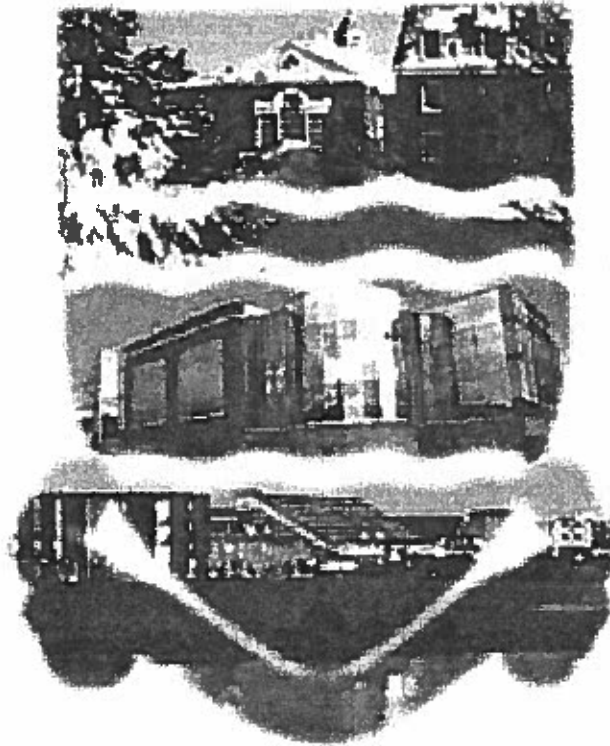




**Memorial**  
University of Newfoundland



Consolidated Financial Statements of

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**

Year ended March 31, 1998

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
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FOR THE YEAR ENDED MARCH 31, 1998**

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KPMG  
Chartered Accountants

Cabot Place Suite 800  
100 New Gower Street  
St John's Newfoundland A1C 6K3

Telephone (709) 722-5593  
Telefax (709) 726-3000  
<http://www.kpmg.ca>

## 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, 1998, 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 generally accepted auditing standards. 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.

The University has excluded from liabilities and fund balances certain obligations with respect to vacation and service entitlements and tuition and residence fee revenues as described in note 3 that, in our opinion, should be recorded to conform with generally accepted accounting principles.

In our opinion, except for the effects on the consolidated financial statements of the matters referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 1998 and the results of its operations and the changes in cash flows for the year then ended in accordance with generally accepted accounting principles.

*KPMG*

Chartered Accountants  
St. John's, Canada  
May 29, 1998

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 1998  
(thousands of dollars)

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### 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 generally accepted accounting principles, except for accrual of obligations for vacation and service entitlements and tuition and residence fee revenues as described in Note 3. The accounting principles are summarized below:

#### (a) Use of estimates:

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

#### (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)
- 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, 1998

(thousands of dollars)

### 2. Significant accounting policies (cont'd):

#### (c) 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 portion of the grants are recorded as revenue in the period to which they relate. The capital portion 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:

	1998	1997
	\$	\$
Total Provincial Government Grant	119,879	123,760
Less portion restricted for capital expenditures	7,978	5,575
<b>Net Provincial Government Grant</b>	<b>111,901</b>	<b>118,185</b>

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.

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

Revenues from tuition and residence fees are recognized on a cash basis. Revenues from contracts and sales are recognized when the services are provided or the goods are sold.

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**  
**Notes to Consolidated Financial Statements**

Year ended March 31, 1998  
(thousands of dollars)

**2. Significant accounting policies (cont'd):**

(d) Contributed services:

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

(e) Investments:

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

	1998		1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Cash and cash equivalents			11,087	11,087
Fixed income securities	31,456	33,163	22,375	22,555
Equity securities	9,423	10,647	4,317	4,409
	40,879	43,810	37,779	38,051

Fair values have been determined on the basis described in note 13 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.

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**  
Notes to Consolidated Financial Statements

Year ended March 31, 1998  
(thousands of dollars)

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**2. Significant accounting policies (cont'd):**

(ii) Interest rates on the fixed income securities range from 5.7% to 9.75%, with maturities that range from 1998 to the year 2011.

(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.

(f) 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.

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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

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(g) 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, 1998

(thousands of dollars)

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### 3. Vacation and Service Entitlements and Tuition and Residence Fees:

It is the practice of the University to account for vacation and service entitlements and tuition and residence fees on a cash basis.

The Canadian Institute of Chartered Accountants (CICA) has determined that for fiscal years commencing on or after January 1, 1989, the accounting principles in the CICA Handbook should apply to all not-for-profit corporations including universities. CICA principles require accrual of these obligations.

If the University had recorded these obligations in accordance with CICA principles it would have recognized accrued liabilities for severance and vacation entitlements in the amount of \$14,910 and unearned revenue in the amount of \$2,129. This change would have had the effect of decreasing the net assets in the beginning of 1997 by \$17,039.

During the year, liabilities in the amount of \$1,380 (1997 - \$797) would have been recorded and expenditures in the amount \$1,766 (1997 - \$358) would have been recorded and revenues in the amount of \$(386) (1997 - \$439) would have been (increased) reduced. The net effect on the excess of expenses over revenue for the current year would have been \$1,380 (1997 - \$797).

The University has not accrued these amounts as Management and the Board of Regents strongly believes that the recognition of these obligations should coincide with the annual funding required to meet these obligations.

### 4. Changes in Accounting Policies and Financial Statement Presentation:

On April 1, 1997, the University retroactively adopted the accounting recommendations of the CICA Handbook for not-for-profit corporations wherever possible and prospectively adopted the recommendations where retroactive adoption was not possible.

#### (a) Financial statement presentation:

In prior years, the University's financial statements were prepared in accordance with the principles of fund accounting. Commencing on April 1, 1997, the financial statements are prepared on a non-fund basis. Restatement involves a reclassification of the Fund balances of the Sponsored Research Fund and the Special Purpose Funds in the amounts of \$8,432 and \$4,332 to deferred contributions.



# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 1998  
(thousands of dollars)

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### 4. Changes in accounting policies and financial statement presentation (cont'd):

#### (b) Capital assets:

In prior years, the University capitalized its buildings and recorded the corresponding funding as equity in plant assets. The University retroactively changed its policy to record amortization of these capital assets over their estimated useful lives, in accordance with the policy described in note 2(f) and to transfer from equity in plant assets, the value of the restricted contributions to deferred contributions. This change has had the effect of decreasing the net book value of capital assets and equity in plant assets in the beginning of 1997 by \$135,894.

During the year, amortization that would not have previously been recorded has been expensed. This has had the effect of increasing the deficiency of revenue over expenditures in the amount of \$4,487 (1997 - \$4,573).

In prior years, the University expensed its acquisition of capital assets for furniture, equipment, vehicles and library collections in the year of purchase. The University retroactively changed its policy for its library collection and prospectively for furniture, equipment and vehicles to record capital assets at cost, and amortize capital assets over their useful lives, in accordance with the policy described in note 2(f). This change has had the effect of increasing the net book value of capital assets in the beginning of 1997 by \$24,882.

During the year, assets in the amount of \$12,486 (1997 - \$5,681) that would previously have been expensed, have been capitalized and capital asset amortization expense in the amount \$5,969 (1997 - \$4,624) has been recorded. This change has had the effect of decreasing the deficiency of revenue over expenditures for the current year by \$6,517 (1997 - \$1,057).

#### (c) Deferred contributions:

During the year, the University retroactively changed its accounting policy for the recognition of capital grants and other contributions for capital assets from recording these contributions as revenue when received to recording them in the statement of financial position as deferred contributions and recognizing them in revenue according to the policy described in note 2(c). This change has had the effect of increasing deferred contributions related to capital assets and decreasing equity in plant assets at the beginning of 1997 by \$82,098. This has had the effect of increasing the deficiency of revenue over expenditures in the amount of \$8,274 (1997 - \$2,659).

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**  
Notes to Consolidated Financial Statements

Year ended March 31, 1998  
(thousands of dollars)

**4. Changes in accounting policies and financial statement presentation (cont'd):**

In prior years, the University recorded deferred contributions relating to expenses of future periods as revenue when received. During the year, the University retroactively changed its accounting policy for these contributions to that described in note 2(c). The effect of this change is to increase the deficiency of revenue over expenses by \$546 (1997 - \$9,165).

(d) Endowment contributions:

The University retroactively changed its method of accounting for endowment contributions to that described in note 2(c). In prior years, these contributions were included in revenue. The result of this change is an increase in the deficiency of revenue over expenditures of \$1,294 (1997 - \$1,560).

The cumulative net effect of all of the above changes on deficiency of revenue over expenditure in the current and prior year is not material.

**5. Capital Assets:**

			1998	1997
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Buildings	106,298	48,689	57,609	56,761
Furniture and Equipment	11,552	6,416	5,136	1,925
Computers	2,873	305	2,568	29
Vehicles	138	35	103	13
Campus Network	1,731	173	1,558	1,569
Library Collection	59,160	32,531	26,629	25,939
	181,752	88,149	93,603	86,236

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 1998

(thousands of dollars)

### 6. 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.

	1998	1997
	\$	\$
Balance, beginning of year	19,635	12,764
Revenue received during the year	24,481	29,195
Expenses incurred during the year	21,455	22,324
	22,661	19,635

#### (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.

	1998	1997
	\$	\$
Balance, beginning of year	87,898	83,844
Additional contributions received	16,037	13,612
Less amounts amortized to revenue	(10,133)	(9,558)
	93,802	87,898

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

	1998	1997
	\$	\$
Unamortized deferred capital contributions	93,034	84,649
Unspent capital contributions	768	3,249
	93,802	87,898

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 1998

(thousands of dollars)

### 6. Deferred Contributions (cont'd):

c) Total deferred contributions:

	1998	1997
	\$	\$
Expenses of future periods	22,661	19,635
Capital assets	93,802	87,898
	<u>116,463</u>	<u>107,533</u>

### 7. Net Assets:

(a) Restricted for endowment purposes

The University has total restricted net assets for endowment purposes of \$30,512 (1997 - \$29,349) consisting of internally and externally restricted assets. Restricted assets of \$22,849 (1997 - \$21,980) are subject to externally imposed restrictions requiring the principal to be maintained intact. Additional externally restricted assets of \$908 (1997 - \$919) 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 University Endowment fund \$6,755 (1997 - \$6,450) 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:

	1998	1997
	\$	\$
Net assets internally restricted for specific purposes	6,737	7,807
Net assets invested in related entities	2,978	2,315
Net assets invested in VERIP (note 10)	(6,580)	(6,679)
Unrestricted operating net assets (note 10)	(1,395)	350
	<u>1,740</u>	<u>3,793</u>

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

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**  
Notes to Consolidated Financial Statements

Year ended March 31, 1998  
(thousands of dollars)

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**8. Capital Leases 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 including a major project in 1997 for a campus network. The assets are being financed over various remaining terms up to four years. The required repayments in the next four years are \$829, \$924, \$574 and \$333.

**Contingencies**

**(a) Reciprocal Exchange of Insurance Risks**

The University participates in a reciprocal exchange of insurance risks in association with forty-two other Canadian universities. 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, 1997, CURIE has a surplus of \$9.4 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 Council of 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 Council of the Students' Union in connection with the renovations to the Thomson Student Centre. The current balance outstanding on the loan is \$800 thousand dollars.

## **MEMORIAL UNIVERSITY OF NEWFOUNDLAND**

### **Notes to Consolidated Financial Statements**

Year ended March 31, 1998

(thousands of dollars)

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#### **9. 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 early retirement under the provisions of a Voluntary Early Retirement 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.

#### **10. 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 requested 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. The University has recorded an accumulated deficit with respect to these Voluntary Early Retirement Plans of \$6,580. In addition the University received approval to balance its 1997 budget allocation over a three year plan to a maximum deficit of \$2.7 million. The University has one additional year to recover any accumulated deficit in the three year plan.

#### **11. 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 \$21 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 \$25 million. As at March 31, 1998, the Government has contributed \$6.3 million toward their matching contribution. The balance of uncollected pledges and matching funds has not been reflected in the financial accounts of the University.

#### **12. Supplemental Retirement Income Fund:**

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 Revenue Canada 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. A pension contribution holiday of \$242 occurred during the fiscal year ended March 31, 1998, to cover the actuarial value of the accrued benefit at March 31, 1998.

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 1998

(thousands of dollars)

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### 13. 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
- (b) accounts receivable
- (c) accrued interest receivable
- (d) accounts payable

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.

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.

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**  
Notes to Consolidated Financial Statements

Year ended March 31, 1998  
(thousands of dollars)

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**13. Fair Value Disclosures (cont'd):**

(v) Other long term liabilities:

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

**14. Comparative Figures:**

Previous year's numbers have been significantly reclassified to conform with the changes adopted in the current year. Explanations of these changes are outlined in Note 4.



# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Consolidated Statement of Financial Position

March 31, 1998, with comparative figures for 1997

(thousands of dollars)

	1998	1997 (as restated)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and short term investments	\$ 9,637	\$ 10,334
Accounts receivable	21,624	22,307
Inventory and prepaids	3,775	3,686
Accrued interest receivable	1,008	669
	<u>36,044</u>	<u>36,996</u>
Mortgage receivable	929	973
Investments (note 2)	40,879	37,779
Capital assets (note 5)	93,603	86,236
	<u>\$ 171,455</u>	<u>\$ 161,984</u>

## Liabilities, Deferred Contributions and Net Assets

<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 11,557	\$ 12,006
<b>Long term liabilities:</b>		
VERIP	5,963	6,057
Other	3,033	1,691
	<u>8,996</u>	<u>7,748</u>
Deferred contributions (note 6)	116,463	107,533
<b>Net Assets:</b>		
Net assets invested in capital assets	2,187	1,555
Net assets restricted for endowment purposes (note 7)	30,512	29,349
Unrestricted net assets (note 7)	1,740	3,793
	<u>34,439</u>	<u>34,697</u>
	<u>\$ 171,455</u>	<u>\$ 161,984</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

  
 Edward Roberts  
 Chair of the Board of Regents

  
 Jeannie French  
 Chair of the Finance Committee

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Consolidated Statement of Operations

Year ended March 31, 1998, with comparative figures for 1997

(thousands of dollars)

	1998	1997 (as restated)
<b>Revenue:</b>		
Government grants	\$ 140,511	\$ 138,637
Student fees	47,197	40,717
Sales and services	11,173	10,229
Amortization of deferred capital contributions	10,133	9,558
Investment income	3,149	4,347
Other income	9,679	17,850
	<u>221,842</u>	<u>221,338</u>
<b>Expenditures:</b>		
Salaries and employee benefits	150,817	147,514
Travel and hosting	7,348	6,813
Materials and supplies	24,955	22,112
Renovations	4,945	4,703
Books	420	109
Scholarships and bursaries	9,147	9,215
Amortization	10,457	9,703
Utilities	13,259	13,300
Equipment rentals	1,934	6,673
Externally contracted services	8,194	7,993
Professional fees	4,887	2,718
Other	1,311	1,459
External cost recoveries	(14,280)	(13,738)
	<u>223,394</u>	<u>218,574</u>
(Deficiency) excess of revenue over expenditures before the following	(1,552)	2,764
Voluntary early retirement plan		(3,220)
<b>Deficiency of revenue over expenditures for the year</b>	<b>\$ (1,552)</b>	<b>\$ (456)</b>

See accompanying notes to consolidated financial statements.

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Consolidated Statement of Changes in Net Assets

Year ended March 31, 1998, with comparative figures for 1997

(thousands of dollars)

	Invested in Capital Assets	Restricted	Unrestricted	1998 Total	1997 Total (as restated)
Balance, beginning of year, as restated	\$ 1,555	\$ 29,349	\$ 3,793	\$ 34,697	\$ 33,593
Deficiency of revenue over expenditures	(324)	(131)	(1,097)	(1,552)	(456)
Endowment contributions		1,294		1,294	1,560
Addition to invested in capital assets	956		(956)	0	
<b>Balance, end of year</b>	<b>\$ 2,187</b>	<b>\$ 30,512</b>	<b>\$ 1,740</b>	<b>\$ 34,439</b>	<b>\$ 34,697</b>

See accompanying notes to consolidated financial statements.

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Consolidated Statement of Cash Flows

Year ended March 31, 1998, with comparative figures for 1997

(thousands of dollars)

	1998	1997 (as restated)
<b>Cash provided by (used for):</b>		
<b>Operating activities:</b>		
Deficiency of revenue over expenditure for the year	\$ (1,552)	\$ (456)
Items not involving cash:		
Amortization of capital assets	10,457	9,703
Net increase in deferred contributions related to expenses of future periods	3,026	6,871
Amortization of deferred capital contributions	(10,133)	(9,558)
Change in non-cash working capital	(194)	(937)
	<u>1,604</u>	<u>5,623</u>
<b>Financing and investing activities:</b>		
Endowment contributions	1,294	1,560
Addition to deferred capital contributions	16,037	13,612
Capital assets acquired	(17,824)	(12,538)
Increase in investments	(3,100)	(10,575)
Increase in long term liabilities	1,248	2,267
Reduction in mortgage receivable	44	42
	<u>(2,301)</u>	<u>(5,632)</u>
Decrease in cash and short term investments	(697)	(9)
Cash and short term investments, beginning of year	10,334	10,343
<b>Cash and short term investments, end of year</b>	<b>\$ 9,637</b>	<b>\$ 10,334</b>

See accompanying notes to consolidated financial statements.



KPMG  
Chartered Accountants

Cabot Place Suite 800  
100 New Gower Street  
St John's Newfoundland A1C 6K3

Telephone (709) 722-5593  
Telefax (709) 726-3000  
<http://www.kpmg.ca>

**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, 1998.

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.

*KPMG*

Chartered Accountants  
St. John's, Canada  
May 29, 1998



Member Firm of  
KPMG International

SCHEDULE 1

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
 SCHEDULE OF FINANCIAL POSITION  
 AS AT MARCH 31, 1998  
 (Thousands of dollars)

	OPERATING		ANCILLARY ENTERPRISE		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	TOTAL
	1997	1997	1997	1997	1997	1997	1997	1997	1997	1998	1997	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Current assets:</b>												
Cash	(7,198)	(3,740)	(151)	(189)	140	(773)	4,776	3,885	12,070	11,161	9,837	10,334
Accounts receivable	11,664	9,948	178	158	628	2,599	7,452	7,428	1,704	2,178	21,624	22,307
Accrued interest receivable	201	84							807	585	1,008	689
Inventory & prepaid expense	1,763	1,689	1,971	1,972	1		1	10	19	15	3,775	3,686
Interfund accounts	1,892	1,708	(1,892)	(1,708)								
	<u>8,142</u>	<u>9,667</u>	<u>306</u>	<u>221</u>	<u>767</u>	<u>1,828</u>	<u>12,229</u>	<u>11,323</u>	<u>14,600</u>	<u>13,939</u>	<u>36,044</u>	<u>36,996</u>
					929	973					929	973
Mortgage receivable									40,879	37,779	40,879	37,779
Investments			413	408	86,969	81,087	4,167	4,683	54	58	93,603	86,236
Capital assets												
	<u>8,142</u>	<u>9,667</u>	<u>719</u>	<u>629</u>	<u>90,665</u>	<u>83,886</u>	<u>16,396</u>	<u>16,006</u>	<u>55,533</u>	<u>51,776</u>	<u>171,455</u>	<u>161,984</u>
<b>Total assets</b>												
<b>Current liabilities:</b>												
Accounts payable and accrued liabilities	8,951	7,682		201	2,412	2,211	1,816	1,158	378	754	11,557	12,008
<b>Long term liabilities:</b>												
VERIP	5,963	6,057									5,963	6,057
Other	1,215	1,003			1,818	688					3,033	1,691
	<u>7,178</u>	<u>7,060</u>			<u>1,818</u>	<u>688</u>					<u>8,996</u>	<u>7,748</u>
<b>Deferred contributions</b>					87,263	61,560	13,971	14,833	15,229	11,140	116,463	107,533
<b>Net assets</b>												
Net assets invested in capital assets			413	408	1,709	1,062	23	24	42	41	2,187	1,555
Net assets restricted for endowment purposes									30,512	29,349	30,512	29,349
Unrestricted net assets	(5,987)	(5,055)	306	20	(2,537)	(1,855)	586	(9)	9,372	10,492	1,740	3,783
	<u>(5,987)</u>	<u>(5,055)</u>	<u>719</u>	<u>428</u>	<u>(828)</u>	<u>(573)</u>	<u>608</u>	<u>15</u>	<u>39,926</u>	<u>39,882</u>	<u>34,439</u>	<u>34,697</u>
<b>Total Liabilities, Deferred contributions and Net assets</b>	<u>8,142</u>	<u>9,667</u>	<u>719</u>	<u>629</u>	<u>90,665</u>	<u>83,886</u>	<u>16,396</u>	<u>16,006</u>	<u>55,533</u>	<u>51,776</u>	<u>171,455</u>	<u>161,984</u>

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
 SCHEDULE OF OPERATIONS  
 FOR THE YEAR ENDED MARCH 31, 1998  
 (Thousands of dollars)

SCHEDULE 2

	OPERATING		ANCILLARY ENTERPRISE		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	TOTAL
	1997	1997	1997	1997	1997	1997	1997	1997	1997	1998	1997	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Revenue</b>												
Government grants	111,901	118,185	250	393	935	1,047	21,077	14,955	6,348	4,057	140,511	138,637
Amortization of deferred capital contributions					9,509	8,824	624	734			10,133	9,558
Student fees	47,075	40,359							122	358	47,197	40,717
Sales & services			11,173	10,225						4	11,173	10,229
Investment income	1,471	2,022							1,678	2,325	3,149	4,347
Other income	4,806	5,475	86	70	19		4,316	7,866	652	4,439	9,679	17,850
<b>Total revenue</b>	<b>165,053</b>	<b>166,041</b>	<b>11,509</b>	<b>10,686</b>	<b>10,463</b>	<b>9,871</b>	<b>28,017</b>	<b>23,555</b>	<b>8,600</b>	<b>11,183</b>	<b>221,642</b>	<b>221,338</b>
<b>Expenditure</b>												
Salaries & employee benefits	132,892	129,612	3,932	3,765	(8)	9	10,416	10,604	3,783	3,524	150,817	147,514
Travel & hosting	3,970	3,676	49	62	1	2	1,986	1,788	1,342	1,285	7,348	6,813
Materials & supplies	9,577	8,833	5,254	5,045	50	52	8,429	6,780	1,645	1,402	24,955	22,112
Renovations	(280)	770	420	511	4,741	3,292	28	104	38	28	4,945	4,703
Books	239		8				93		80	109	420	109
Scholarships & bursaries	4,846	4,336	1	2			1,980	2,241	2,320	2,634	9,147	9,215
Utilities	10,878	11,047	1,013	932	9		82	78	1,277	1,245	13,259	13,300
Equipment rentals	1,467	3,123	52	338	6	146	576	1,660	(167)	1,406	1,934	6,673
Amortization			47	15	9,764	6,930	630	742	16	16	10,457	9,703
Externally contracted service	6,959	6,713	467	487	23	4	431	421	314	366	6,194	7,993
Professional fees	2,680	1,481	14	12	28		1,546	746	619	479	4,687	2,718
Other	989	1,100	52	44	41	47	35	32	194	236	1,311	1,459
External cost recoveries	(12,589)	(10,897)	(10)	(70)	442	(243)	(1)		(2,112)	(2,528)	(14,280)	(13,738)
<b>Total expenditure</b>	<b>161,418</b>	<b>159,796</b>	<b>11,299</b>	<b>11,143</b>	<b>15,099</b>	<b>12,239</b>	<b>26,229</b>	<b>25,194</b>	<b>9,349</b>	<b>10,202</b>	<b>223,394</b>	<b>218,574</b>
<b>Increase (decrease) for the year before the following</b>	<b>3,635</b>	<b>6,245</b>	<b>210</b>	<b>(455)</b>	<b>(4,636)</b>	<b>(2,368)</b>	<b>(212)</b>	<b>(1,639)</b>	<b>(549)</b>	<b>981</b>	<b>(1,552)</b>	<b>2,764</b>
Voluntary Early Retirement Plan		(3,220)										(3,220)
Interfund transfers	(4,567)	(3,051)	81	171	4,381	2,139	806	1,527	(701)	(786)		
<b>Net Increase (decrease) in net assets for the year</b>	<b>(932)</b>	<b>(26)</b>	<b>291</b>	<b>(284)</b>	<b>(255)</b>	<b>(229)</b>	<b>594</b>	<b>(112)</b>	<b>(1,250)</b>	<b>195</b>	<b>(1,552)</b>	<b>(456)</b>

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
SCHEDULE OF OPERATING REVENUE  
FOR THE YEAR ENDED MARCH 31, 1998**

**SCHEDULE 3**

*(Thousands of dollars)*

	<u>1998</u>	<u>1997</u>
	\$	\$
<b>Government Grants</b>		
Province of Newfoundland		
Department of Education	95,943	101,379
Department of Health	15,366	16,243
Other	592	563
	<u>111,901</u>	<u>118,185</u>
<b>Student Fees</b>		
Semester Tuition		
Undergraduates	38,209	33,872
Graduates	3,253	2,831
Non Credit Courses		
Continuing Studies	724	697
Sir Wilfred Grenfell College	251	294
Marine Institute	781	627
Other Fees	3,857	2,038
	<u>47,075</u>	<u>40,359</u>
<b>Investment Income</b>	<u>1,471</u>	<u>2,022</u>
<b>Other Income</b>		
Rental Income	382	291
Miscellaneous Income	3,455	4,442
Medical Practice Associates	769	742
	<u>4,606</u>	<u>5,475</u>
<b>Total Revenue</b>	<u><u>165,053</u></u>	<u><u>166,041</u></u>



**MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
SCHEDULE OF OPERATING EXPENDITURE BY FUNCTION  
FOR THE YEAR ENDED MARCH 31, 1998**

**SCHEDULE 4**

*(Thousands of dollars)*

	<u>1998</u>	<u>1997</u>
	\$	\$
<b>Academic</b>		
Faculty of Arts	17,989	18,455
Faculty of Business Administration	4,889	4,709
Faculty of Education	5,477	5,841
Faculty of Engineering and Applied Science	5,735	5,825
Faculty of Medicine	18,424	18,024
Faculty of Science	25,468	25,490
School of Continuing Education	3,668	3,427
School of Graduate Studies	2,969	2,760
School of Music	1,150	1,103
School of Nursing	2,097	1,970
School of Pharmacy	1,153	1,190
School of Physical Education and Athletics	1,715	1,670
School of Social Work	1,515	1,560
Sir Wilfred Grenfell College	9,470	10,157
Co-operative Education Services Centre	709	731
Labrador Institute of Northern Studies	216	203
Institute of Social and Economic Research	331	238
Animal Care Unit	232	228
Fisheries and Marine Institute	15,108	13,785
Technical Services	2,096	2,304
	<u>120,411</u>	<u>119,670</u>
<b>Support Services</b>		
Administrative Departments	11,106	10,983
Computing and Communications	7,826	7,935
Library	5,576	5,831
Student Services	4,256	3,841
Facilities Management	12,243	11,536
	<u>41,007</u>	<u>40,126</u>
<b>Total Expenditure</b>	<u><u>161,418</u></u>	<u><u>159,796</u></u>

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
 SCHEDULE OF OPERATING FUND EXPENDITURE BY OBJECT  
 FOR THE YEAR ENDED MARCH 31, 1998  
 (Thousands of dollars)

	Academic		Library		Student Services		Facilities Management		Computing and Communications		Administration		1998	1997
	1997	1997	1997	1997	1997	1997	1997	1997	1997	1997	1997	1997	1998	1997
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Academic Salaries	61,977	62,536	1,893	1,766	478	464					106	156	64,254	64,942
Other Instruction & Research Salaries	1,310	1,277	134	136	1,059	965	2	1	132	155	58	50	2,895	2,584
Other Salaries & Wages	28,213	28,877	2,724	2,715	1,343	1,257	7,479	7,199	2,258	2,021	7,724	7,638	49,739	47,705
Employee Benefits	12,265	11,114	628	579	241	202	1,249	1,095	350	303	1,271	1,088	16,004	14,381
	103,785	101,804	5,179	5,216	3,121	2,888	8,730	8,295	2,738	2,479	9,159	8,930	132,892	129,812
Travel & Hosting	2,979	2,799	35	43	159	98	99	90	74	76	624	570	3,970	3,678
Materials & Supplies	6,342	5,478	367	511	198	98	1,063	852	1,094	1,464	513	432	9,577	8,833
Buildings & Renovations	282	628	5	8	66	62	(957)	(848)	348	908	(24)	10	(260)	770
Library Acquisitions	1,315	1,280	3,999	4,257	11	8	6	4	1	7	23	39	5,355	5,575
Scholarships & Bursaries	4,452	3,997			372	379					22	(38)	4,846	4,338
Utilities	3,062	3,459	66	91	251	253	7,155	6,754	128	235	186	255	10,878	11,047
Furniture & Equipment														
Rental	448	165	18	35	2	6	7	4	991	6	1	69	1,467	285
Purchase	1,790	1,919	55	75	11	51	109	67	436	398	480	308	2,862	2,836
Externally Contracted Service	2,240	2,096	55	62	54	36	1,255	1,288	3,261	3,209	104	22	6,959	6,713
Professional Fees	1,507	825	0	10	1	1	110	84	333	72	723	489	2,880	1,461
Other														
Institutional Memberships	130	134	10	9	7	8	4	5	35	35	148	142	334	333
Property Tax	88	83					6	5				2	94	90
Insurance	98	140	48	44	2	2	175	164	2		6	4	327	354
Debt Repayments	20	19			7	7	10	10	9	2	3	2	49	40
Space Rental	154	200			7	4	12	12			12	67	185	263
External Cost Recoveries	(5,372)	(4,074)	(211)	(273)	(12)	(52)	(5,432)	(5,266)	(1,178)	(849)	(394)	(281)	(12,599)	(10,897)
	19,553	19,126	4,452	4,872	1,146	961	3,622	3,245	5,524	5,463	2,407	2,092	36,704	35,759
<b>Gross Expenditure</b>	<b>123,318</b>	<b>120,930</b>	<b>9,831</b>	<b>10,088</b>	<b>4,267</b>	<b>3,849</b>	<b>12,352</b>	<b>11,540</b>	<b>8,262</b>	<b>7,942</b>	<b>11,568</b>	<b>11,022</b>	<b>169,396</b>	<b>165,371</b>
Less assets capitalized:														
Capital Assets	1,790		56		11		109		436		460		2,862	
Library Collection	1,117	1,280	3,999	4,257		8		4		7		39	5,116	5,575
<b>Net Expenditure</b>	<b>120,411</b>	<b>119,670</b>	<b>5,676</b>	<b>5,831</b>	<b>4,256</b>	<b>3,841</b>	<b>12,243</b>	<b>11,536</b>	<b>7,826</b>	<b>7,935</b>	<b>11,108</b>	<b>10,983</b>	<b>161,418</b>	<b>159,796</b>

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
SCHEDULE OF SPONSORED RESEARCH REVENUE  
FOR THE YEAR ENDED MARCH 31, 1998**

**SCHEDULE 6**

*(Thousands of dollars)*

	<u>1998</u>	<u>1997</u>
	\$	\$
Health and Welfare Canada	386	329
Supply and Services Canada	71	342
Atlantic Canada Opportunities Agency	5,163	2,782
National Research Council	65	90
Industry Science and Technology Canada	4	79
Federal Government Miscellaneous	3,163	3,748
Social Sciences and Humanities Research Council	327	804
Canadian International Development Agency	30	79
Medical Research Council	1,371	1,764
Natural Sciences and Engineering Research Council	5,940	5,941
Newfoundland Provincial Government	365	592
Foreign Sponsors	1,065	296
Business and Industry	5,435	4,043
Foundations	933	1,090
Other Non-Government Agencies	2,176	1,752
Vice President's Research Grants	(1,711)	98
C-CORE Research Trust	97	631
Other	570	1,284
Memorial University Internal Awards	220	(350)
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Gross Revenue (Including Interfund Transfers)	25,670	25,394
Less revenue deferred to future periods	(347)	1,839
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Net Revenue	<u>26,017</u>	<u>23,555</u>