



Consolidated Financial Statements with Supplementary Schedules

Year Ended March 31, 2008

Consolidated Financial Statements of

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

March 31, 2008

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
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FOR THE YEAR ENDED MARCH 31, 2008**

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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, 2008 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 financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2007 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated June 12, 2007.

St. John's, Canada,
June 18, 2008.

Ernst & Young LLP

Chartered Accountants

Memorial University of Newfoundland
**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

As at March 31
(in thousands of dollars)

	2008	2007
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	65,694	49,360
Accounts receivable	41,965	47,586
Accrued interest receivable	2,134	1,397
Inventory and prepaid expense	6,191	9,164
Total current assets	115,984	107,507
Long-term receivable	3,074	3,074
Investments [note 6]	64,419	57,452
Capital assets [note 4]	168,989	160,280
	352,466	328,313
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current		
Bank indebtedness [note 8]	5,075	5,541
Accounts payable and accrued liabilities	20,280	16,519
Deferred revenue	19,566	10,385
Current portion of employee future benefits [note 11]	10,371	9,901
Current portion of long-term debt [note 7]	763	1,003
Total current liabilities	56,055	43,349
Long-term debt [note 7]	1,036	451
Employee future benefits [note 11]	99,564	89,837
Total liabilities	156,655	133,637
Deferred contributions [note 5]	202,323	204,533
Net assets (deficiency)		
Net assets restricted for endowment purposes	60,002	56,186
Net assets invested in capital assets	8,630	-1,413
Unrestricted net assets	-75,144	-64,630
Net total deficiency	-6,512	-9,857
	352,466	328,313

See accompanying notes to consolidated financial statements
Contingencies [note 10]

On behalf of the Board:

"Signed"

Chair of the Board of Regents

"Signed"

Chair of the Finance Committee

Memorial University of Newfoundland
CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31
(in thousands of dollars)

	2008	2007
	\$	\$
REVENUE		
Government grants	284,792	263,624
Student fees	54,190	54,157
Other revenue	32,039	26,089
Amortization of deferred capital contributions	20,801	21,521
Sales and services	16,361	15,972
Investment income [note 6]	2,899	5,946
	<u>411,082</u>	<u>387,309</u>
EXPENSES		
Salaries	217,802	201,824
Employee benefits	37,765	34,972
Materials and supplies	31,968	29,743
Utilities	22,162	19,371
Amortization	20,926	21,333
Scholarships, bursaries and awards	19,813	17,707
Other operating expenses	17,345	11,957
Repairs and maintenance	15,842	14,954
Travel and hosting	14,188	13,580
Externally contracted service	13,367	13,402
Professional fees	12,801	11,975
Employee future benefits	10,393	11,256
Equipment rentals	2,249	2,318
External cost recoveries	-17,516	-15,546
	<u>419,105</u>	<u>388,846</u>
Excess of expenses over revenue	<u>-8,023</u>	<u>-1,537</u>

See accompanying notes to consolidated financial statements

Memorial University of Newfoundland

Consolidated Statement of Changes in Net Assets

As at March 31

(thousands of dollars)	Invested in Capital Assets \$	Restricted for Endowment Purposes \$	Unrestricted \$	2008 \$	2007 \$
Balance, beginning of year	-1,413	56,186	-64,630	-9,857	-12,241
Cumulative unrealized gain on investments due to adoption of new accounting policy <i>[note 3]</i>	—	—	6,950	6,950	—
Adjusted opening balances	-1,413	56,186	-57,680	-2,907	-12,241
Excess of (expenses over revenue) revenue over expenses	-125	-602	-7,296	-8,023	-1,537
Endowment contributions	—	4,418	—	4,418	3,921
Increase (decrease) in invested in capital assets	10,168	—	-10,168	—	—
Balance, end of year	8,630	60,002	-75,144	-6,512	-9,857

See accompanying notes to consolidated financial statements

Memorial University of Newfoundland
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31
(in thousands of dollars)

	2008	2007
	\$	\$
OPERATING ACTIVITIES		
Excess of expenses over revenue	-8,023	-1,537
Items not involving cash:		
Amortization of capital assets	20,926	21,333
Net (decrease) increase in deferred contributions related to expenses of future periods	-796	8,965
Increase in long-term portion of employee future benefits	9,727	10,470
Increase in current portion of employee future benefits	470	511
Amortization of deferred capital contributions	-20,801	-21,521
Loss on disposal of capital assets	208	129
Unrealized loss on investments	3,605	—
Change in non-cash working capital	20,799	-10,772
Cash provided by operating activities	26,115	7,578
INVESTING ACTIVITIES		
Capital assets acquired	-29,843	-24,657
Decrease in short-term investments	—	9,905
Reduction in long-term receivable	—	449
Increase in investments	-3,622	-8,753
Cash used in investing activities	-33,465	-23,056
FINANCING ACTIVITIES		
Decrease in bank indebtedness	-466	-462
Endowment contributions	4,418	3,921
Addition to deferred capital contributions	19,387	25,728
Increase (decrease) in long-term debt	345	-697
Cash provided by financing activities	23,684	28,490
Net increase in cash during the year	16,334	13,012
Cash and cash equivalents, beginning of year	49,360	36,348
Cash and cash equivalents, end of year	65,694	49,360

See accompanying notes to consolidated financial statements

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008
(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 consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The significant accounting principles are summarized as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 consolidated 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.

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”)

Western Sports and Entertainment Inc.

Campus Childcare Inc.

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008
(thousands of dollars)

Newfoundland Quarterly Foundation
Edutech Services Inc.

Cash equivalents

Cash equivalents 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.

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, sales and student fees are recognized when the goods or services are provided and collection is reasonably assured.

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 are not recognized in these consolidated financial statements.

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 expenditures 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 consolidated financial statements.

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008
(thousands of dollars)

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
Banner finance	20% declining balance
Vehicles	30% declining balance
Library collection	10 years straight-line

Employee future benefits

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 funded 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 Pension Benefits Act (1997) ("PAB"). 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 an expenditure in the consolidated statement of operations.

The most recent actuarial valuation prepared by Eckler Partners Ltd. disclosed a solvency deficiency of \$158,991 and a going concern deficiency of \$117,235 at March 31, 2008. Under the 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.

The going concern deficiency of \$117,235 includes \$61,887 in respect of past service costs related to the introduction of indexing in 2004. This indexing liability is being financed under a special PBA provision through both employee and employer contributions over a remaining period of 36.25 years. In accordance with the PBA, the balance of the going concern, namely \$55,348, must be liquidated over a period of not more than 15 years. The first annual payment in respect of this balance is \$4,300 and is required to be made during the 2008/09 fiscal year.

At present, the University has an exemption under the PBA from making payments relating to the solvency deficiency. This exemption expires December 31, 2010.

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008
(thousands of dollars)

Other post-employment benefits

The University accrues its obligations for employee benefit plans. The employee future benefits earned by employees are 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.

Agency obligations

The University acts as an agent which holds resources and makes disbursements on behalf of various unrelated groups. The University has no discretion over such agency transactions. Resources received in connection with such agency transactions are reported as liabilities and subsequent distributions are recorded as decreases to these liabilities.

3. CHANGES IN ACCOUNTING POLICY

On April 1, 2007, the University adopted the Canadian Institute of Chartered Accountants' ("CICA") revised standards on recognition and measurement and presentation of financial instruments. The standards are titled 3855: Financial Instruments – Recognition and Measurement and CICA 3861: Financial Instruments – Disclosure and Presentation. The changes in the accounting policies were applied retroactively without restatement in accordance with Canadian GAAP.

Upon adoption, the University has elected to review contracts for embedded derivatives subsequent to the elected transition date of January 1, 2003 in accordance with Section 3855. Under the new standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the University's designation of such instruments. The standards require that all financial assets be classified either as held-for-trading ("HFT"), available-for-sale ("AFS"), held-to-maturity ("HTM"), or loans and receivables and all financial liabilities to be classified as either HFT or other liabilities ("OL"). Subsequent to initial recognition, the standards require that all financial assets and financial liabilities be measured at fair value with the exception of loans and receivables, securities classified as HTM, liabilities classified as OL, and AFS financial assets that do not have quoted market prices in an active market. These are measured at amortized cost using the effective interest method ("EIM").

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008
(thousands of dollars)

Classification of financial instruments

The University has designated its financial instruments as shown in the following table. Subsequent to fair value recognition on April 1, 2007, the financial instruments will be measured as follows based on their classification.

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Investments	Held for trading	Fair value
Accrued interest receivable	Loans and receivables	Amortized cost using EIM
Accounts receivable	Loans and receivables	Amortized cost using EIM
Long-term receivable	Loans and receivables	Amortized cost using EIM
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost using EIM
Bank indebtedness	Other financial liabilities	Amortized cost using EIM
Long-term debt	Other financial liabilities	Amortized cost using EIM

Held-for-trading

HFT financial assets are financial assets typically acquired for resale prior to maturity. They are measured at fair value at the balance sheet date. Interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses from market fluctuations are included in the consolidated statement of operations.

Loans and receivables

Loans and receivables are accounted for at amortized cost using EIM.

Other liabilities

Other liabilities are recorded at amortized cost and include all liabilities and long-term debt.

Investments

On April 1, 2007, the University re-measured all HFT investments as required by the transitional provisions of CICA 3855 and since the carrying value was lower than the fair value, investments were increased by \$6,950. Under the new rules, the University will continue to re-measure

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008
(thousands of dollars)

investments at fair value at each reporting period. Changes in fair value of the investments will result in adjustments directly to the consolidated statement of operations.

Embedded derivatives

In accordance with Section 3855, the University conducted a search for embedded derivatives in its contractual arrangements dated or modified subsequent to January 1, 2003. When certain conditions are met, an embedded derivative is separated from the host contract and accounted for separately as a derivative on the consolidated balance sheet at fair value. Because there are no embedded derivatives at this time, this rule has no impact on the consolidated financial statements of the University.

Net result of adopting financial instruments standard

The net adjustment was a \$3,345 increase to net assets consisting of a \$6,950 increase in opening net deficiency offset by an unrealized loss in the consolidated statement of operations of \$3,605 for the year ended March 31, 2008.

Section 3861, Financial Instruments – Disclosure and Presentation, replaced CICA Section 3860, which had the same title. The Section establishes standards for the presentation of financial instruments and non-financial derivatives and identifies all related information that should be disclosed.

4. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated depreciation	Net book value	Net book value
	\$	\$	\$	\$
Buildings	205,833	114,105	91,728	85,079
Furniture and equipment	75,122	37,301	37,821	35,659
Computers	28,197	21,097	7,100	6,792
Banner finance	1,722	1,214	508	635
Vehicles	3,015	1,714	1,301	839
Library collection	118,924	88,393	30,531	31,276
	432,813	263,824	168,989	160,280

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008
(thousands of dollars)

Capital assets include certain assets under capital lease with a net book value of \$2.876 million (2007 – \$2.415 million).

5. DEFERRED CONTRIBUTIONS

Expenses of future periods

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

	2008	2007
	\$	\$
Balance, beginning of year	49,834	40,869
Grants and donations received during the year	45,229	57,731
Expenses incurred during the year	-46,025	-48,766
	49,038	49,834

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 consolidated statement of operations.

	2008	2007
	\$	\$
Balance, beginning of year	154,699	150,492
Additional contributions received	19,387	25,728
Less amounts amortized to revenue	-20,801	-21,521
	153,285	154,699

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008
(thousands of dollars)

Total deferred contributions

	2008	2007
	\$	\$
Expenses of future periods	49,038	49,834
Capital assets	153,285	154,699
	202,323	204,533

6. INVESTMENTS

	2008		2007	
	\$		\$	
	Cost	Fair Value	Cost	Fair Value
Fixed income	32,496	33,264	30,125	31,468
Equities	28,577	31,155	27,327	32,934
	61,073	64,419	57,452	64,402

	2008	2007
	\$	\$
Investment income	7,613	6,491
Unrealized loss on investments	-3,605	—
Related expenses	-1,109	-545
	2,899	5,946

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008
(thousands of dollars)

7. LONG-TERM DEBT

	2008	2007
	\$	\$
RBC Royal Bank, fixed term demand loan, 5.19% interest, repayable in 9 equal annual, blended payments of \$121, maturing in April 2012, unsecured	524	613
CMHC mortgage on Queen's College, 5.875% interest, repayable in 50 equal, blended payments of \$29 semi-annually, maturing in June 2019, secured	451	482
Capital leases negotiated through the Royal Bank, interest rates vary, payable in equal annual instalments, secured by assets under lease	824	359
	1,799	1,454
Less current portion	763	1,003
	1,036	451

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

	\$
2009	763
2010	345
2011	333
2012	44
2013	44

8. 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 a capital project. The project involved the construction of a new residence complex for Sir Wilfred Grenfell College. Currently the Sir Wilfred Grenfell College Residence debt has been negotiated using bankers' acceptances which mature during 2008. Management expects to refinance this loan through bankers' acceptances for the balance of the term of the loan.

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008
(thousands of dollars)

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 VERIP for faculty and staff. During 2001, the University received approval from the Lieutenant-Governor in Council to exclude from the definition of a deficit, pursuant to Section 36 of the Memorial University Act, any amounts resulting from the recognition of the liabilities related to recording vacation pay entitlements, severance and any other post-employment benefits.

10. 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, 2007, CURIE has a surplus of \$64 thousand, 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 \$5 million per occurrence. Re-insurance for liability coverage in the amount of \$20 million in excess of a \$5 million per occurrence retention is in place.

In respect of errors and omissions liability policy, the limit is \$5 million per occurrence. Re-insurance for errors and omissions was purchased through a combined excess program with general liability in the amount of \$20 million.

As the originating insurers, CURIE has a contingent liability in the event that a re-insurer is unable to meet its obligations. In this respect, all re-insurance is placed with insurers registered in Canada and subject to supervision by the Office of the Superintendent of Financial Institutions Canada.

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008
(thousands of dollars)

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.

(b) Class action lawsuit

In 2007, a class action lawsuit was filed on behalf of all former employees of the University who retired or terminated employment on or before December 31, 1992 and were entitled to receive post-retirement life, health and dental group insurance benefits. The lawsuit alleges that this group of retirees were entitled to receive these insurance benefits for life, at no cost to the group of retirees. Presently, a decision is pending from the court as to whether this matter should be certified as a class action suit. The University continues to defend its position and the potential exposure to this claim is indeterminable at the present time.

11. 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, retirement or death, provided they meet certain eligibility criteria.

In May 1996, the Board of Regents approved a SRIP to provide benefits to employees of the University whose salaries exceed the Canada Revenue Agency maximum pensionable salary and whose defined benefit pension, therefore, exceeds the maximum benefit payable from the Plan.

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 VERIP.

Subject to eligibility criteria, the Plan provided an incentive of enhanced pension benefits of up to five years pensionable service and waiver of actuarial reduction, if applicable, or a lump sum early retirement payment. The early retirement incentive is being funded from operations.

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

Employee future benefits

Include a discount rate of 5.6% and an average rate of compensation increase of 4.5%.

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008
(thousands of dollars)

Supplemental retirement income plan (SRIP)

Include a discount rate of 5.6% and an average compensation increase of 4.5%.

Voluntary early retirement income plan (VERIP)

Include a discount rate of 5.6%.

	SRIP		VERIP		Other benefits	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Accrued benefit obligation						
Balance, beginning of year	3,698	3,691	5,455	5,726	81,351	70,672
Current service cost	122	129	—	—	3,393	3,112
Interest cost	259	258	437	435	4,257	4,061
Benefits paid	-238	-204	-595	-587	-2,829	-2,498
Actuarial loss (gain)	1,609	-176	1,253	-119	2,038	6,004
	5,450	3,698	6,550	5,455	88,210	81,351
Current plan expense						
Current service expense	122	129	—	—	3,393	3,112
Interest cost	259	258	437	435	4,257	4,061
Actuarial (gain) loss	1,609	-176	1,253	-119	2,038	6,004
	1,990	211	1,690	316	9,688	13,177

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008
(thousands of dollars)

A summary of these accrued benefit obligations are as follows:

	2008	2007
	\$	\$
Employee future benefits	88,210	81,351
Supplemental retirement income plan	5,450	3,698
Voluntary early retirement income plan	6,550	5,455
Accrued vacation	9,725	9,234
	109,935	99,738
Less current portion	10,371	9,901
Long-term employee future benefits	99,564	89,837

12. COMPARATIVE FIGURES

Certain of the 2007 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2008.

**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, 2008.

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 whole.

The financial statements as at March 31, 2007 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated June 12, 2007.

St. John's, Canada,
June 18, 2008.

Ernst & Young LLP

Chartered Accountants

CONSOLIDATED SCHEDULE OF FINANCIAL POSITION

As at March 31, 2008 (with comparative figures for 2007)

(thousands of dollars)

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current assets:												
Cash and cash equivalents	16,153	6,679	3,459	2,829	-9,747	-2,229	27,898	16,891	27,931	25,190	65,694	49,360
Accounts receivable	16,823	17,079	462	735	1,087	445	17,706	24,513	5,887	4,814	41,965	47,586
Accrued interest receivable	349	3	—	—	—	—	—	—	1,785	1,394	2,134	1,397
Inventory and prepaid expense	4,439	4,453	1,646	1,778	—	2,828	67	42	39	63	6,191	9,164
Interfund accounts	583	924	-583	-924	—	—	—	—	—	—	—	—
	38,347	29,138	4,984	4,418	-8,660	1,044	45,671	41,446	35,642	31,461	115,984	107,507
Long term receivable	—	—	—	—	3,074	3,074	—	—	—	—	3,074	3,074
Investments (note 6)	—	—	—	—	—	—	633	600	63,786	56,852	64,419	57,452
Capital assets (note 4)	—	—	427	541	166,251	157,004	2,198	2,610	113	125	168,989	160,280
Total assets	38,347	29,138	5,411	4,959	160,665	161,122	48,502	44,656	99,541	88,438	352,466	328,313
Current liabilities:												
Bank indebtedness (note 8)	—	—	—	—	5,075	5,541	—	—	—	—	5,075	5,541
Accounts payable and accrued liabilities	13,007	9,657	373	274	1,747	1,631	4,431	4,457	722	500	20,280	16,519
Deferred revenue	4,053	2,708	249	230	3,243	2,522	11,962	4,860	59	65	19,566	10,385
Current portion of employee future benefits (note 11)	10,371	9,901	—	—	—	—	—	—	—	—	10,371	9,901
Current portion of long term-debt (note 7)	—	—	—	—	763	1,003	—	—	—	—	763	1,003
	27,431	22,266	622	504	10,828	10,697	16,393	9,317	781	565	56,055	43,349
Long-term debt (note 7)	—	—	—	—	1,036	451	—	—	—	—	1,036	451
Employee future benefits (note 11)	97,958	88,656	401	347	—	—	947	714	258	120	99,564	89,837
	97,958	88,656	401	347	1,036	451	947	714	258	120	100,600	90,288
Deferred contributions (note 5)	—	—	—	—	150,984	151,976	30,992	33,921	20,347	18,636	202,323	204,533
Net assets:												
Net assets restricted for endowment purposes	—	—	—	—	—	—	—	—	60,002	56,186	60,002	56,186
Net assets invested in capital assets	—	—	229	541	8,395	-1,966	—	3	7	9	8,631	-1,413
Unrestricted net assets	-87,042	-81,784	4,159	3,567	-10,578	-36	170	701	18,146	12,922	-75,145	-64,630
	-87,042	-81,784	4,388	4,108	-2,183	-2,002	170	704	78,155	69,117	-6,512	-9,857
Total liabilities, deferred contributions and net assets	38,347	29,138	5,411	4,959	160,665	161,122	48,502	44,656	99,541	88,438	352,466	328,313

CONSOLIDATED SCHEDULE OF OPERATIONS

For the year ended March 31, 2008 (with comparative figures for 2007)
(thousands of dollars)

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:												
Government grants	229,949	208,560	835	717	—	—	48,025	51,201	5,983	3,146	284,792	263,624
Student fees	54,033	53,980	—	—	—	—	—	—	157	177	54,190	54,157
Other revenue	14,733	12,334	1,907	1,389	-3,197	-1,956	12,093	4,305	6,503	10,017	32,039	26,089
Amortization of deferred capital contributions	—	—	—	—	20,329	21,132	462	378	10	11	20,801	21,521
Sales and services	—	—	16,361	15,972	—	—	—	—	—	—	16,361	15,972
Investment income (note 6)	3,582	2,988	—	—	—	—	-30	220	-653	2,738	2,899	5,946
Total revenue	302,297	277,862	19,103	18,078	17,132	19,176	60,550	56,104	12,000	16,089	411,082	387,309
Expenditures:												
Salaries	184,692	172,408	7,798	6,461	—	1	21,393	19,169	3,919	3,785	217,802	201,824
Employee benefits	33,514	31,212	1,069	929	—	—	2,629	2,268	553	563	37,765	34,972
Materials and supplies	15,970	14,839	7,656	7,316	266	330	7,008	7,298	1,068	-40	31,968	29,743
Amortization	—	—	118	152	20,333	20,789	464	379	11	13	20,926	21,333
Utilities	19,070	15,693	2,616	2,372	18	4	276	270	182	1,032	22,162	19,371
Scholarships, bursaries and awards	7,578	6,291	—	3	—	—	7,977	7,818	4,258	3,595	19,813	17,707
Repairs and maintenance	6,031	5,225	1,448	997	7,708	5,658	484	686	171	2,388	15,842	14,954
Travel and hosting	7,352	7,034	66	50	4	4	4,748	4,368	2,018	2,124	14,188	13,580
Externally contracted service	9,405	9,077	751	700	55	56	2,213	2,717	943	852	13,367	13,402
Professional fees	5,168	4,258	49	122	51	102	5,938	5,569	1,595	1,924	12,801	11,975
Employee future benefits	9,967	11,118	54	68	—	—	233	46	139	24	10,393	11,256
Other operating expenses	7,716	5,841	402	415	28	30	9,040	5,457	159	214	17,345	11,957
Equipment rentals	1,629	1,897	182	59	5	5	345	281	88	76	2,249	2,318
External cost recoveries	-15,846	-13,996	-42	-45	-884	-380	-253	-99	-491	-1,026	-17,516	-15,546
Total expenditures	292,246	270,897	22,167	19,599	27,584	26,599	62,495	56,227	14,613	15,524	419,105	388,846
Increase (decrease) for the year before the following	10,051	6,965	-3,064	-1,521	-10,452	-7,423	-1,945	-123	-2,613	565	-8,023	-1,537
Interfund transfers	-15,312	-13,413	3,344	2,095	10,270	7,666	1,133	-134	565	3,786	—	—
Net (decrease) increase in net assets for the year	-5,261	-6,448	280	574	-182	243	-812	-257	-2,048	4,351	-8,023	-1,537

Unaudited Supplementary Information

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

March 31, 2008

SCHEDULE OF OPERATING REVENUE

Year ended March 31
(thousands of dollars)
(unaudited)

	2008	2007
	\$	\$
GOVERNMENT GRANTS		
Province of Newfoundland and Labrador		
Department of Education	195,606	176,474
Department of Health	29,671	26,839
Other	307	1,022
Government of Canada		
Indirect cost of research	4,365	4,225
	229,949	208,560
STUDENT FEES		
Semester tuition		
Undergraduates	36,533	36,534
Graduates	4,004	3,985
Non-credit courses		
Continuing studies	782	685
Sir Wilfred Grenfell College	170	295
Marine Institute	9,191	9,432
Other fees	3,353	3,049
	54,033	53,980
Investment income	3,582	2,988
	3,582	2,988
Other income		
Rental	461	539
Miscellaneous	13,408	10,904
Medical Practice Associates	864	891
	14,733	12,334
	302,297	277,862

See accompanying notes

**SCHEDULE OF OPERATING EXPENDITURES
BY FUNCTION**

Year ended March 31
(thousands of dollars)
(unaudited)

	2008	2007
	\$	\$
ACADEMIC		
Faculty of Arts	26,329	25,340
Faculty of Business Administration	8,833	8,502
Faculty of Education	8,758	8,257
Faculty of Engineering and Applied Science	8,417	8,668
Faculty of Medicine	31,765	28,757
Faculty of Science	34,636	33,317
School of Life Long Learning	1,001	978
School of Graduate Studies	6,632	5,027
School of Music	2,567	2,306
School of Nursing	4,467	4,380
School of Pharmacy	2,687	2,142
School of Human Kinetics	3,358	3,227
School of Social Work	2,306	2,306
Sir Wilfred Grenfell College	18,060	16,873
Labrador Institute of Northern Studies	403	352
Distance Education and Learning Technologies	4,792	4,037
Animal Care Unit	1,281	1,203
Fisheries and Marine Institute	32,390	31,118
Technical Services	3,394	3,132
Oil and Gas Development Partnership	292	288
Harris Centre	414	242
CREAIT	846	693
Co-op Education	1,919	1,606
	205,547	192,751
SUPPORT SERVICES		
Administrative departments	24,682	21,640
Computing and Communications	11,048	11,838
Library	15,273	15,063
Student Services	8,827	8,106
Facilities Management	26,412	21,457
	86,242	78,104
	291,789	270,855

See accompanying notes

SCHEDULE OF OPERATING EXPENDITURES BY OBJECT

Year ended March 31
(thousands of dollars)
(unaudited)

	Academic		Library		Student Services		Facilities Management		Computing & Communications		Administration		TOTAL	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Academic salaries	94,791	89,657	2,329	2,195	907	814	—	—	—	—	548	443	98,575	93,109
Other instruction and research salaries	2,090	1,935	218	155	956	906	9	6	142	130	134	108	3,549	3,240
Other salaries and wages	46,234	42,941	4,060	3,633	3,038	2,904	10,906	9,956	4,356	4,339	13,974	12,286	82,568	76,059
Employee benefits	24,850	23,361	1,242	1,160	700	645	2,734	2,504	846	840	3,142	2,702	33,514	31,212
	167,965	157,894	7,849	7,143	5,601	5,269	13,649	12,466	5,344	5,309	17,798	15,539	218,206	203,620
Travel and hosting	5,336	5,252	83	101	564	467	164	153	85	58	1,120	1,003	7,352	7,034
Materials and supplies	12,903	12,422	170	273	1,165	1,329	1,513	1,029	2,365	3,516	1,572	987	19,688	19,556
Renovations	3,088	2,372	29	274	644	134	2,203	1,681	584	736	232	279	6,780	5,476
Scholarships and bursaries	6,812	5,368	0	1	566	633	8	—	—	—	192	289	7,578	6,291
Utilities	3,397	3,339	26	42	51	60	15,360	12,115	63	-32	173	169	19,070	15,693
Rental	839	1,134	97	99	17	14	51	22	551	574	74	54	1,629	1,897
Externally contracted service	2,928	3,023	298	159	121	97	2,745	2,631	2,635	2,500	678	667	9,405	9,077
Professional fees	2,693	2,377	24	9	31	29	306	211	57	-217	2,057	1,849	5,168	4,258
Other:														
Institutional memberships	270	207	48	52	20	25	4	5	10	7	290	300	642	596
Property tax	102	131	—	—	—	—	1,387	249	—	—	—	-2	1,489	378
Insurance	231	219	—	—	—	203	36	36	2	2	884	891	1,153	1,148
Debt repayments	127	285	—	—	36	45	1	1	17	28	12	12	193	371
Space rental	561	419	—	—	8	7	—	—	—	—	32	26	601	452
Reference books	1,877	1,920	6,751	7,052	6	5	10	5	—	1	37	21	8,681	9,004
External cost recoveries	-3,582	-3,611	-102	-142	-3	-8	-11,025	-9,147	-665	-644	-469	-444	-15,846	-13,996
	37,582	34,857	7,424	7,920	3,226	2,837	12,763	8,991	5,704	6,529	6,884	6,101	73,583	67,235
	205,547	192,751	15,273	15,063	8,827	8,106	26,412	21,457	11,048	11,838	24,682	21,640	291,789	270,855

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 2007 and 2008.

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

SCHEDULE D**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
EXECUTIVE SALARY RANGES
MARCH 31, 2008**

	Salary Range (\$)
President and Vice-Chancellor	225,776 - 282,220
Vice-Presidents:	
Academic and Pro Vice-Chancellor	171,969 - 214,961
Administration and Finance	152,852 - 191,065
Research	152,852 - 191,065
Executive Director (Marine Institute)	131,016 - 163,770
Dean-Student Affairs & Services	147,743 - 184,679
Principal – Sir Wilfred Grenfell College (“SWGC”)	131,016 - 163,770

SCHEDULE D

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ACADEMIC SALARY RANGES (note 1)
MARCH 31, 2008**

	Salary Range (\$)	Actual Minimum & Maximum Salaries	Number of Employees
Academic Executive:	note (2)		16
Deans of Faculties/Schools			7
Directors of Schools			5
University Librarian			1
Associate Vice-President			3
Academic Management:	note (3)		70
Vice Dean (Medicine)			1
Vice-Principal (SWGK)			1
Associate Vice Principal Research (SWGK)			1
Associate Deans			15
Assistant Deans			1
Department Heads			34
Directors			6
Associate Directors			7
Associate University Librarians			4
Academic Staff:	25,854 - 128,170	29,557 - 180,330	1191
Professors	80,900 - 128,170	84,160 - 180,330	255
Associate Professors	67,860 - 103,720	71,120 - 142,840	289
Assistant Professors	58,080 - 72,750	49,930 - 102,090	282
Lecturers (note 4)	48,300 - 56,450	48,300 - 76,010	85
Co-op Education Coordinators	46,670 - 82,530	62,970 - 79,270	15
Librarians	41,780 - 113,500	42,780 - 102,090	36
Instructors - Marine Institute	25,854 - 96,284	29,557 - 91,421	229

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 28 Visiting Professors paid on the lecturer scale.

SCHEDULE D**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ADMINISTRATIVE SALARY RANGES (note 1)
MARCH 31, 2008**

	Salary Range (\$)	Actual Minimum & Maximum Salaries	Number of Employees
Administrative Directors Level 1 to 4:	67,808 - 115,271	72,416 - 143,260	27
Marine Institute Academic and Industrial Response Unit Managers	63,970 - 109,171	65,247 - 109,171	19
Management and Professional Staff (note 2)	23,930 - 92,314	33,366 - 97,789	294
Administrative Staff (note 3)	23,691 - 102,398	23,691 - 65,543	1903

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.