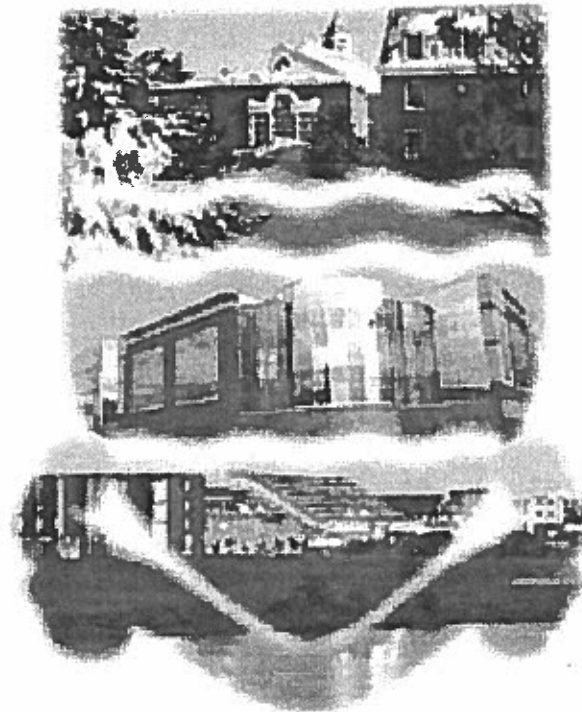




**Memorial**  
University of Newfoundland



Consolidated Financial Statements of  
**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**

Year ended March 31, 2002



**MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
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FOR THE YEAR ENDED 31 MARCH 2002**

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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, 2002, 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 Canadian 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2002, 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*

St. John's, Canada,  
July 5, 2002.

Chartered Accountants

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002

(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 and Labrador. The University is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

### 2. Significant Accounting Policies:

#### General:

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

#### (a) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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:

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

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002  
(thousands of dollars)

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### 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 1.95% to 2.21% (2001 - 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 and Labrador has been recorded as follows:

	2002	2001
	\$	\$
Total Provincial Government Grant	144,360	131,671
Less portion restricted for capital expenditures	10,855	11,247
<b>Net Provincial Government Grant</b>	<b>133,505</b>	<b>120,424</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.

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002

(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:

	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Fixed income securities	27,065	27,642	27,534	28,773
Equity securities	18,723	18,719	10,320	10,460
	45,788	46,361	37,854	39,233

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 8.38%, with maturities that range from 2002 to the year 2049.



# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002  
(thousands of dollars)

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### 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.

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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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(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 and Labrador. Payments to the pension plan consist of contributions from the employees and contributions from the University as prescribed by the Pension Benefits Act (1997). In addition, where the Plan experiences a solvency deficiency, the employer is required to contribute an amount sufficient to liquidate the deficiency within 5 years of the solvency valuation date. The most recent solvency valuation prepared by Eckler Partners Ltd. disclosed a solvency

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002

(thousands of dollars)

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

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

##### (i) Pension costs and obligations (cont'd.):

deficiency of \$7,798,000 at March 31, 2002, based upon PBA requirements. The University's contributions to the Pension Plan are recorded as an expenditure within the Statement of Operations.

##### (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:

	2002	2001
Accrued benefit obligation	\$	\$
Balance at beginning of year	1,712	1,507
Current service cost	175	87
Interest cost	120	108
Benefits paid	(19)	(15)
Actuarial loss (gain)	1,148	25
Balance at end of year	3,136	1,712

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:

	2002	2001
Current service cost	\$	\$
Actual loss (gain)	175	87
Interest cost	1,148	25
Net benefit plan expense	120	108
	1,443	220

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002

(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:

	2002	2001
Accrued benefit obligation	\$	\$
Balance at beginning of year	6,377	6,533
Interest cost	485	498
Benefits paid	(607)	(612)
Actuarial loss (gain)	(5)	(42)
Balance at end of year	6,250	6,377
Plan deficit	6,250	6,377

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:

	2002	2001
Actuarial loss (gain)	\$ (5)	\$ (42)
Interest cost	485	498
Net benefit plan expense	480	456

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002

(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:

	2002	2001
Accrued benefit obligation	\$	\$
Balance at beginning of year	33,106	31,107
Current service cost	1,325	1,146
Interest cost	2,304	2,228
Benefits paid	(1,140)	(1,375)
Balance at end of year	35,595	33,106
Plan deficit	35,595	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:

	2002	2001
Current service cost	\$	\$
Interest cost	1,325	1,146
Net benefit plan expense	2,304	2,228
	3,629	3,374

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002

(thousands of dollars)

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

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

A summary of these accrued benefit obligations is as follows:

	2002	2001
Accrued benefit obligations	\$	\$
Supplemental retirement income plan	3,136	1,712
Voluntary early retirement plan	6,250	6,377
Other benefits	35,595	33,106
Total accrued benefit obligations	44,981	41,195
Less current portion	708	711
Net long-term benefit obligations	44,273	40,484

### 3. Capital Assets:

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Buildings	\$ 163,452	\$ 72,183	\$ 91,269	\$ 84,607
Furniture and equipment	27,714	14,714	13,000	11,723
Computers	17,368	8,186	9,182	7,457
Vehicles	1,042	382	660	581
Campus network	4,878	1,872	3,006	3,767
Library collection	82,164	53,683	28,481	27,324
	296,618	151,020	145,598	135,459

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002

(thousands of dollars)

### 4. Deferred Contributions:

#### (a) Expenses of future periods:

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

	2002	2001
	\$	\$
Balance, beginning of year	32,192	32,951
Revenue received during the year	31,903	27,054
Expenses incurred during the year	30,609	27,813
	<u>33,486</u>	<u>32,192</u>

#### (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.

	2002	2001
	\$	\$
Balance, beginning of year	131,235	119,477
Additional contributions received	21,285	28,647
Less amounts amortized to revenue	(18,327)	(16,889)
	<u>134,193</u>	<u>131,235</u>

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

	2002	2001
	\$	\$
Unamortized deferred capital contributions	133,563	129,745
Unspent capital contributions	630	1,490
	<u>134,193</u>	<u>131,235</u>

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002

(thousands of dollars)

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

#### (c) Total deferred contributions:

	2002	2001
	\$	\$
Expenses of future periods	33,486	32,192
Capital assets	134,193	131,235
	<u>167,679</u>	<u>163,427</u>

### 5. Bank Indebtness:

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 involve the development of a training facility on the Southside for the Marine Institute and a new residence complex for Sir Wilfred Grenfell College. Currently the debt has been negotiated using bankers acceptance at a rate of 2.2% which matures during 2002. Management expects to refinance these loans on a long-term basis prior to their maturity.

### 6. Net Assets:

#### (a) Restricted for endowment purposes:

The University has total restricted net assets for endowment purposes of \$44,617 (2001 - \$42,388) consisting of internally and externally restricted assets. Restricted assets of \$35,421 (2001 - \$33,937) are subject to externally imposed restrictions requiring the principal to be maintained intact. Additional externally restricted assets of \$1,176 (2001 - \$1,126) 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 of \$8,020 (2001 - \$7,325) 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.

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002

(thousands of dollars)

### 6. Net Assets (cont'd.):

#### (b) Unrestricted net assets:

The University has unrestricted net assets consisting of the following:

	2002	2001
	\$	\$
Net assets internally restricted for specific purposes	2,805	2,754
Net assets invested in related entities	5,504	4,917
Net assets invested in accrued employee benefits (note 2(h))	(44,981)	(41,195)
Net assets invested in accrued vacation benefits	(7,053)	(6,151)
Unrestricted operating net assets	1,147	5,356
	(42,578)	(34,319)

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 \$725, \$699, \$695, \$689 and \$30.

#### Capital Construction Commitment:

The University has commenced a major capital project to construct a new residence complex on the Corner Brook Campus. The project will be completely financed by debt. The debt will be retired over the next 20 years through annual grants from the Provincial Government as well as funds generated from the residence fees charged. Total project costs are \$7.5 million with \$6.4 million expended to March 31, 2002. The remaining \$1.1 million will be expended in the 2003 fiscal year.

#### 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.



# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002

(thousands of dollars)

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

#### Contingencies (cont'd.):

##### (a) Reciprocal Exchange of Insurance Risks (cont'd.):

The projected cost of claims will be funded through members' premiums based on actuarial projections. As of December 31, 2001, CURIE has a surplus of \$7.2 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 and Labrador, 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 \$1,091.

### 8. Memorial University Act:

In accordance with the Memorial University Act, the University is normally prohibited from recording a deficit on their financial statements. During 1996, pursuant to Section 36 of the Memorial University Act, the University received approval from the Lieutenant-Governor in Council to record a deficit of up to \$5 million in 1996 and an additional \$10 million in 1997 as a result of the recognition of the liabilities related to Voluntary Early Retirement Plans for faculty and staff. During 2001, the University received approval from the Lieutenant-Governor in Council to exclude from the definition of a deficit, pursuant to Section 36 of the Memorial University Act, any amounts resulting from the recognition of the liabilities related to recording vacation pay entitlements, severance entitlements and any other post-employment future benefits. The University has recorded an accumulated deficit with respect to these benefits in the amount of \$52,034.

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002

(thousands of dollars)

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### 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, 2002, the Government has contributed \$24.3 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.

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.

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2002

(thousands of dollars)

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

#### (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. Comparative figures:

Certain of the 2001 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2002.

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**  
**Consolidated Statement of Financial Position**

**March 31, 2002, with comparative figures for 2001**

(thousands of dollars)

	2002	2001
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 15,293	\$ 12,103
Short-term investments	9,845	22,329
Accounts receivable	30,430	23,927
Inventory and prepaids	3,444	5,449
Accrued interest receivable	1,145	2,307
	<u>60,157</u>	<u>66,115</u>
Mortgage receivable	715	772
Investments (note 2)	45,788	37,854
Capital assets (note 3)	145,598	135,459
	<u>\$ 252,258</u>	<u>\$ 240,200</u>
<b>Liabilities, Deferred Contributions and Net Assets</b>		
<b>Current liabilities:</b>		
Bank indebtedness (note 5)	\$ 6,744	\$ 26,292
Accounts payable and accrued liabilities	26,971	26,292
	<u>33,715</u>	<u>26,292</u>
<b>Long-term liabilities:</b>		
Other	2,691	1,244
Employee benefits obligation (note 2)	44,273	40,484
	<u>46,964</u>	<u>41,728</u>
Deferred contributions (note 4)	167,679	163,427
<b>Net Assets:</b>		
Net assets invested in capital assets	1,861	684
Net assets restricted for endowment purposes (note 6)	44,617	42,388
Unrestricted net assets, beginning of year	(42,578)	(34,319)
	<u>3,900</u>	<u>8,753</u>
	<u>\$ 252,258</u>	<u>\$ 240,200</u>

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, 2002, with comparative figures for 2001

(thousands of dollars)

	2002	2001
<b>Revenue:</b>		
Government grants	\$ 165,272	\$ 150,038
Student fees	47,639	49,954
Sales and services	12,956	12,246
Amortization of deferred capital contributions	18,327	16,889
Investment income	4,090	5,914
Other income	18,719	15,017
	<u>267,003</u>	<u>250,058</u>
<b>Expenditures:</b>		
Salaries and employee benefits	182,647	164,070
Travel and hosting	10,181	9,669
Materials and supplies	24,707	23,318
Renovations	5,692	4,897
Books	390	466
Scholarships and bursaries	13,048	12,342
Amortization	18,308	16,754
Utilities	13,926	14,226
Equipment rentals	2,323	2,460
Externally contracted services	11,379	9,828
Professional fees	4,236	4,589
Other	1,828	1,830
External cost recoveries	(17,435)	(15,983)
	<u>271,230</u>	<u>248,466</u>
(Deficiency) excess of revenue over expenditures before the following	(4,227)	1,592
Vacation pay expense	943	471
Employee future benefits obligation	3,508	2,059
<b>Deficiency of revenue over expenditures for the year</b>	<b>\$ (8,678)</b>	<b>\$ (938)</b>

See accompanying notes to consolidated financial statements.

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**  
**Consolidated Statement of Changes in Net Assets**

Year ended March 31, 2002, with comparative figures for 2001

(thousands of dollars)

	Invested in Capital Assets	Restricted for Endowment	Unrestricted	2002 Total	2001 Total
Balance, beginning of year	\$ 684	\$ 42,388	\$ (34,319)	\$ 8,753	\$ 5,732
Excess (deficiency) of revenue over expenditures	19	(1,596)	(7,101)	(8,678)	(938)
Endowment contributions		3,825		3,825	3,959
Increase to invested in capital assets	1,158		(1,158)		
<b>Balance, end of year</b>	<b>\$ 1,861</b>	<b>\$ 44,617</b>	<b>\$ (42,578)</b>	<b>\$ 3,900</b>	<b>\$ 8,753</b>

See accompanying notes to consolidated financial statements.

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**  
**Consolidated Statement of Cash Flows**

Year ended March 31, 2002, with comparative figures for 2001

(thousands of dollars)

	2002	2001 (note 3)
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenditure for the year	\$ (8,678)	\$ (938)
Items not involving cash:		
Amortization of capital assets	18,308	16,754
Net increase in deferred contributions related to expenses of future periods	1,294	(615)
Amortization of deferred capital contributions	(18,327)	(16,889)
Opening net asset adjustment related to employee benefit obligations		(36,721)
Change in non-cash working capital	4,087	3,178
	(3,316)	(35,231)
Financing and investing activities:		
Endowment contributions	3,825	3,959
Addition to deferred capital contributions	21,579	30,259
Reduction in deferred capital contributions	(294)	(1,758)
Capital assets acquired	(28,447)	(31,590)
(Increase) decrease in pooled investments	(7,934)	1,026
Decrease (increase) in short-term investments	12,484	(5,783)
Increase (decrease) in long-term liabilities	1,447	(400)
Increase in employee benefit obligations	3,789	33,124
Reduction in mortgage receivable	57	60
	6,506	28,897
Increase (decrease) in cash and cash equivalents	3,190	(6,334)
Cash and cash equivalents, beginning of year	12,103	18,437
Cash and cash equivalents, end of year	\$ 15,293	\$ 12,103

See accompanying notes to consolidated financial statements.





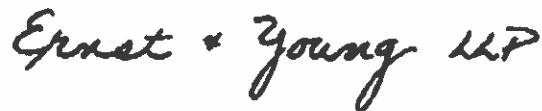
## AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To The Board of Regents of  
Memorial University of Newfoundland

We have audited and reported separately herein on the consolidated financial statements of Memorial University of Newfoundland (the "University") as at and for the year ended March 31, 2002.

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.

St. John's, Canada,  
July 5, 2002.



Chartered Accountants

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
CONSOLIDATED SCHEDULE OF FINANCIAL POSITION  
AS AT MARCH 31, 2002  
(thousands of dollars)

SCHEDULE 1

	OPERATING	2001	ANCILLARY ENTERPRISES	2001	PLANT	2001	SPONSORED RESEARCH	2001	SPECIAL PURPOSE AND TRUST	2001	TOTAL 2002	TOTAL 2001
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Current assets:</b>												
Cash and cash equivalents	(18,177)	(27,609)	999	365	(751)	2,310	22,000	21,051	11,222	15,986	15,293	12,103
Short-term investments	9,845	22,329									9,845	22,329
Accounts receivable	19,618	14,601	132	138	661	63	7,328	6,646	2,691	2,479	30,430	23,927
Accrued interest receivable	101	707							1,044	1,600	1,145	2,307
Inventory and prepaid expense	1,675	3,822	1,750	1,610			13	8	6	9	3,444	5,449
Interfund accounts	1,967	2,114	(1,967)	(2,114)								
	15,029	15,964	914	(1)	(90)	2,373	29,341	27,705	14,963	20,074	60,157	66,115
Mortgage receivable					715	772					715	772
Investments							500	500	45,288	37,354	45,788	37,854
Capital assets			903	585	141,519	131,383	2,924	3,218	252	273	145,598	135,459
<b>Total assets</b>	<b>15,029</b>	<b>15,964</b>	<b>1,817</b>	<b>584</b>	<b>142,144</b>	<b>134,528</b>	<b>32,765</b>	<b>31,423</b>	<b>60,503</b>	<b>57,701</b>	<b>252,258</b>	<b>240,200</b>
<b>Current liabilities:</b>												
Bank indebtedness					6,744						6,744	
Accounts payable and accrued liabilities	20,286	17,068	420	14	2,571	5,815	3,336	2,927	358	468	26,971	26,292
	20,286	17,068	420	14	9,315	5,815	3,336	2,927	358	468	33,715	26,292
<b>Long-term liabilities:</b>												
Other	8	23			2,683	1,221					2,691	1,244
Accrued benefits obligation	43,569	40,134	145	130			370	172	189	48	44,273	40,484
	43,577	40,157	145	130	2,683	1,221	370	172	189	48	46,964	41,728
Deferred contributions					131,053	127,933	28,333	27,167	8,293	8,327	167,679	163,427
<b>Net assets:</b>												
Net assets invested in capital assets			903	585	923	62	10	13	25	24	1,861	684
Net assets restricted for endowment purposes									44,617	42,388	44,617	42,388
Unrestricted net assets	(48,834)	(41,261)	349	(145)	(1,830)	(503)	716	1,144	7,021	6,446	(42,578)	(34,319)
	(48,834)	(41,261)	1,252	440	(907)	(441)	726	1,157	51,663	48,858	3,900	8,753
<b>Total liabilities, deferred contributions and net assets</b>	<b>15,029</b>	<b>15,964</b>	<b>1,817</b>	<b>584</b>	<b>142,144</b>	<b>134,528</b>	<b>32,765</b>	<b>31,423</b>	<b>60,503</b>	<b>57,701</b>	<b>252,258</b>	<b>240,200</b>

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
CONSOLIDATED SCHEDULE OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2002  
(thousands of dollars)

SCHEDULE 2

	OPERATING	2001	ANCILLARY	2001	PLANT	2001	SPONSORED	2001	SPECIAL	2001	TOTAL	TOTAL
	\$	\$	ENTERPRISES	\$	\$	\$	RESEARCH	\$	PURPOSE AND	\$	2002	2001
									TRUST		\$	\$
Revenue:												
Government grants	133,505	120,424	150	150			27,009	24,997	4,608	4,467	165,272	150,038
Amortization of deferred capital contributions					17,875	16,419	423	444	29	26	18,327	16,889
Student fees	47,494	49,818					1		144	136	47,639	49,954
Sales and services			12,956	12,246							12,956	12,246
Investment income	1,815	2,877					172	217	2,103	2,820	4,090	5,914
Other income	8,722	7,150	57	71			6,012	3,513	3,928	4,283	18,719	15,017
<b>Total revenue</b>	<b>191,536</b>	<b>180,269</b>	<b>13,163</b>	<b>12,467</b>	<b>17,875</b>	<b>16,419</b>	<b>33,617</b>	<b>29,171</b>	<b>10,812</b>	<b>11,732</b>	<b>267,003</b>	<b>250,058</b>
Expenditures:												
Salaries and employee benefits	158,245	143,984	4,520	4,217			15,268	11,957	4,614	3,912	182,647	164,070
Travel and hosting	5,444	4,860	65	67			3,501	3,342	1,171	1,400	10,181	9,669
Materials and supplies	9,844	10,136	6,703	6,005		1	7,362	6,316	798	860	24,707	23,318
Renovations	2,843	2,377	679	668	1,839	1,681	164	55	167	116	5,692	4,897
Books	266	329	4	3			91	84	29	50	390	466
Scholarships and bursaries	4,500	4,173	1	13			4,181	3,610	4,366	4,546	13,048	12,342
Utilities	11,477	11,931	947	946			296	191	1,206	1,158	13,926	14,226
Equipment rentals	1,110	1,891	49	47	614	173	500	228	50	121	2,323	2,460
Amortization			155	110	17,592	16,164	426	447	35	33	18,308	16,754
Externally contracted service	6,763	6,365	623	519			2,053	1,807	1,940	1,137	11,379	9,828
Professional fees	2,124	2,332	22	20			1,408	1,417	682	820	4,236	4,589
Other	1,506	1,420	92	49	37	38	119	78	74	245	1,828	1,830
External cost recoveries	(15,651)	(14,438)	40	16	112	614		(1)	(1,936)	(2,174)	(17,435)	(15,983)
<b>Total expenditures</b>	<b>188,471</b>	<b>175,360</b>	<b>13,900</b>	<b>12,680</b>	<b>20,294</b>	<b>18,671</b>	<b>35,369</b>	<b>29,531</b>	<b>13,196</b>	<b>12,224</b>	<b>271,230</b>	<b>248,466</b>
Increase (decrease) for the year before the following	3,065	4,909	(737)	(213)	(2,419)	(2,252)	(1,752)	(360)	(2,384)	(492)	(4,227)	1,592
Interfund transfers	(6,255)	(5,279)	1,568	453	1,953	2,452	1,364	760	1,370	1,614		
Vacation pay expense	(901)	(502)	(4)	25			(41)	16	3	(10)	(943)	(471)
Employee benefits obligation	(3,482)	(2,031)	(15)	(16)			(2)	(3)	(9)	(9)	(3,508)	(2,059)
<b>Net increase (decrease) in net assets for the year</b>	<b>(7,573)</b>	<b>(2,903)</b>	<b>812</b>	<b>249</b>	<b>(466)</b>	<b>200</b>	<b>(431)</b>	<b>413</b>	<b>(1,020)</b>	<b>1,103</b>	<b>(8,678)</b>	<b>(938)</b>

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
SCHEDULE OF UNIVERSITY OPERATING REVENUE  
FOR THE YEAR ENDED MARCH 31, 2002  
(thousands of dollars)**

**SCHEDULE 3**

	<u>2002</u>	<u>2001</u>
	\$	\$
Government grants:		
Province of Newfoundland and Labrador:		
Department of Education	114,171	103,174
Department of Health	18,839	16,763
Other	495	487
	<u>133,505</u>	<u>120,424</u>
Student fees:		
Semester tuition:		
Undergraduates	38,376	41,289
Graduates	3,192	2,527
Non-credit courses:		
Continuing Studies	643	559
Sir Wilfred Grenfell College	228	260
Marine Institute	1,072	1,043
Other fees	3,983	4,140
	<u>47,494</u>	<u>49,818</u>
Investment income	<u>1,815</u>	<u>2,877</u>
Other income:		
Rental income	591	562
Miscellaneous income	7,303	5,687
Medical Practice Associates	828	901
	<u>8,722</u>	<u>7,150</u>
Total revenue	<u><u>191,536</u></u>	<u><u>180,269</u></u>

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**  
**SCHEDULE OF UNIVERSITY OPERATING EXPENDITURE BY FUNCTION**  
**FOR THE YEAR ENDED MARCH 31, 2002**  
(thousands of dollars)

**SCHEDULE 4**

	2002	2001
	\$	\$
Academic:		
Faculty of Arts	21,086	19,045
Faculty of Business Administration	6,035	5,760
Faculty of Education	6,297	5,784
Faculty of Engineering and Applied Science	6,640	6,188
Faculty of Medicine	21,722	20,401
Faculty of Science	27,935	26,035
School of Life Long Learning	1,719	1,442
School of Graduate Studies	3,325	2,930
School of Music	1,662	1,451
School of Nursing	2,819	2,389
School of Pharmacy	1,175	1,131
School of Physical Education and Athletics	2,235	2,107
School of Social Work	1,836	1,718
Sir Wilfred Grenfell College	12,042	10,572
Co-operative Education Services Centre	692	678
Labrador Institute of Northern Studies	148	217
School of Distance Education	3,068	2,912
Animal Care Unit	305	303
Fisheries and Marine Institute	19,866	18,003
Technical Services	2,213	2,302
	<u>142,820</u>	<u>131,368</u>
Support services:		
Administrative departments	14,053	12,370
Computing and Communications	6,334	6,351
Library	6,377	6,046
Student Services	4,376	4,557
Facilities Management	14,511	14,668
	<u>45,651</u>	<u>43,992</u>
Total expenditure	<u>188,471</u>	<u>175,360</u>

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
 SCHEDULE OF UNIVERSITY OPERATING  
 EXPENDITURES BY OBJECT  
 FOR THE YEAR ENDED MARCH 31, 2002  
 (thousands of dollars)

SCHEDULE 5

	Academic	2001	Library	2001	Student Services	2001	Facilities Management	2001	Computing and Communications	2001	Administration	2001	Total 2002	Total 2001
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Academic salaries	73,207	65,466	1,863	1,638	484	475					280	114	75,834	67,693
Other instruction and research salaries	1,458	1,339	93	89	773	835	6		104	107	78	71	2,512	2,441
Other salaries and wages	34,260	32,079	3,018	2,893	1,625	1,516	8,016	7,484	3,295	2,844	8,794	8,446	59,008	55,282
Employee benefits	15,874	14,215	795	720	308	271	1,827	1,494	529	458	1,558	1,431	20,891	18,589
	124,799	113,099	5,769	5,340	3,190	3,097	9,849	8,978	3,928	3,409	10,710	10,062	158,245	143,985
Travel and hosting	4,121	3,620	76	67	154	191	155	150	90	91	848	741	5,444	4,860
Materials and supplies	8,665	7,001	423	484	285	338	846	931	1,003	784	622	598	9,844	10,138
Renovations	541	727	(4)	18	74	99	1,270	1,414	107	92	855	28	2,843	2,376
Library acquisitions	1,432	1,563	4,484	4,617	5	6	8	10	3	3	23	17	5,955	6,218
Scholarships and bursaries	4,005	3,646			416	407		42			79	78	4,500	4,173
Utilities	3,095	3,235	47	48	272	279	7,665	7,920	233	288	165	163	11,477	11,931
Furniture and equipment:														
Rental	985	1,052	48	45	8	10	32	146	(3)	595	40	44	1,110	1,892
Purchase	2,402	2,819	33	28	48	67	361	503	1,354	1,553	435	199	4,633	5,169
Externally contracted service	2,482	2,311	48	48	66	118	1,788	1,792	2,348	2,030	31	66	8,763	8,365
Professional fees	1,313	1,464	6	30	37	2	151	107	(231)		848	729	2,124	2,332
Other:														
Institutional memberships	162	167	32	21	9	9	7	5	8	6	155	165	373	375
Property tax	90	92					237	231					327	323
Insurance	154	143	68	52	2		187	162	2	2	5	8	418	365
Debt repayments	95	76			5	12	10	11	44	64	5	5	159	168
Space rental	189	158			18	18	16	12			12	1	229	189
External cost recoveries	(6,106)	(5,672)	(143)	(148)	(147)	(29)	(7,712)	(7,243)	(1,198)	(1,015)	(345)	(331)	(15,651)	(14,438)
	21,635	22,402	5,118	5,308	1,234	1,527	5,023	6,193	3,760	4,495	3,778	2,507	40,548	42,432
Gross expenditure	146,434	135,501	10,887	10,648	4,424	4,624	14,872	15,171	7,688	7,904	14,488	12,569	198,793	186,417
Less assets capitalized:														
Capital assets	2,402	2,819	33	28	48	67	361	503	1,354	1,553	435	199	4,633	5,169
Library collection	1,212	1,314	4,477	4,574									5,689	5,888
Net expenditure	142,820	131,368	6,377	6,046	4,376	4,557	14,511	14,668	6,334	6,351	14,053	12,370	188,471	175,360

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
CONSOLIDATED SCHEDULE OF SPONSORED RESEARCH REVENUE  
FOR THE YEAR ENDED MARCH 31, 2002  
(thousands of dollars)**

**SCHEDULE 6**

	<u>2002</u>	<u>2001</u>
	\$	\$
Health and Welfare Canada	246	200
Atlantic Canada Opportunities Agency	1,177	2,715
National Research Council	196	255
Federal Government Miscellaneous	4,011	5,605
Social Sciences and Humanities Research Council	1,719	1,407
Canadian Institute for Health Research	3,276	2,771
Natural Sciences and Engineering Research Council	10,740	11,256
Newfoundland Provincial Government	3,436	1,604
Foreign Sponsors	2,801	1,417
Business and Industry	6,083	8,785
Foundations	1,641	1,334
Other Non-Government Agencies	231	328
Other	1,918	407
Memorial University Internal Awards	<u>(2,551)</u>	<u>(3,806)</u>
Gross revenue (including interfund transfers)	34,924	34,278
Less revenue deferred to future periods	<u>1,307</u>	<u>5,107</u>
Net revenue	<u><u>33,617</u></u>	<u><u>29,171</u></u>