

Consolidated Financial Statements of

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

March 31, 2007

THIS PAGE LEFT BLANK INTENTIONALLY

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR END MARCH 31, 2007**

Consolidated Financial Statements

Auditors' Report	
Consolidated Statement of Financial Position	Statement 1
Consolidated Statement of Operations	Statement 2
Consolidated Statement of Changes in Net Assets	Statement 3
Consolidate Statement of Cash Flows	Statement 4

Audited Supplementary Information

Auditors' Report on Supplementary Information	
Consolidated Schedule of Financial Position by Fund	Schedule 1
Consolidated Schedule of Operations by Fund	Schedule 2

Unaudited Supplementary Information

Schedule of Operating Fund Revenue	Schedule A
Schedule of Gross Operating Fund Expenditures by Function	Schedule B
Schedule of Gross Operating Fund Expenditures by Account	Schedule C
Compensation Practices	Schedule D

THIS PAGE LEFT BLANK INTENTIONALLY

Auditors' Report

To the Board of Regents of
Memorial University of Newfoundland

We have audited the consolidated statement of financial position of Memorial University of Newfoundland (the "University") as at March 31, 2007 and the consolidated statements of operations, 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 consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
June 12, 2007

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Financial Position
March 31, 2007, with comparative figures for 2006

STATEMENT 1

(thousands of dollars)

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 49,360	\$ 36,348
Short-term investments	-	9,905
Accounts receivable	47,586	35,892
Accrued interest receivable	1,397	959
Inventory and prepaid expense	9,164	6,148
	107,507	89,252
Long-term receivable	3,074	3,523
Investments (note 7)	57,452	48,699
Capital assets (note 3)	160,280	157,085
	\$ 328,313	\$ 298,559
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Bank indebtedness (note 6)	\$ 5,541	\$ 6,003
Accounts payable and accrued liabilities	16,519	11,912
Deferred revenue	10,385	10,616
Current portion of employee future benefits (note 11)	9,901	9,390
Current portion of long term-debt (note 5)	1,003	1,311
	43,349	39,232
Long-term liabilities:		
Long-term debt (note 5)	451	840
Employee future benefits (note 11)	89,837	79,367
	90,288	80,207
Deferred contributions (note 4)	204,533	191,361
Net Assets:		
Net assets restricted for endowment purposes (note 10)	56,186	53,114
Net assets invested in capital assets	-1,413	-1,638
Unrestricted net assets	-64,630	-63,717
	-9,857	-12,241
	\$ 328,313	\$ 298,559

See accompanying notes to consolidated financial statements.

Commitment (note 12)

Contingencies (note 9)

On behalf of the Board:

SIGNED

Chair of the Board of Regents

SIGNED

Chair of the Finance Committee

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Operations
Year ended March 31, 2007, with comparative figures for 2006

STATEMENT 2

(thousands of dollars)

	2007	2006
Revenue:		
Government grants	\$ 263,624	\$ 243,191
Student fees	54,157	54,924
Other revenue	24,063	29,721
Amortization of deferred capital contributions	21,521	20,702
Sales and services	15,972	14,800
Investment income	5,946	6,162
Donations	2,026	2,757
	387,309	372,257
Expenditures:		
Salaries	201,824	193,158
Employee benefits	34,972	33,400
Materials and supplies	29,743	38,298
Amortization	21,333	20,455
Utilities	19,371	17,176
Scholarships, bursaries and awards	17,707	16,297
Repairs and maintenance	14,954	10,673
Travel and hosting	13,580	12,293
Externally contracted services	13,402	12,895
Professional fees	11,975	8,629
Employee future benefits	11,256	5,000
Other operating expenses	9,613	13,495
Reference materials	2,344	625
Equipment rentals	2,318	2,056
External cost recoveries	-15,546	-15,596
	388,846	368,854
Excess of revenue over expenditures		
(expenditures over revenue)	\$ -1,537	\$ 3,403

See accompanying notes to consolidated financial statements.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Changes in Net Assets
Year ended March 31, 2007, with comparative figures for 2006

STATEMENT 3

(thousands of dollars)

	Invested in Capital Assets	Restricted for Endowment Purposes	Unrestricted	2007 Total	2006 Total
Balance, beginning of year	\$ -1,638	\$ 53,114	\$ -63,717	\$ -12,241	-18,534
Excess of revenue over expenditures (expenditures over revenue)	188	-849	-876	-1,537	3,403
Endowment contributions	-	3,921	-	3,921	2,890
Increase (decrease) to invested in capital assets	37	-	-37	-	-
Balance, end of year	\$ -1,413	\$ 56,186	\$ -64,630	\$ -9,857	-12,241

See accompanying notes to consolidated financial statements.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Cash Flows
Year ended March 31, 2007, with comparative figures for 2006

STATEMENT 4

(thousands of dollars)

	2007	2006
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures (expenditures over revenue)	\$ -1,537	\$ 3,403
Items not involving cash:		
Amortization of capital assets	21,333	20,455
Net increase in deferred contributions related to expenses of future periods	8,965	5,050
Increase in long-term portion of employee future benefits	10,470	5,348
Increase in current portion of employee future benefits	511	-282
Amortization of deferred capital contributions	-21,521	-20,702
Loss on disposal of capital assets	129	144
Change in non-cash working capital	-10,772	-9,131
	7,578	4,285
Financing activities:		
Repayment of long-term debt	-697	-1,527
Decrease in bank indebtedness	-462	-1,139
Endowment contributions	3,921	2,890
Addition to deferred capital contributions	25,728	28,014
	28,490	28,238
Investing activities:		
Capital assets acquired	-24,657	-25,310
Increase in pooled investments	-8,753	-1,563
Reduction in long-term receivable	449	140
Decrease in short-term investments	9,905	4,009
	-23,056	-22,724
Increase in cash and cash equivalents	13,012	9,799
Cash and cash equivalents, beginning of year	36,348	26,549
Cash and cash equivalents, end of year	\$ 49,360	\$ 36,348

See accompanying notes to consolidated financial statements.

Memorial University of Newfoundland

Notes to Consolidated Financial Statements

Year ended March 31, 2007

(thousands of dollars)

1. AUTHORITY AND PURPOSE

Memorial University of Newfoundland (the "University") is a corporation operating under the authority of the *Memorial University Act*. It is a comprehensive research university offering a full range of undergraduate, graduate and continuing studies programs. The academic governance of the University is vested in the Senate. The University is a not-for-profit entity, governed by a Board of Regents, the majority of whom are appointed by the Province of Newfoundland and Labrador. The University is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Significant Accounting Policies

General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting principles are summarized as follows:

(a) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

(b) Consolidated statements

These financial statements have been prepared on a consolidated basis, reporting the operations and financial position of the University and the following related not-for-profit organizations:

- ⇒ C-CORE
- ⇒ The Canadian Centre for Marine Communications (CCMC)
- ⇒ The Canadian Centre for Fisheries Innovation (CCFI)
- ⇒ Genesis Group Inc.
- ⇒ The Memorial University of Newfoundland Botanical Garden Incorporated
- ⇒ Memorial University Recreation Complex (MURC)
- ⇒ Western Sports and Entertainment Inc.
- ⇒ Campus Childcare Inc.
- ⇒ Newfoundland Quarterly Foundation

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2007
(thousands of dollars)

2. Significant Accounting Policies (cont'd)

(c) Cash equivalents and short-term investments

Cash equivalents and short-term investments consist primarily of cash, treasury bills and bankers' acceptances. Investments with original maturities less than three months past year end are classified as cash equivalents. Investments with maturities beyond three months to one year past year end are classified as short-term investments. Short-term investments are carried at cost, which approximates market value.

(d) Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which related expenses are recognized. Contributions of capital assets are recorded at fair market value at the date of the contribution and deferred and amortized to operations on the same basis as the related asset. Endowment contributions are recognized as direct increases in the net assets in the year in which they are received. Revenues from contracts, sales and student fees are recognized when the goods or services are provided and collection is reasonably assured.

(e) Contributed services

Volunteers, including volunteer efforts from the staff of the University, contribute an indeterminable number of hours per year to assist the University in carrying out its service delivery activities. The costs that would otherwise be associated with these contributed services is not recognized in these financial statements.

(f) Investments

Investments are carried at cost. Fair values have been determined on the basis described in note 7 and are considered to approximate market values.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2007
(thousands of dollars)

2. Significant Accounting Policies (cont'd)

(g) Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of acquisition. Repairs and maintenance expenditures are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

The University's permanent art collection is expensed as incurred and the value of donated art is not recognized in these financial statements.

Capital assets are amortized using the following rates. One-half year's amortization is taken in the year of acquisition and no amortization in the year of disposal.

⇒ Buildings	8% declining balance
⇒ Furniture and equipment	20% declining balance
⇒ Computers	30% declining balance
⇒ Banner Finance	20% declining balance
⇒ Vehicles	30% declining balance
⇒ Campus network	5 years straight line
⇒ Library collection	10 years straight line

(h) Employee future benefits

(i) Pension costs and obligations

The employees of the University participate in a defined benefit pension plan administered under the Memorial University Pensions Act with any deficiencies being funded by the Province of Newfoundland and Labrador. Payments to the pension plan consist of contributions from employees and contributions from the University as prescribed in the Pension Benefits Act (1997). In addition, where the plan experiences a solvency deficiency, the employer is required to contribute an amount sufficient to liquidate the deficiency within 5 years of the solvency valuation date. The University's contributions to the Pension Plan are recorded as an expenditure in the Statement of Operations.

The most recent actuarial valuation prepared by Eckler Partners Ltd. disclosed a solvency deficiency of \$133,141 and a going concern deficiency of \$57,893 at March 31, 2007. Under the Pension Benefits Act (PBA), a going concern deficiency must be funded over a period of not more than 15 years while a solvency deficiency is to be funded over a maximum 5 year period.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2007
(thousands of dollars)

2. Significant Accounting Policies (cont'd)

(i) Pension costs and obligations (cont'd)

The going concern deficiency of \$57,893 includes \$53,747 in respect of past service costs related to the introduction of indexing in 2004. This indexing liability is being financed under a special PBA provision through both employee and employer contributions over a remaining period of 37.25 years. In accordance with the PBA, the balance of the going concern, namely \$4,146, must be liquidated during the 2007/08 fiscal year.

At present, the University has an exemption under the PBA from making payments relating to the solvency deficiency. This exemption expires December 31, 2010.

(ii) Other post employment benefits

The University accrues its obligations for employee benefit plans. The employee future benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and administration's best estimate of salary escalation, retirement ages of employees and escalation in covered benefit expense outlays.

The University recognizes the cost of the Supplemental Retirement Income Plan (SRIP), the Voluntary Early Retirement Income Plan (VERIP) and the cost of future employee benefits which include severance, accrued vacation, group life insurance and health care benefits.

(i) Agency obligations

The University acts as an agent which holds resources and makes disbursements on behalf of various unrelated groups. The University has no discretion over such agency transactions. Resources received in connection with such agency transactions are reported as liabilities and subsequent distributions are recorded as decreases to these liabilities.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2007
(thousands of dollars)

3. Capital Assets

	Cost	Accumulated Depreciation	2007 Net Book Value	2006 Net Book Value
Buildings	\$192,377	\$107,298	\$85,079	\$87,998
Furniture & equipment	66,908	31,249	35,659	29,803
Computers	27,361	20,569	6,792	7,307
Banner Finance	1,722	1,087	635	794
Vehicles	2,334	1,495	839	884
Campus network	3,282	3,282	-	330
Library collection	113,694	82,418	31,276	29,969
	\$407,678	\$247,398	\$160,280	\$157,085

Capital assets include certain assets under capital lease with a net book value of \$2.415 million (2006 – \$3.354 million).

4. Deferred Contributions

(a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for research and programs.

	2007	2006
Balance, beginning of year	\$40,869	\$35,829
Revenue received during the year	57,731	54,129
Expenses incurred during the year	-48,766	-49,089
	\$49,834	\$40,869

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2007
(thousands of dollars)

4. Deferred Contributions (cont'd)

(b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2007	2006
Balance, beginning of year	\$150,492	\$143,180
Additional contributions received	25,728	28,014
Less amounts amortized to revenue	-21,521	-20,702
	\$154,699	\$150,492

(c) Total deferred contributions

	2007	2006
Expenses of future periods	\$49,834	\$40,869
Capital assets	154,699	150,492
	\$204,533	\$191,361

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2007
(thousands of dollars)

5. Long-term Debt

	2007	2006
RBC Royal Bank, fixed term demand loan, 5.19% interest, repayable in 9 equal annual, blended payments of \$121,580, maturing in April 2012, unsecured	\$613	\$699
CMHC mortgage on Queen's College, 5.875% interest, repayable in 50 equal, blended payments of \$29,095 semi-annually, maturing in June 2019, secured	482	510
Capital leases negotiated through the Royal Bank, interest rates vary, payable in equal annual installments, secured by assets under lease	359	942
	\$1,454	\$2,151
Less current portion	1,003	1,311
	\$451	\$840

Annual repayments of long-term debt over the next five years are as follows:

⇒ 2008	\$1,003
⇒ 2009	\$ 32
⇒ 2010	\$ 34
⇒ 2011	\$ 36
⇒ 2012	\$ 38

6. Bank Indebtedness

Pursuant to Section 41 of the Memorial University Act, the University has received approval from the Lieutenant-Governor in Council to borrow to finance a capital project. The project involved the construction of a new residence complex for Sir Wilfred Grenfell College. Currently the Sir Wilfred Grenfell College Residence debt has been negotiated using bankers' acceptances which mature during 2007. Management expects to refinance this loan through bankers' acceptance for the balance of the term of the loan.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2007
(thousands of dollars)

7. Financial Instruments

The carrying values of financial instruments included in current assets and current liabilities approximate their market value due to the relatively short periods to maturity of the instruments.

The carrying values of long-term receivables are non-interest bearing and thus do not reflect fair value.

The carrying values of long-term debts approximate their fair value based on current borrowing rates available to the University.

Long-term investments are recorded at cost. The carrying amounts and fair values of investments are summarized as follows:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fixed Income	\$30,125	\$31,468	\$23,405	\$24,278
Equities	27,327	32,934	25,294	29,695
	\$57,452	\$64,402	\$48,699	\$53,973

Details of significant terms and considerations, exposures to interest rate and credit risks on investments are as follows:

- (i) The quality of fixed income securities is supported by federal, provincial and municipal government guarantees or high quality corporate bonds. No significant weightings exist within the corporate bond category that would pose any material credit rate risk to the University.
- (ii) Interest rates on fixed income securities range from 4.1% to 7.4% with maturities ranging from 2007 to 2049.
- (iii) The income earned on the securities is used to pay scholarships and fund endowed chairs. Expenditure levels on these activities are determined based on the performance of the investments.

Memorial University of Newfoundland

Notes to Consolidated Financial Statements

Year ended March 31, 2007

(thousands of dollars)

8. Memorial University Act

In accordance with the Memorial University Act, the University is normally prohibited from recording a deficit on their financial statements. During 1996, pursuant to Section 36 of the *Memorial University Act*, the University received approval from the Lieutenant-Governor in Council to record a deficit of up to \$5 million in 1996 and an additional \$10 million in 1997 as a result of the recognition of the liabilities related to Voluntary Early Retirement Plans for faculty and staff. During 2001, the University received approval from the Lieutenant-Governor in Council to exclude from the definition of a deficit, pursuant to Section 36 of the *Memorial University Act*, any amounts resulting from the recognition of the liabilities related to recording vacation pay entitlements, severance and any other post employment benefits.

9. Contingencies

Reciprocal exchange of insurance risks

The University, in association with fifty-six Canadian universities, participates in a reciprocal exchange (CURIE) of insurance risks. The self-insurance cooperative involves a contractual agreement to share the insurance property and liability risks of member universities for a term of not less than five years.

The projected cost of claims will be funded through members' premiums based on actuarial projections. As of December 31, 2006, CURIE has a surplus of \$16.507 million, of which the University's prorata share is approximately 3% on an ongoing basis. In addition, the reciprocal has obtained \$645 re-insurance with commercial insurers to cover major property claims in excess of \$5 million per occurrence.

In respect of general liability, the limit is \$5 million per occurrence. Re-insurance for liability coverage in the amount of \$15 million in excess of a \$5 million per occurrence retention is in place.

In respect of errors and omissions liability policy, the limit is \$5 million per occurrence. Re-insurance for errors and omissions was purchased through a combined excess program with general liability in the amount of \$15 million.

As the originating insurers, CURIE has a contingent liability in the event that a re-insurer is unable to meet its obligations. In this respect, all re-insurance is placed with insurers registered in Canada and subject to supervision by the Office of the Superintendent of Financial Institutions Canada.

In the event that premiums are not sufficient to cover claims settlements, the member universities would be subject to an assessment in proportion to their participation.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2007
(thousands of dollars)

10. Net Assets

The University has total restricted net assets for endowment purposes as follows:

	2007	2006
Restricted assets subject to externally imposed restrictions requiring the principal to be maintained	\$47,132	\$43,898
Restricted assets subject to externally imposed restrictions requiring the principal be loaned to students	1,238	1,268
General University Endowment Fund is an internally restricted endowment	7,816	7,948
	\$56,186	\$53,114

Investment income on the various funds is restricted as stipulated in the terms and conditions of the individual funds. Investment income on the internally restricted fund and any other unrestricted funds is recorded in the Statement of Operations.

The University has unrestricted operating net assets calculated as follows:

	2007	2006
Total net assets	\$-9,857	\$-12,241
Less:		
Net assets restricted for endowment purposes	56,186	53,114
Net assets invested in capital assets	-1,413	-1,638
Net assets internally restricted for specific purposes	7,474	3,443
Net assets invested in separately incorporated entities	8,512	7,266
Net assets invested in employee future benefits	-90,504	-80,089
Net assets invested in accrued vacation benefits	-9,234	-8,668
Unrestricted operating net assets	\$19,122	\$14,331

Memorial University of Newfoundland

Notes to Consolidated Financial Statements

Year ended March 31, 2007

(thousands of dollars)

11. Employee Future Benefits

The University has a number of defined benefit and defined contribution plans providing group life insurance and health care benefits on a cost shared basis to retired employees, and in certain cases, their surviving spouses. In addition, the University pays a severance payment, to certain employee groups, upon termination, retirement or death, provided they meet certain eligibility criteria.

In May 1996, the Board of Regents approved a Supplemental Retirement Income Plan to provide benefits to employees of the University whose salaries exceed the Canada Revenue Agency maximum pensionable salary and whose defined benefit pension, therefore, exceeds the maximum benefit payable from the Plan.

In February and May 1996, the University offered faculty and staff, who reached the age 55 and attained a minimum of 10 years pensionable service, an opportunity to take an early retirement under the provisions of the Voluntary Early Retirement Incentive Plan.

Subject to eligibility criteria, the Plan provided an incentive of enhanced pension benefits of up to five years pensionable service and waiver of actuarial reduction, if applicable, or a lump sum early retirement payment. The early retirement incentive is being funded from operations.

The significant actuarial assumptions used in measuring the University's accrued benefit obligation under each plan are as follows:

Employee future benefits

Include a discount rate of 5% and an average rate of compensation increase of 4.5%.

Supplemental retirement income plan (SRIP)

Include a discount rate of 7% and an average compensation increase of 4.5%.

Voluntary early retirement income plan (VERIP)

Include a discount rate of 8%.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2007
(thousands of dollars)

11. Employee Future Benefits (cont'd)

	SRIP		VERIP		Other benefits	
	2007	2006	2007	2006	2007	2006
Accrued Benefit Obligation						
Balance, beginning of year	\$3,691	\$4,051	\$5,726	\$5,893	\$70,672	\$64,841
Current service cost	129	172	-	-	3,112	2,678
Interest cost	258	284	435	448	4,061	3,930
Benefits paid	-204	-163	-587	-598	-2,498	-2,498
Actuarial (gain) loss	-176	-653	-119	-17	6,004	1,721
	\$3,698	\$3,691	\$5,455	\$5,726	\$81,351	\$70,672
Current Plan Expense						
Current service expense	\$129	\$172	\$ -	\$ -	\$3,112	\$2,678
Interest cost	258	284	435	448	4,061	3,930
Actuarial (gain) loss	-176	-653	-119	-17	6,004	1,721
	\$211	\$-197	\$316	\$431	\$13,177	\$8,329

A summary of these accrued benefit obligations are as follows:

	2007	2006
Employee future benefits	\$81,351	\$70,672
Supplemental retirement income plan	3,698	3,691
Voluntary early retirement income plan	5,455	5,726
Accrued vacation	9,234	8,668
	\$99,738	\$88,757
Less current portion	9,901	9,390
Long-term employee future benefits	\$89,837	\$79,367

Memorial University of Newfoundland

Notes to Consolidated Financial Statements

Year ended March 31, 2007
(thousands of dollars)

12. Commitment

Memorial University has embarked on an Energy Saving Retrofit Program with Honeywell aimed at finding ways to save energy and reduce utility costs at various facilities. The project, expected to cost \$14.6 million, will focus on eight buildings on the St. John's campus. Memorial has received approval from the Provincial Government to finance this project.

Subsequent to year end the University has entered into a debt arrangement with the Royal Bank, which will be repaid through the energy savings from the retrofit program. Honeywell has guaranteed these energy savings which are expected to be \$1.5 million per year over the next 14 years. This ensures that the project will be self funded.

13. Comparative Figures

Certain of the 2006 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2007.

Auditors' Report to the Board of Regents Memorial University of Newfoundland on Supplementary Information

To the Board of Regents of
Memorial University of Newfoundland

We have audited and reported separately herein on the consolidated financial statements of Memorial University of Newfoundland (the "University") as at and for the year ended March 31, 2007.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of the University taken as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such supplementary information has been subject to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Deloitte & Touche LLP

Chartered Accountants
June 12, 2007.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
CONSOLIDATED SCHEDULE OF FINANCIAL POSITION BY FUND
AS AT MARCH 31, 2007 (with comparative figures for 2006)
(thousands of dollars)

SCHEDULE 1

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current assets:												
Cash and cash equivalents	6,679	-7,720	2,829	2,558	-2,229	-499	16,891	17,615	25,190	24,394	49,360	36,348
Short-term investments	-	9,905	-	-	-	-	-	-	-	-	-	9,905
Accounts receivable	17,079	13,378	735	236	445	592	24,513	16,925	4,814	4,761	47,586	35,892
Accrued interest receivable	3	73	-	-	-	-	-	-	1,394	886	1,397	959
Inventory and prepaid expense	4,453	4,446	1,778	1,650	2,828	-	42	28	63	24	9,164	6,148
Interfund accounts	924	1,000	-924	-1,000	-	-	-	-	-	-	-	-
	29,138	21,082	4,418	3,444	1,044	93	41,446	34,568	31,461	30,065	107,507	89,252
Long-term receivable	-	-	-	-	3,074	3,523	-	-	-	-	3,074	3,523
Investments (note 7)	-	-	-	-	-	-	600	600	56,852	48,099	57,452	48,699
Capital assets (note 3)	-	-	541	634	157,004	153,698	2,610	2,615	125	138	160,280	157,085
Total assets	29,138	21,082	4,959	4,078	161,122	157,314	44,656	37,783	88,438	78,302	328,313	298,559
Current liabilities:												
Bank indebtedness (note 6)	-	-	-	-	5,541	6,003	-	-	-	-	5,541	6,003
Accounts payable and accrued liabilities	9,657	6,767	274	163	1,631	793	4,457	3,749	500	440	16,519	11,912
Deferred revenue	2,708	1,911	230	102	2,522	2,859	4,860	5,744	65	-	10,385	10,616
Current portion of employee future benefits (note 11)	9,901	9,390	-	-	-	-	-	-	-	-	9,901	9,390
Current portion of long term-debt (note 5)	-	-	-	-	1,003	1,311	-	-	-	-	1,003	1,311
	22,266	18,068	504	265	10,697	10,966	9,317	9,493	565	440	43,349	39,232
Long-term liabilities:												
Long-term debt (note 5)	-	-	-	-	451	840	-	-	-	-	451	840
Employee future benefits (note 11)	88,656	78,350	347	279	-	-	714	643	120	95	89,837	79,367
	88,656	78,350	347	279	451	840	714	643	120	95	90,288	80,207
Deferred contributions (note 4)	-	-	-	-	151,976	147,753	33,921	26,686	18,636	16,922	204,533	191,361
Net assets:												
Net assets restricted for endowment purposes (note 10)	-	-	-	-	-	-	-	-	56,186	53,114	56,186	53,114
Net assets invested in capital assets	-	-	541	634	-1,966	-2,283	3	3	9	8	-1,413	-1,638
Unrestricted net assets	-81,784	-75,336	3,567	2,900	-36	38	701	958	12,922	7,723	-64,630	-63,717
	-81,784	-75,336	4,108	3,534	-2,002	-2,245	704	961	69,117	60,845	-9,857	-12,241
Total liabilities, deferred contributions and net assets	29,138	21,082	4,959	4,078	161,122	157,314	44,656	37,783	88,438	78,302	328,313	298,559

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
CONSOLIDATED SCHEDULE OF OPERATIONS BY FUND
FOR THE YEAR ENDED MARCH 31, 2007 (with comparative figures for 2006)
(thousands of dollars)**

SCHEDULE 2

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:												
Government grants	208,560	191,713	717	150	-	-	51,201	48,569	3,146	2,759	263,624	243,191
Student fees	53,980	54,765	-	-	-	-	-	-	177	159	54,157	54,924
Other revenue	12,306	14,756	1,389	729	-1,956	-1,328	4,133	10,253	8,191	5,311	24,063	29,721
Amortization of deferred capital contributions	-	-	-	-	21,132	20,431	378	258	11	13	21,521	20,702
Sales and services	-	-	15,972	14,800	-	-	-	-	-	-	15,972	14,800
Investment income	2,988	1,998	-	-	-	-	220	304	2,738	3,860	5,946	6,162
Donations	28	25	-	-	-	-	172	94	1,826	2,638	2,026	2,757
Total revenue	277,862	263,257	18,078	15,679	19,176	19,103	56,104	59,478	16,089	14,740	387,309	372,257
Expenditures:												
Salaries	172,408	166,915	6,461	5,397	1	-	19,169	16,886	3,785	3,960	201,824	193,158
Employee benefits	31,212	30,078	929	710	-	-	2,268	2,062	563	550	34,972	33,400
Materials and supplies	14,839	14,006	7,316	6,864	330	404	7,298	15,519	-40	1,505	29,743	38,298
Amortization	-	-	152	184	20,789	19,997	379	259	13	15	21,333	20,455
Utilities	15,693	15,160	2,372	1,640	4	4	270	188	1,032	184	19,371	17,176
Scholarships, bursaries and awards	6,291	5,630	3	-	-	-	7,818	6,988	3,595	3,679	17,707	16,297
Repairs and maintenance	5,225	4,404	997	909	5,658	4,721	686	231	2,388	408	14,954	10,673
Travel and hosting	7,034	6,184	50	34	4	-	4,368	3,902	2,124	2,173	13,580	12,293
Externally contracted services	9,077	8,195	700	579	56	24	2,717	2,905	852	1,192	13,402	12,895
Professional fees	4,258	4,256	122	11	102	14	5,569	3,058	1,924	1,290	11,975	8,629
Employee future benefits	11,118	4,941	68	44	-	-	46	-	24	15	11,256	5,000
Other operating expenses	3,829	4,560	347	309	30	31	5,280	8,373	127	222	9,613	13,495
Reference materials	2,012	506	68	-60	-	-	177	153	87	26	2,344	625
Equipment rentals	1,897	1,671	59	53	5	11	281	252	76	69	2,318	2,056
External cost recoveries	-13,996	-14,228	-45	-31	-380	-480	-99	-33	-1,026	-824	-15,546	-15,596
Total expenditures	270,897	252,278	19,599	16,643	26,599	24,726	56,227	60,743	15,524	14,464	388,846	368,854
Increase (decrease) for the year before the following	6,965	10,979	-1,521	-964	-7,423	-5,623	-123	-1,265	565	276	-1,537	3,403
Interfund transfers	-13,413	-10,771	2,095	1,837	7,666	5,938	-134	1,175	3,786	1,821	-	-
Net (decrease) increase in net assets for the year	-6,448	208	574	873	243	315	-257	-90	4,351	2,097	-1,537	3,403

THIS PAGE LEFT BLANK INTENTIONALLY

Unaudited Supplementary Information

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

March 31, 2007

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
SCHEDULE OF OPERATING FUND REVENUE
FOR THE YEAR ENDED MARCH 31, 2007
(thousands of dollars)
(unaudited)**

SCHEDULE A

	<u>2007</u>	<u>2006</u>
	\$	\$
Government grants:		
Province of Newfoundland and Labrador:		
Department of Education	176,474	162,012
Department of Health	26,839	24,811
Other	1,022	850
Government of Canada		
Indirect Cost of Research	4,225	4,040
	208,560	191,713
Student fees:		
Semester tuition:		
Undergraduates	36,534	37,221
Graduates	3,985	4,041
Non-credit courses:		
Continuing Studies	685	622
Sir Wilfred Grenfell College	295	283
Marine Institute	9,432	9,553
Other fees	3,049	3,045
	53,980	54,765
Investment income	2,988	1,998
Donations	28	25
Other revenue:		
Rental income	539	497
Miscellaneous income	10,876	13,351
Medical Practice Associates	891	908
	12,306	14,756
	277,862	263,257

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
SCHEDULE OF GROSS OPERATING FUND
EXPENDITURES BY FUNCTION
FOR THE YEAR ENDED MARCH 31, 2007
(thousands of dollars)
(unaudited)

SCHEDULE B

	<u>2007</u>	<u>2006</u>
	\$	\$
Academic:		
Faculty of Arts	25,340	24,903
Faculty of Business Administration	8,502	8,485
Faculty of Education	8,257	8,030
Faculty of Engineering and Applied Science	8,668	9,070
Faculty of Medicine	28,757	27,815
Faculty of Science	33,317	33,645
School of Life Long Learning	978	922
School of Graduate Studies	5,027	4,221
School of Music	2,306	2,293
School of Nursing	4,380	4,040
School of Pharmacy	2,142	1,677
School of Human Kinetics	3,227	2,901
School of Social Work	2,306	2,155
Sir Wilfred Grenfell College	16,873	16,072
Labrador Institute	352	391
Distance Education and Learning Technologies	4,037	3,831
Animal Care Unit	1,203	1,207
Fisheries and Marine Institute	31,118	29,223
Technical Services	3,132	2,668
Oil and Gas Development Partnership	288	251
Harris Centre	242	275
CREAIT	693	453
	191,145	184,528
Support services:		
Administrative departments	23,246	19,233
Computing and Communications	11,838	11,349
Library	15,063	13,210
Student Services	8,106	7,165
Facilities Management	21,457	20,179
	79,710	71,136
Total	270,855	255,664

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
SCHEDULE OF GROSS OPERATING FUND EXPENDITURE BY ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE C

(thousands of dollars)
(unaudited)

	Academic		Library		Student Services		Facilities Management		Computing & Communications		Administration		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Academic salaries	89,438	88,086	2,195	2,218	814	718					662	457	93,109	91,479
Other instruction and research salaries	1,935	1,666	155	136	906	828	6	2	130	108	108	93	3,240	2,833
Other salaries and wages	41,900	41,063	3,633	3,482	2,904	2,684	9,956	9,432	4,339	4,286	13,327	11,656	76,059	72,603
Employee benefits	23,158	22,662	1,160	1,117	645	588	2,504	2,370	840	811	2,905	2,530	31,212	30,078
	156,431	153,477	7,143	6,953	5,269	4,818	12,466	11,804	5,309	5,205	17,002	14,736	203,620	196,993
Travel and hosting	5,173	4,598	101	65	467	386	153	150	58	39	1,082	946	7,034	6,184
Materials and supplies	12,393	11,704	273	517	1,329	1,039	1,029	1,287	3,516	3,188	1,016	718	19,556	18,453
Repairs and maintenance	2,371	1,728	274	38	134	127	1,681	1,709	736	124	280	144	5,476	3,870
Reference materials	1,919	1,665	7,052	5,299	5	5	5	10	1	2	22	20	9,004	7,001
Scholarships, bursaries and awards	5,368	4,573	1		633	547					289	510	6,291	5,630
Utilities	3,329	3,126	42	36	60	60	12,115	11,482	-32	302	179	154	15,693	15,160
Equipment rentals	1,116	953	99	119	14	13	22	42	574	486	72	58	1,897	1,671
Externally contracted service	3,023	3,008	159	137	97	83	2,631	1,925	2,500	2,490	667	552	9,077	8,195
Professional fees	2,375	2,396	9	12	29	16	211	226	-217	110	1,851	1,496	4,258	4,256
Other operating expenses:														
Institutional memberships	204	187	52	39	25	40	5	4	7	7	303	271	596	548
Property tax	131	105					249	236			-2		378	341
Insurance	219	200		138			36	610	2	3	891	8	1,148	959
Debt servicing	285	87			45	41	1	202	28	13	12	13	371	356
Space rental	419	247			7	8					26	20	452	275
External cost recoveries	-3,611	-3,526	-142	-143	-8	-18	-9,147	-9,508	-644	-620	-444	-413	-13,996	-14,228
	34,714	31,051	7,920	6,257	2,837	2,347	8,991	8,375	6,529	6,144	6,244	4,497	67,235	58,671
	191,145	184,528	15,063	13,210	8,106	7,165	21,457	20,179	11,838	11,349	23,246	19,233	270,855	255,664

SCHEDULE D

COMPENSATION PRACTICES AT MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Compensation at Memorial University is determined by the duties and responsibilities of respective positions.

At the executive level, the Board of Regents, on the recommendation of its Executive Compensation Committee, determines the salary levels for the university's president and vice-presidents.

Compensation for deans, academic directors and academic department heads includes a salary on a faculty member's scale, based on experience, rank and highest degree, in accordance with a collective agreement negotiated with the Memorial University of Newfoundland Faculty Association (MUNFA). In addition, there is an administrative stipend, set by the Board of Regents, the level of which is dependent on the size and complexity of the faculty, school or department.

For faculty and staff, compensation is determined through collective bargaining between the university and the various unions representing each employee group; MUNFA, the Canadian Union of Public Employees (CUPE), and the Newfoundland Association of Public Employees (NAPE). Periodic reviews of staff positions, including compensation levels, have been conducted with the assistance of external consultants since 1994.

Compensation for administrative directors and managers is set by the Board of Regents. A review of compensation in these positions was conducted by an external consultant in 1994-95.

The attached tabular information and explanatory notes provide an overview of salary ranges for academic, administrative and executive positions at Memorial University.

SCHEDULE D

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
EXECUTIVE SALARY RANGES
MARCH 31, 2007**

	Salary Range (\$)
President and Vice-Chancellor	219,200 - 274,000
Vice-Presidents:	
▶ Academic and Pro Vice-Chancellor	166,960 - 208,700
▶ Admin & Finance	148,400 - 185,500
▶ Research	148,400 - 185,500
Executive Director (Marine Institute)	127,200 - 159,000
Dean-Student Affairs & Services	143,400 - 179,300
Principal – SWGC	127,200 - 159,000

SCHEDULE D

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ACADEMIC SALARY RANGES (note 1)
MARCH 31, 2007**

	Salary Range (\$)	Actual Minimum & Maximum Salaries	Number of Employees
Academic Executive:	note (2)		15
▶ Deans of Faculties/Schools			7
▶ Directors of Schools			5
▶ University Librarian			1
▶ Associate Vice-President			2
Academic Management:	note (3)		63
▶ Vice Dean (Medicine)			1
▶ Vice-Principal (SWGC)			1
▶ Associate Vice Principal Research (SWGC)			1
▶ Associate Deans			16
▶ Assistant Deans			1
▶ Department Heads			29
▶ Directors			6
▶ Associate Directors			4
▶ Associate University Librarians			4
Academic Staff:	25,101 - 121,296	28,696 - 173,535	1118
▶ Professors	75,389 - 121,296	78,555 - 173,535	259
▶ Associate Professors	62,725 - 97,551	64,308 - 135,543	296
▶ Assistant Professors	53,227 - 67,474	50,061 - 99,134	258
▶ Lecturers (note 4)	46,895 - 54,810	46,895 - 64,308	80
▶ Co-op Education Coordinators	45,312 - 80,138	64,308 - 76,972	14
▶ Librarians	40,563 - 110,215	42,146 - 95,968	37
▶ Instructors - Marine Institute	25,101 - 92,897	28,696 - 88,176	174

Note 1: Some individuals are in receipt of market differentials which may result in salaries that exceed the maximum levels in their approved salary ranges.

Note 2: Academic Deans and Directors receive a salary depending upon professorial rank plus an administrative stipend in the range of \$6,000 to \$25,000 per year depending on the size and complexity of their academic units, and whether they are serving a first or a second term.

Note 3: Academic Departments Heads receive a salary based upon their professorial rank plus an administrative stipend in the range of \$3,000 to \$10,000 depending on the size of their academic unit.

Note 4: Lecturers include 27 Visiting Professors paid on the lecturer scale.

SCHEDULE D

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ADMINISTRATIVE SALARY RANGES (note 1)
MARCH 31, 2007**

	Salary Range (\$)	Actual Minimum & Maximum Salaries	Number of Employees
Administrative Directors Level 1 to 4:	65,833 - 111,914	72,416 - 143,260	24
Marine Institute Academic and Industrial Response Unit Managers	62,107 - 105,991	65,910 - 105,991	14
Management and Professional Staff (note 2)	23,233 - 89,625	32,394 - 95,899	263
Administrative Staff (note 3)	23,001 - 99,424	23,001 - 81,600	1919

Note 1: Some individuals are in receipt of market differentials which may result in salaries that exceed the maximum levels in their approved salary ranges.

Note 2: Management and professional staff ranges reflect 15 salary levels developed under the university's Job Evaluation System.

Note 3: Administrative and academic support staff salary ranges reflect salary levels defined by union collective agreements or non-bargaining terms and conditions of employment.