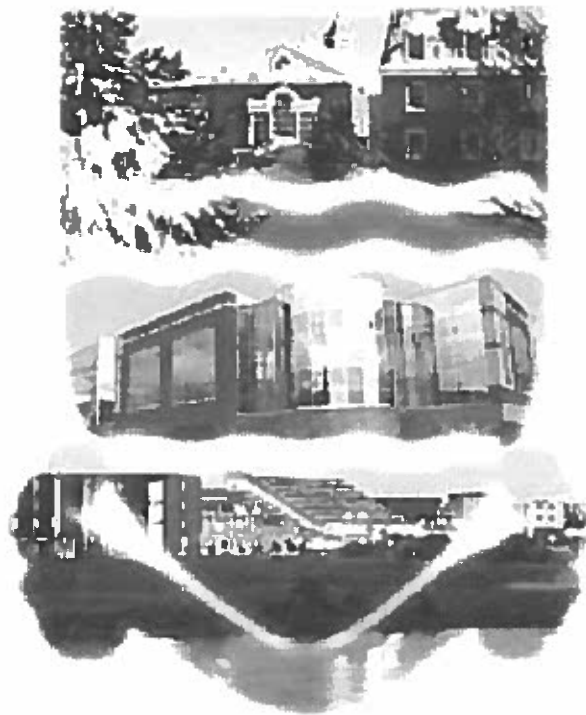




Memorial
University of Newfoundland



Consolidated Financial Statements of

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Year ended March 31, 2001

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**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
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FOR THE YEAR ENDED 31 MARCH 2001**

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**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, 2001, the consolidated statements of operations, statement of changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, 2001, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

The financial statements as at March 31, 2000 and for the year then ended, were audited by other auditors who expressed an opinion in those statements with reservation (note 3) in their report dated May 19, 2000.

Ernst & Young LLP

St. John's, Canada
May 14, 2001, Except as to Note 8
which is as of November 5, 2001

Chartered Accountants

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001
(thousands of dollars)

1. Authority and Purpose:

Memorial University of Newfoundland (the University) is a corporation operating under the authority of the *Memorial University of Newfoundland 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. 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 accounting principles generally accepted in Canada. The accounting principles are summarized below:

(a) Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in Canada 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 revenues and expenses during the year. Actual results could differ from those estimates. These 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 the financial position of the University and the following related not-for-profit organizations:

- C-CORE - Centre for Cold Ocean Resources Engineering
- The Canadian Centre for Marine Communications (CCMC)
- The Canadian Centre for Fisheries Innovation (CCFI)
- Genesis Group Inc. (formerly Seabright Corporation Limited)
- The Memorial University of Newfoundland Art Gallery Incorporated
- The Memorial University of Newfoundland Botanical Garden Incorporated
- Canada Games Park 1995 Incorporated

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001
(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 bearing interest rates of 5.28% to 6.03% (2000 - 5.28% to 5.60%). Those with original maturities at date of purchase of three months or less are classified as cash equivalents whereas those with original maturities beyond three months and less than twelve months are classified as short-term investments. Both are stated at cost, which approximates market value.

(d) Revenue recognition:

The University follows the deferral method of accounting for contributions which includes donations and government grants.

The University receives grants and donations from a number of different sources to cover operating, research and capital expenditures. The operating portions of the grants are recorded as revenue in the period to which they relate. The capital portions of grants are recorded as a deferred contribution and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

During the year the grant revenue from the Province of Newfoundland has been recorded as follows:

	2001	2000
	\$	\$
Total Provincial Government Grant	131,671	124,930
Less portion restricted for capital expenditures	11,247	9,261
Net Provincial Government Grant	120,424	115,669

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.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001
(thousands of dollars)

2. Significant Accounting Policies (cont'd.):

(d) Revenue recognition (cont'd.):

Endowment contributions are recognized as direct increases in endowment net assets.

Revenues from contracts and sales are recognized when the services are provided or the goods are sold.

(e) Contributed services:

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

(f) Investments:

The carrying amounts (cost values) and fair values of investments are summarized as follows:

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Fixed income securities	27,534	28,773	27,540	27,535
Equity securities	10,320	10,460	11,340	11,498
	37,854	39,233	38,880	39,033

Fair values have been determined on the basis described in note 10 and are considered to approximate market values.

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 the fixed income securities range from 3% to 8.25%, with maturities that range from 2001 to the year 2049.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001
(thousands of dollars)

2. Significant Accounting Policies (cont'd.):

(f) Investments (cont'd.):

- (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.

(g) Capital assets:

Purchased capital assets (except art collection assets) are recorded at cost. Donated capital assets (except art collection assets) are recorded at fair value at the date of acquisition. Repairs and maintenance costs 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
Vehicles	30% declining balance
Campus Network	20% declining balance
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 guaranteed by the Province of Newfoundland. Payments to the pension plan consist of contributions from the employees and contributions from the University as prescribed by the Pension Benefits Act (1997). The University's contributions to the pension plan are recorded as an expenditure within the Statement of Operations.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Notes to Consolidated Financial Statements

Year ended March 31, 2001
(thousands of dollars)

2. Significant Accounting Policies (cont'd.):

(h) **Employee Future Benefits (cont'd.):**

(ii) **Supplemental retirement income plan**

The Board of Regents, at its May 1996 meeting, approved a Supplemental Retirement Income Plan, effective April 1, 1996, to provide benefits to employees of the University whose salaries exceed the Canada Customs and Revenue Agency maximum pensionable salary and whose defined-benefit pension, therefore, exceeds the maximum benefits payable from the Plan. The obligation to make benefit payments under this Supplemental Retirement Income Plan is recorded as a liability of general operations. Information about this plan is as follows:

	2001	2000
Accrued benefit obligation	\$	\$
Balance at beginning of year	1,507	1,380
Current service cost	87	64
Interest cost	108	99
Benefits paid	(15)	(12)
Actuarial loss (gain)	25	(24)
Balance at end of year	1,712	1,507

The significant actuarial assumptions used in measuring the University's accrued benefit obligations include a discount rate of 7% and an average compensation increase of 5%. The net benefit plan expense is as follows:

	2001	2000
Current service cost	\$	\$
Actual loss (gain)	87	64
Interest cost	25	(24)
Net benefit plan expense	108	99
	220	139

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001

(thousands of dollars)

2. Significant Accounting Policies (cont'd.):

(h) Employee Future Benefits (cont'd.):

(iii) Voluntary early retirement plan

In February and May of 1996, the University offered faculty and non-academic staff members, who had reached age 55 and had attained a minimum of ten years pensionable service, an opportunity to take an early retirement under the provisions of the Voluntary Early Retirement Incentive Program (VERIP). Subject to eligibility criteria, the Program 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 allowance. The early retirement incentive is being funded from operations. Information about this plan is as follows:

	2001	2000
Accrued benefit obligation	\$	\$
Balance at beginning of year	6,533	6,495
Interest cost	498	507
Benefits paid	(612)	(614)
Actuarial loss (gain)	(42)	145
Balance at end of year	6,377	6,533
Plan deficit	6,377	6,533

The significant actuarial assumptions used in measuring the University's accrued benefit obligation include a discount rate of 8%. The net benefit plan expense is as follows:

	2001	2000
Actuarial loss (gain)	\$ (42)	\$ 145
Interest cost	498	507
Net benefit plan expense	456	652

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001

(thousands of dollars)

2. Significant Accounting Policies (cont'd.):

(h) Employee Future Benefits (cont'd.):

(iv) Other 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 to a severance payment upon termination. Information about these plans is as follows:

	2001
Accrued benefit obligation	\$
Balance at beginning of year	31,107
Current service cost	1,146
Interest cost	2,228
Benefits paid	(1,375)
Balance at end of year	33,106
Plan deficit	33,106

The significant actuarial assumptions used in measuring the University's accrued benefit obligations include a discount rate of 7% and an average rate of compensation increase of 5%. In addition, in determining the expected cost of health care benefits, it was assumed that health care costs will increase by 8% in year one and decrease gradually to 3% in 2007 and remain level thereafter. The net benefit plan expense is as follows:

	2001
	\$
Current service cost	1,146
Interest cost	2,228
Net benefit plan expense	3,374

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001

(thousands of dollars)

2. Significant Accounting Policies (cont'd.):

(h) Employee Future Benefits (cont'd.):

A summary of these accrued benefit obligations are as follows:

	2001	2000
Accrued benefit obligations	\$	\$
Supplemental retirement income plan	1,712	1,507
Voluntary early retirement plan	6,377	6,533
Other benefits	33,106	35
Total accrued benefit obligations	41,195	8,075
Less current portion	711	715
Net long term benefit obligations	40,484	7,360

3. Accounting Change:

Effective April 1, 2000, the University made two retroactive accounting changes, without restatement. The restatement to the opening unrestricted net assets is as follows:

Employee Future Benefits	\$31,072
Accrued Vacation	<u>5,649</u>
	<u>\$36,721</u>

The details for each of these accounting changes are described more fully below:

(i) Employee Future Benefits

Effective April 1, 2000, the University has adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) with respect to Employee Future Benefits for group life insurance, health care benefits and severance pay (note 2h(iv)). The major effect of this new recommendation is to recognize the cost of retirement and certain post employment benefits over the periods in which employees render services to the University in return for the benefits.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001
(thousands of dollars)

3. Accounting Change (cont'd.):

(i) Employee Future Benefits (cont'd.):

Previously, the financial statements of the University accounted for Employee Future Benefits as they were incurred. The cost of these benefits has been actuarially determined for accounting purposes based on assumptions that reflect management's best estimate of the effect of future events on the actuarial value of the accrued benefits. This change has been applied retroactively, without restatement of prior years. Accordingly, the impact on the 2001 financial statements is a reduction in opening unrestricted net assets of \$ 31,072 , and a decrease in excess of revenue over expenditure of \$2,059.

(ii) Accrued Vacation

Effective April 1, 2000, the University has changed its method of recording the accrual for vacation pay entitlements. The major effect of the adoption of this recommendation is to recognize the cost of these benefits in the period where the service is rendered.

Previously, the financial statements of the University accounted for vacation pay entitlements as they were incurred. This change has been applied retroactively, without restatement of prior years. Accordingly, the impact on the 2001 financial statements is a reduction in opening unrestricted net assets of \$5,649, and a decrease in excess of revenue over expenditure of \$471.

(iii) Prior Year Reservation of Opinion

In 2000, had the University recognized their obligations in accordance with CICA principles, expenditures would have increased by \$958, revenue would have increased by \$335, and excess of revenue over expenditures for the year would have decreased by \$623. The cumulative effect of recognizing these obligations as at March 31, 2000, would have been an increase in accrued liabilities of \$19,322 and a reduction of unrestricted net assets of \$21,714.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001

(thousands of dollars)

4. Capital Assets:

			2001	2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Buildings	149,410	64,803	84,607	77,062
Furniture and Equipment	23,657	12,084	11,573	9,705
Computers	12,718	5,600	7,118	5,607
Vehicles	825	244	581	448
Campus Network	4,979	1,212	3,767	866
Library Collection	76,092	48,768	27,324	26,785
Banner Finance	339		339	
	268,020	132,711	135,309	120,473

5. 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.

	2001	2000
	\$	\$
Balance, beginning of year	32,702	28,253
Revenue received during the year	27,054	29,905
Expenses incurred during the year	27,669	25,456
	32,087	32,702

(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.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001

(thousands of dollars)

5. Deferred Contributions (cont'd.):

(b) Capital assets (cont'd):

	2001	2000
	\$	\$
Balance, beginning of year	119,728	108,303
Additional contributions received	28,501	26,670
Less amounts amortized to revenue	(16,889)	(15,245)
	<u>131,340</u>	<u>119,728</u>

The balance of deferred capital contributions related to capital assets consists of the following:

	2001	2000
	\$	\$
Unamortized deferred capital contributions	129,850	117,867
Unspent capital contributions	1,490	1,861
	<u>131,340</u>	<u>119,728</u>

c) Total deferred contributions:

	2001	2000
	\$	\$
Expenses of future periods	32,087	32,702
Capital assets	131,340	119,728
	<u>163,427</u>	<u>152,430</u>

6. Net Assets:

(a) Restricted for endowment purposes:

The University has total restricted net assets for endowment purposes of \$42,388 (2000 - \$38,011) consisting of internally and externally restricted assets. Restricted assets of \$33,937 (2000 - \$30,034) are subject to externally imposed restrictions requiring the principal to be maintained intact. Additional externally restricted assets of \$1,126 (2000 - \$1,077) are subject to externally imposed restrictions requiring that the principal be loaned to students and, subject to the collection success, the principal is to be maintained intact. In addition, the General

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001

(thousands of dollars)

6. Net Assets (cont'd.):

(a) Restricted for endowment purposes (cont'd.):

University Endowment fund of \$7,325 (2000 - \$6,900) is an internally restricted endowment asset created by the Board of Regents and the principal is not available for other purposes without their approval. Investment income on the assets externally restricted are restricted as stipulated. Investment income on the internally restricted endowment is recorded as unrestricted income in the Consolidated Statement of Operations and any unspent income is recapitalized to preserve the principal.

(b) Unrestricted net assets:

The University has unrestricted net assets consisting of the following:

	2001	2000
	\$	\$
Net assets internally restricted for specific purposes	2,754	2,665
Net assets invested in related entities	4,917	3,852
Net assets invested in accrued employee benefits (note 2(h))	(40,484)	(7,360)
Net assets invested in accrued vacation benefits	(6,151)	
Unrestricted operating net assets	4,645	5,105
	(34,319)	4,262

All unrestricted income is reported in the Consolidated Statement of Operations.

7. Capital Commitments and Contingencies:

Capital Leases:

The University has entered into a number of capital lease arrangements with the Royal Bank of Canada. These lease arrangements provide for the acquisition of a number of capital assets. The assets are being financed over various remaining terms up to five years. The required repayments in the next five years are \$663, \$234, \$143, \$119 and \$106.

Capital Construction Commitment:

The University has commenced a major capital project to construct a new Field House on its St. John's Campus. The project is being substantially funded from the proceeds of the Opportunity Fund Campaign. Total project costs are \$13.5 million with \$9.4 million expended to March 31, 2001. The remaining \$4.1 million will be expended in the upcoming fiscal year.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001

(thousands of dollars)

7. Capital Commitments and Contingencies (cont'd.):

Contingencies:

(a) Reciprocal Exchange of Insurance Risks:

The University, in association with fifty Canadian universities, participates in a reciprocal exchange (CURIE) of insurance risks. This 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, 2000, CURIE has a surplus of \$6.7 million, of which the University's prorata share is approximately 3% on an ongoing basis. In addition, the reciprocal has obtained \$645 million 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 \$20 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 the event premiums are not sufficient to cover claim settlements, the member universities would be subject to an assessment in proportion to their participation.

(b) Guarantee of loan for Memorial University of Newfoundland Students' Union:

In 1994 the Board of Regents, with the authorization of the Province of Newfoundland, guaranteed a loan in the amount of \$1.2 million dollars for the Memorial University of Newfoundland Students' Union. The current balance outstanding on the loan is \$1,145.

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

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001

(thousands of dollars)

8. Memorial University Act (cont'd.):

recognition of the liabilities related to recording vacation pay entitlements, severance entitlements and any other post-employment future benefits. The University has recorded an accumulated deficit with respect to these benefits in the amount of \$46,635.

9. Opportunity Fund:

On March 25, 1997, the University launched a fund raising campaign with a goal to raise a combined total of \$50 million. The five year campaign has raised \$28 million in private sector pledges to date and the Government of Newfoundland and Labrador has agreed to match donor contributions on a dollar for dollar basis up to \$28 million. As at March 31, 2001, the Government has contributed \$21.3 million toward their matching contribution. The balance of uncollected pledges and matching funds has not been reflected in the financial accounts of the University.

10. Fair Value Disclosures:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

(i) General:

For certain of the University's financial instruments, including:

- (a) cash and cash equivalents
- (b) accounts receivable
- (c) accrued interest receivable
- (d) accounts payable and accrued liabilities

The carrying amounts approximate fair value due to the immediate or short-term maturity of these financial instruments.

(ii) Investments:

Fair values of investments are determined as follows:

Cash and short-term investments maturing within one year are stated at cost which, together with accrued interest income, approximate fair value given the short-term nature of these instruments.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Notes to Consolidated Financial Statements

Year ended March 31, 2001
(thousands of dollars)

10. Fair Value Disclosures (cont'd.):

(ii) Investments (cont'd.):

Bonds and equities are valued at year-end quoted market prices received from security dealers or from prices published in financial newspapers.

In determining fair values, adjustments have not been made for transaction costs as they are not considered to be significant.

(iii) Mortgage receivable:

The carrying value of the mortgage receivable approximates its fair market value based on market rates for similar instruments.

(iv) Voluntary Early Retirement Plan:

The carrying value of this long-term payable is calculated based on an actuarial valuation of this liability discounted to present day values, and consequently represents its fair value.

(v) Other long-term liabilities:

The carrying value of other long-term liabilities approximates fair value based on similar instruments.

11. Subsequent event:

On Monday, February 12, 2001, the Board of Regents approved in principle the transfer, at nominal value, of the management, control and ownership of the Art Gallery of Newfoundland and Labrador (AGNL) from Memorial University to the Provincial Government. The terms of the transfer will include the retention by the University of the ownership of the Permanent Art Collection valued at \$5,000. The transfer is currently scheduled for June 30, 2001.

12. Comparative figures:

Certain of the 2000 comparative figures have been reclassified to conform with the financial presentation adopted in 2001.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Financial Position

March 31, 2001, with comparative figures for 2000

(thousands of dollars)

	2001	2000
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 12,103	\$ 18,437
Short-term investments	22,329	16,546
Accounts receivable	23,927	20,479
Inventory and prepaids	5,599	4,074
Accrued interest receivable	2,307	1,502
	66,265	61,038
Mortgage receivable	772	832
Investments (note 2)	37,854	38,880
Capital assets (note 4)	135,309	120,473
	\$ 240,200	\$ 221,223
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 26,292	\$ 17,336
Long-term liabilities:		
Other	1,244	1,644
Employee benefits obligation (note 2h)	40,484	7,360
	41,728	9,004
Deferred contributions (note 5)	163,427	152,430
Net Assets:		
Net assets invested in capital assets	684	180
Net assets restricted for endowment purposes (note 6)	42,388	38,011
Unrestricted net assets, beginning of year	-34,319	4,262
	8,753	42,453
	\$ 240,200	\$ 221,223

See accompanying notes to consolidated financial statements.

On behalf of the Board


 Chair of the Board of Regents


 Chair of the Finance Committee

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Operations

Year ended March 31, 2001, with comparative figures for 2000

(thousands of dollars)

	2001	2000
Revenue:		
Government grants	\$ 150,038	\$ 140,397
Student fees	49,954	50,358
Sales and services	12,246	11,256
Amortization of deferred capital contributions	16,889	15,245
Investment income	5,914	4,649
Other income	16,687	15,438
	<u>251,728</u>	<u>237,343</u>
Expenditures:		
Salaries and employee benefits	164,070	157,631
Travel and hosting	9,669	9,152
Materials and supplies	23,318	22,359
Renovations	4,897	5,217
Books	466	412
Scholarships and bursaries	12,342	12,939
Amortization	16,754	14,923
Utilities	14,226	12,466
Equipment rentals	2,460	2,473
Externally contracted services	9,828	8,932
Professional fees	4,589	5,111
Other	1,830	2,100
External cost recoveries	-14,313	-16,393
	<u>250,136</u>	<u>237,322</u>
Excess of revenue over expenditures before the following	\$ 1,592	\$ 21
Vacation pay expense	471	
Employee future benefits obligation	2,059	
Excess (deficiency) of revenue over expenditures for the year	-938	21

See accompanying notes to consolidated financial statements.

STATEMENT 3

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Changes in Net Assets

Year ended March 31, 2001, with comparative figures for 2000

(thousands of dollars)

	Invested in Capital Assets	Restricted for Endowment	Unrestricted	2001 Total	2000 Total
Balance, beginning of year	\$ 180	\$ 38,011	\$ 4,262	\$ 42,453	\$ 38,508
Restatement (note 3) As restated			<u>-36,721</u>	<u>-36,721</u>	
			-32,459	5,732	
Excess (deficiency) of revenue over expenditures	135	418	-1,491	-938	21
Endowment contributions		3,959		3,959	3,924
Reduction to invested in capital assets	369		-369		
Balance, end of year	\$ 684	\$ 42,388	\$ -34,319	\$ 8,753	\$ 42,453

See accompanying notes to consolidated financial statements.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Cash Flows

Year ended March 31, 2001, with comparative figures for 2000

(thousands of dollars)

	2001	2000 (note 3)
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditure for the year	\$ -938	\$ 21
Items not involving cash:		
Amortization of capital assets	16,754	14,923
Net increase in deferred contributions related to expenses of future periods	-615	4,449
Amortization of deferred capital contributions	-16,889	-15,245
Opening net asset adjustment related to employee benefit obligations	-36,721	
Change in non-cash working capital	3,178	3,643
	-35,231	7,791
Financing and investing activities:		
Endowment contributions	3,959	3,924
Addition to deferred capital contributions	30,259	27,511
Reduction in deferred capital contributions	-1,758	-841
Capital assets acquired	-31,590	-24,526
(Increase) decrease in pooled investments	1,026	-1,239
(Increase) in short-term investments	-5,783	-2,244
(Decrease) increase in long-term liabilities	-400	-342
Increase in employee benefit obligations	33,124	
Reduction in mortgage receivable	60	50
	28,897	2,293
Increase (decrease) in cash and cash equivalents	-6,334	10,084
Cash and cash equivalents, beginning of year	18,437	8,353
Cash and cash equivalents, end of year	\$ 12,103	\$ 18,437

See accompanying notes to consolidated financial statements.

**AUDITORS' REPORT TO THE BOARD OF REGENTS
OF MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ON SUPPLEMENTARY INFORMATION**

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, 2001.

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 through 6 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.

The supplementary information, as at March 31, 2000, and for the year then ended, was subject to the auditing procedures applied in the audit of the basic consolidated financial statements, by other auditors who expressed an opinion without reservation on the supplementary information as it relates to the basic consolidated financial statements taken as a whole.

Ernst & Young LLP

St. John's, Canada
May 14, 2001

Chartered Accountants

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
 CONSOLIDATED SCHEDULE OF FINANCIAL POSITION
 AS AT MARCH 31, 2001
 (Thousands of dollars)

SCHEDULE 1

	OPERATING	2000	ANCILLARY ENTERPRISES	2000	PLANT	2000	SPONSORED RESEARCH	2000	SPECIAL PURPOSE AND TRUST	2000	TOTAL 2001	TOTAL 2000
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current assets:												
Cash and cash equivalents	-27,609	-15,614	385	-154	2,310	2,063	21,051	16,388	15,986	15,754	12,103	18,437
Short-term investments	22,329	16,546									22,329	16,546
Accounts receivable	14,601	10,573	138	303	63	1,578	6,648	5,408	2,479	2,617	23,927	20,479
Accrued interest receivable	707	351							1,600	1,151	2,307	1,502
Inventory and prepaid expense	3,822	2,412	1,610	1,631			158	12	9	19	5,599	4,074
Interfund accounts	2,114	2,065	-2,114	-2,065								
	15,964	16,333	-1	-285	2,373	3,641	27,855	21,808	20,074	19,541	66,265	61,038
Mortgage receivable			772	832							772	832
Investments							500	200	37,354	38,680	37,854	38,680
Capital assets			585	575	131,383	116,206	3,068	3,439	273	253	135,309	120,473
Total assets	15,964	16,333	584	290	134,528	120,679	31,423	25,447	57,701	58,474	240,200	221,223
Current liabilities:												
Accounts payable and accrued liabilities	17,068	10,892	14	-14	5,815	3,878	2,927	2,103	468	477	26,292	17,336
Long-term liabilities:												
Other	23	38									1,244	1,044
Accrued benefits obligation	40,134	7,325	150		1,221	1,606	172		48	35	40,484	7,309
	40,157	7,363	130		1,221	1,606	172		48	35	41,728	8,604
Deferred contributions					127,933	115,836	27,167	22,428	8,327	14,166	163,427	152,430
Net assets												
Net assets invested in capital assets			585	575	62	-445	13	16	24	34	684	180
Net assets restricted for endowment purposes			-145	-271	-503	-168	1,144	900	42,388	38,011	42,388	36,011
Unrestricted net assets	-41,261	-1,922	-440	-304	-411	-641	1,157	916	6,486	5,751	-34,319	-4,262
	-41,261	-1,922							48,868	43,796	8,753	42,453
Total Liabilities, Deferred contributions and Net assets	15,964	16,333	584	290	134,528	120,679	31,423	25,447	57,701	58,474	240,200	221,223

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
CONSOLIDATED SCHEDULE OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2001
(Thousands of dollars)

SCHEDULE 2

	OPERATING	2000	ANCILLARY ENTERPRISES	2000	PLANT	2000	SPONSORED RESEARCH	2000	SPECIAL PURPOSE AND TRUST	2000	TOTAL 2001	TOTAL 2000
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	120,424	115,669	150	150	16,419	14,708	24,997	18,594	4,467	5,984	150,038	140,397
Government grants	49,818	50,229					444	524	26	13	16,869	15,245
Amortization of deferred capital contributions	2,877	2,092	12,246	11,256			217	136	138	129	49,954	50,358
Student fees	7,150	5,484	71	523	1,670	444	3,513	7,652	4,283	1,335	12,246	11,256
Sales and services											5,914	4,649
Investment income											16,687	15,438
Other income												
Total revenue	180,269	173,474	12,467	11,929	18,089	15,152	29,171	26,906	11,732	9,882	251,728	237,343
Expenditure	143,984	138,772	4,217	4,217		1	11,957	10,543	3,912	4,098	164,070	157,631
Salaries and employee benefits	4,660	4,691	67	66			3,342	2,803	1,400	1,592	9,669	9,152
Travel and housing	10,136	8,860	6,005	5,722	1	-2	6,316	6,708	860	1,071	23,318	22,359
Materials and supplies	2,377	2,748	668	786	1,681	1,484	55	6	116	193	4,897	5,217
Renovations	329	265	3	6			84	112	50	29	466	412
Books	4,173	4,522	13	1			3,610	3,364	4,546	5,052	12,342	12,939
Scholarships and bursaries	11,931	10,360	948	817		-1	191	155	1,196	1,115	14,226	12,468
Utilities	1,891	2,130	47	56	173	-1	228	192	121	96	2,460	2,473
Equipment rentals			110	98	16,164	14,277	447	528	33	20	16,754	14,823
Amortization	6,365	6,161	519	393			1,807	1,456	1,137	923	9,828	8,932
Externally contracted service	2,332	2,716	20	17			1,417	1,639	820	746	4,589	5,111
Professional fees	1,420	1,465	49	47	38	39	78	117	245	432	1,830	2,100
Other	-14,438	-14,558	16	24	2,284	-326	-1		-2,174	-1,533	-14,313	-16,393
External cost recoveries												
Total expenditure	175,360	168,152	12,680	12,250	20,341	15,483	29,531	27,623	12,224	13,834	250,136	237,322
Increase (decrease) for the year before the following	4,909	5,322	-213	-321	-2,252	-311	-360	-717	-482	-3,952	1,592	21
Interfund transfers	-5,279	-2,395	453	152	2,452	763	760	923	1,614	557	-471	
Vacation pay expense	-502		25				16		-10			
Employee benefits obligation	-2,031		-16				-3		-9		-2,059	
Net increase (decrease) in net assets for the year	-2,903	2,927	249	-169	200	452	413	206	1,103	-3,385	-939	21

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
SCHEDULE OF UNIVERSITY OPERATING REVENUE
FOR THE YEAR ENDED MARCH 31, 2001
(Thousands of dollars)**

SCHEDULE 3

	<u>2001</u>	<u>2000</u>
	\$	\$
Government grants		
Province of Newfoundland		
Department of Education	103,174	99,075
Department of Health	16,763	16,153
Other	487	441
	<u>120,424</u>	<u>115,669</u>
Student fees		
Semester tuition		
Undergraduates	41,289	41,099
Graduates	2,527	3,082
Non credit courses		
Continuing Studies	559	671
Sir Wilfred Grenfell College	260	254
Marine Institute	1,043	1,056
Other fees	4,140	4,067
	<u>49,818</u>	<u>50,229</u>
Investment income	<u>2,877</u>	<u>2,092</u>
Other income		
Rental income	562	495
Miscellaneous income	5,687	4,067
Medical Practice Associates	901	922
	<u>7,150</u>	<u>5,484</u>
Total revenue	<u><u>180,269</u></u>	<u><u>173,474</u></u>

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
SCHEDULE OF UNIVERSITY OPERATING EXPENDITURE BY FUNCTION
FOR THE YEAR ENDED MARCH 31, 2001
(Thousands of dollars)**

SCHEDULE 4

	2001	2000
	\$	\$
Academic		
Faculty of Arts	19,045	18,702
Faculty of Business Administration	5,760	5,599
Faculty of Education	5,784	5,645
Faculty of Engineering and Applied Science	6,188	5,897
Faculty of Medicine	20,401	19,617
Faculty of Science	26,035	25,694
School of Continuing Education	4,354	4,317
School of Graduate Studies	2,930	2,880
School of Music	1,451	1,271
School of Nursing	2,389	2,198
School of Pharmacy	1,131	1,154
School of Physical Education and Athletics	2,107	1,902
School of Social Work	1,718	1,748
Sir Wilfred Grenfell College	10,572	10,310
Co-operative Education Services Centre	678	634
Labrador Institute of Northern Studies	217	235
Animal Care Unit	303	259
Fisheries and Marine Institute	18,003	16,647
Technical Services	2,302	1,888
	<u>131,368</u>	<u>126,597</u>
Support services		
Administrative departments	12,370	11,594
Computing and Communications	6,351	6,866
Library	6,046	5,513
Student Services	4,557	4,098
Facilities Management	14,668	13,484
	<u>43,992</u>	<u>41,555</u>
Total expenditure	<u>175,360</u>	<u>168,152</u>

SCHEDULE 5

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
 SCHEDULE OF UNIVERSITY OPERATING EXPENDITURE BY OBJECT
 FOR THE YEAR ENDED MARCH 31, 2001
 (Thousands of dollars)

	Academic	Library	Student Services	Facilities Management	Computing and Communications	Administration	Total 2000	Total 2001	Total 2000
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Academic salaries	65,466								
Other instruction and research salaries	1,339	1,638	475				179	07,693	66,370
Other salaries and wages	32,079	89	635				58	2,441	2,502
Employee benefits	14,214	2,893	1,516	7,484	2,844	8,446	8,214	55,262	52,200
		720	271	1,494	458	1,431	1,373	18,588	17,692
	113,098	5,340	3,097	8,978	3,409	10,062	9,824	143,984	138,772
Travel and housing	3,620	67	191	154					
Materials and supplies	7,001	6,324	310	931	91	741	704	4,860	4,691
Renovations	728	561	59	1,414	784	598	478	10,136	8,860
Library acquisitions	1,564	1,429	6	7	2,094	26	4	2,377	2,748
Scholarships and bursaries	3,646	4,817	3,886	10	6	3	14	6,217	5,345
Utilities	3,235	3,180	407	454	7	17	78	4,173	4,522
Furniture and equipment		46	279	7,920	286	177	163	11,931	10,380
Rental	1,051	905	10	146					
Purchase	2,819	2,225	67	503	41	1,069	44	1,891	2,130
Externally contracted service	2,311	2,005	116	1,792	300	199	114	5,169	3,886
Professional fees	1,464	1,950	2	107	1,163	2,763	66	6,365	6,161
Other					65	729	679	2,332	2,716
Institutional memberships	167	147	9	5	8	7	169	375	349
Property tax	82	80		231				323	344
Insurance	143	140		162				365	352
Debt repayments	76	73	12	11	2	1	6	168	212
Space rental	158	174	18	12	64	107	4	168	208
External cost recoveries	-5,872	-5,971	-29	-7,243	-1,015	-331	-1,076	-14,438	-14,558
	22,403	20,487	1,527	1,270	4,485	4,731	1,804	42,433	30,346
Gross expenditure	135,501	130,016	4,824	15,171	7,904	12,569	11,708	186,417	177,118
Less assets capitalized:									
Capital assets	2,819	2,225	67	503	1,543	199	114	5,169	3,886
Library collection	1,314	1,194						5,888	5,080
Net expenditure	131,368	126,597	4,557	14,668	6,351	12,370	11,594	175,360	168,152

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
CONSOLIDATED SCHEDULE OF SPONSORED RESEARCH REVENUE
FOR THE YEAR ENDED MARCH 31, 2001
(Thousands of dollars)**

SCHEDULE 6

	<u>2001</u>	<u>2000</u>
	\$	\$
Health and Welfare Canada	200	433
Atlantic Canada Opportunities Agency	2,715	2,205
National Research Council	255	121
Industry Science and Technology Canada		5
Federal Government Miscellaneous	5,605	6,570
Social Sciences and Humanities Research Council	1,407	4,789
Medical Research Council	2,771	1,786
Natural Sciences and Engineering Research Council	11,256	6,751
Newfoundland Provincial Government	1,604	287
Foreign Sponsors	1,417	2,211
Business and Industry	8,785	4,998
Foundations	1,334	1,472
Other Non-Government Agencies	328	149
C-CORE Research Trust		
Other	407	3,147
Memorial University Internal Awards	<u>-3,806</u>	<u>-1,833</u>
Gross revenue (Including interfund transfers)	34,278	33,091
Less revenue deferred to future periods	<u>5,107</u>	<u>6,185</u>
Net revenue	<u><u>29,171</u></u>	<u><u>26,906</u></u>