



Consolidated Financial Statements with Supplementary Schedules

Year Ended March 31, 2009

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
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FOR THE YEAR ENDED MARCH 31, 2009**

Consolidated Financial Statements

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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, 2009 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Canada,
June 4, 2009.

Ernst & Young LLP

Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31
(thousands of dollars)

	2009	2008
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	18,633	50,626
Short-term investments	60,799	15,058
Accounts receivable	45,939	41,965
Accrued interest receivable	3,964	2,134
Inventory and prepaid expenses	5,963	6,191
Total current assets	135,298	115,974
Long-term receivable	2,991	3,074
Investments <i>[note 6]</i>	61,783	64,419
Capital assets, net <i>[note 4]</i>	167,611	168,989
	367,683	352,456
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current		
Bank indebtedness <i>[note 8]</i>	19,028	5,075
Accounts payable and accrued liabilities	19,322	20,280
Deferred revenue	21,782	19,566
Current portion of employee future benefits <i>[note 11]</i>	12,396	10,371
Current portion of long-term debt <i>[note 7]</i>	826	763
Total current liabilities	73,354	56,055
Long-term debt <i>[note 7]</i>	744	1,036
Derivative liability <i>[note 8]</i>	3,460	—
Employee future benefits <i>[note 11]</i>	82,750	99,564
Total liabilities	160,308	156,655
Deferred contributions <i>[note 5]</i>	200,692	202,323
Net assets		
Net assets restricted for endowment purposes	60,399	60,002
Unrestricted net assets	(53,716)	(66,524)
Net total surplus (deficiency)	6,683	(6,522)
	367,683	352,456

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

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31
(thousands of dollars)

	2009	2008
	\$	\$
REVENUE		
Government grants	315,105	284,792
Student fees	54,788	54,190
Other revenue	36,598	32,039
Amortization of deferred capital contributions	24,477	20,801
Sales and services	16,958	16,361
Investment (loss) income <i>[note 6]</i>	(4,329)	2,899
	443,597	411,082
EXPENSES		
Salaries	242,012	217,802
Employee benefits	42,087	37,765
Materials and supplies	32,207	30,386
Utilities	23,586	22,162
Amortization of capital assets	23,528	20,926
Scholarships, bursaries and awards	21,942	19,813
Repairs and maintenance	19,552	17,434
Travel and hosting	16,282	14,188
Other operating expenses	13,789	16,983
Externally contracted service	12,527	13,367
Professional fees	12,443	12,801
Interest expense	3,815	362
Equipment rentals	2,675	2,249
Employee future benefits	(14,789)	10,393
External cost recoveries	(18,441)	(17,516)
	433,215	419,115
Excess of revenue over expenses (expenses over revenue)	10,382	(8,033)

See accompanying notes to consolidated financial statements

**CONSOLIDATED STATEMENT OF CHANGES
IN NET ASSETS**

As at March 31
(thousands of dollars)

	Restricted for Endowment Purposes	Unrestricted	2009	2008
	\$	\$	\$	\$
Balance, beginning of year	60,002	(66,524)	(6,522)	(2,907)
Excess of (expense over revenue) revenue over expense	(2,426)	12,808	10,382	(8,033)
Endowment contributions	2,823	-	2,823	4,418
Balance, end of year	60,399	(53,716)	6,683	(6,522)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31
(thousands of dollars)

	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	10,382	(8,033)
Add (deduct) items not involving cash:		
Amortization of capital assets	23,528	20,926
Net increase (decrease) in deferred contributions related to expenses of future periods	4,299	(796)
(Decrease) increase in long-term portion of employee future benefits	(16,814)	9,727
Increase in current portion of employee future benefits	2,025	470
Amortization of deferred capital contributions	(24,477)	(20,801)
Loss on disposal of capital assets	1,905	208
Increase in derivative liability	3,460	-
Reduction in long-term receivable	83	-
Unrealized loss on investments	8,534	3,605
Change in non-cash working capital	(4,318)	20,799
Cash provided by operating activities	8,607	26,105
INVESTING ACTIVITIES		
Capital assets acquired	(24,055)	(29,843)
Increase in short-term investments	(45,741)	(210)
Increase in investments	(5,898)	(3,622)
Cash used in investing activities	(75,694)	(33,675)
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	13,953	(466)
Endowment contributions	2,823	4,418
Addition to deferred capital contributions	18,547	19,387
(Decrease) increase in long-term debt	(229)	345
Cash provided by financing activities	35,094	23,684
Net (decrease) increase in cash and cash equivalents during the year	(31,993)	16,114
Cash and cash equivalents, beginning of year	50,626	34,512
Cash and cash equivalents, end of year	18,633	50,626

See accompanying notes to consolidated financial statements

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009
(tabular amounts in 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 (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) 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.

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009
(tabular amounts in thousands of dollars)

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 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.
- Newfoundland Quarterly Foundation
- Edutech Services Inc.

Effective April 1, 2008 all assets and liabilities of the Canadian Center for Marine Communications (CCMC) were transferred to the Marine Institute School of Ocean Technology of the University.

Cash equivalents

Cash equivalents consist primarily of cash, treasury bills and bankers' acceptances. Investments with original maturities of three months or less 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.

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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.

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) (PBA). In addition, where the plan experiences a solvency deficiency, the employer is required to contribute an amount sufficient to liquidate the deficiency within five 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.

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The most recent actuarial valuation prepared by Eckler Partners Ltd. disclosed a solvency deficiency of \$237.3 million and a going concern deficiency of \$271.0 million at March 31, 2009. 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 five year period.

The going concern deficiency of \$271.0 million includes \$68.0 million 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 35.25 years. In accordance with the PBA, the balance of the going concern, namely \$203.0 million, must be liquidated over a period of not more than 15 years. The first annual payment in respect of this balance is \$16.2 million and is required to be made during the 2009/10 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.

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. Additional disclosure related to these plans is provided in note 11.

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.

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Derivative financial instruments

Derivative financial instruments are utilized by the University in the management of interest rate exposure related to its bank indebtedness. The University does not utilize derivative financial instruments for trading or speculative purposes.

The University enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its floating rate bank indebtedness. The fair value of these derivatives is recorded on the consolidated statement of financial position and any “mark-to-market” adjustment is recorded in interest expense. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based.

Derivative financial instruments are classified as held for trading and carried at fair value with the change in fair value being recorded in interest expense.

Financial instruments

The University has chosen to continue to apply the Canadian Institute of Chartered Accountants (CICA) Section 3861, *Financial Instruments – Disclosure and Presentation*, in place of CICA Section 3862, *Financial Instruments – Disclosures*, and CICA Section 3863, *Financial Instruments – Presentation*. The disclosures required by Section 3861 are provided in note 12.

3. CHANGES IN ACCOUNTING POLICY

Impact of adopting new accounting policies

Inventories

Effective April 1, 2008, the University adopted the recommendations of CICA Section 3031, *Inventories*. These recommendations provide guidance on the measurement and disclosure requirements for inventories. The adoption of these new recommendations had no impact on the University’s consolidated financial statements.

The amount of inventories recognized as expense during the year was \$12.9 million (2008 - \$11.7 million).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Capital disclosures

Effective April 1, 2008, the University adopted the recommendations of CICA Section 1535, *Capital Disclosures*, which require the disclosure of qualitative and quantitative information that enables users of the consolidated financial statements to evaluate the University's objectives, policies and processes for managing capital. The additional disclosures related to the adoption of these recommendations are provided in note 13.

General standards of financial statement presentation

The amendments to Section 1400, *General Standards of Financial Statement Presentation*, provides revised guidance on management's responsibility to assess and disclose the University's ability to continue as a going concern. There was no significant impact on these consolidated financial statements as a result of revisions to Section 1400.

Financial statement presentation

Effective April 1, 2008, the University adopted retroactively the changes to the recommendations in CICA Section 4400 *Financial Statement Presentation for Non-For-Profit Organizations*, which eliminate the requirement to separately disclose the amount of net assets in capital assets. The University therefore eliminated from the consolidated financial statements details regarding the amount of net assets invested in capital assets and the calculation of this amount. As a result, the University reclassified the prior year consolidated financial statements to include the amount of net assets invested in capital assets as at April 1, 2007 of (\$1.4 million) and as at April 1, 2008 of \$8.6 million in unrestricted net assets.

Impact of adopting future accounting policies

Recent accounting pronouncements that have been issued but are not yet effective and have a potential implication for the University, are as follows:

Financial statement presentation

The CICA has issued revisions to the Section 4400 series and certain other sections to amend or improve certain parts of the CICA Handbook that relate to not-for-profit organizations. With respect to presentation, these changes include requiring CICA Section 1540, *Cash Flow Statements*, to be applicable for not-for-profit organizations, and requiring the reporting of revenues and expenses on a gross basis in the consolidated statement of operations when a not-for-profit organization is acting as a principal in a transaction. A new section, CICA Section 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*, was included in the

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revisions which require certain disclosures when fundraising and general support expenses are allocated to other functions. These changes in accounting policies are effective for the University's reporting period beginning April 1, 2009. No significant impact is expected upon the implementation of these amended standards.

Financial statement concepts

Section 1000, *Financial Statement Concepts* has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasize the matching principle. The amendments are effective for the University's reporting period beginning April 1, 2009. The University is currently evaluating the impact of the adoption of this change on the disclosure within its consolidated financial statements. No significant impact is expected upon the implementation of these amendments.

Goodwill and intangible assets

The CICA issued a new accounting standard, CICA Section 3064, *Goodwill and Intangible Assets* replacing CICA Section 3062, *Goodwill and Other Intangible Assets* and CICA Section 3450, *Research and Development Costs*. CICA Section 3064 establishes standards for the recognition, measurement and disclosure of development costs. Management is currently assessing the impact of adopting this section for the University's reporting period beginning April 1, 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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4. CAPITAL ASSETS

	2009		2008	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Buildings	220,294	121,570	98,724	91,728
Furniture and equipment	75,957	45,926	30,031	37,821
Computers	22,407	15,274	7,133	7,100
Banner finance	1,722	1,315	407	508
Vehicles	3,101	2,015	1,086	1,301
Library collection	124,626	94,396	30,230	30,531
	448,107	280,496	167,611	168,989

Capital assets include certain assets under capital lease with a net book value of \$2.4 million (2008 – \$2.9 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.

	2009	2008
	\$	\$
Balance, beginning of year	49,038	49,834
Grants and donations received during the year	48,444	45,229
Expenses incurred during the year	(44,145)	(46,025)
	53,337	49,038

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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.

	2009 \$	2008 \$
Balance, beginning of year	153,285	154,699
Additional contributions received	18,547	19,387
Less amounts amortized to revenue	(24,477)	(20,801)
	<u>147,355</u>	<u>153,285</u>

Total deferred contributions

	2009 \$	2008 \$
Expenses of future periods	53,337	49,038
Capital assets	147,355	153,285
	<u>200,692</u>	<u>202,323</u>

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009
(tabular amounts in thousands of dollars)

6. INVESTMENTS

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Fixed income	39,720	40,521	32,496	33,264
Equities	27,255	21,262	28,577	31,155
	66,975	61,783	61,073	64,419

	2009	2008
	\$	\$
Investment income	5,129	7,613
Unrealized loss on investments	(8,534)	(3,605)
Related expenses	(924)	(1,109)
	(4,329)	2,899

7. LONG-TERM DEBT

	2009	2008
	\$	\$
RBC Royal Bank, fixed term demand loan, related to Harlow campus, 5.19% interest, repayable in 9 equal annual, blended payments of \$121, maturing in April 2012, unsecured	428	524
CMHC mortgage on Queen's College, 5.875% interest, repayable in 50 equal, blended payments of \$29 semi-annually, maturing in June 2019, secured	419	451
Capital leases negotiated through the RBC Royal Bank, interest rates vary, payable in equal annual instalments, secured by assets under lease	723	824
	1,570	1,799
Less current portion	826	763
	744	1,036

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009
(tabular amounts in thousands of dollars)

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

	\$
2010	826
2011	387
2012	44
2013	43
2014	43

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 two capital projects. The projects involved the construction of a new residence complex for Sir Wilfred Grenfell College (Project 1) and the implementation of an energy performance program in five buildings on the University's main campus in St. John's (Project 2). Currently the debt has been negotiated using bankers' acceptances (BA's) which mature during the 2009/10 fiscal year. Management expects to refinance these loans through BA's for the balance of the term of the loan. Disclosure related to interest rate risk is provided in note 12.

Derivative liability

Project 1 interest rate swap transaction involves the exchange of the underlying Canadian BA rate for a fixed interest rate of 4.76% and expired on April 2, 2009. The notional amount of this swap transaction is \$3.2 million and the fair value is a liability of \$0.5 million.

Project 2 interest rate swap transaction involves the exchange of the underlying Canadian BA rate for a fixed interest rate of 5.12% and expired April 1, 2009. The notional amount of this swap transaction is \$14.6 million and the fair value is a liability of \$2.9 million.

9. MEMORIAL UNIVERSITY ACT

In accordance with the Memorial University Act, the University is normally prohibited from recording a deficit on their consolidated 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 \$5.0 million in 1996 and an additional \$10.0 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

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(tabular amounts in thousands of dollars)

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 58 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 at December 31, 2008, CURIE has a surplus of \$4.2 million, of which the University's pro-rata share is approximately 3% on an ongoing basis. In addition, the reciprocal has obtained \$995.0 million on re-insurance with commercial insurers to cover major property claims in excess of \$5.0 million per occurrence.

In respect of general liability, the limit is \$5.0 million per occurrence. Re-insurance for liability coverage in the amount of \$25.0 million in excess of a \$5.0 million per occurrence retention is in place.

In respect of errors and omissions liability policy, the limit is \$5.0 million per occurrence. Re-insurance for errors and omissions was purchased through a combined excess program with general liability in the amount of \$25.0 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.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(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:

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Employee future benefits

Include a discount rate of 7.5% (2008 5.6%) and an average rate of compensation increase of 4.5% (2008 - 4.5%).

Supplemental retirement income plan (SRIP)

Include a discount rate of 7.5% (2008 5.6%) and an average compensation increase of 4.5% (2008 - 4.5%).

Voluntary early retirement income plan (VERIP)

Include a discount rate of 7.5% (2008 5.6%).

	SRIP		VERIP		Other benefits	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Accrued benefit obligation						
Balance, beginning of year	5,450	3,698	6,550	5,455	88,210	81,351
Current service cost	229	122	—	—	3,300	3,393
Interest cost	305	259	367	437	5,331	4,257
Benefits paid	(241)	(238)	(580)	(595)	(4,421)	(2,829)
Actuarial loss (gain)	(200)	1,609	(871)	1,253	(19,933)	2,038
	5,543	5,450	5,466	6,550	72,487	88,210
Current plan expense						
Current service expense	229	122	—	—	3,300	3,393
Interest cost	305	259	367	437	5,331	4,257
Actuarial (gain) loss	(200)	1,609	(871)	1,253	(19,933)	2,038
	334	1,990	(504)	1,690	(11,302)	9,688

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(tabular amounts in thousands of dollars)

A summary of these accrued benefit obligations are as follows:

	2009	2008
	\$	\$
Employee future benefits	72,487	88,210
Supplemental retirement income plan	5,543	5,450
Voluntary early retirement income plan	5,466	6,550
Accrued vacation	11,650	9,725
	95,146	109,935
Less current portion	12,396	10,371
Long-term employee future benefits	82,750	99,564

12. FINANCIAL INSTRUMENTS

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).

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009
(tabular amounts in thousands of dollars)

Classification of financial instruments

The University has designated its financial instruments as shown in the following table. The financial instruments are 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
Derivative liability	Held-for-trading	Fair value

Held-for-trading

HFT financial assets and liabilities are financial assets typically acquired for resale prior to maturity. They are measured at fair value at the consolidated statement of financial position 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 financial liabilities

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

Embedded derivatives

There are no embedded derivatives in the consolidated financial statements of the University.

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009
(tabular amounts in thousands of dollars)

Credit risk

The University is exposed to credit risk with respect to accounts receivable from students and clients. Services are provided to a large number of students and entities which minimizes the concentration of credit risk. The University routinely monitors the receivable balances and establishes an appropriate allowance for doubtful accounts based upon factors surrounding credit risk, historical trends, and other information.

Interest rate risk

The University's exposure to interest rate risk relates to its floating interest rate bank indebtedness which utilizes BA's. The University has managed this floating interest rate risk by entering into interest rate swap agreements with the RBC Royal Bank to offset the movement in the BA rates. Any change in BA rates will be offset by a corresponding change in the interest rate swap. The fair value of these interest rate swap agreements are recorded on the consolidated statement of financial position and the change in value is reflected in interest expense on the consolidated statement of operations.

Liquidity risk

The University is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. This risk is managed by maintaining adequate cash and cash equivalents. The University believes that cash and cash equivalents on hand, future cash flows from government grants and student fees will be adequate to meet its financial obligations. There will also be savings associated with the energy performance contract which is expected to be sufficient to repay the floating term facility.

Market risk

The University is exposed to market risk on its investments due to future fluctuations in market prices. This risk is managed by a Statement of Investment Policy and Objectives approved by the Board of Regents which includes investment policy provisions for an acceptable asset mix structure and quality constraints on fixed income instruments.

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009
(tabular amounts in thousands of dollars)

13. CAPITAL DISCLOSURES

The University considers its capital to be its net assets. Its restricted net assets consist of amounts restricted for endowment purposes. The University's objectives when managing its capital are to safeguard its ability to continue as a going concern in order to provide services to its students and research funding agencies. Annual budgets are developed and monitored to ensure the University's capital is maintained at an appropriate level. The University has no external restrictions imposed on its capital, excluding its endowments.

14. COMPARATIVE FIGURES

Certain of the 2008 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2009.

**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, 2009.

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.

St. John's, Canada,
June 4, 2009.

Ernst & Young LLP

Chartered Accountants

CONSOLIDATED SCHEDULE OF FINANCIAL POSITION

As at March 31, 2009 (with comparative figures for 2008)

(thousands of dollars)

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current assets:												
Cash and cash equivalents	-46,017	1,085	2,305	3,459	2,923	-9,747	32,087	27,898	27,335	27,931	18,633	50,626
Short-term investments	60,799	15,058	-	-	-	-	-	-	-	-	60,799	15,058
Accounts receivable	20,952	16,823	431	462	329	1,087	19,901	17,706	4,326	5,887	45,939	41,965
Accrued interest receivable	1,500	349	-	-	-	-	-	-	2,464	1,785	3,964	2,134
Inventory and prepaid expenses	3,901	4,439	1,950	1,646	-	-	55	67	57	39	5,963	6,191
Interfund accounts	805	583	-805	-583	-	-	-	-	-	-	-	-
	41,940	38,337	3,881	4,984	3,252	-8,660	52,043	45,671	34,182	35,642	135,298	115,974
Long-term receivable	-	-	-	-	2,991	3,074	-	-	-	-	2,991	3,074
Investments (note 6)	-	-	-	-	-	-	-	633	61,783	63,786	61,783	64,419
Capital assets, net (note 4)	-	-	2,040	427	164,266	166,251	1,178	2,198	127	113	167,611	168,989
Total assets	41,940	38,337	5,921	5,411	170,509	160,665	53,221	48,502	96,092	99,541	367,683	352,456
Current liabilities:												
Bank indebtedness (note 8)	-	-	-	-	19,028	5,075	-	-	-	-	19,028	5,075
Accounts payable and accrued liabilities	12,321	13,007	231	373	2,240	1,747	3,831	4,431	699	722	19,322	20,280
Deferred revenue	1,949	4,053	363	249	4,709	3,243	14,734	11,962	27	59	21,782	19,566
Current portion of employee future benefits (note 11)	12,396	10,371	-	-	-	-	-	-	-	-	12,396	10,371
Current portion of long-term-debt (note 7)	-	-	-	-	826	763	-	-	-	-	826	763
	26,666	27,431	594	622	26,803	10,828	18,565	16,393	726	781	73,354	56,055
Long-term debt (note 7)	-	-	-	-	744	1,036	-	-	-	-	744	1,036
Derivative liability (note 8)	-	-	-	-	3,460	-	-	-	-	-	3,460	-
Employee future benefits (note 11)	81,492	97,958	318	401	-	-	795	947	145	258	82,750	99,564
	81,492	97,958	318	401	4,204	1,036	795	947	145	258	86,954	100,600
Deferred contributions (note 5)	-	-	-	-	146,001	150,984	34,288	30,992	20,403	20,347	200,692	202,323
Net assets:												
Net assets restricted for endowment purposes	-	-	-	-	-	-	-	-	60,399	60,002	60,399	60,002
Unrestricted net assets	-66,218	-87,052	5,009	4,388	-6,499	-2,183	-427	170	14,419	18,153	-53,716	-66,524
	-66,218	-87,052	5,009	4,388	-6,499	-2,183	-427	170	74,818	78,155	6,683	-6,522
Total liabilities, deferred contributions and net assets	41,940	38,337	5,921	5,411	170,509	160,665	53,221	48,502	96,092	99,541	367,683	352,456

See accompanying notes to consolidated financial statements

CONSOLIDATED SCHEDULE OF OPERATIONS

For the year ended March 31, 2009 (with comparative figures for 2008)
(thousands of dollars)

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:												
Government grants	261,504	229,949	831	835	-	-	42,541	48,025	10,229	5,983	315,105	284,792
Student fees	54,631	54,033	-	-	-	-	-	-	157	157	54,788	54,190
Other revenue	12,552	14,733	2,559	1,907	-5,938	-3,197	14,183	12,093	13,242	6,503	36,598	32,039
Amortization of deferred capital contributions	-	-	-	-	24,317	20,329	149	462	11	10	24,477	20,801
Sales and services	-	-	16,958	16,361	-	-	-	-	-	-	16,958	16,361
Investment income (note 6)	3,422	3,582	-	-	-	-	-433	-30	-7,318	-653	-4,329	2,899
Total revenue	332,109	302,297	20,348	19,103	18,379	17,132	56,440	60,550	16,321	12,000	443,597	411,082
Expenses:												
Salaries	207,316	184,692	8,890	7,798	-	-	21,961	21,393	3,845	3,919	242,012	217,802
Employee benefits	37,382	33,514	1,255	1,069	-	-	2,885	2,629	565	553	42,087	37,765
Materials and supplies	13,794	14,512	7,709	7,653	2,053	266	7,465	6,992	1,186	963	32,207	30,386
Utilities	20,449	19,070	2,592	2,616	9	18	259	276	277	182	23,586	22,162
Amortization of capital assets	-	-	125	118	23,239	20,333	151	464	13	11	23,528	20,926
Scholarships, bursaries and awards	8,736	7,578	2	-	-	-	8,616	7,977	4,588	4,258	21,942	19,813
Repairs and maintenance	8,007	7,498	1,529	1,452	9,267	7,708	581	500	168	276	19,552	17,434
Travel and hosting	8,470	7,352	73	66	8	4	5,215	4,748	2,516	2,018	16,282	14,188
Other operating	8,091	7,661	205	123	61	-	5,464	9,040	-32	159	13,789	16,983
Externally contracted service	7,069	9,405	917	751	126	55	2,386	2,213	2,029	943	12,527	13,367
Professional fees	5,912	5,168	17	49	40	51	5,010	5,938	1,464	1,595	12,443	12,801
Interest expense	63	55	266	279	3,486	28	-	-	-	-	3,815	362
Equipment rentals	1,721	1,629	211	182	5	5	655	345	83	88	2,675	2,249
Employee future benefits	-14,441	9,967	-83	54	-	-	-152	233	-113	139	-14,789	10,393
External cost recoveries	-16,511	-15,846	-41	-42	-1,050	-884	-396	-253	-443	-491	-18,441	-17,516
Total expenses	296,058	292,255	23,667	22,168	37,244	27,584	60,100	62,495	16,146	14,613	433,215	419,115
Increase (decrease) for the year before the following	36,051	10,042	-3,319	-3,065	-18,865	-10,452	-3,660	-1,945	175	-2,613	10,382	-8,033
Interfund transfers	-15,217	-15,312	3,940	3,344	14,549	10,270	3,063	1,133	-6,335	565	-	-
Net increase (decrease) in net assets for the year	20,834	-5,270	621	279	-4,316	-182	-597	-812	-6,160	-2,048	10,382	-8,033

See accompanying notes to the financial statements

Unaudited Supplementary Information

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

March 31, 2009

SCHEDULE OF OPERATING REVENUE

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

	2009	2008
	\$	\$
GOVERNMENT GRANTS		
Province of Newfoundland and Labrador		
Department of Education	221,188	195,606
Department of Health	35,607	29,671
Other	316	307
Government of Canada		
Indirect cost of research	4,393	4,365
	261,504	229,949
STUDENT FEES		
Semester tuition		
Undergraduates	35,697	36,533
Graduates	4,248	4,004
Non-credit courses		
Continuing studies	898	782
Sir Wilfred Grenfell College	287	170
Marine Institute	9,930	9,191
Other fees	3,571	3,353
	54,631	54,033
OTHER REVENUE		
Rental	679	461
Miscellaneous	11,604	13,408
Medical Practice Associates	269	864
	12,552	14,733
INVESTMENT INCOME		
	3,422	3,582
	3,422	3,582
	332,109	302,297

SCHEDULE OF GROSS OPERATING EXPENDITURES BY FUNCTION

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

	2009	2008
	\$	\$
ACADEMIC		
Faculty of Arts	28,577	26,329
Faculty of Business Administration	9,587	8,833
Faculty of Education	9,484	8,758
Faculty of Engineering and Applied Science	9,339	8,417
Faculty of Medicine	38,277	31,765
Faculty of Science	37,013	34,636
School of Life Long Learning	1,189	1,001
School of Graduate Studies	7,808	6,632
School of Music	2,752	2,567
School of Nursing	5,115	4,467
School of Pharmacy	2,198	2,687
School of Human Kinetics	3,751	3,358
School of Social Work	2,692	2,306
Sir Wilfred Grenfell College	20,126	18,060
Labrador Institute of Northern Studies	582	403
Distance Education and Learning Technologies	5,804	4,792
Animal Care Unit	1,496	1,281
Fisheries and Marine Institute	33,953	32,390
Technical Services	3,488	3,394
Oil and Gas Development Partnership	150	292
Harris Centre	405	414
CREAIT	1,286	846
Co-op Education	2,042	1,919
	227,114	205,547
SUPPORT SERVICES		
Administrative departments	30,043	24,682
Computing and Communications	11,344	11,048
Library	16,209	15,273
Student Services	9,301	8,827
Facilities Management	26,568	26,412
	93,465	86,242
	320,579	291,789

SCHEDULE OF GROSS OPERATING EXPENDITURES BY OBJECT

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

	Academic		Library		Student Services		Facilities Management		Computing and Communications		Administration		Total	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
Academic salaries	104,587	94,791	2,466	2,329	1,078	907	—	—	—	—	695	548	108,826	98,575
Other instruction and research salaries	2,079	2,090	227	218	903	956	21	9	145	142	137	134	3,512	3,549
Other salaries and wages	53,131	46,234	4,269	4,060	3,748	3,038	12,326	10,906	4,811	4,356	16,693	13,974	94,978	82,568
Employee benefits	27,677	24,850	1,345	1,242	833	700	3,081	2,734	911	846	3,522	3,142	37,369	33,514
	187,474	167,965	8,307	7,849	6,562	5,601	15,428	13,649	5,867	5,344	21,047	17,798	244,685	218,206
Travel and hosting	6,287	5,336	116	83	556	564	189	164	97	85	1,225	1,120	8,470	7,352
Materials and supplies	11,718	12,903	58	170	987	1,165	1,197	1,513	1,364	2,365	1,290	1,572	16,614	19,688
Renovations	3,450	3,088	382	29	284	644	2,206	2,203	2,259	584	1,591	232	10,172	6,780
Scholarships and bursaries	7,780	6,812	—	—	597	566	—	8	—	—	359	192	8,736	7,578
Utilities	3,474	3,397	31	26	37	51	16,417	15,360	347	63	143	173	20,449	19,070
Rental	841	839	93	97	20	17	87	51	569	551	111	74	1,721	1,629
Externally contracted service	2,795	2,928	90	298	114	121	1,591	2,745	1,648	2,635	831	678	7,069	9,405
Professional fees	3,002	2,693	11	24	127	31	293	306	-138	57	2,617	2,057	5,912	5,168
Other:														
Institutional memberships	389	270	49	48	34	20	8	4	16	10	358	290	854	642
Property tax	143	102	—	—	—	—	610	1,387	—	—	—	—	753	1,489
Insurance	223	231	—	—	—	—	34	36	4	2	868	884	1,129	1,153
Debt repayments	181	127	—	—	26	36	33	1	14	17	12	12	266	193
Space rental	733	561	—	—	10	8	—	—	—	—	79	32	822	601
Reference books	2,219	1,877	7,165	6,751	8	6	12	10	—	—	34	37	9,438	8,681
External cost recoveries	-3,595	-3,582	-93	-102	-61	-3	-11,537	-11,025	-703	-665	-522	-469	-16,511	-15,846
	39,640	37,582	7,902	7,424	2,739	3,226	11,140	12,763	5,477	5,704	8,996	6,884	75,894	73,583
	227,114	205,547	16,209	15,273	9,301	8,827	26,568	26,412	11,344	11,048	30,043	24,682	320,579	291,789

SCHEDULE D
(unaudited)

**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.

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 2007-08. A new salary structure for Senior Administrative Management was approved by the Board and implemented April 1, 2008.

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.

Per-course lecturers are represented by Lecturer's Union of Memorial University (LUMUN).

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

SCHEDULE D
(unaudited)

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
EXECUTIVE SALARY RANGES
MARCH 31, 2009

	Salary Range (\$)
President and Vice-Chancellor	243,838 - 304,798
Vice-Presidents: Academic and Pro Vice-Chancellor Administration & Finance Research	185,726 - 232,158 165,080 - 206,350 165,080 - 206,350
Executive Director (Marine Institute)	141,498 - 176,872
Dean-Student Affairs & Services	159,562 - 199,453
Principal – Sir Wilfred Grenfell College (SWGC)	141,498 - 176,872

SCHEDULE D
(unaudited)

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ACADEMIC SALARY RANGES (note 1)
MARCH 31, 2009

	Salary Range (\$)	Actual Minimum & Maximum Salaries	Number of Employees
Academic Executive:	note (2)		15
Deans of Faculties/Schools			7
Directors of Schools			5
University Librarian			1
Associate Vice-President			2
Academic Management:	note (3)		77
Vice Dean (Medicine)			1
Vice-Principal (SWGC)			1
Associate Vice Principal Research (SWGC)			1
Associate Deans			14
Assistant Deans			5
Department Heads			38
Directors			5
Associate Directors			8
Associate University Librarians			4
Academic Staff:	28,202 - 136,378	33,370 - 187,427	1214
Professors	86,687 - 136,378	86,687 - 187,427	257
Associate Professors	73,255 - 110,193	73,255 - 148,810	287
Assistant Professors	63,181 - 78,292	53,107 - 106,835	294
Lecturers (note 4)	51,248 - 59,823	51,428 - 78,292	92
Co-op Education Coordinators	49,749 - 86,687	59,823 - 83,329	16
Librarians	44,712 - 120,267	46,391 - 108,514	37
Instructors - Marine Institute	28,202 - 106,090	33,370 - 100,385	231

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 31 Visiting Professors paid on the lecturer scale.

SCHEDULE D
(unaudited)

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ADMINISTRATIVE SALARY RANGES (note 1)
MARCH 31, 2009

	Salary Range (\$)	Actual Minimum & Maximum Salaries	Number of Employees
Senior Administrative Management Level 1 to 5: (note 2)	88,465 - 173,461	88,465 - 157,850	102
Management and Professional Staff (note 3)	25,844 - 96,770	38,402 - 98,472	295
Administrative Staff (note 4)	25,586 - 110,594	25,586 - 69,722	1950

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: Senior Administrative Management category was implemented April 2008 and includes previous categories of Administrative Directors level 1 - 4, the Marine Institute Academic Industrial Response Unit Managers, and employees on previous Band Levels 12-15.

Note 3: Management and professional staff ranges reflect 11 salary levels developed under the university's Job Evaluation System.

Note 4: Administrative and academic support staff salary ranges reflect salary levels defined by union collective agreements or non-bargaining terms and conditions of employment.