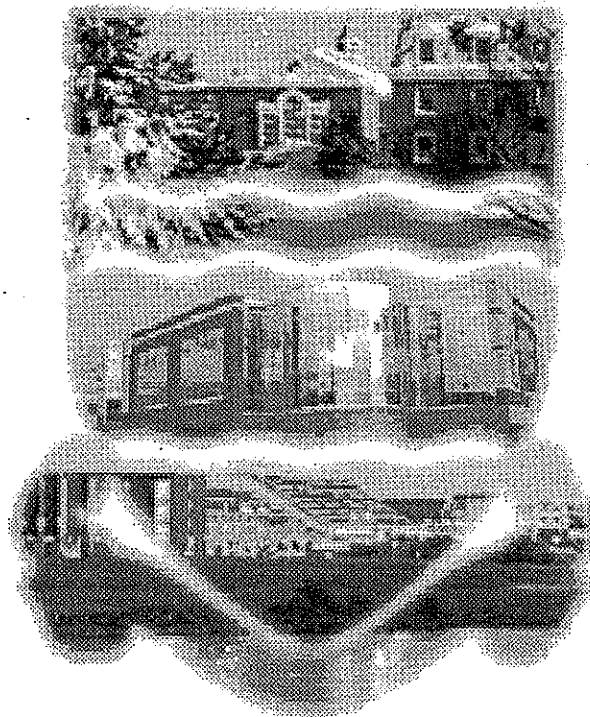




Memorial
University of Newfoundland



Consolidated Financial Statements with Supplementary Schedules of
MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Year ended March 31, 2005

Financial Statements of

**MEMORIAL UNIVERSITY OF
NEWFOUNDLAND**

March 31, 2005

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005**

Consolidated Financial Statements

Auditor's Report	
Consolidated Statement of Financial Position	Statement 1
Consolidated Statement of Operations	Statement 2
Consolidated Statement of Changes in Net Assets	Statement 3
Consolidated Statement of Cash Flows	Statement 4
Notes to Consolidated Financial Statements	

Audited Supplementary Schedules

Auditor's Report on Supplementary Information	
Consolidated Schedule of Financial Position by Function	Schedule 1
Consolidated Schedule of Operations by Function	Schedule 2

Unaudited Supplementary Schedules

Schedule of Operating Revenue	Schedule A
Schedule of Operating Expenditure by Function	Schedule B
Schedule of Operating Expenditure by Object	Schedule C
Compensation Practices	Schedule D



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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, 2005 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants
June 30, 2005

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Financial Position

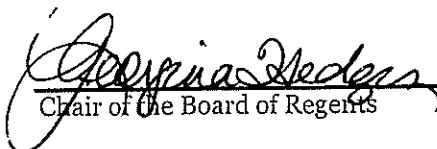
March 31, 2005, with comparative figures for 2004
(thousands of dollars)

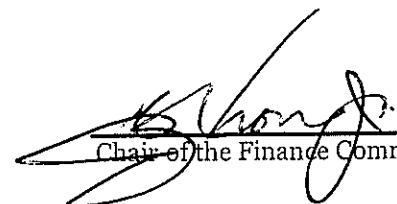
	2005	2004
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 26,491	\$ 46,062
Short term investments (note 2)	13,914	-
Accounts receivable	33,559	27,418
Inventory and prepaids	5,141	4,683
Accrued interest receivable	694	534
	<u>79,799</u>	<u>78,697</u>
Capital assets (note 3)	152,374	142,053
Investments (note 7)	47,136	42,997
Mortgage receivable	590	591
	<u>\$ 279,899</u>	<u>\$ 264,338</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 22,180	\$ 36,131
Deferred revenue	11,025	-
Bank indebtedness (note 6)	7,142	7,776
Short term debt (note 5)	1,573	1,501
	<u>41,920</u>	<u>45,408</u>
Long-term liabilities:		
Employee benefits obligation (note 12)	74,019	70,830
Long-term debt (note 5)	2,105	3,488
	<u>76,124</u>	<u>74,318</u>
Deferred contributions (note 4)	180,399	166,605
Net Assets:		
Net assets restricted for endowment purposes (note 10)	48,620	46,844
Net assets invested in capital assets	(1,823)	(1,712)
Unrestricted net assets	(65,341)	(67,125)
	<u>(18,544)</u>	<u>(21,993)</u>
	<u>\$ 279,899</u>	<u>\$ 264,338</u>

Contingencies (Note 9)

See accompanying notes to consolidated financial statements.

On behalf of the Board:


Chair of the Board of Regents


Chair of the Finance Comm

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Operations

Year ended March 31, 2005, with comparative figures for 2004
(thousands of dollars)

	2005	2004
Revenue:		
Government grants	\$ 216,332	\$ 210,914
Student fees	52,408	50,096
Other income	35,213	26,172
Amortization of deferred capital contributions	18,585	18,428
Sales and services	14,773	14,067
Investment income	3,184	2,923
	<u>340,495</u>	<u>322,600</u>
Expenditures:		
Salaries	187,995	183,952
Employee benefits	30,478	26,816
Employee future benefits	3,587	24,819
Materials and supplies	28,251	27,044
Amortization	18,931	19,391
Utilities	15,043	14,581
Scholarships and bursaries	15,384	14,253
Externally contracted services	13,409	12,942
Renovations	14,205	10,796
Travel and hosting	10,026	10,291
Other	7,966	7,025
Professional fees	5,569	6,815
Equipment rentals	2,963	1,966
Books	708	677
External cost recoveries	(14,565)	(13,951)
	<u>339,950</u>	<u>347,417</u>
Surplus (deficiency) of revenue over expenditures for the year	\$ 545	\$ (24,817)

See accompanying notes to consolidated financial statements.

STATEMENT 3

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Changes in Net AssetsYear ended March 31, 2005, with comparative figures for 2004
(thousands of dollars)

	Invested in Capital Assets	Restricted for Endowment	Unrestricted	2005 Total	2004 Total
Balance, beginning of year	\$ (1,712)	\$ 46,844	\$ (67,125)	\$ (21,993)	\$ (972)
(Deficiency) increase of revenue over expenditures	(222)	(1,128)	1,895	545	(24,817)
Endowment contributions	-	2,904	-	2,904	3,796
Increase (decrease) to invested in capital assets	111	-	(111)	-	-
Balance, end of year	\$ (1,823)	\$ 48,620	\$ (65,341)	\$ (18,544)	\$ (21,993)

See accompanying notes to consolidated financial statements.

STATEMENT 4

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Cash Flows

Year ended March 31, 2005, with comparative figures for 2004
(thousands of dollars)

	2005	2004
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditure for the year	\$ 545	\$ (24,817)
Items not involving cash:		
Amortization of capital assets	18,931	19,391
Net increase in deferred contributions related to expenses of future periods	4,559	2,909
Amortization of deferred capital contributions	(18,585)	(18,428)
Change in non-cash working capital	(10,247)	15,747
	(4,797)	(5,198)
Financing and investing activities:		
Endowment contributions	2,904	3,796
Addition to deferred capital contributions	27,820	17,805
Capital assets acquired	(29,252)	(20,626)
Increase in pooled investments	(4,139)	(4,820)
Increase in short-term investments	(13,914)	-
Decrease in long-term liabilities	(1,383)	(906)
Increase in employee benefit obligations	3,189	23,797
Reduction in mortgage receivable	1	64
	(14,774)	19,110
(Decrease) increase in cash and cash equivalents	(19,571)	13,912
Cash and cash equivalents, beginning of year	46,062	32,150
Cash and cash equivalents, end of year	\$ 26,491	\$ 46,062

See accompanying notes to consolidated financial statements.

Memorial University of Newfoundland

Notes to Consolidated Financial Statements

Year ended March 31, 2005
(thousands of dollars)

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 significant accounting principles are summarized as follows:

(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 revenue and expenses during the year. Actual results could differ from those estimates. 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 financial position of the University and the following related not-for-profit organizations:

- ⇒ C-CORE
- ⇒ The Canadian Centre for Marine Communications (CCMC)
- ⇒ The Canadian Centre for Fisheries Innovation (CCFI)
- ⇒ Genesis Group Inc.
- ⇒ The Memorial University of Newfoundland Botanical Garden Incorporated
- ⇒ Memorial University Recreation Complex (MURC)
- ⇒ Newfoundland Quarterly Foundation

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2005
(thousands of dollars)

2. Significant Accounting Policies (cont'd)

(c) Cash equivalents and short term investments

Cash equivalents and short term investments consist primarily of cash, treasury bills and bankers' acceptances. Investments with original maturities less than three months past year end are classified as cash equivalents. Investments with maturities beyond three months to one year past year end are classified as short term investments. Short term investments are carried at cost, which approximates market value.

(d) Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which related expenses are recognized. Contributions of capital assets are recorded at fair market value at the date of the contribution and deferred and amortized to operations on the same basis as the related asset. Endowment contributions are recognized as direct increases in the net assets in the year in which they are received. Revenues from contracts and sales are recognized when the services are provided or the goods are sold.

(e) Contributed services

Volunteers, including volunteer efforts from the staff of the University, contribute an indeterminable number of hours per year to assist the University in carrying out its service delivery activities. The costs that would otherwise be associated with these contributed services is not recognized in these financial statements.

(f) Investments

Investments are carried at cost. Fair values have been determined on the basis described in note 7 and are considered to approximate market values.

Memorial University of Newfoundland

Notes to Consolidated Financial Statements

Year ended March 31, 2005

(thousands of dollars)

2. Significant Accounting Policies (cont'd)

(g) Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of acquisition. Repairs and maintenance charges are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

The University's permanent art collection is expensed as incurred and the value of donated art is not recognized in these financial statements.

Capital assets are amortized using the following rates. One-half year's amortization is taken in the year of acquisition and no amortization in the year of disposal.

⇒ Buildings	8% declining balance
⇒ Furniture and equipment	20% declining balance
⇒ Computers	30% declining balance
⇒ Vehicles	30% declining balance
⇒ Campus network	20% declining balance
⇒ Library collection	10 years straight line

(h) Employee future benefits

(i) Pension costs and obligations

The employees of the University participate in a defined benefit pension plan administered under the Memorial University (Pensions) Act with any deficiencies being guaranteed by the Province of Newfoundland and Labrador. Payments to the pension plan consist of contributions from employees and contributions from the University as prescribed in the Pensions Benefit 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 University's contributions to the Pension Plan are recorded as expenditure in the Statement of Operations.

The most recent actuarial valuation prepared by Eckler Partners Ltd. disclosed a solvency deficiency of \$132,421,000 and a going concern deficiency of \$83,330,000 at March 31, 2005. Under the Pension Benefits Act (PBA), a going concern deficiency must be funded over a period of not more than 15 years while a solvency deficiency is to be funded over a maximum 5 year period. Amortization of the going concern deficiency requires minimum special payments of \$6.745M per year for 15 years. At present, the University has an exemption under the PBA from making payments relating to the solvency deficiency which expires December 31, 2005.

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, 2005
(thousands of dollars)

2. Significant Accounting Policies (cont'd)

(h) Employee future benefits (cont'd)

(ii) Other post employment benefits

The University accrues its obligations for employee benefit plans. The employee future benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and administration's best estimate of salary escalation, retirement ages of employees and escalation in covered benefit expense outlays.

The University recognizes the cost of the Supplemental Retirement Income Plan (SRIP), the Voluntary Early Retirement Income Plan (VERIP) and the cost of future employee benefits which include severance, accrued vacation, group life insurance and health care benefits.

(i) Agency Obligations

The University acts as an agent which holds resources and makes disbursements on behalf of various unrelated groups. The University has no discretion over such agency transactions. Resources received in connection with such agency transactions are reported as liabilities, not revenue, and subsequent distributions are recorded as decreases to these liabilities.

3. Capital assets

	Cost	Accumulated Depreciation	2005 Net Book Value	2004 Net Book Value
Buildings	\$184,789	\$92,728	\$92,061	\$84,115
Furniture & Equipment	44,267	22,732	21,535	18,482
Computers	24,785	16,790	7,995	8,217
Vehicles	1,414	841	573	516
Campus network	3,283	2,293	990	1,649
Library collection	99,958	70,738	29,220	29,074
	\$358,496	\$206,122	\$152,374	\$142,053

Capital assets include certain assets under capital lease with a net book value of \$4.663 million (2004 - \$5.840 million).

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2005
(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.

	2005	2004
Balance, beginning of year	\$31,262	\$34,535
Revenue received during the year	46,411	43,013
Expenses incurred during the year	41,853	46,286
	\$35,820	\$31,262

(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.

	2005	2004
Balance, beginning of year	\$135,343	\$129,784
Additional contributions received	27,821	23,987
Less amounts amortized to revenue	(18,585)	(18,428)
	\$144,579	\$135,343

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

	2005	2004
Unamortized deferred capital contributions	\$143,180	\$130,601
Unspent capital contributions	1,399	4,742
	\$144,579	\$135,343

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2005
(thousands of dollars)

4. Deferred Contributions (cont'd)

(c) Total deferred contributions

	2005	2004
Expenses of future periods	\$35,820	\$31,262
Capital assets	144,579	135,343
	\$180,399	\$166,605

5. Long term debt

	2005	2004
CMHC, 5.875% interest, repayable in equal payments of \$29,095 semi-annually, which commenced on December 1, 1994	\$ 536	\$ 563
Capital leases negotiated through the Royal Bank, interest rates vary, payable in equal annual installments, secured by assets under lease	2,362	3,568
RBC Royal Bank, fixed term loan, 5.19% interest, repayable in equal annual of payments of \$122,000	780	858
	\$3,678	\$4,989
<i>Less Short Term Portion</i>	<i>1,573</i>	<i>1,501</i>
	\$2,105	\$3,488

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

⇒ 2006	\$1,573
⇒ 2007	\$ 531
⇒ 2008	\$ 496
⇒ 2009	\$ 154
⇒ 2010	\$ 156

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2005
(thousands of dollars)

6. Bank indebtedness

Pursuant to Section 41 of the Memorial University Act, the University has received approval from the Lieutenant-Governor in Council to borrow to finance two capital projects. The projects involve the development of a training facility on the Southside for the Marine Institute and construction of a new residence complex for Sir Wilfred Grenfell College. Currently the debt has been negotiated using bankers' acceptances at rates of 3.24% to 3.55% which matures during 2005. Management expects to refinance these loans through bankers' acceptance for the balance of the term of the loans.

7. Financial instruments

The carrying values of cash, accounts receivable, mortgage receivable, accounts payable, accrued liabilities, short term debt approximate their market value due to the relatively short periods to maturity of the instruments.

The carrying value of long term debt financing approximates its fair value based on current borrowing rates available to the University.

Long term investments are recorded at cost. The carrying amounts and fair values of investments are summarized as follows:

	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fixed Income	\$22,565	\$22,966	\$22,690	\$23,812
Equities	24,571	27,940	20,307	21,356
	\$47,136	\$50,906	\$42,997	\$45,168

Cash in the amount of \$770 thousand is being carried in the pooled investment fund but for financial statements presentation, it is classified as cash and cash equivalents. Fair values are considered to approximate market values.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2005
(thousands of dollars)

7. Financial instruments (cont'd)

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 fixed income securities range from 3.11% to 7.60% with maturities ranging from 2005 to 2017.
- (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.

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 and any other post employment benefits.

9. Contingencies

(a) Reciprocal exchange of insurance risks

The University, in association with fifty-six Canadian universities, participates in a reciprocal exchange (CURIE) of insurance risks. The 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, 2004, CURIE has a surplus of \$5.995 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 \$10 million per occurrence. Re-insurance for liability coverage in the amount of \$10 million in excess of a \$10 million per occurrence retention is in place.

In the event that premiums are not sufficient to cover claims settlements, the member universities would be subject to an assessment in proportion to their participation.

Memorial University of Newfoundland

Notes to Consolidated Financial Statements

Year ended March 31, 2005

(thousands of dollars)

9. Contingencies (cont'd)

(b) Guarantee of loan for The 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 for the Memorial University of Newfoundland Students' Union. The current balance outstanding on the loan is \$1.173 million.

10. Net assets

The University has total restricted net assets for endowment purposes as follows:

	2005	2004
Restricted Assets subject to externally imposed restrictions requiring the principal to be maintained	\$39,762	\$38,248
Restricted assets subject to externally imposed restrictions requiring the principal be loaned to students	1,238	1,221
General University Endowment Fund is an internally restricted endowment	7,620	7,375
	\$48,620	\$46,844

Investment income on the various funds is restricted as stipulated in the terms and conditions of the individual funds. Investment income on the internally restricted fund and any other unrestricted funds is recorded in the Statement of Operations.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2005
(thousands of dollars)

10. Net assets (cont'd)

The University has unrestricted operating net assets calculated as follows:

	2005	2004
Total net assets	(\$18,544)	(\$21,993)
Less:		
Net assets restricted for endowment purposes	48,620	46,844
Net assets invested in capital assets	(1,823)	(1,712)
Net assets internally restricted for specific purposes	3,069	3,185
Net assets invested in separately incorporated entities	6,938	5,831
Net assets invested in future employee benefits	(74,785)	(71,611)
Net assets invested in accrued vacation benefits	(8,799)	(8,537)
Unrestricted operating net assets	\$8,236	\$3,421

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 \$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, 2005, the Government has contributed \$27.4 million toward their matching contributions. The balance of uncollected pledges and matching funds has not been reflected in the financial accounts of the University.

12. Employee Future 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, the University pays a severance payment, to certain employee groups, upon termination provided they meet certain eligibility criteria.

In May 1996, the Board of Regents approved a Supplemental Retirement Income Plan 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.

In February and May 1996, the University offered faculty and staff, who reached the age 55 and attained a minimum of 10 years pensionable service, an opportunity to take an early retirement under the provisions of the Voluntary Early Retirement Incentive Program.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2005
(thousands of dollars)

12. Employee Future Benefits (cont'd)

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 payment. The early retirement incentive is being funded from operations.

The significant actuarial assumptions used in measuring the University's accrued benefit obligation under each plan are as follows:

Future employee benefits

Include a discount rate of 5.8% and an average rate of compensation increase of 4.5%. 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 2011 and remain level thereafter.

Supplemental retirement income plan (SRIP)

Include a discount rate of 7% and an average compensation increase of 4.5%.

Voluntary early retirement income plan (VERIP)

Include a discount rate of 8%.

	SRIP		VERIP		Other benefits	
	2005	2004	2005	2004	2005	2004
Accrued Benefit Obligation						
Balance, beginning of year	\$3,646	\$3,376	6,001	\$6,153	\$61,964	\$38,275
Current service cost	182	172	-	-	2,434	1,346
Interest cost	278	251	456	492	3,741	2,629
Benefits paid	(133)	(85)	(600)	(629)	(2,973)	(1,556)
Actuarial (gain) loss	(262)	(68)	36	(15)	15	21,270
	\$3,711	\$3,646	\$5,893	\$6,001	\$65,181	\$61,964
Current Plan Expense						
Current service expense	\$182	\$172	\$ -	\$ -	\$2,434	\$1,346
Interest cost	278	251	456	492	3,741	2,629
Actuarial (Gain) loss	(262)	(68)	36	(15)	15	21,270
	\$198	\$355	\$492	\$477	\$6,190	\$25,245

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2005
(thousands of dollars)

12. Employee Future Benefits (cont'd)

A summary of these accrued benefit obligations are as follows:

	2005	2004
Future employee benefits	\$65,181	\$61,964
Supplemental retirement income plan	3,711	3,646
Voluntary early retirement income plan	5,893	6,001
	Sub Total	\$71,611
	766	781
	Long term benefit obligation	\$70,830

13. Comparative figures

Certain of the 2004 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2005.

The prior year figures, as presented for comparative purposes, were reported on by another auditor who expressed their opinion without reservation in their report dated June 11, 2004.



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Auditors' Report to the Board of Regents Memorial University of Newfoundland 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, 2005.

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 and 2 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.

Deloitte + Touche LLP

Chartered Accountants
June 30, 2005

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
 CONSOLIDATED SCHEDULE OF FINANCIAL POSITION
 AS AT MARCH 31, 2005
 (thousands of dollars)

SCHEDULE 1

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	TOTAL
	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current assets:												
Cash and cash equivalents	(13,530)	2,132	2,280	1,969	129	4,922	19,087	16,011	18,525	21,028	26,491	46,062
Short term investments	13,914	0									13,914	0
Accounts receivable	12,812	11,905	106	67	2,292	64	14,224	12,752	4,125	2,630	33,559	27,418
Accrued interest receivable	174	304							520	230	694	534
Inventory and prepaid expense	3,408	2,789	1,653	1,701			57	178	23	15	5,141	4,683
Interfund accounts	1,735	2,213	(1,735)	(2,213)							0	0
	<u>18,513</u>	<u>19,343</u>	<u>2,304</u>	<u>1,524</u>	<u>2,421</u>	<u>4,986</u>	<u>33,368</u>	<u>28,941</u>	<u>23,193</u>	<u>23,903</u>	<u>79,799</u>	<u>78,697</u>
Mortgage receivable					590	591					590	591
Investments							600	300	46,536	42,697	47,136	42,997
Capital assets			760	868	149,296	138,777	2,168	2,242	150	166	152,374	142,053
Total assets	<u>18,513</u>	<u>19,343</u>	<u>3,064</u>	<u>2,392</u>	<u>152,307</u>	<u>144,354</u>	<u>36,136</u>	<u>31,483</u>	<u>69,879</u>	<u>66,766</u>	<u>279,899</u>	<u>264,338</u>
Current liabilities:												
Short term debt					1,573	1,501					1,573	1,501
Bank indebtedness					7,142	7,776					7,142	7,776
Accounts payable and accrued liabilities	20,899	25,556	168	129	1,771	1,093	9,982	9,074	385	279	33,205	36,131
	<u>20,899</u>	<u>25,556</u>	<u>168</u>	<u>129</u>	<u>10,486</u>	<u>10,370</u>	<u>9,982</u>	<u>9,074</u>	<u>385</u>	<u>279</u>	<u>41,920</u>	<u>45,408</u>
Long-term liabilities:												
Other					2,105	3,488					2,105	3,488
Accrued benefits obligation	73,158	70,009	235	238			546	513	80	70	74,019	70,830
	<u>73,158</u>	<u>70,009</u>	<u>235</u>	<u>238</u>	<u>2,105</u>	<u>3,488</u>	<u>546</u>	<u>513</u>	<u>80</u>	<u>70</u>	<u>76,124</u>	<u>74,318</u>
Deferred contributions					142,276	132,977	24,557	21,161	33,566	12,467	180,399	166,605
Net assets:												
Net assets invested in capital assets			760	868	(2,593)	(2,593)			10	13	(1,823)	(1,712)
Net assets restricted for endowment purposes									48,620	46,844	48,620	46,844
Unrestricted net assets	(75,544)	(76,222)	1,901	1,157	33	112	1,051	735	7,218	7,093	(65,341)	(67,125)
	<u>(75,544)</u>	<u>(76,222)</u>	<u>2,661</u>	<u>2,025</u>	<u>(2,560)</u>	<u>(2,481)</u>	<u>1,051</u>	<u>735</u>	<u>55,848</u>	<u>53,950</u>	<u>(18,544)</u>	<u>(21,993)</u>
Total liabilities, deferred contributions and net assets	<u>18,513</u>	<u>19,343</u>	<u>3,064</u>	<u>2,392</u>	<u>152,307</u>	<u>144,354</u>	<u>36,136</u>	<u>31,483</u>	<u>69,879</u>	<u>66,766</u>	<u>279,899</u>	<u>264,338</u>

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
CONSOLIDATED SCHEDULE OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2005
(thousands of dollars)

SCHEDULE 2

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	TOTAL
	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:												
Government grants	174,395	165,991	150	150			39,575	42,072	2,212	2,701	216,332	210,914
Amortization of deferred capital contributions					18,294	18,110	277	301	14	17	18,585	18,428
Student fees	52,279	49,984							129	112	52,408	50,096
Sales and services			14,773	14,067							14,773	14,067
Investment income	1,572	1,519					118	104	1,494	1,300	3,184	2,923
Other income	15,520	13,566	778	853	4,199	2,905	8,206	3,626	6,510	5,222	35,213	26,172
Total revenue	243,766	231,060	15,701	15,070	22,493	21,015	48,176	46,103	10,359	9,352	340,495	322,600
Expenditures:												
Salaries	162,512	158,106	5,264	5,640	25	141	16,855	16,629	3,339	3,436	187,995	183,952
Employee benefits	27,421	24,193	710	548	2	2	1,877	1,658	468	415	30,478	26,816
Employee future benefits	3,545	24,713	(2)	78			33	26	11	2	3,587	24,819
Travel and hosting	5,431	5,273	33	43	7	5	3,166	3,577	1,389	1,393	10,026	10,291
Materials and supplies	10,438	10,626	7,458	6,973	436	200	8,928	8,410	991	835	28,251	27,044
Renovations	3,348	3,160	1,579	613	7,819	5,944	861	952	598	127	14,205	10,796
Books	547	556	4				97	82	60	39	708	677
Scholarships and bursaries	5,421	4,632	2				6,156	5,689	3,805	3,932	15,384	14,253
Utilities	13,158	12,352	1,417	1,318	34	28	179	303	255	580	15,043	14,581
Equipment rentals	1,547	1,483	114	122	119	56	1,045	228	138	77	2,963	1,966
Amortization			200	210	18,436	18,713	278	449	17	19	18,931	19,391
Externally contracted service	7,961	7,624	494	745	21	349	2,903	2,967	1,970	1,257	13,409	12,942
Professional fees	3,605	3,556	52	22	70	47	1,343	2,621	499	569	5,569	6,815
Other	2,369	2,252	332	466	34	34	4,976	4,132	255	141	7,966	7,025
External cost recoveries	(13,420)	(12,602)	(10)	(81)	(287)	(52)	(18)	(35)	(830)	(1,181)	(14,565)	(13,951)
Total expenditures	233,883	245,924	17,647	16,697	26,716	25,467	48,739	47,688	12,965	11,641	339,950	347,417
Increase (decrease) for the year before the following	9,883	(14,864)	(1,946)	(1,627)	(4,223)	(4,452)	(563)	(1,585)	(2,606)	(2,289)	545	(24,817)
Interfund transfers	(9,205)	(8,249)	2,582	1,870	4,144	3,846	879	1,478	1,600	1,055	0	0
Net increase (decrease) in net assets for the year	678	(23,113)	636	243	(79)	(606)	316	(107)	(1,006)	(1,234)	545	(24,817)



UNAUDITED SUPPLEMENTARY SCHEDULES

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
SCHEDULE OF OPERATING REVENUE
FOR THE YEAR ENDED MARCH 31, 2005**

SCHEDULE A

(thousands of dollars)

	2005	2004
Government grants:		
Province of Newfoundland and Labrador:		
Department of Education	\$148,149	\$141,447
Department of Health	21,753	20,723
Other	486	194
Government of Canada	4,007	3,627
	<hr/>	<hr/>
	174,395	165,991
Student fees:		
Semester tuition:		
Undergraduates	\$36,933	\$35,700
Graduates	4,080	3,764
Non-credit courses:		
Continuing Studies	586	577
Sir Wilfred Grenfell College	285	255
Marine Institute	7,524	6,498
Other fees	2,871	3,190
	<hr/>	<hr/>
	52,279	49,984
Investment income	<hr/>	<hr/>
	\$1,572	\$1,519
	<hr/>	<hr/>
	1,572	1,519
Other income:		
Rental income	\$366	\$537
Miscellaneous income	14,154	12,143
Medical Practice Associates	1,000	886
	<hr/>	<hr/>
	15,520	13,566
	<hr/>	<hr/>
	\$243,766	\$231,060
	<hr/> <hr/>	<hr/> <hr/>

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
OPERATING FUND EXPENDITURES BY FUNCTION
FOR THE YEAR ENDED MARCH 31, 2005**

(thousands of dollars)

SCHEDULE B

	2005	2004
Academic:		
Faculty of Arts	\$23,792	\$23,364
Faculty of Business Administration	8,390	7,953
Faculty of Education	7,924	7,478
Faculty of Engineering and Applied Science	7,993	7,970
Faculty of Medicine	26,728	25,523
Faculty of Science	32,052	31,237
School of Life Long Learning	1,126	1,125
School of Graduate Studies	3,910	3,579
School of Music	2,065	2,004
School of Nursing	3,894	3,667
School of Pharmacy	1,614	1,541
School of Human Kinetics	2,754	2,584
School of Social Work	2,108	2,014
Sir Wilfred Grenfell College	15,008	14,247
Labrador Institute	409	373
Distance Education and Learning Technologies	3,571	3,460
Animal Care	636	664
Fisheries and Marine Institute	27,089	26,411
Technical Services	2,742	2,795
Oil and Gas Development Partnership	474	511
CREAT	93	
Harris Center	236	49
	174,608	168,549
Support services:		
Administrative departments	\$17,140	\$16,106
Computing and Communications	9,985	9,983
Library	12,274	12,226
Student Services	6,643	5,955
Facilities Management	18,491	17,044
	64,533	61,314
	\$239,141	\$229,863

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
 OPERATING FUND EXPENDITURE BY OBJECT
 FOR THE YEAR ENDED MARCH 31, 2005

SCHEDULE C

(thousands of dollars)

	Academic		Library		Student Services		Facilities Management		Computing and Communications		Administration		Total	Total
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Academic salaries	85,382	83,440	2,134	2,039	659	647					164	133	88,339	86,259
Other instruction and research salaries	1,435	1,591	129	112	1,025	867	3,416	2	140	147	54	76	2,786	2,794
Other salaries and wages	40,515	39,883	3,487	3,539	2,264	2,160	9,494	9,131	3,840	3,670	11,374	10,671	70,974	69,054
Employee benefits	21,098	18,405	1,647	930	482	405	2,222	1,932	717	602	2,358	1,918	27,834	24,193
	148,341	143,319	6,797	6,619	4,429	4,079	11,719	11,065	4,698	4,419	13,949	12,798	189,933	182,299
Travel and hosting	4,136	3,969	61	65	223	228	141	116	88	48	781	849	5,431	5,273
Materials and supplies	6,880	6,815	496	592	761	739	938	839	1,287	1,389	76	252	10,438	10,626
Renovations	1,122	696	15	216	87	78	1,774	1,801	35	219	315	150	3,348	3,160
Library acquisitions	1,705	1,830	4,432	4,464	4	4	8	5	1	1	19	30	6,169	6,335
Scholarships and bursaries	4,441	4,034			917	522			0		62	76	5,421	4,632
Utilities	2,935	2,900	38	52	58	66	9,668	8,849	303	314	155	171	13,458	12,352
Furniture and equipment:														
Rental	860	803	120	134	15	24	68	38	435	431	49	53	1,547	1,483
Purchase	1,492	1,543	72	12	8	9	246	161	1,096	962	268	184	3,182	2,872
Externally contracted service	2,811	2,799	166	49	62	73	1,846	1,661	2,660	2,719	415	322	7,661	7,624
Professional fees	2,332	2,159	33	22	20	37	230	111	-103	-85	1,093	1,313	3,605	3,556
Other:														
Institutional memberships	187	181	52	25	24	40	4	5	7	7	279	218	554	477
Property tax	104	95			0	0	236	236					340	331
Insurance	247	221	147	119			502	371	4	3	7	5	906	719
Debt repayments	139	212			45	58	4	5	76	152	14	6	278	432
Space rental	252	260			7	6	12	12			21	15	292	293
External cost recoveries	-3,378	-3,288	-156	-145	-16	-7	-8,905	-8,231	-601	-594	-364	-336	-13,420	-12,602
	26,267	25,229	5,476	5,606	2,214	1,877	6,772	5,979	5,288	5,564	3,191	3,308	49,208	47,653
	174,608	168,549	12,274	12,226	6,643	5,955	18,491	17,044	9,985	9,983	17,141	16,106	239,141	229,863

SCHEDULE D

COMPENSATION PRACTICES AT MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Compensation at Memorial University is determined by the duties and responsibilities of respective positions.

At the executive level, the Board of Regents, on the recommendation of its Executive Compensation Committee, determines the salary levels for the university's president and vice-presidents.

Compensation for deans, academic directors and academic department heads includes a salary on a faculty member's scale, based on experience, rank and highest degree, in accordance with a collective agreement negotiated with the Memorial University of Newfoundland Faculty Association (MUNFA). In addition, there is an administrative stipend, set by the Board of Regents, the level of which is dependent on the size and complexity of the faculty, school or department.

For faculty and staff, compensation is determined through collective bargaining between the university and the various unions representing each employee group; MUNFA, the Canadian Union of Public Employees (CUPE), and the Newfoundland Association of Public Employees (NAPE). Periodic reviews of staff positions, including compensation levels, have been conducted with the assistance of external consultants since 1994.

Compensation for administrative directors and managers is set by the Board of Regents. A review of compensation in these positions was conducted by an external consultant in 1994-95.

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

Attachment

SCHEDULE D

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
EXECUTIVE SALARY RANGES
MARCH 31, 2005**

	Salary Range (\$)
President and Vice-Chancellor	164,415 - 231,633
Vice-Presidents:	
➤ Academic and Pro Vice-Chancellor	136,647 - 180,238
➤ Admin. & Finance	127,831 - 163,074
➤ Research	125,094 - 157,925
Executive Director (Marine Institute)	118,509 - 145,011

SCHEDULE D

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ACADEMIC SALARY RANGES (note 1)
MARCH 31, 2005**

	Salary Range (\$)	Actual Minimum & Maximum Salaries	Number of Employees
Academic Executive:	note (2)		17
➤ Deans of Faculties/Schools			8
➤ Director of Faculty Relations			1
➤ Directors of Schools			5
➤ Principal (SWGC)			1
➤ University Librarian			1
➤ Associate Vice-President			1
Academic Management:	note (3)		69
➤ Vice Dean (Medicine)			1
➤ Vice-Principal (SWGC)			1
➤ Associate Vice Principal Research (SWGC)			1
➤ Associate Deans			15
➤ Assistant Deans			5
➤ Department Heads			35
➤ Directors			4
➤ Associate Directors			3
➤ Associate University Librarians			4
Academic Staff:	24,609 - 121,296	33,972 - 171,952	1,055
➤ Professors	75,389 - 121,296	78,555 - 171,952	267
➤ Associate Professors	62,725 - 97,551	64,308 - 126,045	283
➤ Assistant Professors	53,227 - 67,474	53,227 - 107,049	230
➤ Lecturers (note 4)	46,895 - 54,810	48,478 - 59,559	62
➤ Co-op Education Coordinators	45,312 - 80,138	62,725 - 76,972	12
➤ Librarians	40,563 - 110,215	43,729 - 95,968	36
➤ Instructors - Marine Institute	24,609 - 85,876	33,972 - 85,876	165

Note 1: Some individuals are in receipt of market differentials which may result in salaries that exceed the maximum levels in their approved salary ranges.

Note 2: Academic Deans and Directors receive a salary depending upon professorial rank plus an administrative stipend in the range of \$6,000 to \$25,000 per year depending on the size and complexity of their academic units, and whether they are serving a first or a second term.

Note 3: Academic Departments Heads receive a salary based upon their professorial rank plus an administrative stipend in the range of \$3,000 to \$10,000 depending on the size of their academic unit.

Note 4: Lecturers include 24 Visiting Professors paid on the lecturer scale.

SCHEDULE D

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ADMINISTRATIVE SALARY RANGES (note 1)
MARCH 31, 2005**

	Salary Range (\$)	Actual Minimum & Maximum Salaries	Number of Employees
Administrative Directors Level 1 to 4:	63,916 - 108,654	72,980 - 133,654	16
Marine Institute Academic and Industrial Response Unit Managers	60,298 - 102,904	61,502 - 102,904	12
Management and Professional Staff (note 2)	22,556 - 87,015	31,450 - 110,000	253
Administrative Staff (note 3)	22,331 - 96,533	22,331 - 57,346	1,817

Note 1: Some individuals are in receipt of market differentials which may result in salaries that exceed the maximum levels in their approved salary ranges.

Note 2: Management and professional staff ranges reflect 15 salary levels developed under the university's Job Evaluation System.

Note 3: Administrative and academic support staff salary ranges reflect salary levels defined by union collective agreements or non-bargaining terms and conditions of employment.