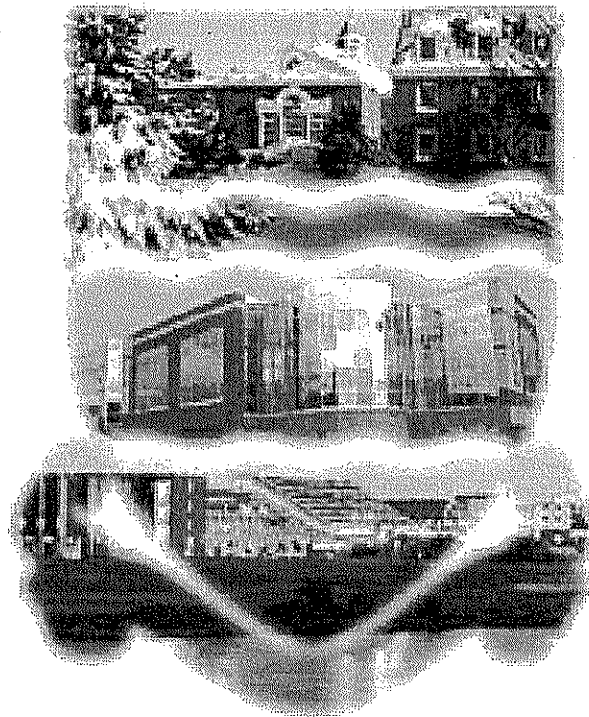




**Memorial**  
University of Newfoundland



Consolidated Financial Statements of

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**

Year ended March 31, 2003

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
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FOR THE YEAR ENDED 31 MARCH 2003**

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## AUDITORS' REPORT

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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, 2003, the consolidated statements of operations, statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2003, 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,  
June 6, 2003.

Chartered Accountants

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2003

(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 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:

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

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2003

(thousands of dollars)

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

#### (b) Consolidated statements (cont'd.):

On January 15, 2003, the assets, excluding the Permanent Collection, and liabilities of the Memorial University of Newfoundland Art Gallery Incorporated were transferred to The Rooms Corporation. To ensure a smooth transfer, the financial arrangement remained with the University until March 31, 2003. The Rooms Corporation will be the custodian of the Permanent Collection pursuant to the terms of the custodial agreement.

#### (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 2.75% to 2.80% (2002 - 1.95% to 2.21%). 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:

	2003	2002
	\$	\$
Total Provincial Government Grant	153,254	144,360
Total Federal Government Grant	3,283	0
Less portion restricted for capital expenditures	8,451	10,855
Net Provincial Government Grant	148,086	133,505

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2003  
(thousands of dollars)

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

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

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 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:

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Fixed income securities	15,259	15,825	27,065	27,642
Equity securities	22,918	18,942	18,723	18,719
	38,177	34,767	45,788	46,361

Cash in the amount of \$9.496 million is being carried in the pooled fund but for financial statement presentation is classified as cash and cash equivalents.

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:

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2003

(thousands of dollars)

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

(f) Investments (cont'd.):

- (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 7.4% with maturities that range from 2003 to the year 2049.
- (iii) The income earned on the securities is used to pay scholarships and fund endowed chairs. Expenditure levels on these activities are determined based on the performance of the investments.

(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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# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2003

(thousands of dollars)

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

(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 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:

	2003	2002
Accrued benefit obligation	\$	\$
Balance at beginning of year	3,136	1,712
Current service cost	181	175
Interest cost	220	120
Benefits paid	(45)	(19)
Actuarial (gain) loss	(116)	1,148
Balance at end of year	3,376	3,136



# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2003

(thousands of dollars)

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

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

##### (iii) Voluntary early retirement (cont'd.):

	2003	2002
	\$	\$
Actuarial loss (gain)	32	(5)
Interest cost	476	485
<b>Net benefit plan expense</b>	<b>508</b>	<b>480</b>

##### (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:

	2003	2002
Accrued benefit obligation	\$	\$
Balance at beginning of year	35,595	33,106
Current service cost	1,609	1,325
Interest cost	2,465	2,304
Benefits paid	(1,394)	(1,140)
<b>Balance at end of year</b>	<b>38,275</b>	<b>35,595</b>
<b>Plan deficit</b>	<b>38,275</b>	<b>35,595</b>

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:

	2003	2002
	\$	\$
Current service cost	1,609	1,325
Interest cost	2,465	2,304
<b>Net benefit plan expense</b>	<b>4,074</b>	<b>3,629</b>

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2003

(thousands of dollars)

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

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

##### (ii) Supplemental retirement income plan (cont'd.):

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:

	2003	2002
	\$	\$
Current service cost	181	175
Actual (gain) loss	(116)	1,148
Interest cost	220	120
<b>Net benefit plan expense</b>	<b>285</b>	<b>1,443</b>

##### (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:

	2003	2002
Accrued benefit obligation	\$	\$
Balance at beginning of year	6,250	6,377
Interest cost	476	485
Benefits paid	(605)	(607)
Actuarial loss (gain)	32	(5)
<b>Balance at end of year</b>	<b>6,153</b>	<b>6,250</b>
<b>Plan deficit</b>	<b>6,153</b>	<b>6,250</b>

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:

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2003

(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:

	2003	2002
Accrued benefit obligations	\$	\$
Supplemental retirement income plan	3,376	3,136
Voluntary early retirement plan	6,153	6,250
Other benefits	38,275	35,595
Total accrued benefit obligations	47,804	44,981
Less current portion	771	708
Net long-term benefit obligations	47,033	44,273

### 3. Capital Assets:

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
	\$	\$	\$	\$
Buildings	166,287	79,597	86,690	91,269
Furniture and equipment	31,926	17,509	14,417	13,000
Computers	18,848	10,778	8,070	9,182
Vehicles	1,088	567	521	660
Campus network	5,014	2,705	2,309	3,006
Library collection	88,116	59,305	28,811	28,481
	311,279	170,461	140,818	145,598

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2003

(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.

	2003	2002
	\$	\$
Balance, beginning of year	33,486	32,192
Revenue received during the year	39,875	31,903
Expenses incurred during the year	38,826	30,609
	<u>34,535</u>	<u>33,486</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.

	2003	2002
	\$	\$
Balance, beginning of year	134,193	131,235
Additional contributions received	13,638	21,285
Less amounts amortized to revenue	(18,047)	(18,327)
	<u>129,784</u>	<u>134,193</u>

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

	2003	2002
	\$	\$
Unamortized deferred capital contributions	127,160	133,563
Unspent capital contributions	2,624	630
	<u>129,784</u>	<u>134,193</u>

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2003

(thousands of dollars)

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

(c) Total deferred contributions:

	2003	2002
	\$	\$
Expenses of future periods	34,535	33,486
Capital assets	129,784	134,193
	<u>164,319</u>	<u>167,679</u>

### 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 three capital projects. The projects involve the development of a training facility on the Southside for the Marine Institute, construction of a new residence complex for Sir Wilfred Grenfell College and renovations to the campus at Harlow, England. Currently the debt has been negotiated using bankers' acceptance at rates of 3.24% to 3.55% which matures during 2003. Management expects to refinance these loans through bankers' acceptance for the balance of the term of the loan.

### 6. Long Term Debt:

	2003	2002
	\$	\$
CMHC, 5.875% interest, repayable in equal payments of \$29,095 semi-annually, which commenced on December 1, 1994	587	609
Harlow Development Corporation, 7%%, repayable in semi-annual instalments of \$3,883.25, which commenced March 1974	8	23
Capital leases negotiated through the Royal Bank, interest rates vary, payable in equal annual instalments, secured by assets under lease	4,050	3,012
RBC Royal Bank, fixed term loan, 3.4% interest repayable in equal payments of \$300,000 annually	2,864	0
	<u>7,509</u>	<u>3,644</u>
Short term portion	<u>1,188</u>	<u>953</u>
	<u>6,321</u>	<u>2,691</u>

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2003

(thousands of dollars)

### 6. Long Term Debt (cont'd):

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

2004	1,188
2005	1,457
2006	1,430
2007	743
2008	576

### 7. Net Assets:

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

The University has total restricted net assets for endowment purposes of \$44,274 (2002 - \$44,617) consisting of internally and externally restricted assets. Restricted assets of \$35,570 (2002 - \$35,421) are subject to externally imposed restrictions requiring the principal to be maintained intact. Additional externally restricted assets of \$1,205 (2002 - \$1,176) 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 of \$7,499 (2002 - \$8,020) 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:

	2003	2002
	\$	\$
Net assets internally restricted for specific purposes	2,977	2,805
Net assets invested in related entities	5,892	5,504
Net assets invested in accrued employee benefits (note 2(h))	(47,804)	(44,981)
Net assets invested in accrued vacation benefits	(7,815)	(7,053)
Unrestricted operating net assets	1,545	1,147
	(45,205)	(42,578)

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

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2003

(thousands of dollars)

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### 8. Contingencies:

#### (a) Reciprocal Exchange of Insurance Risks:

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

The projected cost of claims will be funded through members' premiums based on actuarial projections. As of December 31, 2002, CURIE has a surplus of \$4.1 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 \$1.128 million.

### 9. 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 \$54.758 million.

# MEMORIAL UNIVERSITY OF NEWFOUNDLAND

## Notes to Consolidated Financial Statements

Year ended March 31, 2003

(thousands of dollars)

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### 10. 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, 2003, 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.

### 11. 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, 2003

(thousands of dollars)

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### 11. 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.

### 12 Comparative figures:

Certain of the 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2003.

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

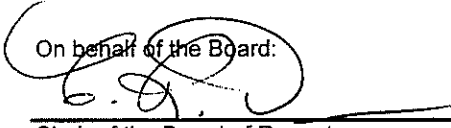
**March 31, 2003, with comparative figures for 2002**

(thousands of dollars)

	2003	2002
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 32,150	\$ 15,293
Short-term investments		9,845
Accounts receivable	33,147	30,430
Inventory and prepaids	3,688	3,444
Accrued interest receivable	517	1,145
	<u>69,502</u>	<u>60,157</u>
Mortgage receivable	655	715
Investments (note 2)	38,177	45,788
Capital assets (note 3)	<u>140,818</u>	<u>145,598</u>
	<u>\$ 249,152</u>	<u>\$ 252,258</u>
<b>Liabilities, Deferred Contributions and Net Assets</b>		
<b>Current liabilities:</b>		
Bank indebtedness (note 5)	\$ 6,106	\$ 6,744
Accounts payable and accrued liabilities	<u>26,330</u>	<u>26,971</u>
	32,436	33,715
<b>Long-term liabilities:</b>		
Other (note 6)	6,321	2,691
Employee benefits obligation (note 2)	<u>47,033</u>	<u>44,273</u>
	53,354	46,964
Deferred contributions (note 4)	164,319	167,679
<b>Net Assets:</b>		
Net assets invested in capital assets	(26)	1,861
Net assets restricted for endowment purposes (note 7)	44,274	44,617
Unrestricted net assets	<u>(45,205)</u>	<u>(42,578)</u>
	(957)	3,900
	<u>\$ 249,152</u>	<u>\$ 252,258</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

  
 Chair of the Board of Regents

  
 Chair of the Finance Committee

## STATEMENT 2

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
Consolidated Statement of Operations

Year ended March 31, 2003, with comparative figures for 2002

(thousands of dollars)

	2003	2002
Revenue:		
Government grants	\$ 184,760	\$ 165,272
Student fees	48,534	47,639
Sales and services	13,368	12,956
Amortization of deferred capital contributions	18,047	18,327
Investment income	2,050	4,090
Other income	24,910	18,719
	<u>291,669</u>	<u>267,003</u>
Expenditures:		
Salaries and employee benefits	194,855	182,647
Travel and hosting	10,750	10,181
Materials and supplies	27,254	24,707
Renovations	6,199	5,692
Books	698	390
Scholarships and bursaries	13,959	13,048
Amortization	19,239	18,308
Utilities	14,601	13,926
Equipment rentals	2,221	2,323
Externally contracted services	13,456	11,379
Professional fees	4,249	4,236
Other	2,579	1,828
External cost recoveries	(14,927)	(17,435)
	<u>295,133</u>	<u>271,230</u>
Deficiency of revenue over expenditures before the following	(3,464)	(4,227)
Vacation pay expense	765	943
Employee future benefits obligation	2,791	3,508
Deficiency of revenue over expenditures for the year	<u>\$ (7,020)</u>	<u>\$ (8,678)</u>

See accompanying notes to consolidated financial statements.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
Consolidated Statement of Changes in Net Assets

Year ended March 31, 2003, with comparative figures for 2002

(thousands of dollars)

	Invested in Capital Assets	Restricted for Endowment	Unrestricted	2003 Total	2002 Total
Balance, beginning of year	\$ 1,861	\$ 44,617	\$ (42,578)	\$ 3,900	\$ 8,753
Deficiency of revenue over expenditures	(1,192)	(2,506)	(3,322)	(7,020)	(8,678)
Endowment contributions		2,163		2,163	3,825
Increase to invested in capital assets	(695)		695		
Balance, end of year	\$ (26)	\$ 44,274	\$ (45,205)	\$ (957)	\$ 3,900

See accompanying notes to consolidated financial statements.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
Consolidated Statement of Cash Flows

Year ended March 31, 2003, with comparative figures for 2002

(thousands of dollars)

	2003	2002
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenditure for the year	\$ (7,020)	\$ (8,678)
Items not involving cash:		
Amortization of capital assets	19,239	18,308
Net increase in deferred contributions related to expenses of future periods	1,049	1,294
Amortization of deferred capital contributions	(18,047)	(18,327)
Change in non-cash working capital	(3,612)	4,087
	(8,391)	(3,316)
Financing and investing activities:		
Endowment contributions	2,163	3,825
Additions to deferred capital contributions	13,638	21,285
Capital assets acquired	(14,459)	(28,447)
Decrease (increase) in pooled investments	7,611	(7,934)
Decrease in short-term investments	9,845	12,484
Increase in long-term liabilities	3,630	1,447
Increase in employee benefit obligations	2,760	3,789
Reduction in mortgage receivable	60	57
	25,248	6,506
Increase in cash and cash equivalents	16,857	3,190
Cash and cash equivalents, beginning of year	15,293	12,103
Cash and cash equivalents, end of year	\$ 32,150	\$ 15,293

See accompanying notes to consolidated financial statements.

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

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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, 2003.

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 all material respects in relation to the basic consolidated financial statements taken as whole.

*Ernst & Young LLP*

St. John's, Canada,  
June 6, 2003.

Chartered Accountants

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
CONSOLIDATED SCHEDULE OF FINANCIAL POSITION  
AS AT MARCH 31, 2003  
(thousands of dollars)

SCHEDULE 1

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL 2003	TOTAL 2002
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current assets:												
Cash and cash equivalents	-11,419	-18,177	1,442	999	1,185	-751	21,851	22,000	19,091	11,222	32,150	15,293
Short-term investments		9,845										9,845
Accounts receivable	20,565	19,618	135	132	195	661	9,313	7,328	2,939	2,691	33,147	30,430
Accrued interest receivable	69	101							448	1,044	517	1,145
Inventory and prepaid expense	1,902	1,675	1,707	1,750			37	13	42	6	3,688	3,444
Interfund accounts	2,328	1,967	-2,328	-1,967								
	13,445	15,029	956	914	1,380	-90	31,201	29,341	22,520	14,963	69,502	60,157
Mortgage receivable					655	715					655	715
Investments					137,118	141,519	300	500	37,877	45,288	38,177	45,788
Capital assets			949	903			2,530	2,924	221	252	140,818	145,598
<b>Total assets</b>	<b>13,445</b>	<b>15,029</b>	<b>1,905</b>	<b>1,817</b>	<b>139,153</b>	<b>142,144</b>	<b>34,031</b>	<b>32,765</b>	<b>60,618</b>	<b>60,503</b>	<b>249,152</b>	<b>252,258</b>
Current liabilities:												
Bank indebtedness					6,106	6,744					6,106	6,744
Accounts payable and accrued liabilities	20,383	20,286	-36	420	1,538	2,571	4,171	3,336	274	358	26,330	26,971
	20,383	20,286	-36	420	7,644	9,315	4,171	3,336	274	358	32,436	33,715
Long-term liabilities:												
Other		8			6,321	2,683					6,321	2,691
Accrued benefits obligation	46,171	43,569	159	145			495	370	208	189	47,033	44,273
	46,171	43,577	159	145	6,321	2,683	495	370	208	189	53,354	46,964
Deferred contributions					127,062	131,053	28,523	28,333	8,734	8,293	164,319	167,679
Net assets:												
Net assets invested in capital assets			949	903	-1,003	923	8	10	20	25	-26	1,861
Net assets restricted for endowment purposes									44,274	44,617	44,274	44,617
Unrestricted net assets	-53,109	-48,834	833	349	-871	-1,830	834	716	7,108	7,021	-45,205	-42,578
	-53,109	-48,834	1,782	1,252	-1,874	-907	842	726	51,402	51,663	-957	3,900
<b>Total liabilities, deferred contributions and net assets</b>	<b>13,445</b>	<b>15,029</b>	<b>1,905</b>	<b>1,817</b>	<b>139,153</b>	<b>142,144</b>	<b>34,031</b>	<b>32,765</b>	<b>60,618</b>	<b>60,503</b>	<b>249,152</b>	<b>252,258</b>

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
CONSOLIDATED SCHEDULE OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2003  
(thousands of dollars)

SCHEDULE 2

	OPERATING	2002	ANCILLARY	2002	PLANT	2002	SPONSORED	2002	SPECIAL	2002	TOTAL	TOTAL
	\$	\$	ENTERPRISES	\$	\$	\$	RESEARCH	\$	PURPOSE AND	\$	2003	2002
									TRUST		\$	\$
Revenue:												
Government grants	148,086	133,505	150	150			32,256	27,009				
Amortization of deferred capital contributions					17,610	17,875	411	423	4,268	4,608	184,760	165,272
Student fees	48,348	47,494							26	29	18,047	18,327
Sales and services			13,368	12,956					186	144	48,534	47,639
Investment income	1,043	1,815					65	172			13,368	12,956
Other income	13,496	8,722	822	57	269		6,594	6,012	942	2,103	2,050	4,090
<b>Total revenue</b>	<b>210,973</b>	<b>191,536</b>	<b>14,340</b>	<b>13,163</b>	<b>17,879</b>	<b>17,875</b>	<b>39,326</b>	<b>33,617</b>	<b>3,729</b>	<b>3,928</b>	<b>24,910</b>	<b>18,719</b>
Expenditures:												
Salaries and employee benefits	168,028	158,245	5,348	4,520	51		16,971	15,268	4,457	4,614	194,855	182,647
Travel and hosting	5,458	5,444	86	65	3		3,785	3,501	1,419	1,171	10,750	10,181
Materials and supplies	10,046	9,844	6,630	6,703	17		9,642	7,362	919	798	27,254	24,707
Renovations	2,611	2,843	763	679	2,349	1,839	318	164	158	167	6,199	5,692
Books	567	266	1	4			89	91	41	29	698	390
Scholarships and bursaries	4,867	4,500	1	1			5,047	4,181	4,044	4,366	13,959	13,048
Utilities	12,580	11,477	1,051	947	9		136	296	825	1,206	14,601	13,926
Equipment rentals	1,331	1,110	57	49	32	614	670	500	131	50	2,221	2,323
Amortization			205	155	18,590	17,592	413	426	31	35	19,239	18,308
Externally contracted service	8,810	6,763	858	623	187		2,346	2,053	1,255	1,940	13,456	11,379
Professional fees	2,913	2,124	15	22	6		830	1,408	485	682	4,249	4,236
Other	1,933	1,506	422	92	37	37	76	119	111	74	2,579	1,828
External cost recoveries	-12,898	-15,651	8	40	5	112	-124		-1,918	-1,936	-14,927	-17,435
<b>Total expenditures</b>	<b>206,246</b>	<b>188,471</b>	<b>15,444</b>	<b>13,900</b>	<b>21,286</b>	<b>20,294</b>	<b>40,199</b>	<b>35,369</b>	<b>11,958</b>	<b>13,196</b>	<b>295,133</b>	<b>271,230</b>
Increase (decrease) for the year before the following	4,727	3,065	-1,104	-737	-3,407	-2,419	-873	-1,752	-2,807	-2,364	-3,464	-4,227
Interfund transfers	-5,489	-6,255	1,655	1,588	2,440	1,953	998	1,364	396	1,370		
Vacation pay expense	-763	-901	-7	-4			-2	-41	7	3	-765	-943
Employee benefits obligation	-2,750	-3,482	-14	-15			-7	-2	-20	-9	-2,791	-3,508
Net increase (decrease) in net assets for the year	-4,275	-7,573	530	812	-967	-466	116	-431	-2,424	-1,020	-7,020	-8,678



MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
 SCHEDULE OF UNIVERSITY OPERATING REVENUE  
 FOR THE YEAR ENDED MARCH 31, 2003  
 (thousands of dollars)

SCHEDULE 3

	<u>2003</u>	<u>2002</u>
	\$	\$
Government grants:		
Province of Newfoundland and Labrador:		
Department of Education	125,476	114,171
Department of Health	19,062	18,839
Other	265	495
Government of Canada	<u>3,283</u>	<u>          </u>
	<u>148,086</u>	<u>133,505</u>
Student fees:		
Semester tuition: <i>MED</i>		
Undergraduates <i>3,116</i>	<i>35,700</i>	38,376
Graduates <i>3,116</i>	<i>3,764</i>	3,192
Non-credit courses:		
Continuing Studies	606	643
Sir Wilfred Grenfell College	244	228
Marine Institute	5,732	1,072
Other fees	<u>2,763</u>	<u>3,983</u>
	<u>48,348</u>	<u>47,494</u>
Investment income	<u>1,043</u>	<u>1,815</u>
Other income:		
Rental income	575	591
Miscellaneous income	12,089	7,303
Medical Practice Associates	<u>832</u>	<u>828</u>
	<u>13,496</u>	<u>8,722</u>
<b>Total revenue</b>	<u><u>210,973</u></u>	<u><u>191,536</u></u>

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
 SCHEDULE OF UNIVERSITY OPERATING EXPENDITURE BY FUNCTION  
 FOR THE YEAR ENDED MARCH 31, 2003  
 (thousands of dollars)

SCHEDULE 4

	<u>2003</u>	<u>2002</u>
	\$	\$
Academic:		
Faculty of Arts	21,836	21,086
Faculty of Business Administration	7,163	6,035
Faculty of Education	6,838	6,297
Faculty of Engineering and Applied Science	7,333	6,640
Faculty of Medicine	22,748	21,722
Faculty of Science	29,083	27,935
School of Life Long Learning	1,673	1,719
School of Graduate Studies	3,412	3,325
School of Music	1,941	1,662
School of Nursing	3,110	2,819
School of Pharmacy	1,360	1,175
School of Physical Education and Athletics	2,391	2,235
School of Social Work	1,985	1,836
Sir Wilfred Grenfell College	13,030	12,042
Co-operative Education Services Centre	23	692
Labrador Institute of Northern Studies	287	148
School of Distance Education	3,029	3,068
Animal Care Unit	502	305
Fisheries and Marine Institute	22,944	19,866
Technical Services	2,472	2,213
	<u>153,160</u>	<u>142,820</u>
Support services:		
Administrative departments	15,542	14,053
Computing and Communications	9,041	6,334
Library	6,949	6,377
Student Services	5,418	4,376
Facilities Management	16,136	14,511
	<u>53,086</u>	<u>45,651</u>
<b>Total expenditure</b>	<u><u>206,246</u></u>	<u><u>188,471</u></u>

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
 SCHEDULE OF UNIVERSITY OPERATING  
 EXPENDITURES BY OBJECT  
 FOR THE YEAR ENDED MARCH 31, 2003  
 (thousands of dollars)

SCHEDULE 5

	Academic		Library		Student Services		Facilities Management		Computing and Communications		Administration		Total	Total
	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002	2003	2002
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Academic salaries	76,306	73,207	1,824	1,863	507	484								
Other instruction and research salaries	1,451	1,458	103	93	859	773	6	6	158	104	230	280	78,867	75,834
Other salaries and wages	36,944	34,260	3,259	3,018	1,756	1,625	8,527	8,016	3,555	3,295	98	78	2,675	2,512
Employee benefits	16,897	15,874	873	795	324	308	1,824	1,827	568	529	10,130	8,794	64,171	59,008
	<u>131,598</u>	<u>124,799</u>	<u>6,059</u>	<u>5,769</u>	<u>3,446</u>	<u>3,190</u>	<u>10,357</u>	<u>9,849</u>	<u>4,281</u>	<u>3,928</u>	<u>12,287</u>	<u>10,710</u>	<u>168,028</u>	<u>158,245</u>
Travel and hosting	4,039	4,121	93	76	264	154	133	155	54	90	875	848	5,458	5,444
Materials and supplies	6,548	6,665	481	423	542	285	934	846	1,440	1,003	101	622	10,046	9,844
Renovations	830	541	140	-4	12	74	1,551	1,270	3	107	75	855	2,611	2,843
Library acquisitions	1,774	1,432	4,660	4,484	4	5	7	8	2	3	72	23	6,519	5,955
Scholarships and bursaries	4,109	4,005			718	416					40	79	4,867	4,500
Utilities	3,071	3,095	47	47	101	272	8,873	7,665	306	233	182	165	12,580	11,477
Furniture and equipment:														
Rental	895	885	59	48	19	8	23	32	479	-3	42	40	1,508	1,110
Purchase	913	2,402	51	33	10	48	169	361	510	1,354	669	435	2,322	4,633
Externally contracted service	2,665	2,482	46	48	107	68	1,882	1,788	2,883	2,348	455	31	8,038	6,783
Professional fees	1,895	1,313	1	6	144	37	85	151	-27	-231	1,015	848	2,913	2,124
Other:														
Institutional memberships	167	162	24	32	23	9	2	7	7	8	239	155	462	373
Property tax	101	90					240	237					341	327
Insurance	178	154	85	68			244	187					514	418
Debt repayments	190	95			47	5	7	10	2	2	4	5	389	159
Space rental	195	199			8		11	18	140	44	5	5	227	229
External cost recoveries	-3,465	-6,106	-130	-143		-147	-8,283	-7,712	-710	-1,198	-310	-345	-12,898	-15,651
	<u>23,906</u>	<u>21,635</u>	<u>5,557</u>	<u>5,118</u>	<u>1,990</u>	<u>1,234</u>	<u>5,878</u>	<u>5,023</u>	<u>5,089</u>	<u>3,760</u>	<u>3,477</u>	<u>3,778</u>	<u>45,897</u>	<u>40,548</u>
Gross expenditure	<u>155,504</u>	<u>148,434</u>	<u>11,616</u>	<u>10,887</u>	<u>5,436</u>	<u>4,424</u>	<u>16,235</u>	<u>14,872</u>	<u>9,370</u>	<u>7,688</u>	<u>15,764</u>	<u>14,488</u>	<u>213,925</u>	<u>198,793</u>
Less assets capitalized:														
Capital assets	1,052	2,402	7	33	18	48	99	361	329	1,354	222	435	1,727	4,633
Library collection	1,292	1,212	4,660	4,477									5,952	5,689
Net expenditure	<u>153,160</u>	<u>142,820</u>	<u>6,949</u>	<u>6,377</u>	<u>5,418</u>	<u>4,376</u>	<u>16,136</u>	<u>14,511</u>	<u>-9,041</u>	<u>6,334</u>	<u>15,542</u>	<u>14,053</u>	<u>206,246</u>	<u>188,471</u>

MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
CONSOLIDATED SCHEDULE OF SPONSORED RESEARCH REVENUE  
FOR THE YEAR ENDED MARCH 31, 2003  
(thousands of dollars)

SCHEDULE 6

	<u>2003</u>	<u>2002</u>
	\$	\$
Health and Welfare Canada	440	246
Allantic Canada Opportunities Agency	2,800	1,177
National Research Council	188	196
Federal Government Miscellaneous	6,324	4,011
Social Sciences and Humanities Research Council	1,308	1,719
Canadian Institute for Health Research	4,450	3,276
Natural Sciences and Engineering Research Council	10,746	10,740
Newfoundland Provincial Government	1,319	3,436
Foreign Sponsors	2,632	2,801
Business and Industry	7,275	6,083
Foundations	1,540	1,641
Other Non-Government Agencies	168	231
Other	2,536	1,918
Memorial University Internal Awards	<u>-1,818</u>	<u>-2,551</u>
Gross revenue (including interfund transfers)	39,908	34,924
Less revenue deferred to future periods	<u>582</u>	<u>1,307</u>
Net revenue	<u><u>39,326</u></u>	<u><u>33,617</u></u>