates to higher than projected asset values.

8. One-time Budget Savings

One of the measures taken at the midyear point to address budget pressures was the deferral or cancellation of a small number of approved projects and expenditures and the use of uncommitted contingency funds. These measures totalled \$410,000 and \$350,000 respectively and show as favourable variances under General Expenditures in the Midyear Budget Adjustment Column on 11. The one-time project and expenditure savings of \$410,000 are reflected in the following lines:

	\$
Equipment and Alterations	19,000
Scholarships	185,000
Facilities Renewal	157,000
Classroom Upgrades	25,000
Energy	<u>24,000</u>
	<u>410,000</u>

9. Responsibility Centre Expenditures

The budgets for various units within the Responsibility Centre Expenditure section include endowment expenditures which vary from the amount available for spending in any given year as described in 3 above. These variances from budget appear at the bottom of each of the Responsibility Centre sections and are offset by the variance on the Investment Income – Endowment line in the revenue section of the budget.

- 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. Aside from the positive variance in the endowment expenditure line, the annual transfer from King's for teaching services generated a favourable variance of \$98,000 as a result of enrolment increases at that university.
- b) Administration – The significant components of the positive variance in this section are staff vacancy savings in the Board of Governors, Internal Audit and Financial Services. These savings were partially offset by reduced application fee revenue of \$93,000.
- 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 units in the Final Budget column. As part of the midyear budget adjustment, \$1.1 million was added to this line to fund the projected increase in pension costs based on a preliminary estimate of the triennial valuation of the pension fund at June 30, 2005. The actual pension cost for 2005-06 is based on the final Actuarial Valuation Report and compares favourably to the midyear estimate yielding a positive variance of \$362,000 .

10. Ancillary Expenditures

As a group the ancillary operating budgets have been required to operate on a breakeven basis for many years. Enrolment declines in 2005-06 have impacted University Housing's capacity to achieve the targeted contribution for the year. Contributions for the Food Services and Bookstore operations were sufficient to offset the shortfall in Housing and allow the group to once again achieve a balanced result.

11. Use of Appropriation

The University's operating budget for 2005-06 produced a net unfavourable variance of \$463,000. These funds have been drawn from accumulated budget savings appropriated over the previous three years. The midyear forecast predicted the full appropriation of \$1.4 million would be required as one of the measures to address the \$4 million shortfall. Improvements in enrolment levels and pension costs reduced the need to draw on the full appropriation required to bring the 2005-06 results to a balance. The remaining accumulated appropriation available for use in 2006-07 or beyond is \$960,000.

DALHOUSIE UNIVERSITY
2005-06 OPERATING BUDGET RESULTS
(\$ 000's omitted)

	Approved Budget	Mid Year Budget Adjustment	Final Budget ⁽¹⁾	Actual	Variance Fav (Unfav)
REVENUE					
Provincial Government Grants					
Basic	111,752		111,752	111,782	30
Medicine Expansion	1,353		1,353	1,353	-
Facilities/Space	1,000		1,000	1,000	-
Targeted	50		50	50	-
	114,155		114,155	114,185	30
Federal Indirect Costs of Research Grant	5,980		5,980	6,141	161
Investment				-	
Endowment	15,340		15,340	13,863 ⁽²⁾	(1,477)
Operating (net of bank & finance charges)	1,950		1,950	2,069	119
Tuition Fees	90,352	(1,900)	88,452	88,931	479
Facilities Renewal Fee	1,250		1,250	1,239	(11)
Use of Prior Years' Surplus		1,423	1,423	463	(960)
TOTAL REVENUE	229,027	(477)	228,550	226,891	(1,659)
GENERAL OPERATING EXPENDITURES					
Equipment & Alterations	4,173	(19)	4,154	4,154	-
Scholarships, Bursaries and Student Assistance					
Operating	7,648	(185)	7,463	7,463	-
Endowment	4,904		4,904	4,797 ⁽²⁾	107
Facilities Renewal	4,457	(157)	4,510 ⁽³⁾	4,510	-
Classroom Upgrades	500	(25)	475	475	-
Energy (net of recoveries)	6,926	876	7,802	7,881	(79)
Water, Taxes & Insurance (net of recoveries)	2,500		2,500	2,550	(50)
Facilities/Space	1,000		1,000	1,000	-
Endowment Management Expense	1,550		1,550	1,586 ⁽²⁾	(36)
Contingency	600	(350)	250	250	-
TOTAL GENERAL OPERATING EXPENDITURES	34,258	140	34,608	34,666	(58)
RESPONSIBILITY CENTRE EXPENDITURES					
Academic	147,669		153,385	152,050	1,335
Academic Support	7,776		7,962	7,944	18
Administration	14,502		15,101	15,087	14
General	954		917	888	29
Facilities Management	12,692		12,553 ⁽³⁾	12,602	(49)
Student Services	3,248		3,434	3,426	8
Mid Year 1% unit budget reduction		(1,740)	-	-	-
Provision for Compensation Adjustments	7,700	1,123	362	-	362
TOTAL RESPONSIBILITY CENTRE EXPENDITURES	194,541	(617)	193,714	191,997	1,717
TOTAL OPERATING EXPENDITURES	228,799	(477)	228,322	226,663	1,659
NET ANCILLARY EXPENDITURES	228		228	228	-
TOTAL EXPENDITURES	229,027	(477)	228,550	226,891	1,659
TOTAL SURPLUS FOR THE YEAR	-	-	-	-	-

(1) The approved budget has been restated to reflect a number of adjustments and developments that occurred during the year. These include the distribution of the provision for Compensation Adjustments to Faculty and Unit budgets and the Mid-year budget adjustment shown in Column 2.

(2) Actual endowment expenditures and revenue will vary from the amount available for spending in any given year due to factors. See note 3 on page 8.

(3) The final budget includes the reallocation of \$210,000 from the Facilities Management budget to the Facilities Renewal line to consolidate the reporting of facilities renewal expenditures.

DALHOUSIE UNIVERSITY
2005-06 OPERATING BUDGET RESULTS - DETAIL
(\$000's omitted)

	Approved Budget	Final Budget	Actual (2)	Variance Fav (Unfav)	Transfer to (from) Appropriation
ACADEMIC					
Architecture and Planning	3,509	3,621	3,621	-	26
Arts and Social Sciences	16,500	17,237	17,237	-	478
Computer Science	4,775	5,070	5,070	-	(290)
Dentistry	7,740	7,989	7,989	-	19
Engineering	13,483	13,914	13,914	-	1
Graduate Studies	1,489	1,510	1,510	-	233
Health Professions	17,324	17,995	17,995	-	(415)
Law	6,086	6,337	6,337	-	11
Management	8,533	8,855	8,855	-	178
Medicine	31,249	32,573	32,573	-	824
Science	24,382	25,262	25,262	-	(80)
University Library	11,098	11,292	11,292	-	431
College of Continuing Education	525	541	541	-	(475)
Centres, Institutes & Special Projects	1,483	1,491	1,652	(161)	(810)
Technical Co-op Education & Career Services	411	432	432	-	75
Faculty Related Costs (Travel, Sabbatical Leave Grants, Anomalies etc.)	986	1,170	1,170	-	244
Kings' Transfer	(2,367)	(2,367)	(2,465)	98	-
Academic Initiatives	463	463	463	-	(8)
Endowment Expenditures less than Budget (net)		-	(1,398)	1,398	(1,398)
TOTAL ACADEMIC	147,669	153,385	152,050	1,335	(956)
ACADEMIC SUPPORT					
Art Gallery	118	121	121	-	(3)
Centre for Learning and Teaching	892	975	975	-	-
Graphics & Photography	125	149	131	18	-
Printing Centre	(154)	(154)	(154)	-	-
University Computing & Information Services	6,595	6,871	6,871	-	46
Academic IT Initiatives	200	-	(1)	-	-
TOTAL ACADEMIC SUPPORT	7,776	7,962	7,944	18	43
ADMINISTRATION					
Administrative Initiatives	130	-	(1)	-	-
Application Fees and Services Recovery	(935)	(935)	(842)	(93)	-
Board of Governors / Internal Audit	208	303	217	86	-
Business Process Integration	155	165	165	-	-
Environmental Health and Safety Office	298	345	345	-	19
External Relations (incl. Communications and Marketing)	3,719	3,810	3,810	-	(135)
Financial Services	3,211	3,338	3,300	38	31
Institutional Analysis and Research	281	295	295	-	7
Inter-University Services	46	62	62	-	-
Personnel Services	1,970	2,025	2,025	-	(32)
President's Office	2,004	2,074	2,091	(17)	-
Registrar & Admissions	2,532	2,685	2,685	-	(193)
Research Services	662	701	701	-	-
Senate Office	221	233	233	-	(9)
TOTAL ADMINISTRATION	14,502	15,101	15,087	14	(312)

- (1) The final budget includes distributions of Strategic Initiatives funding to Budget Units.
(2) The actual column includes transfers of variances in accordance with University policy.
(see detailed analysis on pages 14 and 15)

DALHOUSIE UNIVERSITY
2005-06 OPERATING BUDGET RESULTS - DETAIL
(\$000's omitted)

	Approved Budget	Final Budget	Actual (2)	Variance Fav (Unfav)	Transfer to (from) Appropriation
GENERAL	954	917	888	29	-
FACILITIES MANAGEMENT	12,692	12,553	12,602	(49)	-
STUDENT SERVICES					
Awards Office	255	267	267	-	-
Counselling	695	730	803	(73)	-
General Student Services	1,044	1,218	1,141	77	-
Office of the Vice-President	562	619	623	(4)	74
Student Health	83	82	82	-	-
Student Services Initiatives	100	- (1)	-	-	-
Varsity, Intramurals & Clubs	509	518	518	-	(82)
Endowment Expenditures in Excess of Budget		-	(8)	8	(8)
TOTAL STUDENT SERVICES	3,248	3,434	3,426	8	(16)
ANCILLARIES					
Dalhousie Arts Centre	324	324	324	-	-
Dalplex and Arena	181	181	181	-	-
Food Services	-	-	(130)	130	13
Personal Computer Purchase Centre	-	-	-	-	-
University Bookstore	(133)	(133)	(282)	149	103
University Housing	(144)	(144)	135	(279)	-
TOTAL ANCILLARIES	228	228	228	-	116

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

(2) The actual column includes transfers of variances in accordance with University policy.
(see detailed analysis on pages 14 and 15)

DALHOUSIE UNIVERSITY
2005-06 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 of Variance	Transfer of Variance ⁽¹⁾	Actual	Year End Variance Fav/(Unfav)	Final Budget	Actual before Transfer of Variance	Transfer of Variance ⁽¹⁾	Actual	Year End Variance Fav/(Unfav)	Operating and Endowment Variance Fav/(Unfav)
ACADEMIC											
Architecture and Planning	3,584	3,563	21	3,584	-	37	32	5	37	-	-
Arts and Social Sciences	16,483	16,090	393	16,483	-	754	669	85	754	-	-
Computer Science	4,949	5,255	(306)	4,949	-	121	105	16	121	-	-
Dentistry	7,945	7,945	-	7,945	-	44	25	19	44	-	-
Engineering	13,173	13,302	(129)	13,173	-	741	611	130	741	-	-
Graduate Studies	1,060	943	117	1,060	-	450	334	116	450	-	-
Health Professions	17,490	17,990	(500)	17,490	-	505	420	85	505	-	-
Law	5,814	5,814	-	5,814	-	523	512	11	523	-	-
Management	8,378	8,259	119	8,378	-	477	418	59	477	-	-
Medicine	29,858	29,669	189	29,858	-	2,715	2,080	635	2,715	-	-
Science	23,265	23,492	(227)	23,265	-	1,997	1,850	147	1,997	-	-
University Library	11,108	10,726	382	11,108	-	184	135	49	184	-	-
College of Continuing Education	492	999	(507)	492	-	49	17	32	49	-	-
Centres, Institutes & Special Projects	1,467	2,447	(819)	1,628	(161)	24	15	9	24	-	(161)
Technical Co-op Education & Career Services	432	357	75	432	-	-	-	-	-	-	-
Faculty Related Costs	1,170	926	244	1,170	-	-	-	-	-	-	-
Kings' Transfer	(2,367)	(2,465)	-	(2,465)	98	-	-	-	-	-	98
Academic Initiatives	463	471	(8)	463	-	-	-	-	-	-	-
Endowment Expenditures less than Budget (net)	-	-	-	-	-	-	-	(1,398)	(1,398)	1,398	1,398
TOTAL ACADEMIC	144,764	145,783	(956)	144,827	(63)	8,621	7,223	-	7,223	1,398	1,335
ACADEMIC SUPPORT											
Art Gallery	108	110	(2)	108	-	13	14	(1)	13	-	-
Centre for Learning and Teaching	974	975	(1)	974	-	1	-	1	1	-	-
Graphics & Photography	149	131	-	131	18	-	-	-	-	-	18
Printing Centre	(154)	(154)	-	(154)	-	-	-	-	-	-	-
University Computing & Information Services	6,871	6,825	46	6,871	-	-	-	-	-	-	-
Academic IT Initiatives	-	-	-	-	-	-	-	-	-	-	-
TOTAL ACADEMIC SUPPORT	7,948	7,887	43	7,930	18	14	14	-	14	-	18
ADMINISTRATION											
Administrative Initiatives											
Application Fees and Services Recovery	(935)	(842)	-	(842)	(93)	-	-	-	-	-	(93)
Board of Governors/ Internal Audit	303	217	-	217	86	-	-	-	-	-	86
Environmental Health and Safety Office	345	326	19	345	-	-	-	-	-	-	-
External Relations	3,810	3,945	(135)	3,810	-	-	-	-	-	-	-
Financial Services	3,338	3,269	31	3,300	38	-	-	-	-	-	38
Institutional Affairs	295	288	7	295	-	-	-	-	-	-	-
Inter-University Services	62	62	-	62	-	-	-	-	-	-	-
Personnel Services	2,025	2,057	(32)	2,025	-	-	-	-	-	-	-
President's Office	2,074	2,091	-	2,091	(17)	-	-	-	-	-	(17)
Registrar & Admissions	2,685	2,878	(193)	2,685	-	-	-	-	-	-	-
Research Services	701	701	-	701	-	-	-	-	-	-	-
Senate Office	233	242	(9)	233	-	-	-	-	-	-	-
TOTAL ADMINISTRATION	14,936	15,234	(312)	14,922	14	-	-	-	-	-	14

(1) This column reflects the transfer of variances to (or from) appropriation or carry forward in accordance with university policy and accounting requirements.

* 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 on this schedule.

DALHOUSIE UNIVERSITY
2005-06 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 of Variance	Transfer of Variance ⁽¹⁾	Actual	Year End Variance Fav/(Unfav)	Final Budget	Actual before Transfer of Variance	Transfer of Variance ⁽¹⁾	Actual	Year End Variance Fav/(Unfav)	Operating and Endowment Variance Fav/(Unfav)
GENERAL	917	888	-	888	29	-	-	-	-	-	29
FACILITIES MANAGEMENT	12,553	12,602	-	12,602	(49)	-	-	-	-	-	(49)
STUDENT SERVICES											
Awards Office	267	267	-	267	-	-	-	-	-	-	-
Counselling	730	803	-	803	(73)	-	-	-	-	-	(73)
General Student Services	1,218	1,141	-	1,141	77	-	-	-	-	-	77
Office of the Vice-President	619	549	74	623	(4)	-	-	-	-	-	(4)
Student Health	82	82	-	82	-	-	-	-	-	-	-
Varsity, Intramurals & Clubs	495	585	(90)	495	-	23	15	8	23	-	-
Endowment Expenditures in Excess of Budget	-	-	-	-	-	-	-	(8)	(8)	8	8
TOTAL STUDENT SERVICES	3,411	3,427	(16)	3,411	-	23	15	-	15	8	8
ANCILLARIES											
Dalhousie Arts Centre	324	324	-	324	-	-	-	-	-	-	-
Dalplex and Arena	181	181	-	181	-	-	-	-	-	-	-
Food Services	-	(143)	13	(130)	130	-	-	-	-	-	130
Personal Computer Purchase Centre	-	-	-	-	-	-	-	-	-	-	-
University Bookstore	(133)	(385)	103	(282)	149	-	-	-	-	-	149
University Housing	(372)	(93)	-	(93)	(279)	228	228	-	228	-	(279)
TOTAL ANCILLARIES	-	(116)	116	-	-	228	228	-	228	-	-

(1) This column reflects the transfer of variances to (or from) appropriation or carry forward in accordance with university policy and accounting requirements.

* 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 on this schedule.

MEMORANDUM

TO: The Dalhousie University Community

FROM: Tom Traves, President

DATE: September 23, 2005

RE: **Budget Cuts and Future Directions**

As you will see from the important attached memo prepared by Vice-President Bryan Mason, Dalhousie faces several financial challenges to the annual budget we adopted last Spring. The principal problems, as he explains, relate to lost tuition revenue caused by our enrolment drop, rising energy costs and the need for increased University pension contributions to maintain the solvency of our pension plan. Each of these issues arises from its own unique circumstances. While we have the financial capacity to address some of these problems, our accumulated budget surplus is insufficient to cope with a shortfall estimated to reach \$4 million if we take no further action. Moreover, if we do not take action now, the budget challenge we face next year will be compounded by this accumulated deficit. Accordingly, after careful review of this situation with the vice-presidents, I have concluded that the only way we can achieve a balanced budget this year is to follow Vice-President Mason's recommendation that we cut all unit operating budgets (excluding student assistance and library collections) by 1% immediately. Each of the Vice-Presidents will review the impact of these cuts on units reporting to them and work with Deans and administrative heads to achieve a responsible plan to cope with this necessary action.

As I wrote to you recently, reversing our enrolment decline and building a stable recruitment base for the future are essential next steps. Vice-Presidents Sam Scully and Bonnie Neuman are leading a revised and enhanced enrolment management initiative. They will work closely with colleagues in the Faculties, the Registrar's Office, the Communications and Marketing Department, and others to ensure that Dalhousie's strengths and opportunities are well known and appreciated by prospective students in all of our targeted enrolment markets. At a recent retreat that I led for deans, vice-presidents and administrative unit heads, there was a clear consensus that this step is essential for our future success. These enhanced efforts will demand the investment of additional resources for research, communications and the staff necessary to promote the University's programs and secure increased enrolments. Despite our financial circumstances, it would be foolish not to invest in this priority, and we will do so by drawing upon some unspent carry-forward accounts that can be applied in this situation.

Finally, I would remind you that our Board of Governors recently established a Long-Term Financial Planning Committee whose job will be to offer recommendations on "the University's strategic financial options which will support academic excellence within a stable and sustainable fiscal framework". The work of this Committee will be essential to Dalhousie's future.

Regards,

Tom Traves

To: Tom Traves, President
From: Bryan Mason, Vice-President Finance and Administration
Re: 2005-06 Budget Issues
Date: September 16, 2005

The Problems We Face

As most members of the Dalhousie community will be aware, a number of developments have occurred over the past several months which have combined to create a degree of financial stress for the University.

The first of these developments was fully expected, though we had to await the work of the Pension Plan actuary who has carried out the mandated triennial valuation of the Pension Fund as of 30 June 2005. While the actuary's analysis remains subject to a final review, we now expect that his report will require the University to increase again the amount of its employer contributions to the Plan. This increase, on top of the previous increase in 2002, will ensure the financial stability of the Pension Plan. Employees contribute a little over 6% of their annual salary to the Fund, while the University's contribution, effective 1 July 2005, will amount to approximately 11.65% of the combined salaries of all employees (up from 10.54% in the 2002-2005 period). This increased pension obligation will result in increased Operating Budget expenditures of about \$1.5 million on an annual basis. (Note that the impact on the 2005-06 Operating Budget will be in effect for only 9 months of the fiscal year, so the budget impact this year will be about \$1.125 M.)

The second budgetary development which has presented itself is the extraordinary and unexpected rise in the cost of heating oil. The University is a large consumer of Bunker C oil in our central heating/cooling plant, and also uses furnace oil in a number of the houses we own. We anticipate as well that Nova Scotia Power rates will increase later during this fiscal year, but hopefully not by the full 15% that company has requested (Dalhousie is part of a consortium which will challenge the accuracy of the NSP proposal). While there is no solid intelligence about what oil and electricity prices will be over the coming months, at this point we anticipate that our energy bills will rise by about \$900,000 over what we have budgeted for the year.

The third, and most serious, development impacting the 2005-06 Operating Budget has to do with enrolment. Summer School enrolment numbers were ahead of last year's levels, but our fall enrolment currently is about 300 students below September 2004 figures. Overall enrolment figures are still benefiting from the very large intake of students in 2003 resulting from the "double cohort" phenomenon in Ontario. But in September 2004 and again this year Dalhousie has not reached its enrolment targets for first-year students. These shortfalls will continue to impact our enrolment numbers and hence our tuition revenues for several years to come. In fact the impact will be compounded over the next couple of years by the loss of our large third year Undergraduate class of double cohort students.

It will be some time before we have final enrolment and tuition revenue numbers for 2005-06. But by extrapolating the data we now have on the basis of the patterns experienced in recent years, we anticipate a shortfall of tuition revenues this year of up to \$1.9 million.

The combined impact of Pension Plan and fuel cost increases with the shortfall in tuition revenues is forecast to produce a \$4 million gap in our 2005-06 Operating Budget. This amount represents 1.75% of our total budget of \$229 million.

The Actions We Will Take

The University will make use of some one-time resources to help address this year's budget problems. First, over the previous two fiscal years the University has accumulated some modest surplus funds (\$1.423 million) which will be applied to our current shortfall. Second, we will assign the remaining \$350,000 of our limited Contingency Fund to help deal with the shortfall. Third, we have carried out a review of the full range of previously approved and budgeted projects, and we have identified \$410,000 of items which will be cancelled or deferred. Included are projects in the areas of energy conservation, facilities renewal, alterations, classroom upgrades, renovations and research infrastructure.

Together these savings will produce about \$2.2 million towards our \$4 million problem. But I caution you to remember that in the next fiscal year these one-time actions by definition will not be available to us, and we will have to make base budget adjustments to meet our fiscal obligations.

After taking the actions described above, it is likely that the University still will need to find about \$1.8 million in savings. Reluctantly, but I believe inevitably, we are led to spending cuts. All Unit Operating Budgets (excluding student assistance and library collections) must be reduced in the current year by 1%. With only 6 months left in the 2005-06 fiscal year, a 1% spending reduction presents all units with a significant challenge. A number of units are in the fortunate position of having carry-forward funds, which can be used to cushion the impact of this cut. Other units will have to suspend hiring, postpone equipment upgrades, reduce travel plans, and impose a variety of similar restrictions on their activities. A mid-year budget cut is a regrettable but necessary action to ensure the continued fiscal integrity of the University.

Published on Dalhousie's *NOTICE* on September 23, 2005

SECTION C

2005-06

Audited Financial Statements

Dalhousie University

**Management Notes on the Audited
Financial Statements**

March 31, 2006

MANAGEMENT NOTES ON THE AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

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, 2006. The notes below provide an overview of the results, contents of the financial statements and explanation of major changes.

Overview

- Total revenues were \$409.8 million from all fund sources including operating, endowment, ancillary, research, special purpose and capital.
- Total University assets increased year-over-year by \$34.9 million.

Financial Statements Contents

The Auditor's Report attests, without qualification, that the 2005-06 financial statements present the financial position of the University fairly. (page 21)

The Statement of Financial Position (Balance Sheet) shows the assets, liabilities, and net assets (equity) of the University as at March 31, 2006. (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 34)

Supplementary Schedule 1 (page 35) provides additional detail on a fund basis of University revenues and expenses.

Supplementary Schedules 2 and 3 (pages 36 and 37) provide a detailed breakdown of the Operating and Endowment Funds and Schedules 4 and 5 (pages 38 and 39) 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 received \$0.8 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 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

Statement of Financial Position (page 22)

Total assets increased year-over-year by \$34.9 million. Increases occurred in capital assets (\$15.9 million), investments (\$6.4 million on a cost basis and \$27.1 million market value), deferred pension asset (\$5.5 million) and cash (\$10.8 million). Capital assets increased in a number of areas including equipment (\$17.1 million), computers (\$6.0 million), library books (\$1.4 million), and new buildings and improvements to existing buildings (\$18.1 million). Building construction included the completion of the Faculty of Management building (\$10.9 million), renovations to Gerrard Hall and Fenwick Place of \$2.5 million and \$0.9 million respectively plus the purchase of 1252 LeMarchant Street. Amortization of capital assets in the amount of \$20.9 million plus asset retirements and disposals of \$5.8 million during the year partially offset these additions.

Statement of Revenue and Expense (page 23)

Total revenue increased by \$11.3 million primarily the result of increases in the Operating and Ancillary Funds.

Supplementary Schedules (pages 35 to 39)

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

Auditor's Report



KPMG LLP
Chartered Accountants
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Halifax NS B3J 3N2
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AUDITORS' REPORT

To the Board of Governors of
Dalhousie University

We have audited the statement of financial position of Dalhousie University as at March 31, 2006 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, 2006 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.

Chartered Accountants

Halifax, Canada

June 2, 2006

Dalhousie University

Financial Statements

March 31, 2006

**DALHOUSIE UNIVERSITY
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2006
(thousands of dollars)**

	2006	2005
ASSETS		
Current assets		
Cash and cash equivalents	\$ 67,967	57,167
Accounts receivable	14,860	20,188
Inventories	2,456	2,526
Prepaid expense	2,601	860
	87,884	80,741
Deferred pension asset (note 10)	10,510	5,016
Investments (note 3)	307,006	300,610
Capital assets (note 4)	239,272	223,356
	\$ 644,672	609,723
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 26,958	29,029
Deferred revenue (note 5)	84,224	82,107
Current portion of long-term debt	1,274	965
	112,456	112,101
Deferred capital contributions (note 6)	89,342	85,607
Long-term debt (note 7)	44,923	35,706
	246,721	233,414
Net Assets (note 8)		
Endowment principal	270,164	259,301
Restricted for future pension benefits	10,510	5,016
Restricted funds	27,825	27,743
Equity in capital assets	89,452	84,249
	397,951	376,309
	\$ 644,672	609,723

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, 2006
(thousands of dollars)

	Total	
	2006	2005
Revenue		
Provincial government operating grants	\$ 114,185	107,549
Other government grants and contracts	60,198	62,723
Corporations and foundations	22,820	22,878
Tuition fees	88,800	85,716
Non-credit and other fees	18,853	17,890
General	6,235	5,816
Gifts	8,834	10,257
Investment income	16,441	16,633
Ancillary sales and service	35,201	33,864
External cost recoveries	28,569	28,372
Amortization of deferred capital contributions	9,639	6,799
Total revenue	409,775	398,497
Expense		
Salaries and employee benefits	245,854	233,507
Pension expense adjustment	(5,494)	(5,283)
Library acquisitions	4,199	3,970
Laboratory and teaching supplies	9,335	9,101
Equipment and service	5,871	9,934
Finance costs	3,861	3,427
Utilities and taxes	12,684	10,595
Externally contracted services	29,431	27,821
Scholarships, bursaries and prizes	28,218	25,902
Ancillary cost of sales and service	10,050	9,891
Travel	10,760	9,847
Amortization of capital assets	20,863	18,173
General operating	23,364	23,331
Total expense	398,996	380,216
Excess of revenue over expense	10,779	18,281
Use of excess of revenue over expense		
Committed to equity in capital assets	(5,203)	(10,766)
Committed to future pension benefits (note 8)	(5,494)	(5,283)
Committed to restricted funds	(82)	(2,232)
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, 2006
(thousands of dollars)

	2006					2005
	Endowment Principal	Restricted For Future Pension Benefits	Restricted Funds	Equity in Capital Assets	Total	Total
Net Assets, Beginning of Year	\$ 259,301	5,016	27,743	84,249	376,309	341,066
Excess of Revenue over Expense	-	5,494	82	5,203	10,779	18,281
Gifts of Endowed Principal	3,255				3,255	4,740
Transfers to(from) endowment principal	7,608				7,608	12,222
Net Change for the Year	<u>10,863</u>	<u>5,494</u>	<u>82</u>	<u>5,203</u>	<u>21,642</u>	<u>35,243</u>
Net Assets, End of Year (note 8)	<u>\$ 270,164</u>	<u>10,510</u>	<u>27,825</u>	<u>89,452</u>	<u>397,951</u>	<u>376,309</u>

(See accompanying notes to the financial statements)

DALHOUSIE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2006
(thousands of dollars)

	2006	2005
Cash flow from operating activities:		
Excess of revenue over expense	\$ 10,779	18,281
Items not involving cash:		
Amortization of capital assets	20,863	18,173
Amortization of deferred capital contributions	(9,639)	(6,799)
Increase in deferred pension asset	(5,494)	(5,283)
Adjustments for changes in current assets	3,657	(317)
Adjustments for changes in current liabilities	46	9,659
	<u>20,212</u>	<u>33,714</u>
Cash flow from investing activities		
Purchase of capital assets	(36,779)	(49,233)
Net increase in investments	(6,396)	(32,197)
	<u>(43,175)</u>	<u>(81,430)</u>
Cash flow from financing activities		
Endowment gifts	3,255	4,740
Endowment income transferred	7,608	1,819
Deferred capital contributions received	13,374	13,998
Issue of long-term debt	16,296	22,500
Principal payments on long-term debt	(6,770)	(671)
	<u>33,763</u>	<u>42,386</u>
Increase (decrease) in cash and cash equivalents	10,800	(5,330)
Cash and cash equivalents, beginning of year	57,167	62,497
Cash and cash equivalents, end of year	<u>\$ 67,967</u>	<u>57,167</u>

(See accompanying notes to the financial statements)

Dalhousie University

**Notes to the
Financial Statements**

March 31, 2006

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) Inventories:

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

e) 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.

f) 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

g) 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 13 years (2005 - 14 years) for active employees. Past service costs arising from plan amendments are deferred and amortized on a straight line basis over the average remaining service period of employees active at the date of amendment. The transitional pension asset that arose on adoption of CICA Handbook Section 3461 is being amortized on a straight line basis over 15 years. The most recent actuarial valuation of the pension plan for funding purposes was as of June 30, 2005 and the next required valuation will be as of June 30, 2008.

h) 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.

i) Consolidation:

These financial statements include the accounts of GINI University Services Incorporated (GINIus) and Nova Universities Technology Incorporated (Nutech) which are affiliated entities controlled by the University. GINIus was established to provide computer science research and consulting services to the local education and business communities; and provided support services, infrastructure and advice to students and recent graduates of the Faculty of Computer Science who were starting businesses of their own. Nutech was the unified office of technology transfer and commercialization for Dalhousie University. The operations of GINIus and Nutech ceased in 2006. All significant inter-organizational balances and transactions have been eliminated in consolidation. For purposes of consolidation the financial statements of GINI(at December 31, 2005) and Nutech (at March 31, 2006) have been used.

j) Financial Instruments:

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

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

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

In the event that interest rate swaps are terminated or cease to be effective prior to maturity any associated realized and unrealized gains or losses are deferred under other current, or non-current, assets or liabilities on the statement of financial position and would be recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

The University, in the normal course of operation, periodically enters into future foreign currency exchange contracts to manage foreign currency exposures. These contracts are not designated and documented as hedging relationships in accordance with Accounting Guideline 13, Hedging Relationships, and, accordingly, are measured at fair value.

3. Investments:

	2006		2005	
	Market Value	Cost	Market Value	Cost
Treasury Bills & Notes	1,845	1,845	3,160	3,160
Bonds	143,144	142,021	145,249	141,666
Canadian Equities	77,299	44,603	66,275	43,713
US Equities	72,112	66,108	63,331	63,498
Non-North American Equities	73,491	52,429	62,823	48,573
	\$367,891	\$307,006	\$340,838	\$300,610

Investments include securities held in endowment and operating funds of the University.

4. Capital Assets:

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	2,010	--	2,010	1,869	--	1,869
Buildings	325,493	146,671	178,822	308,069	138,805	169,264
Leasehold Improvements	655	356	299	565	226	339
Equipment	96,416	49,448	46,968	86,862	45,324	41,538
Vehicles	536	337	199	507	268	239
Library Books	16,924	10,112	6,812	15,554	8,735	6,819
Computing	8,200	6,136	2,064	6,145	4,920	1,225
Land Improvements	5,409	3,311	2,098	5,146	3,083	2,063
	\$455,643	\$216,371	\$239,272	\$424,717	\$201,361	\$223,356

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.

	2006					2005
	Operating	Endowed	Special Purpose	Sponsored Research	Total	Total
Balance, Beginning of Year	24,305	6,756	8,903	42,143	82,107	84,682
Income Received	21,459	15,205	14,472	85,558	136,694	133,669
Transferred to principal	--	(629)	--	--	(629)	(10,403)
Recognized as Revenue in the Current Year	(24,305)	(13,864)	(13,856)	(81,923)	(133,948)	(125,841)
Balance, End of Year	\$21,459	\$7,468	\$9,519	\$45,778	\$84,224	\$82,107

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.

	2006	2005
Balance, Beginning of Year	85,607	78,408
Contributions Received	13,374	13,998
Amortization of Contributions	(9,639)	(6,799)
Balance, End of Year	\$89,342	\$85,607

7. Long-Term Debt:

	2006	2005
Shireff Hall:		
• 5.13% due October 1, 2013 repayable in quarterly instalments of \$12	--	329
• 5.88% due October 1, 2018 repayable in quarterly instalments of \$20	--	742
Howe Hall:		
• 5.13% due July 1, 2014 repayable in quarterly instalments of \$9	--	275
• 5.88% due April 1, 2018 repayable in quarterly instalments of \$15	--	548
• 5.86% due January 10, 2013 repayable in quarterly instalments of \$136	6,707	6,853
Peter Green Hall:		
• 5.88% due December 1, 2017 repayable in monthly instalments of \$7	707	747
Fenwick Place:		
• 7.50% due July 1, 2022 repayable in semi-annual instalments of \$190	--	3,674
• 5.03% due December 29, 2015 repayable in quarterly instalments of \$80	3,602	--
Central Services Building Parkade:		
• 5.41% due December 1, 2013 repayable in quarterly instalments of \$22	772	816
O'Brien Hall:		
• 5.75% due March 31, 2018 repayable in semi-annual instalments of \$22	--	395
Risley Hall:		
• 5.71% due September 1, 2014 repayable in quarterly instalments of \$385	19,450	19,820
Residence Renewal:		
• 4.96% due November 15, 2014 repayable in quarterly instalments of \$58	2,357	2,472
• 4.44% due October 12, 2015 repayable in quarterly instalments of \$47	2,481	--
Faculty of Management Building:		
• 4.81% due March 2, 2017 repayable in quarterly instalments of \$236	8,000	--
Student Residences:		
• 4.49% due December 29, 2016 repayable in quarterly instalments of \$61	2,121	--
	46,197	36,671
Less: Current Portion	1,274	965
	\$44,923	\$ 35,706

All above payments include principal and interest.

The principal due within each of the next five years on long-term debt is as follows: 2007 - \$1,274; 2008 - \$1,748; 2009 - \$1,835; 2010 - \$1,937; 2011- \$2,041.

The University has entered into eight 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 amount to \$45,490 at March 31, 2006 (2005 - \$29,961).

Certain student residence debt has been repaid in full and refinanced at lower interest rates with similar terms of repayment.

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, 2005	New Contributions	Transfer To (From) Endowment Principal	Endowment Principal March 31, 2006
Externally Restricted	255,742	3,255	7,493	266,490
Internally Restricted	3,559	--	115	3,674
TOTAL	\$259,301	\$3,255	\$7,608	\$270,164

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 \$5,494 (2005 - \$5,283) less 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:

	2006	2005
Capital assets	239,272	223,356
less amounts financed by:		
deferred capital contributions	(89,342)	(85,607)
long-term debt	(46,197)	(36,671)
cashflow in advance of long-term debt	--	(5,121)
cashflow pending repayment by ancillaries or other identified sources	(14,281)	(11,708)
Equity in capital assets	\$89,452	\$84,249

9. Commitments and Contingent Liabilities:

The University has now completed a capital project valued at \$25,000 for the construction of a new academic building for the Faculty of Management. The portion of the \$25,000 committed but unspent at March 31, 2006 is \$617 (2005 - \$10,449).

The University has provided guarantees to third parties of \$3,073 (\$3,304 in 2005) 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 the 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.

As of March 31, 2006, 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, 2005. This valuation reflected a plan deficit of \$23,774. Subsequently, the Plan's actuary extrapolated the results of this valuation to March 31, 2006. The actuarial value of net assets which reflect long-term market trends and accrued pension benefits of the plan yielded a projected plan surplus of \$5,161(2005 - (\$33,973)). The funding status of the plan as calculated in accordance with actuarial requirements determines the level of contributions by the University.

However, the calculation of the plan surplus 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 \$2,692 (2005 - \$9,766) in the plan surplus. The assets and liabilities of the plan are not included in the financial statements of the University.

For accounting purposes the funded status of the defined benefit plan in the financial statements is as follows:

Pension benefit plan	2006	2005
Fair value of plan assets	663,106	590,842
Accrued benefit obligation	660,637	634,581
Funded status		
Plan surplus (deficit)	2,469	(43,739)
Balance of unamortized amounts	8,041	48,755
Accrued benefit asset (liability)	\$10,510	\$5,016

The percentage of the fair value of plan assets by major category is as follows: equity securities 59.6% (2005 - 59.5%); debt securities 39.0% (2005 - 38.6%); and other 1.4% (2005 - 1.9%).

The significant assumptions used are as follows:

Pension benefit plan	2006	2005
Accrued benefit obligation		
As of March 31:		
Discount rate	5.2%	5.8%
Rate of compensation increase	4.5%	5.0%
Benefit costs of year		
Ended March 31:		
Discount rate	5.12%	5.41%
Expected long-term rate of		
Return on plan assets	7.0%	7.5%
Rate of compensation increase	4.5%	5.0%

Pension benefit costs recognized in the year are \$11,260 (2005 - \$9,966). The cash amount of employer contributions to the defined pension benefit plan were \$16,754 (2005 - \$15,249).

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.

Although the University has no intention of settling these instruments at March 31, 2006, the interest rate swap contracts described in note 7 have a fair value of (\$2,675) (2005- (\$2,009))

12. Pledges:

Pledges to the University at March 31, 2006 were \$15,067 (2005 - \$13,258). 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 2005 figures have been reclassified to conform to the 2006 financial statement presentation.

Dalhousie University

Supplementary Schedules

March 31, 2006

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, 2006 (With Comparatives Figures for 2005)
(in Thousands of Dollars)

	Operating 2006 (Schedule 2)	Endowment 2006 (Schedule 3)	Ancillary 2006 (Schedule 4)	Capital 2006	Special Purpose 2006 (Schedule 5)	Research 2006 (Schedule 5)	2006	Total 2005
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Provincial government operating grants	114,185	-	-	-	-	-	114,185	107,549
Other government grants and contracts	6,654	-	65	-	165	53,314	60,198	62,723
Corporations and foundations	81	-	-	-	890	21,849	22,820	22,878
Tuition fees	88,800	-	-	-	-	-	88,800	85,716
Non-credit and other fees	18,853	-	-	-	-	-	18,853	17,757
General	1,914	-	-	-	3,690	631	6,235	5,949
Gifts	92	830	-	685	6,557	670	8,834	10,257
Investment	3,290	13,034	-	-	114	3	16,441	16,633
Ancillary sales and service	-	-	35,201	-	-	-	35,201	33,864
External cost recoveries	25,852	-	-	204	1,870	643	28,569	28,372
Amortization of deferred capital contributions	-	-	-	4,256	570	4,813	9,639	6,799
Total revenue	259,721	13,864	35,266	5,145	13,856	81,923	409,775	398,497
Expense								
Salaries								
Academic	102,327	3,584	-	-	605	11,229	117,745	112,749
Library	3,158	19	-	-	2	-	3,179	3,337
Plant maintenance	9,750	-	331	-	-	-	10,081	9,419
Administrative and support	53,461	249	4,522	-	3,687	20,522	82,441	77,160
Benefits costs	27,552	531	729	-	564	3,032	32,408	30,842
Total salaries and benefits	196,248	4,383	5,582	-	4,858	34,783	245,854	233,507
Library acquisitions	3,997	90	-	-	48	64	4,199	3,970
Laboratory and teaching supplies	3,027	26	-	-	329	5,953	9,335	9,101
Equipment and service	4,164	56	632	-	16	1,003	5,871	9,934
Finance costs	1,407	-	2,448	-	6	-	3,861	3,427
Utilities and taxes	10,801	-	1,883	-	-	-	12,684	10,595
Externally contracted services	11,338	1,198	5,394	-	2,523	8,978	29,431	27,821
Scholarships, bursaries and prizes	6,725	6,351	-	-	836	14,306	28,218	25,902
Ancillary cost of sales and service	-	-	10,050	-	-	-	10,050	9,891
Travel	3,941	173	41	-	818	5,787	10,760	9,847
Amortization of capital assets	-	-	-	20,863	-	-	20,863	18,173
General operating	13,217	421	2,243	-	3,199	4,284	23,364	23,331
Internal / interfund transfers	5,578	1,088	6,877	(20,921)	949	6,429	-	-
Total expense	260,443	13,786	35,150	(58)	13,582	81,587	404,490	385,499
Change in year before appropriations	(722)	78	116	5,203	274	336	5,285	12,998
Change in net assets	722	(78)	(116)	(5,203)	(274)	(336)	(5,285)	(12,998)
Surplus before pension expense adjustment	-	-	-	-	-	-	-	-
Pension expense adjustment	5,494	-	-	-	-	-	5,494	5,283
Net assets after pension adjustment	5,494	-	-	-	-	-	5,494	5,283

DALHOUSIE UNIVERSITY
Schedule of Revenue and Expense - Operating
Year Ended March 31, 2006 (With Comparatives Figures for 2005)
(in Thousands of Dollars)

	Academic		Academic Support		Administration and General		Facilities Management		Student Services		Institution		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Provincial government operating grants	-	-	-	-	-	-	-	-	-	-	114,185	107,549	114,185	107,549
Other government grants and contracts	364	346	-	-	-	-	-	-	75	54	6,215	6,043	6,654	6,443
Corporations and foundations	81	19	-	-	-	-	-	-	-	-	-	-	81	19
Tuition fees	4,666	4,756	-	-	-	-	-	-	-	-	84,134	80,960	88,800	85,716
Non-credit and other fees	7,929	7,975	17	26	1,876	1,925	-	-	2,996 (3)	2,100	6,035	5,731	18,853	17,757
General	-	-	26	6	423	285	783	763	682	679	-	-	1,914	1,733
Gifts	17	37	42	41	-	-	5	-	28	-	-	-	92	78
Investment	-	-	-	-	-	-	-	-	-	-	3,290	2,754	3,290	2,754
Ancillary sales and service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
External cost recoveries	23,713	22,631	710	728	602	656	756	719	71	99	-	-	25,852	24,833
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	36,770	35,764	795	801	2,901	2,866	1,544	1,482	3,852	2,932	213,859	203,037	259,721	246,882
Expense														
Salaries														
Academic	101,237	96,509	-	-	99	55	-	-	991	934	-	-	102,327	97,498
Library	3,158	3,269	-	-	-	-	-	-	-	-	-	-	3,158	3,269
Plant maintenance	84	80	-	-	-	-	9,666	9,035	-	-	-	-	9,750	9,115
Administrative and support	29,111	27,571	6,820	6,539	12,869 (1)	11,770	2,185 (2)	1,951	2,476	2,353	-	-	53,461	50,184
Benefits costs	21,131	20,109	1,211	1,187	2,402	2,235	2,228	2,263	580	514	-	-	27,552	26,308
Total salaries and benefits	154,721	147,538	8,031	7,726	15,370	14,060	14,079	13,249	4,047	3,801	-	-	196,248	186,374
Library acquisitions	3,956	3,725	5	4	34	21	-	-	2	3	-	-	3,997	3,753
Laboratory and teaching supplies	3,027	2,940	-	-	-	-	-	-	-	-	-	-	3,027	2,940
Equipment and service	1,662	2,160	1,220	1,857	361	306	581	902	340	222	-	-	4,164	5,447
Finance costs	56	53	6	4	28	34	96	80	-	-	1,221	1,062	1,407	1,233
Utilities and taxes	-	-	-	-	-	-	10,801	8,777	-	-	-	-	10,801	8,777
Externally contracted services	5,353	5,318	157	95	1,128	971	4,307	4,353	393	259	-	-	11,338	10,996
Scholarships, bursaries and prizes	992	796	1	2	-	-	-	-	5,732	4,876	-	-	6,725	5,674
Ancillary cost of sales and service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	2,921	2,669	82	74	378	334	23	32	537	541	-	-	3,941	3,650
Amortization of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General operating	5,823	6,220	513	676	2,552	2,389	2,817	3,144	1,179	555	333	385	13,217	13,369
Internal / interfund transfers	5,767	4,977	(770)	(1,408)	(172)	234	(315)	(302)	996	1,042	72	(72)	5,578	4,471
Total expense	184,278	176,396	9,245	9,030	19,679	18,349	32,389	30,235	13,226	11,299	1,626	1,375	260,443	246,684
Change in year before appropriations	(147,508)	(140,632)	(8,450)	(8,229)	(16,778)	(15,483)	(30,845)	(28,753)	(9,374)	(8,367)	212,233	201,662	(722)	198
(Increase) decrease in appropriations	613	(671)	(28)	151	330	(35)	(815)	570	159	(101)	463	(112)	722	(198)
Surplus before pension expense adjustment	(146,895)	(141,303)	(8,478)	(8,078)	(16,448)	(15,518)	(31,660)	(28,183)	(9,215)	(8,468)	212,696	201,550	-	-
Pension expense adjustment	-	-	-	-	-	-	-	-	-	-	(5,494)	(5,283)	(5,494)	(5,283)
Change in net assets after pension adjustment	(146,895)	(141,303)	(8,478)	(8,078)	(16,448)	(15,518)	(31,660)	(28,183)	(9,215)	(8,468)	218,190	206,833	5,494	5,283

(1) Increase due in part to new positions in the Registrar's Office/Communications and Marketing for student recruitment, Internal Audit, Secretary to the Board of Governors, research support and Environmental Health & Safety.

(2) Additional term staff required during implementation of Facilities Management system project.

(3) 2006 is the first year of the student bus pass program. Student fees are offset by payment to Metro Transit.

DALHOUSIE UNIVERSITY
Schedule of Revenue and Expense for Operating and Endowment
Year Ended March 31, 2006 (With Comparatives Figures for 2005)
(in Thousands of Dollars)

	2006			2005		
	Operating	Endowment	Total	Operating	Endowment	Total
Revenue	\$	\$	\$			\$
Provincial government operating grants	114,185	-	114,185	107,549	-	107,549
Other government grants and contracts	6,654	-	6,654	6,443	-	6,443
Corporations and foundations	81	-	81	19	-	19
Tuition fees	88,800	-	88,800	85,716	-	85,716
Non-credit and other fees	18,853	-	18,853	17,757	-	17,757
General	1,914	-	1,914	1,733	-	1,733
Gifts	92	830	922	78	1,086	1,164
Investment	3,290	13,034	16,324	2,754	13,736	16,490
Ancillary sales and service	-	-	-	-	-	-
External cost recoveries	25,852	-	25,852	24,833	-	24,833
Amortization of deferred capital contributions	-	-	-	-	-	-
Total revenue	259,721	13,864	273,585	246,882	14,822	261,704
Expense						
Salaries						
Academic	102,327	3,584	105,911	97,498	4,051	101,549
Library	3,158	19	3,177	3,269	16	3,285
Plant maintenance	9,750	-	9,750	9,115	-	9,115
Administrative and support	53,461	249	53,710	50,184	315	50,499
Benefits costs	27,552	531	28,083	26,308	561	26,869
Total salaries and benefits	196,248	4,383	200,631	186,374	4,943	191,317
Library acquisitions	3,997	90	4,087	3,753	107	3,860
Laboratory and teaching supplies	3,027	26	3,053	2,940	68	3,008
Equipment and service	4,164	56	4,220	5,447	47	5,494
Finance costs	1,407	-	1,407	1,233	-	1,233
Utilities and taxes	10,801	-	10,801	8,777	-	8,777
Externally contracted services	11,338	1,198	12,536	10,996	1,059	12,055
Scholarships, bursaries and prizes	6,725	6,351	13,076	5,674	6,275	11,949
Ancillary cost of sales and service	-	-	-	-	-	-
Travel	3,941	173	4,114	3,650	211	3,861
Amortization of capital assets	-	-	-	-	-	-
General operating	13,217	421	13,638	13,369	560	13,929
Internal / interfund transfers	5,578	1,088	6,666	4,471	1,521	5,992
Total expense	260,443	13,786	274,229	246,684	14,791	261,475
Change in year before appropriations	(722)	78	(644)	198	31	229
Change in net assets	722	(78)	644	(198)	(31)	(229)
Surplus for the year	-	-	-	-	-	-

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

DALHOUSIE UNIVERSITY
Schedule of Revenue and Expense - Ancillary
Year Ended March 31, 2006 (With Comparatives Figures for 2005)
(in Thousands of Dollars)

	Arts Centre		Housing and Conference Services		Bookstore		Dalplex & Arena		Personal Computing Purchase Centre		Food Service		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Provincial government operating grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other government grants and contracts	65	100	-	-	-	-	-	-	-	-	-	-	65	100
Corporations and foundations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tuition fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-credit and other fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gifts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ancillary sales and service	2,854	2,097	13,885	13,599	7,189	7,428	2,353	2,233	2,845	2,777	6,075	5,730	35,201	33,864
External cost recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	2,919	2,197	13,885	13,599	7,189	7,428	2,353	2,233	2,845	2,777	6,075	5,730	35,266	33,964
Expense														
Salaries														
Academic	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant maintenance	-	-	331	304	-	-	-	-	-	-	-	-	331	304
Administrative and support	495	473	1,741	1,737	518	486	1,423	1,329	310	275	35	30	4,522	4,330
Benefits costs	66	65	325	321	99	89	177	158	54	53	8	7	729	693
Total salaries and benefits	561	538	2,397	2,362	617	575	1,600	1,487	364	328	43	37	5,582	5,327
Library acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Laboratory and teaching supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment and service	25	27	375	487	65	174	94	82	1	15	72	164	632	949
Finance costs	24	26	2,054	1,817	161	156	27	25	36	30	146	130	2,448	2,184
Utilities and taxes	67	68	1,567	1,508	8	8	205	197	-	-	36	37	1,883	1,818
Externally contracted services	51	24	492	773	68	66	64	65	24	23	4,695	4,455	5,394	5,406
Scholarships, bursaries and prizes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ancillary cost of sales and service	2,136	1,515	-	-	5,354	5,870	283	207	2,277	2,299	-	-	10,050	9,891
Travel	5	1	17	41	7	3	2	5	10	3	-	2	41	55
General operating	55	74	1,669	1,468	280	280	185	96	54	39	-	44	2,243	2,001
Internal / interfund transfers	(5)	(76)	5,314	5,824	526	501	(107)	89	79	40	1,070	924	6,877	7,302
Total expense	2,919	2,197	13,885	14,280	7,086	7,633	2,353	2,253	2,845	2,777	6,062	5,793	35,150	34,933
Change in year before appropriations	-	-	-	(681)	103	(205)	-	(20)	-	-	13	(63)	116	(969)
Net (increase) decrease in appropriations	-	-	-	681	(103)	205	-	20	-	-	(13)	63	(116)	969
Surplus for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Schedule 4

DALHOUSIE UNIVERSITY
Schedule of Revenue and Expense for Restricted Funds
Year Ended March 31, 2006 (With Comparatives Figures for 2005)
(in Thousands of Dollars)

	Special Purpose		Research	
	2006	2005	2006	2005
Revenue	\$	\$	\$	\$
Provincial government operating grants	-	-	-	-
Other government grants and contracts	165	702	53,314	55,478
Corporations and foundations	890	1,081	21,849	21,718
Tuition fees	-	-	-	-
Non-credit and other fees	-	-	-	-
General	3,690	3,745	631	393
Gifts	6,557	7,511	670	431
Investment	114	140	3	3
Ancillary sales and service	-	-	-	-
External cost recoveries	1,870	2,443	643	1,096
Amortization of deferred capital contributions	570	290	4,813	3,094
Total revenue	<u>13,856</u>	<u>15,912</u>	<u>81,923</u>	<u>82,213</u>
Expense				
Salaries				
Academic	605	782	11,229	10,418
Library	2	52	-	-
Plant maintenance	-	-	-	-
Administrative and support	3,687	3,512	20,522	18,819
Benefits costs	564	507	3,032	2,773
Total salaries and benefits	<u>4,858</u>	<u>4,853</u>	<u>34,783</u>	<u>32,010</u>
Library acquisitions	48	45	64	65
Laboratory and teaching supplies	329	276	5,953	5,817
Equipment and service	16	512	1,003	2,979
Finance costs	6	5	-	5
Utilities and taxes	-	-	-	-
Externally contracted services	2,523	2,226	8,978	8,134
Scholarships, bursaries and prizes	836	683	14,306	13,270
Ancillary cost of sales and service	-	-	-	-
Travel	818	558	5,787	5,373
Amortization of capital assets	-	-	-	-
General operating	3,199	2,979	4,284	4,422
Internal / interfund transfers	949	1,234	6,429	9,707
Total expense	<u>13,582</u>	<u>13,371</u>	<u>81,587</u>	<u>81,782</u>
Change in year before appropriations	274	2,541	336	431
Change in net assets	(274)	(2,541)	(336)	(431)
Surplus for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>