MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Consolidated Financial Statements
with Supplementary Schedules

March 31, 2014

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

Consolidated Financial Statements

Unaudited Supplementary Information

INDEPENDENT AUDITORS' REPORT

To the Board of Regents of
Memorial University of Newfoundland

We have audited the accompanying consolidated financial statements of **Memorial University of Newfoundland** which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations, remeasurement gains, changes in net deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Memorial University of Newfoundland** as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

St. John's, Canada
July 3, 2014

Memorial University of Newfoundland **Statement 1**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31
[thousands of dollars]

	2014	2013
ASSETS		
Current		
Cash and cash equivalents	**19,511**	13,528
Restricted cash *[note 4]*	**7,426**	6,756
Short-term investments *[note 6]*	**132,171**	110,429
Accounts receivable	**64,871**	87,806
Other current assets	**7,400**	6,697
Total current assets	**231,379**	225,216
Portfolio investments *[note 6]*	**107,684**	101,733
Assets under construction *[note 8]*	**141,954**	160,050
Tangible capital assets *[note 7]*	**241,375**	191,017
Total assets	**722,392**	678,016
LIABILITIES		
Current		
Bank indebtedness *[note 5]*	**12,533**	13,748
Accounts payable and accrued liabilities	**63,235**	65,150
Deferred revenue	**37,347**	43,197
Deferred contributions - external grants and donations *[note 10]*	**97,498**	89,179
Current portion of long term debt *[note 11]*	**517**	514
Total current liabilities	**211,130**	211,788
Long term debt *[note 11]*	**312**	829
Derivative liability	**1,643**	2,167
Post-employment benefits *[note 12]*	**171,817**	158,342
Deferred capital contributions *[note 9]*	**362,473**	327,648
Total liabilities	**747,375**	700,774
NET DEFICIENCY		
Net assets restricted for endowment purposes	**74,018**	69,089
Net assets related to remeasurement gains	**7,255**	1,916
Unrestricted net deficiency	**(106,256)**	(93,763)
Total net deficiency	**(24,983)**	(22,758)
Total liabilities and net deficiency	**722,392**	678,016

See accompanying notes
Contingencies [note 13]

On behalf of the Board:

"Signed"
Chair of the Board of Regents

"Signed"
Chair of the Finance Committee

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31
[thousands of dollars]

	2014	2013
REVENUE		
Government grants	**444,274**	423,694
Student fees	**62,469**	62,711
Other income	**61,489**	56,701
Amortization of deferred capital contributions *[note 9]*	**25,561**	22,847
Sales and services	**13,612**	11,393
Investment income	**7,701**	6,364
	615,106	583,710
EXPENSES		
Salaries and employee benefits	**412,558**	398,913
Materials and supplies	**37,061**	36,836
Repairs and maintenance	**32,486**	32,471
Utilities	**28,218**	25,451
Scholarships, bursaries and awards	**26,567**	26,773
Amortization of tangible capital assets	**25,789**	21,986
Other operating expenses	**17,242**	12,686
Travel and hosting	**16,733**	16,249
Externally contracted service	**16,720**	15,813
Post-employment benefits *(note 12)*	**13,476**	11,474
Professional fees	**11,786**	12,615
Equipment rentals	**4,096**	4,177
Interest expense	**587**	623
External cost recoveries	**(19,132)**	(19,758)
	624,187	596,309
Excess of expenses over revenue	**(9,081)**	(12,599)

See accompanying notes

Memorial University of Newfoundland **Statement 3**

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS

Year ended March 31
[thousands of dollars]

	2014	2013
Accumulated remeasurement gains at beginning of year	**1,916**	**-**
Unrealized gains attributable to:		
Portfolio investments	**6,427**	1,979
Derivative liability	**534**	181
Amounts reclassified to consolidated statement of operations:		
Portfolio investments	**(1,622)**	(244)
Accumulated remeasurement gains at end of year	**7,255**	1,916

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN NET DEFICIENCY

As at March 31
[thousands of dollars]

	Net Assets Restricted for Endowment Purposes	Net Assets Related to Remeasurement Gains	Unrestricted Net Deficiency	2014	2013
Balance, beginning of year	**69,089**	**1,916**	**(93,763)**	**(22,758)**	(15,984)
Change in remeasurement gains for the current year	**-**	**5,339**	**-**	**5,339**	1,916
Excess of revenue over expense (expense over revenue)	**3,412**	**-**	**(12,493)**	**(9,081)**	(12,599)
Endowment contributions	**1,517**	**-**	**-**	**1,517**	3,909
Balance, end of year	**74,018**	**7,255**	**(106,256)**	**(24,983)**	(22,758)

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31
[thousands of dollars]

	2014	2013
OPERATING ACTIVITIES		
Excess of expenses over revenue	**(9,081)**	(12,599)
Items not affecting cash:		
Amortization of tangible capital assets	**25,789**	21,986
Amortization of deferred capital contributions	**(25,561)**	(22,847)
Loss on disposal of tangible capital assets	**48**	135
Increase in post-employment benefits, net	**13,475**	11,474
Change in non-cash working capital	**22,796**	1,974
Cash provided by operating activities	**27,466**	123
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	**(76,195)**	(59,762)
Net change in assets under construction (purchases less transfers)	**18,096**	(53,950)
Contributions received for capital purposes	**60,386**	115,551
Cash provided by capital activities	**2,287**	1,839
INVESTING ACTIVITIES		
Increase (decrease) in short-term investments, net	**(21,742)**	4,107
Increase in restricted cash, net	**(670)**	(561)
Increase in portfolio investments, net	**(1,146)**	(4,926)
Cash used in investing activities	**(23,558)**	(1,380)
FINANCING ACTIVITIES		
Decrease in bank indebtedness, net	**(1,215)**	(1,391)
Endowment contributions	**1,517**	3,909
Decrease in long-term debt, net	**(514)**	(110)
Cash (used in) provided by financing activities	**(212)**	2,408
Net change in cash and cash equivalents during the year	**5,983**	2,990
Cash and cash equivalents, beginning of year	**13,528**	10,538
Cash and cash equivalents, end of year	**19,511**	13,528

See accompanying notes

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 government not-for-profit organization [GNPO], governed by a Board of Regents, the majority of whom are appointed by the Government of Newfoundland and Labrador. The University is a registered charity under the *Income Tax Act [Canada]* and, accordingly, is exempt from income taxes, provided certain requirements of the *Income Tax Act [Canada]* are met.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the University have been prepared by management in accordance with Canadian public sector accounting standards for GNPO's, including the 4200 series of standards, as issued by the Public Sector Accounting Board [PSAB].

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the University and the following not-for-profit organizations, which are controlled by the University:

C-CORE
Campus Childcare Inc.
The Canadian Centre for Fisheries Innovation
Genesis Group Inc.
The Memorial University of Newfoundland Botanical Garden Incorporated (dissolved April 2013)
Memorial University Recreation Complex
Newfoundland Quarterly Foundation (dissolved April 2013)
Western Sports and Entertainment Inc.

All intercompany assets and liabilities, revenues and expenses have been eliminated.

The reported operations and financial positions of dissolved entities have been included in the consolidated financial statements up to the date of their dissolution.

Use of estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses during the year at the date of the consolidated financial statements. Actual results could differ from these estimates. Estimates are reviewed periodically, and as adjustments become necessary, they are reported in the earnings of the period during which they became known. Areas of key estimation include actuarial assumptions for post-employment benefits, allowance for doubtful accounts, amortization rates and cost of assets under construction.

Revenue recognition

Revenues from contracts, sales, unrestricted investment income [interest, dividends, realized gains and losses], other ancillary services [parking, residence, sundry sales, etc.] and student fees are recognized when the goods or services are provided and collection is reasonably assured.

The University follows the deferral method of accounting for contributions, which include donations and government grants, as follows:

> 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 initially deferred and recognized as revenue in the year during which the related expenses are incurred.
>
> Restricted contributions for the purchase of capital assets are 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 during which they are received.
>
> Restricted investment income [interest, dividends, realized gains and losses] is recognized in the year in which the related expenses are incurred.
>
> Restricted investment income [interest, dividends, realized gains and losses] that must be maintained as an endowment is recorded as a direct increase/decrease to net assets.

Expense recognition

Expenses are recorded on the accrual basis as they are incurred and measureable based on receipt of goods or services and obligation to pay.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit, investments in money-market funds and short-term investments with original terms to maturity of 90 days or less. Cash and cash equivalents held by external investment managers for investing rather than liquidity purposes are classified as investments.

Tangible capital assets

Purchased tangible capital assets are recorded at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of acquisition. Repairs and maintenance expenditures are charged to operations. Betterments which meet certain criteria are capitalized.

The University's permanent art collection is expensed when purchased and the value of donated art is not recognized in these consolidated statements.

The University's library collection is capitalized and recorded at cost.

Assets under construction are not recorded as tangible capital assets, or amortized, until the asset is put into service.

Assets under capital lease are recorded as tangible capital assets and amortized on the same basis as the underlying asset.

Tangible capital assets are amortized over their useful lives using the following methods and rates. Half a year's amortization is taken in the year of acquisition and no amortization is taken in the year of disposal.

Asset	Rate	Method
Buildings	8%	Declining balance
Furniture and equipment	20%	Declining balance
Computers	30%	Declining balance
Software	20%	Declining balance
Vehicles and vessels	30%	Declining balance
Library collection	10 years	Straight line

Impairment of long-lived assets

Tangible capital assets are written down when conditions indicate they no longer contribute to the University's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital assets is less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations. Any associated unamortized deferred capital contributions related to the derecognized assets is recognized in income.

Post-employment benefits

Pension plan

The employees of the University participate in a defined benefit pension plan [the Plan] administered under the *Memorial University Pensions Act* with any deficiencies being funded by the Province of Newfoundland and Labrador. Payments to the Plan consist of contributions from employees together with matching amounts from the University plus any additional amounts required to be paid by an employer as prescribed in the *Pension Benefits Act (1997)* [PBA]. In addition to its matching contributions, the University made a special payment of $20.3 million to the Plan during the year. This payment was made against the going concern unfunded liability, not attributable to indexing, that was identified in the December 31, 2012 valuation of the Plan. With respect to a solvency deficiency, the PBA requires that an employer contribute an amount sufficient to liquidate the deficiency within five years of the solvency valuation date. The University's contributions to the pension plan are recorded as an expense in the consolidated statement of operations. The assets and obligations of the plan are not recorded in these consolidated financial statements.

An actuarial valuation of the Plan was performed for funding purposes as at December 31, 2012 and the results of the valuation and its extrapolation to March 31, 2013 were reported upon in the March 31, 2013 financial statements. During the 2013/2014 fiscal year, the valuation was revised to reflect changes to certain economic and demographic assumptions. This included a change in the discount rate from 6.0% to 6.3% and a change in the retirement age assumption to reflect the fact that since mandatory retirement was eliminated, a number of Plan members are electing to work beyond age 65. The impact of these changes is disclosed and addressed in the March 31, 2014 financial statements of the pension plan. The revised assumptions have been incorporated into the valuation prepared as at December 31, 2013 and the results have been extrapolated to March 31, 2014 for financial statement reporting.

The extrapolation revealed that the going concern unfunded liability is $295.8 million at March 31, 2014 based on current Plan provisions and PBA requirements. Under the PBA, a going concern unfunded liability must be funded over a period of not more than 15 years while a solvency deficiency must be funded over a maximum five-year period. A portion of the going concern unfunded liability relates to the past service cost of indexing, introduced under the Plan, effective July 1, 2004. A funding arrangement was implemented coinciding with the introduction of indexing to liquidate this unfunded liability over a period of 40 years. At March 31, 2014, approximately 30.25 years are remaining in the amortization schedule. The indexing liability is amortized on a declining balance basis along with recognition that if the indexing contributions (i.e., an additional 0.6% of payroll being made by both the University and employees) exceed the originally scheduled amortization payment, that 15 years' worth of these excess contributions can be accounted for when determining the University's special payments.

The University is required to make special payments to fund the going concern unfunded liability revealed in the December 31, 2012 actuarial valuation. As at December 31, 2012 the going concern unfunded liability was $292.7 million. The portion of the going concern unfunded liability (after accounting for the indexing liability) to be amortized was $220.0 million and the required amortization payment for fiscal 2014/2015 is $22.6 million (or 7.2% of pensionable payroll) (2013/2014 - $20.3 million). University special payments will continue at this level (i.e., 7.2% of pensionable payroll) until the next actuarial valuation for funding purposes, which is due no later than December 31, 2015 (i.e., within three years of the December 31, 2012 actuarial valuation).

With respect to solvency, the University is exempt from the solvency funding requirements of the PBA until December 31, 2015.

Other post-employment benefits

In addition to the University's pension plan, the University also has defined benefit plans for other post-employment benefits. These benefits are actuarially determined using the projected benefit method prorated on service and the administration's best estimate of salary escalation, retirement ages of employees and escalation on covered benefit expense outlays. Actuarial gains and losses will be amortized over the average remaining service life of employees.

The post-employment benefits are:

Supplemental Retirement Income Plan
Voluntary Early Retirement Income Plan
Other benefits [severance, group life insurance and health care benefits]

Additional disclosure is provided in note 12.

Financial instruments

The University classifies its financial instruments as either fair value or amortized cost. The accounting policy for each category is as follows:

Fair value

This category includes cash and cash equivalents, restricted cash, bank indebtedness, derivatives and equity investments quoted in an active market for identical assets or liabilities using the last bid price. The University has designated its bond portfolio that would otherwise be classified into the amortized cost category at fair value as the University manages and reports performance of it on a fair value basis.

These financial instruments are initially recognized at fair value and subsequently carried at fair value.

Transaction costs related to these financial instruments in the fair value category are expensed as incurred.

Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains until they are realized, when they are transferred to the consolidated statement of operations.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and recognized in the consolidated statement of operations. On sale, the amount held in accumulated remeasurement gains with that instrument is removed from net assets and recognized in the consolidated statement of operations.

Amortized cost

This category includes short term investments, accounts receivable, accounts payable and accrued liabilities and debt. They are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Short term investments consist of investments in debt securities, whether or not quoted in an active market, initially recorded at fair value plus financing fees and transaction costs that are directly attributable to their acquisition or disposal. These debt securities are thereafter carried at amortized cost using the straight line amortization method.

Write-downs of financial assets in the amortized cost category are recognized when the amount of the loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the consolidated statement of operations.

Derivative financial instruments

Derivative financial instruments are utilized by the University in the management of interest rate exposure related to its bank indebtedness. The University may also enter into foreign exchange forward contracts to eliminate the risk of fluctuating foreign exchange rates on future commitments. The University does not utilize derivative financial instruments for trading or speculative purposes.

The University enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its floating rate bank indebtedness. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based.

Contributed materials and services

If contributed materials meet the definition of a tangible capital asset, and fair value is determinable, the University capitalizes and amortizes the tangible capital asset. All other contributed materials are not recognized in these consolidated financial statements.

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 cost that would otherwise be associated with these contributed services is not recognized in these consolidated financial statements.

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 in these liabilities.

3. MEMORIAL UNIVERSITY ACT

In accordance with the *Memorial University Act*, the University is normally prohibited from recording a deficit on its consolidated financial statements in excess of ¼ of 1% of its total revenue.

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 $5.0 million in 1996 and an additional $10.0 million in 1997 as a result of the recognition of the liabilities related to VERIP 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 other post-employment benefits.

4. RESTRICTED CASH

Restricted cash consists of premiums paid to Manulife Financial on behalf of employees which are held in an interest-bearing bank account to be used to fund future rate increases or enhancements in the long-term disability and basic term life insurance plans. The related liability is included in accounts payable and accrued liabilities.

5. 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 two capital projects. The projects involved the construction of a new residence complex for Grenfell Campus [Project 1] and the implementation of an energy performance program in five buildings on the University's main campus in St. John's [Project 2]. The debt has been negotiated using bankers' acceptances [BA's] which mature during the 2014/15 fiscal year. Management expects to refinance these loans through BA's for the balance of the term of the loan. Disclosure related to interest rate risk is provided in *note 14*.

Derivative liability

Project 1 interest rate swap transaction involves the exchange of the underlying floating rate Canadian BA for a fixed interest rate of 4.76% expiring April 12, 2017 with a notional amount of $2.2 million. The fair value of this interest rate swap is $0.19 million [2013 - $0.27 million].

Project 2 interest rate swap transaction involves the exchange of the underlying floating rate Canadian BA for a fixed interest rate of 5.12% expiring October 1, 2022 with a notional amount of $10.3 million. The fair value of this interest rate swap is $1.45 million [2013 - $1.90 million].

6. FINANCIAL INSTRUMENT CLASSIFICATION

The following table provides cost and fair market value information of financial instruments by category. The maximum exposure to credit risk is the carrying amount shown below.

[thousands of dollars]	**2014**			2013
	Fair Value	**Amortized Cost**	**Total**	Total
Cash and cash equivalents	**19,511**	**-**	**19,511**	13,528
Restricted cash	**7,426**	**-**	**7,426**	6,756
Short term investments	**-**	**132,171**	**132,171**	110,429
Accounts receivable	**-**	**64,871**	**64,871**	87,806
Portfolio investments	**107,684**	**-**	**107,684**	101,733
Bank indebtedness	**12,533**	**-**	**12,533**	13,748
Accounts payable and accrued liabilities	**-**	**63,235**	**63,235**	65,150
Long term debt	**-**	**829**	**829**	1,343
Derivative liability	**1,643**	**-**	**1,643**	2,167

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities using the last bid price.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

[thousands of dollars]	2014				2013
	Level 1	**Level 2**	**Level 3**	**Total**	Total
Cash and cash equivalents	**19,511**	**-**	**-**	**19,511**	13,528
Restricted cash	**7,426**	**-**	**-**	**7,426**	6,756
Investments					
Publicly traded equity - CDN	**26,193**	**-**	**-**	**26,193**	25,338
Publicly traded equity – USD	**8,463**	**-**	**-**	**8,463**	6,712
Publicly traded equity – Global	**5,580**	**-**	**-**	**5,580**	5,114
Fixed income	**-**	**67,448**	**-**	**67,448**	64,569
Bank indebtedness	**-**	**12,533**	**-**	**12,533**	13,748
Derivative liability	**-**	**-**	**1,643**	**1,643**	2,167

7. TANGIBLE CAPITAL ASSETS

[thousands of dollars]	2014			2013
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Buildings	**309,355**	**157,277**	**152,078**	107,083
Furniture and equipment	**129,822**	**77,605**	**52,217**	47,915
Computers	**28,730**	**21,321**	**7,410**	5,603
Software	**4,780**	**2,217**	**2,563**	2,528
Vehicles and vessels	**5,002**	**4,729**	**273**	317
Library collection	**150,679**	**123,845**	**26,834**	27,571
Total	**628,368**	**386,993**	**241,375**	191,017

Amortization expense for the year is $25.8 million (2013 - $22.0 million).

8. ASSETS UNDER CONSTRUCTION

Assets under construction represent costs incurred to date on the construction of new facilities. When construction is completed, the assets will be reclassified to tangible capital assets and amortization will commence. Assets under construction are as follows:

[thousands of dollars]	**2014**	2013
Project Description		
Grenfell Campus (GC) New Residence	**-**	18,542
MUN Residences	**32,388**	55,943
Medical School Extension	**54,085**	45,569
Ocean Sciences Center Deep Water Supply	**24,127**	19,637
Grenfell Campus Environmental Labs	**3,731**	2,086
Engineering Expansion	**6,464**	3,139
C-CORE Expansion	**6,239**	4,192
Core Science Facility	**1,054**	230
100 Signal Hill Road Property	**11,229**	10,712
Training Boat and Launching System	**26**	-
Offshore Operations Simulator	**1,244**	-
HMDC Offshore Operations Facility	**51**	-
GC Environmental Lab Equipment	**1,015**	-
GC Emergency Generator	**301**	-
Total	**141,954**	160,050

9. DEFERRED CAPITAL CONTRIBUTIONS

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

[thousands of dollars]	**2014**	2013
Balance, beginning of year	**327,648**	234,944
Additional contributions received	**60,386**	115,551
Less amounts amortized to revenue	**(25,561)**	(22,847)
Balance, end of year	**362,473**	327,648

10. DEFERRED CONTRIBUTIONS – EXTERNAL GRANTS AND DONATIONS

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

[thousands of dollars]	**2014**	2013
Balance, beginning of year	**89,179**	87,377
Grants and donations received during the year	**73,136**	81,146
Less expenses incurred during the year	**(64,817)**	(79,344)
Balance, end of year	**97,498**	89,179

11. LONG-TERM DEBT

[thousands of dollars]	**2014**	2013
CMHC mortgage on Queen's College, 5.875% interest, repayable in 50 equal, blended payments of $29 semi-annually, maturing in June 2019, secured	**227**	270
Capital leases negotiated through the RBC Royal Bank, varying interest rates, payable in equal annual installments, secured by assets under lease	**602**	1,073
	829	1,343
Less: current portion	**517**	514
	312	829

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

2015	517
2016	179
2017	51
2018	54
2019	28

12. POST-EMPLOYMENT BENEFITS

The University has a number of post-employment benefit liabilities including employee future benefits (severance, health and dental benefits and life insurance), Voluntary Early Retirement Income Plan (VERIP) and Supplemental Retirement Income Plan (SRIP).

Employee Future Benefits

The University provides 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 severance to certain employee groups upon termination, retirement or death, provided they meet certain eligibility criteria. The cost of providing these future benefits is unfunded. Current year payments are funded on an annual basis from operations.

The significant actuarial assumptions used in measuring these benefits include the following:

	2014	2013
Discount rate:		
Liability	**4.40%**	4.10%
Expense	**4.10%**	4.13%
Average rate of compensation increase	**4.00%**	4.00%

The health care inflation rate is 7% in year 1, reducing 0.5% per year to 4% in year 7 and later (2013 – 4.0% per annum). There is no explicit inflation rate used in this valuation.

Voluntary Early Retirement Income Plan (VERIP)

In February and May 1996, the University offered faculty and staff, who reached age 55 and attained a minimum of 10 years pensionable service, an opportunity to take an early retirement under the provisions of the VERIP. 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 unfunded. Current year payments are funded on an annual basis from operations.

The significant actuarial assumptions used in measuring these benefits include the following:

	2014	2013
Discount rate		
Liability	**3.70%**	3.25%
Expense	**3.25%**	3.50%

Supplemental Retirement Income Plan (SRIP)

In May 1996, the Board of Regents approved a SRIP 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.

The significant actuarial assumptions used in measuring these benefits include the following:

	2014	2013
Discount rate		
Liability	**4.40%**	4.00%
Expense	**4.00%**	4.10%

The accrued liability and expense of these post-employment benefits are outlined in the tables below:

[thousands of dollars]	**2014**			
	Employee Future Benefits	VERIP	SRIP	Total Liability
Post-employment benefits	170,908	6,080	21,601	198,589
Unamortized actuarial loss	(21,631)	-	(5,141)	(26,772)
Total liability	149,277	6,080	16,460	171,817

[thousands of dollars]	**2013**			
	Employee Future Benefits	VERIP	SRIP	Total Liability
Post-employment benefits	163,744	6,394	20,476	190,614
Unamortized actuarial loss	(26,302)	-	(5,970)	(32,272)
Total liability	137,442	6,394	14,506	158,342

[thousands of dollars]	**2014**			
	Employee Future Benefits	VERIP	SRIP	Total Liability
Current year benefit costs	6,296	-	1,058	7,354
Interest on accrued benefit obligations	6,725	200	853	7,778
Benefit payments	(3,764)	(514)	(436)	(4,714)
Amortized actuarial losses	2,579	-	479	3,058
Total expense	11,836	(314)	1,954	13,476

[thousands of dollars]	**2013**			
	Employee Future Benefits	VERIP	SRIP	Total Liability
Current year benefit costs	5,885	-	871	6,756
Interest on accrued benefit obligations	6,299	221	703	7,223
Benefit payments	(4,055)	(533)	(370)	(4,958)
Amortized actuarial losses	2,070	120	263	2,453
Total expense	10,199	(192)	1,467	11,474

13. CONTINGINCIES

Canadian University Reciprocal Insurance Exchange (CURIE)

The University participates in a self-insurance cooperative involving a contractual agreement to share the insurance, property and liability risks of member universities for a term of not less than five years.

In the event the premiums are not sufficient to cover claims settlements, the member universities would be subject to an assessment in proportion to their participation. For the year ended December 31, 2013, CURIE had a surplus of $15.4 million and a cumulative subscribers' equity of $71.3 million. The University's pro-rata share is approximately 3% on an ongoing basis.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Market risk

The University is exposed to market risk on its investments due to future fluctuations in market prices. This risk is managed by a Statement of Investment Policy and Objectives approved by the Board of Regents which includes investment policy provisions for an acceptable asset mix structure and quality constraints on fixed income instruments.

(a) Currency Risk

Currency risk relates to the University operating in different currencies and converting non-Canadian transactions at different points in time when adverse changes in foreign currency rates occur. The University minimizes foreign currency risk to protect the value of foreign cash flows, both committed and anticipated, by using foreign exchange contracts when market conditions are judged to be favorable. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

[thousands of dollars]

2014 Foreign Currency Denominated Assets	Fair Values (CAD)	Impact of 1% Absolute Change in Exchange Rates on Net Assets
US Equity	8,463	84.63
Global Equity	5,580	55.80

(b) Interest rate risk

The University's exposure to interest rate risk relates to its floating interest rate bank indebtedness which utilizes BA's. The University has managed this floating interest rate risk by entering into interest rate swap agreements with the RBC Royal Bank to offset the movement in the BA rates. Any change in BA rates will be offset by a corresponding change in the interest rate swap. The fair value of these interest rate swap agreements are recorded in the consolidated statement of financial position and the change in value is reflected in the consolidated statement of remeasurement gains.

Credit risk

Credit risk is the risk of loss due to the failure of a counterparty to satisfy its obligations. The University is exposed to credit risk with respect to accounts receivable from students, governments and other clients as well as through its investments in fixed income and equity. Services are provided to a large number of students and entities, which minimizes the concentration of credit risk. The University routinely monitors the receivable balances and establishes an appropriate allowance for doubtful accounts based upon factors surrounding credit risk, historical trends, and other information. The University limits its exposure to credit loss on fixed income by investing in securities with high credit quality. To maximize the credit quality of its investments, the University performs ongoing credit evaluations based upon factors surrounding the credit risk of issuers, historical trends and other information. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. All transactions executed by the University in listed equities are settled upon delivery using approved brokers. The risk of default is considered minimal, as the delivery of those securities sold is made only when the broker has received payment. Payment is made on purchases only when the security is received by the broker. The trade will fail to consummate if either party fails to meet its obligation. The maximum risk of loss at March 31, 2014 is limited to the amounts as shown on the consolidated statement of financial position.

Liquidity risk

The University is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. This risk is managed by maintaining adequate cash and cash equivalents. The University believes that cash and cash equivalents on hand, future cash flows from government grants and student fees will be adequate to meet its financial obligations.

15. COMPARATIVE FIGURES

Certain figures from the prior period have been reclassified to conform to the presentation adopted for the current period.

Unaudited Supplementary Information

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

March 31, 2014

Schedule 1
[unaudited]

COMPENSATION PRACTICES AT MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Compensation at the University is characterized by the financial remuneration received by individuals in relation to the duties and responsibilities of their respective position. Compensation is predominantly in the form of a fixed salary that is regularly reviewed for annual step progression, general economic increases, administrative stipends and market differential where deemed necessary.

At the executive level, the Board of Regents [the "Board"] on the recommendation of its Executive Compensation Committee engages in a Senior Executive Compensation Review that assesses compensation levels for the University's Executive members against similar positions within the Canadian University Market. This market review is normally done on a 5-year interval to ensure market currency.

Compensation for Academic Executive, Academic Management, and Academic Staff include a salary amount identified on the faculty scale, based on experience, rank and highest degree, in accordance with the Memorial University of Newfoundland Faculty Association [MUNFA] collective agreement. In addition, there is an administrative stipend, set by the Board that is applied in addition to core compensation to reflect the size and complexity of the faculty, school or department. Per-course instructors are represented by Lecturers' Union of Memorial University of Newfoundland [LUMUN] and compensated in accordance with negotiated salary amounts.

There are three main salary scales for administrative groups below the level of Vice-President, including; Senior Administrative Management [SAM] scale; the Management and Professional staff [MPS] scale; and unionized and non-unionized staff [Common] scale.

Compensation levels for administrative positions below the level of Vice President are determined based on consideration of nine common factors in the application of the University's job evaluation plan [AIKEN]. In these cases, positions are assessed and assigned a rating outcome in nine areas, resulting in a total number of points for a position with an associated salary band, the intention being that broader, more difficult positions will achieve higher ratings and therefore be slotted higher in terms of salary banding. Once banded, compensation and employee progress through these bands or salary levels are a separate process.

Compensation analyses for academic and administrative positions are regularly completed to ensure market compliance within identified comparator groups and to ensure ongoing competitiveness of the University's compensation structure. These market differentials are applied where market demands are greater than assigned salary levels.

For unionized faculty and staff, compensation structures are determined through collective bargaining processes between the University and the various unions representing each employee group; MUNFA, Canadian Union of Public Employees [CUPE], and the Newfoundland Association of Public Employees [NAPE].

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

Schedule 1
[unaudited]

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
EXECUTIVE SALARY RANGES
MARCH 31, 2014

	Salary Range ($)
President and Vice-Chancellor	430,000
Vice-Presidents:	
Provost (Academic) *[note 1]*	208,917 - 261,146
Administration & Finance	185,693 - 232,116
Research *[note 1]*	185,693 - 232,116
Grenfell Campus [GC]	185,693 - 232,116
Fisheries & Marine Institute	185,693 - 232,116
Deputy Provost (Students) & Associate Vice-President (Academic) Undergraduate Studies	179,486 - 224,357

Note 1: Actual salary is $271,592 as per employment contract.

Schedule 1
[unaudited]

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ACADEMIC SALARY RANGES
MARCH 31, 2014

	Salary Range ($)	Actual Minimum and Maximum Salaries ($)	Number of Employees *[note 1]*
Academic Executive:	*[note 2]*		14
Deans of Faculties/Schools			10
University Librarian			1
Associate Vice-President			3
Academic Management:	*[note 3]*		67
Associate Deans			23
Assistant Deans			6
Department Heads			32
Directors			3
Associate University Librarians			3
Academic Staff:	31,723 - 166,467	58,397 - 237,832	1,115
Professors	107,336 - 166,467	78,790 - 237,832	239
Associate Professors	91,024 - 135,882	97,141 - 160,350	296
Assistant Professors	78,790 - 97,141	68,595 - 135,882	217
Lecturers *[note 4]*	62,478 - 72,673	62,478 - 84,907	92
Co-op Education Coordinators	60,438 - 105,296	84,906 - 115,491	21
Librarians	56,358 - 148,113	58,397 - 123,645	37
Instructors-Marine Institute	31,723 - 118,886	64,224 - 121,680	213

Note 1: Based on employees who occupy full time positions.

Note 2: Academic Deans receive a salary depending upon professorial rank plus an administrative stipend in the range of $9,500 to $26,500 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 Department Heads receive a salary based upon their professorial rank plus an administrative stipend in the range of $5,500 to $10,000 depending on the size of their academic unit.

Note 4: Lecturers include 45 Visiting Professors paid on the lecturer scale.

Schedule 1
[unaudited]

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ADMINISTRATIVE SALARY RANGES
MARCH 31, 2014

	Salary Range ($)	Actual Minimum and Maximum Salaries ($)	Number of Employees
Senior Administrative Management Level 1 to 5 *[note 1]*	99,511 - 195,120	99,511 - 208,194	121
Management and Professional Staff *[note 2]*	47,213 - 89,189	47,213 - 90,945	526
Administrative Staff *[note 3]*	28,780 - 108,854	29,071 - 93,527	2,400

Note 1: Compensation levels were assessed based on the Canadian broader public sector.

Note 2: Compensation was assessed based on the Atlantic Canadian broader public sector developed under the University's Job Evaluation System.

Note 3: Administrative salary ranges [Common Pay Scale] reflect salary levels defined by union collective agreements or non-bargaining terms and conditions of employment.