



Consolidated Financial Statements with Supplementary Schedules

Year Ended March 31, 2010

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
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FOR THE YEAR ENDED MARCH 31, 2010**

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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, 2010 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2010 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 14, 2010.

Ernst + Young LLP

Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31
[thousands of dollars]

	2010	2009
ASSETS		
Current		
Cash and cash equivalents	29,970	18,633
Restricted cash <i>[note 4]</i>	2,758	–
Short-term investments	66,038	60,799
Accounts receivable	47,311	45,939
Accrued interest receivable	2,848	3,964
Inventory and prepaid expenses	6,192	5,963
Total current assets	155,117	135,298
Long-term receivable	2,991	2,991
Investments <i>[note 7]</i>	81,612	61,783
Capital assets, net <i>[note 5]</i>	176,466	167,611
	416,186	367,683
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET (DEFICIENCY) ASSETS		
Current		
Bank indebtedness <i>[note 9]</i>	17,681	19,028
Accounts payable and accrued liabilities	29,637	19,322
Deferred revenue	20,379	21,782
Current portion of employee future benefits <i>[note 12]</i>	13,608	12,396
Current portion of long-term debt <i>[note 8]</i>	733	826
Total current liabilities	82,038	73,354
Long-term debt <i>[note 8]</i>	373	744
Derivative liability <i>[note 9]</i>	1,795	3,460
Employee future benefits <i>[note 12]</i>	118,093	82,750
Total liabilities	202,299	160,308
Deferred contributions		
Deferred contributions <i>[note 6]</i>	220,541	200,692
Net (deficiency) assets		
Net assets restricted for endowment purposes	61,992	60,399
Unrestricted net deficiency	(68,646)	(53,716)
Total net (deficiency) assets	(6,654)	6,683

See accompanying notes to consolidated financial statements

Contingencies *[note 11]*

On behalf of the Board:

"Signed"

"Signed"

Chair of the Board of Regents

Chair of the Finance Committee

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31
[thousands of dollars]

	<u>2010</u>	<u>2009</u>
REVENUE		
Government grants	348,139	315,105
Student fees	57,056	54,788
Other revenue	32,577	36,598
Amortization of deferred capital contributions	21,773	24,477
Sales and services	16,778	16,958
Investment income (loss) [note 7]	13,754	(4,329)
	<u>490,077</u>	<u>443,597</u>
EXPENSES		
Salaries	264,949	242,012
Employee benefits	47,611	42,087
Materials and supplies	37,123	33,878
Employee future benefits	36,686	(14,789)
Scholarships, bursaries and awards	22,952	21,942
Amortization of capital assets	22,051	23,528
Repairs and maintenance	20,437	17,881
Utilities	19,804	23,586
Externally contracted service	14,776	12,527
Travel and hosting	14,330	16,282
Other operating expenses	11,002	13,789
Professional fees	9,974	12,443
Equipment rentals	2,866	2,675
Interest expense	889	355
Derivative liability (gain) loss	(1,664)	3,460
External cost recoveries	(18,303)	(18,441)
	<u>505,483</u>	<u>433,215</u>
Excess of (expenses over revenue) revenue over expenses	<u>(15,406)</u>	<u>10,382</u>

See accompanying notes to consolidated financial statements

**CONSOLIDATED STATEMENT OF CHANGES
IN NET (DEFICIENCY) ASSETS**

As at March 31
[thousands of dollars]

	Restricted for Endowment Purposes	Unrestricted	2010	2009
Balance, beginning of year	60,399	(53,716)	6,683	(6,522)
Excess of (expenses over revenue) revenue over expenses	(476)	(14,930)	(15,406)	10,382
Endowment contributions	2,069	–	2,069	2,823
Balance, end of year	61,992	(68,646)	(6,654)	6,683

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31
[thousands of dollars]

	2010	2009
OPERATING ACTIVITIES		
Excess of (expenses over revenue) revenue over expenses	(15,406)	10,382
Items not affecting cash:		
Amortization of capital assets	22,051	23,528
Net increase in deferred contributions related to expenses of future periods	7,843	4,299
Increase (decrease) in long-term portion of employee future benefits	35,343	(16,814)
Increase in current portion of employee future benefits	1,212	2,025
Amortization of deferred capital contributions	(21,773)	(24,477)
Loss on disposal of capital assets	517	1,905
(Decrease) increase in derivative liability	(1,665)	3,460
Reduction in long-term receivable	-	83
Unrealized (gain) loss on investments	(9,746)	8,534
Change in non-cash working capital	8,427	(4,318)
Cash provided by operating activities	26,803	8,607
INVESTING ACTIVITIES		
Capital assets acquired	(31,755)	(24,055)
Increase in restricted cash	(2,758)	-
Increase in short-term investments	(5,239)	(45,741)
Increase in investments	(10,083)	(5,898)
Cash used in investing activities	(49,835)	(75,694)
FINANCING ACTIVITIES		
(Decrease) increase in bank indebtedness	(1,347)	13,953
Endowment contributions	2,069	2,823
Addition to deferred capital contributions	33,779	18,547
Decrease in long-term debt	(132)	(229)
Cash provided by financing activities	34,369	35,094
Net change in cash and cash equivalents during the year	11,337	(31,993)
Cash and cash equivalents, beginning of year	18,633	50,626
Cash and cash equivalents, end of year	29,970	18,633
SUPPLEMENTARY INFORMATION		
Interest paid	889	345

See accompanying notes to consolidated financial statements

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

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 policies are summarized as follows:

Use of estimates

The preparation of consolidated 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 during 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 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.

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Cash and cash equivalents

Cash and 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 during 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 during 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 expenses. 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 methods and rates. Half a 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

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Inventory

Inventory is valued at the lower of cost and net realizable value.

The amount of inventories recognized as an expense during the year amounted to \$12.5 million [2009 – \$12.9 million].

Investment income

Investment income in the consolidated statement of operations includes interest, dividends, realized and unrealized gains and losses as well as related expenses.

Employee future benefits

Pension plan

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 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 expense in the consolidated statement of operations. The assets and obligations of the plan are not recorded in these consolidated financial statements.

The plan is being funded in accordance with the March 31, 2008 actuarial valuation. The special payment required in the 2010/2011 fiscal year in respect of the going concern deficiency identified in the valuation is \$5.4 million.

The most recent valuation of the plan was prepared as at March 31, 2010 for internal management purposes by Eckler Ltd. This valuation disclosed a solvency deficiency of \$275.1 million and a going concern deficiency of \$292.5 million at March 31, 2010. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

The going concern deficiency of \$292.5 million includes \$73.9 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 the remaining period of 34.25 years. In accordance with the PBA, the balance of the going concern deficiency, namely \$218.6 million, would normally be liquidated over a period of not more than 15 years. If plan funding were based on the March 31, 2010 valuation, the first annual payment in respect of this balance would be \$17.8 million.

At present, the University has an exemption under the PBA from making payments relating to the solvency deficiency. This exemption expires December 31, 2010 and application has been made to have this extended.

Other post-employment benefits

In addition to the University's pension plan previously discussed, the University also has defined benefit plans for other post-employment benefits. These benefits are actuarially determined using the projected benefit method prorated on service and administration's best estimate of salary escalation, retirement ages of employees and escalation in covered benefit expense outlays. Gains (losses) are fully recognized in the current year. These post-employment benefits are:

Supplemental Retirement Income Plan [SRIP]
Voluntary Early Retirement Income Plan [VERIP]
Other benefits [include severance, accrued vacation, group life insurance and health care benefits]

Accrued vacation for employees represents vacation earned but not yet taken as at year end. It is expected that accrued vacation will be taken in the next fiscal year.

Additional disclosure is provided in *note 12*.

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.

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.

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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 in 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 on the statement of operations.

Financial instruments

The University applies the Canadian Institute of Chartered Accountants [CICA] Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*. The disclosures required by Section 3861 are provided in *note 13*.

3. CHANGES IN ACCOUNTING POLICY

Impact of adopting new accounting policies

Financial statement presentation

Effective April 1, 2009 the University adopted retroactively revisions to the *CICA Handbook* Section 4400 series and certain other Sections to amend or improve certain parts that relate to not-for-profit organizations. The revisions that have been adopted together with their impact are set out below.

With respect to presentation, Section 1540, *Cash Flow Statements*, requires the reporting of interest paid to be disclosed separately. Also, investing and financing activities that do not require the use of cash and cash equivalents are excluded from the statement of cash flows. Therefore, capital assets acquired by means of a capital lease are no longer included nor is the increase in the related capital lease obligation. Section 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*, was included in the revisions which require certain disclosures when fundraising and general support expenses are allocated to other functions. The adoption of this new recommendation had no impact on the University’s consolidated financial statements.

Financial statement concepts

Effective April 1, 2009, the University adopted the recommendations of Section 1000, *Financial Statement Concepts*, which 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 adoption of these new recommendations had no significant impact on the University’s consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

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:

Consolidated Financial Statements

The CICA has issued new Section 1601, *Consolidated Financial Statements* which applies to fiscal years beginning on or after January 1, 2011. Adoption of this standard is not expected to have a significant impact on the University's consolidated financial statements.

4. RESTRICTED CASH

Restricted cash consists of premiums paid to Manulife Financial on behalf of employees which are held in an interest-bearing bank account to be used to fund future rate increases or enhancements in the long term disability and basic term life insurance plans. The related liability is included in accounts payable and accrued liabilities.

5. CAPITAL ASSETS

(thousands of dollars)

	2010		2009
	Cost	Accumulated amortization	Net book value
Buildings	231,853	129,198	102,655
Furniture and equipment	87,454	49,885	37,569
Computers	22,443	17,098	5,345
Banner finance	1,721	1,397	324
Vehicles	3,295	2,530	765
Library collection	130,232	100,424	29,808
	476,998	300,532	176,466

Capital assets include certain assets under capital lease with a net book value of \$2.0 million [2009 – \$2.4 million].

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

6. 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.

(thousands of dollars)	<u>2010</u>	<u>2009</u>
Balance, beginning of year	53,337	49,038
Grants and donations received during the year	62,703	48,444
Expenses incurred during the year	<u>(54,860)</u>	<u>(44,145)</u>
Balance, end of year	<u>61,180</u>	<u>53,337</u>

Capital assets

Deferred capital contributions related to capital assets represent the unamortized 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.

(thousands of dollars)	<u>2010</u>	<u>2009</u>
Balance, beginning of year	147,355	153,285
Additional contributions received	33,779	18,547
Less: amounts amortized to revenue	<u>(21,773)</u>	<u>(24,477)</u>
Balance, end of year	<u>159,361</u>	<u>147,355</u>

Total deferred contributions

(thousands of dollars)	<u>2010</u>	<u>2009</u>
Expenses of future periods	61,180	53,337
Capital assets	<u>159,361</u>	<u>147,355</u>
Balance, end of year	<u>220,541</u>	<u>200,692</u>

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

7. INVESTMENTS

Investments as at March 31

(thousands of dollars)	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Fixed income	45,843	48,485	39,720	40,521
Equities	31,245	33,127	27,255	21,262
	77,088	81,612	66,975	61,783

Investment income (loss) for the year ended March 31

(thousands of dollars)	2010	2009
Investment income	4,462	5,129
Unrealized gain (loss) on investments	9,746	(8,534)
Related expenses	(454)	(924)
	13,754	(4,329)

8. LONG-TERM DEBT

(thousands of dollars)	2010	2009
RBC Royal Bank, fixed term demand loan, related to Harlow campus, 5.19% interest, repayable in nine equal annual, blended payments of \$121, maturing in April 2012, unsecured	330	428
CMHC mortgage on Queen's College, 5.875% interest, repayable in 50 equal, blended payments of \$29 semi-annually, maturing in June 2019, secured	385	419
Capital leases negotiated through the RBC Royal Bank, interest rates vary, payable in equal annual installments, secured by assets under lease	391	723
	1,106	1,570
Less: current portion	733	826
	373	744

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

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

(thousands of dollars)

2011	733
2012	60
2013	44
2014	43
2015	46

9. 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]. The debt has been negotiated using bankers' acceptances [BA's] which mature during the 2010/11 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 13*.

Derivative liability

Project 1 interest rate swap transaction involves the exchange of the underlying floating rate Canadian BA for a fixed interest rate of 4.76% and expires April 12, 2017. The notional amount of this swap transaction is \$3.0 million and the fair value is a liability of \$0.3 million [2009 – \$0.5 million].

Project 2 interest rate swap transaction involves the exchange of the underlying floating rate Canadian BA for a fixed interest rate of 5.12% and expires October 1, 2022. The notional amount of this swap transaction is \$13.8 million and the fair value is a liability of \$1.5 million [2009 – \$2.9 million].

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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10. MEMORIAL UNIVERSITY ACT

In accordance with the *Memorial University Act*, the University is normally prohibited from recording a deficit on its 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 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.

11. CONTINGENCIES

(a) Canadian University Reciprocal Insurance Exchange [CURIE]

The University participates in a self-insurance cooperative involving a contractual agreement to share the insurance property and liability risks of member universities for a term of not less than five years.

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. For the year ended December 31, 2009, CURIE has a surplus of \$11.0 million and a cumulative subscribers' equity of \$32.0 million. The University's pro rata share is approximately 3% on an ongoing basis.

(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 was entitled to receive these insurance benefits for life, at no cost to the group of retirees. This action has been certified as a class action and the University has sought leave to appeal from the decision certifying the action. The University continues to defend its position and the potential exposure to this claim is indeterminable at the present time.

12. OTHER POST-EMPLOYMENT BENEFITS

Supplemental retirement income plan [SRIP]

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.

Memorial University of Newfoundland

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March 31, 2010

The significant actuarial assumptions used in measuring SRIP include a discount rate of 5.7% [2009 – 7.5%] and an average compensation increase of 4.5% [2009 – 4.5%].

Voluntary early retirement income plan [VERIP]

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 unfunded. Current year payments are funded on an annual basis from operations.

The significant actuarial assumptions used in measuring VERIP includes a discount rate of 5.7% [2009 – 7.5%].

Other benefits

The University has a number of other post-employment benefits 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. Vacation liability is also accrued and is expected to be used by employees in the next fiscal year.

The significant actuarial assumptions used in measuring other benefits include a discount rate of 5.7% [2009 – 7.5%] and an average rate of compensation increase of 4.5% [2009 – 4.5%].

(thousands of dollars)	SRIP		VERIP		Other benefits	
	2010	2009	2010	2009	2010	2009
Accrued benefit obligation						
Balance, beginning of year	5,543	5,450	5,466	6,550	72,487	88,210
Current service cost	237	229	–	–	2,408	3,300
Interest cost	416	305	410	367	5,461	5,331
Benefits paid	(265)	(241)	(576)	(580)	(3,310)	(4,421)
Actuarial loss (gain)	3,396	(200)	692	(871)	26,664	(19,933)
	9,327	5,543	5,992	5,466	103,710	72,487
Current plan expense						
Current service expense	237	229	–	–	2,408	3,300
Interest cost	416	305	410	367	5,461	5,331
Actuarial loss (gain)	3,396	(200)	692	(871)	26,664	(19,933)
	4,049	334	1,102	(504)	34,533	(11,302)

Memorial University of Newfoundland

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March 31, 2010

A summary of these accrued benefit obligations are as follows:

(thousands of dollars)	<u>2010</u>	<u>2009</u>
Employee future benefits	103,710	72,487
Supplemental retirement income plan	9,327	5,543
Voluntary early retirement income plan	5,992	5,466
Accrued vacation	12,672	11,650
	<u>131,701</u>	<u>95,146</u>
Less: current portion	13,608	12,396
Long-term employee future benefits	<u>118,093</u>	<u>82,750</u>

13. 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 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 rate method [EIM].

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.

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash, cash equivalents and restricted cash	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

Memorial University of Newfoundland

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March 31, 2010

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.

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 in the consolidated statement of financial position and the change in value is reflected in the consolidated statement of operations.

Memorial University of Newfoundland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

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.

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.

14. 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.

15. COMPARATIVE FIGURES

Certain of the 2009 comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted in 2010.

Audited Supplementary Information

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

March 31, 2010

**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, 2010.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of the University taken as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such supplementary information has been subject to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Ernst & Young LLP

St. John's, Canada,
June 14, 2010

Chartered Accountants

CONSOLIDATED SCHEDULE OF FINANCIAL POSITION

As at March 31, 2010

[thousands of dollars]

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Current assets:												
Cash and cash equivalents	-39,417	-46,017	1,865	2,305	9,041	2,923	34,788	32,087	23,693	27,335	29,970	18,633
Restricted cash <i>[note 4]</i>	2,758	-	-	-	-	-	-	-	-	-	2,758	-
Short-term investments	66,038	60,799	-	-	-	-	-	-	-	-	66,038	60,799
Accounts receivable	26,533	20,952	629	431	376	329	16,148	19,901	3,625	4,326	47,311	45,939
Accrued interest receivable	553	1,500	-	-	-	-	-	-	2,295	2,464	2,848	3,964
Inventory and prepaid expenses	4,112	3,901	1,918	1,950	-	-	115	55	47	57	6,192	5,963
Interfund accounts	782	805	-782	-805	-	-	-	-	-	-	-	-
Total current assets	61,359	41,940	3,630	3,881	9,417	3,252	51,051	52,043	29,660	34,182	155,117	135,298
Long-term receivable	-	-	-	-	2,991	2,991	-	-	-	-	2,991	2,991
Investments <i>[note 7]</i>	-	-	-	-	-	-	-	-	81,612	61,783	81,612	61,783
Capital assets, net <i>[note 5]</i>	-	-	3,570	2,040	171,654	164,266	1,088	1,178	154	127	176,466	167,611
Total assets	61,359	41,940	7,200	5,921	184,062	170,509	52,139	53,221	111,426	96,092	416,186	367,683
Current liabilities:												
Bank indebtedness <i>[note 9]</i>	-	-	-	-	17,681	19,028	-	-	-	-	17,681	19,028
Accounts payable and accrued liabilities	19,720	12,321	185	231	1,584	2,240	7,452	3,831	696	699	29,637	19,322
Deferred revenue	4,871	1,949	593	363	10,040	4,709	4,805	14,734	70	27	20,379	21,782
Current portion of employee future benefits <i>[note 12]</i>	13,608	12,396	-	-	-	-	-	-	-	-	13,608	12,396
Current portion of long-term-debt <i>[note 8]</i>	-	-	-	-	733	826	-	-	-	-	733	826
Total current liabilities	38,199	26,666	778	594	30,038	26,803	12,257	18,565	766	726	82,038	73,354
Long-term debt <i>[note 8]</i>	-	-	-	-	373	744	-	-	-	-	373	744
Derivative liability <i>[note 9]</i>	-	-	-	-	1,795	3,460	-	-	-	-	1,795	3,460
Employee future benefits <i>[note 12]</i>	116,181	81,492	561	318	-	-	1,104	795	247	145	118,093	82,750
Total liabilities	154,380	108,158	1,339	912	32,206	31,007	13,361	19,360	1,013	871	202,299	160,308
Deferred contributions												
Deferred contributions <i>[note 6]</i>	-	-	837	-	157,220	146,001	37,736	34,288	24,748	20,403	220,541	200,692
Net assets:												
Net assets restricted for endowment purposes	-	-	-	-	-	-	-	-	61,992	60,399	61,992	60,399
Unrestricted net assets	-93,021	-66,218	5,024	5,009	-5,364	-6,499	1,042	-427	23,673	14,419	-68,646	-53,716
	-93,021	-66,218	5,024	5,009	-5,364	-6,499	1,042	-427	85,665	74,818	-6,654	6,683
Total liabilities, deferred contributions and net assets	61,359	41,940	7,200	5,921	184,062	170,509	52,139	53,221	111,426	96,092	416,186	367,683

See accompanying notes to consolidated financial statements

CONSOLIDATED SCHEDULE OF OPERATIONS

For the year ended March 31, 2010

[thousands of dollars]

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
REVENUE												
Government grants	293,876	261,504	843	831	-	-	39,139	42,541	14,281	10,229	348,139	315,105
Student fees	56,883	54,631	-	-	-	-	-	-	173	157	57,056	54,788
Other revenue	11,705	12,552	2,284	2,559	-12,049	-5,938	20,914	14,183	9,723	13,242	32,577	36,598
Amortization of deferred capital contributions	-	-	35	-	21,585	24,317	138	149	15	11	21,773	24,477
Sales and services	-	-	16,778	16,958	-	-	-	-	-	-	16,778	16,958
Investment income [note 7]	2,011	3,422	-	-	-	-	625	-433	11,118	-7,318	13,754	-4,329
Total revenue	364,475	332,109	19,940	20,348	9,536	18,379	60,816	56,440	35,310	16,321	490,077	443,597
EXPENSES												
Salaries	227,648	207,316	9,509	8,890	12	-	23,765	21,961	4,015	3,845	264,949	242,012
Employee benefits	42,185	37,382	1,362	1,255	-	-	3,427	2,885	637	565	47,611	42,087
Materials and supplies	18,778	15,475	7,568	7,709	735	2,053	9,312	7,467	730	1,174	37,123	33,878
Employee future benefits	36,033	-14,441	243	-83	-	-	308	-152	102	-113	36,686	-14,789
Scholarships, bursaries and awards	8,598	8,736	2	2	-	-	10,040	8,616	4,312	4,588	22,952	21,942
Amortization of capital assets	-	-	262	125	21,631	23,239	141	151	17	13	22,051	23,528
Repairs and maintenance	7,114	6,326	1,481	1,529	10,502	9,267	1,106	579	234	180	20,437	17,881
Utilities	16,687	20,449	2,546	2,592	7	9	283	259	281	277	19,804	23,586
Externally contracted service	7,192	7,069	905	917	36	126	2,695	2,386	3,948	2,029	14,776	12,527
Travel and hosting	7,597	8,470	50	73	4	8	4,995	5,215	1,684	2,516	14,330	16,282
Other operating	7,256	8,091	323	205	-	61	3,148	5,464	275	-32	11,002	13,789
Professional fees	4,950	5,912	54	17	49	40	3,590	5,010	1,331	1,464	9,974	12,443
Equipment rentals	2,258	1,721	195	211	5	5	340	655	68	83	2,866	2,675
Interest expense	58	63	158	266	673	26	-	-	-	-	889	355
Derivative liability (gain) loss	-	-	-	-	-1,664	3,460	-	-	-	-	-1,664	3,460
External cost recoveries	-16,027	-16,511	-42	-41	-920	-1,050	-622	-396	-692	-443	-18,303	-18,441
Total expenses	370,327	296,058	24,616	23,667	31,070	37,244	62,528	60,100	16,942	16,146	505,483	433,215
Increase (decrease) for the year before the following	-5,852	36,051	-4,676	-3,319	-21,534	-18,865	-1,712	-3,660	18,368	175	-15,406	10,382
Interfund transfers	-20,951	-15,217	4,691	3,940	22,669	14,549	3,181	3,063	-9,590	-6,335	-	-
Excess of (expenses over revenue) revenue over expenses	-26,803	20,834	15	621	1,135	-4,316	1,469	-597	8,778	-6,160	-15,406	10,382

See accompanying notes to consolidated financial statements

Unaudited Supplementary Information

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

March 31, 2010

SCHEDULE OF OPERATING REVENUE

Year ended March 31
 [thousands of dollars]
 [unaudited]

	<u>2010</u>	<u>2009</u>
GOVERNMENT GRANTS		
Province of Newfoundland and Labrador		
Department of Education	245,988	221,188
Department of Health	42,723	35,607
Other	832	316
Government of Canada		
Indirect cost of research	4,333	4,393
	<u>293,876</u>	<u>261,504</u>
STUDENT FEES		
Semester tuition		
Undergraduates	36,489	35,697
Graduates	4,704	4,248
Non-credit courses		
Continuing studies	1,006	898
Sir Wilfred Grenfell College	291	287
Marine Institute	10,590	9,930
Other fees	3,803	3,571
	<u>56,883</u>	<u>54,631</u>
OTHER REVENUE	<u>11,705</u>	<u>12,552</u>
	<u>11,705</u>	<u>12,552</u>
INVESTMENT INCOME	<u>2,011</u>	<u>3,422</u>
	<u>2,011</u>	<u>3,422</u>
	<u>364,475</u>	<u>332,109</u>

SCHEDULE OF GROSS OPERATING EXPENDITURES BY FUNCTION

Year ended March 31
[thousands of dollars]
[unaudited]

	<u>2010</u>	<u>2009</u>
ACADEMIC		
Faculty of Arts	30,020	28,577
Faculty of Business Administration	10,640	9,587
Faculty of Education	9,951	9,484
Faculty of Engineering and Applied Science	12,017	9,339
Faculty of Medicine	44,371	38,277
Faculty of Science	41,274	37,013
School of Life Long Learning	1,287	1,189
School of Graduate Studies	8,081	7,808
School of Music	3,077	2,752
School of Nursing	5,659	5,115
School of Pharmacy	2,599	2,198
School of Human Kinetics	3,790	3,751
School of Social Work	3,362	2,692
Sir Wilfred Grenfell College	20,824	20,126
Labrador Institute of Northern Studies	687	582
Distance Education and Learning Technologies	5,917	5,804
Animal Care Unit	1,626	1,496
Fisheries and Marine Institute	40,050	33,953
Technical Services	4,361	3,488
Oil and Gas Development Partnership	-	150
Harris Centre	523	405
CREAIT	1,575	1,286
Co-op Education	2,221	2,042
	<u>253,912</u>	<u>227,114</u>
SUPPORT SERVICES		
Administrative departments	32,028	30,043
Computing and Communications	11,828	11,344
Library	16,547	16,209
Student Services	10,033	9,301
Facilities Management	25,879	26,568
	<u>96,315</u>	<u>93,465</u>
	<u>350,227</u>	<u>320,579</u>

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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Academic salaries	116,778	104,587	2,586	2,466	1,068	1,078	-	-	-	-	641	695	121,073	108,826
Other instruction and research salaries	2,261	2,079	278	227	1,008	903	129	21	173	145	111	137	3,960	3,512
Other salaries and wages	56,791	53,131	4,276	4,269	3,999	3,748	12,766	12,326	5,777	4,811	19,006	16,693	102,615	94,978
Employee benefits	31,075	27,677	1,401	1,345	976	833	3,441	3,081	1,164	911	4,128	3,522	42,185	37,369
	206,905	187,474	8,541	8,307	7,051	6,562	16,336	15,428	7,114	5,867	23,886	21,047	269,833	244,685
Travel and hosting	5,649	6,287	114	116	500	556	149	189	50	97	1,135	1,225	7,597	8,470
Materials and supplies	18,221	11,718	538	58	1,224	987	1,409	1,197	2,831	1,364	1,508	1,290	25,731	16,614
Renovations	5,803	3,450	298	382	240	284	2,483	2,206	254	2,259	1,409	1,591	10,487	10,172
Scholarships and bursaries	7,703	7,780	3	-	694	597	8	-	-	-	190	359	8,598	8,736
Utilities	3,128	3,474	16	31	37	37	13,159	16,417	223	347	123	143	16,686	20,449
Rental	920	841	92	93	24	20	94	87	994	569	134	111	2,258	1,721
Externally contracted services	2,888	2,795	127	90	137	114	2,108	1,591	1,012	1,648	920	831	7,192	7,069
Professional fees	2,681	3,002	12	11	89	127	162	293	27	-138	1,979	2,617	4,950	5,912
Other:														
Institutional memberships	386	389	50	49	28	34	5	8	17	16	315	358	801	854
Property tax	124	143	-	-	-	-	714	610	-	-	-	-	838	753
Insurance	243	223	-	-	-	-	30	34	2	4	889	868	1,164	1,129
Debt repayments	127	181	-	-	23	26	2	33	19	14	11	12	182	266
Space rental	647	733	-	-	1	10	18	-	-	-	61	79	727	822
Reference books	2,325	2,219	6,828	7,165	9	8	3	12	-	-	45	34	9,210	9,438
External cost recoveries	-3,838	-3,595	-72	-93	-24	-61	-10,801	-11,537	-715	-703	-577	-522	-16,027	-16,511
	47,007	39,640	8,006	7,902	2,982	2,739	9,543	11,140	4,714	5,477	8,142	8,996	80,394	75,894
	253,912	227,114	16,547	16,209	10,033	9,301	25,879	26,568	11,828	11,344	32,028	30,043	350,227	320,579

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 lectures are represented by Lecturers' Union of Memorial University of Newfoundland [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, 2010

	Salary Range (\$)
President and Vice-Chancellor	253,592 - 316,990
Vice-Presidents:	
Academic and Pro Vice-Chancellor	193,155 - 241,444
Administration & Finance	171,683 - 214,604
Research	171,683 - 214,604
Executive Director [Marine Institute]	147,158 - 183,947
Dean - Student Affairs & Services	165,945 - 207,431
Principal - Sir Wilfred Grenfell College [SWGC]	147,158 - 183,947

SCHEDULE D
[unaudited]

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ACADEMIC SALARY RANGES [note 1]
MARCH 31, 2010

	Salary Range (\$)	Actual Minimum & Maximum Salaries	Number of Employees
Academic Executive: Deans of Faculties/Schools Directors of Schools University Librarian Associate Vice-President	[note 2]		15 7 5 1 2
Academic Management: Vice-Dean [Medicine] Vice-Principal [SWGIC] Associate Vice-Principal Research [SWGIC] Associate Deans Assistant Deans Department Heads Directors Associate Directors Associate University Librarians	[note 3]		83 1 1 1 17 6 38 6 8 5
Academic Staff:	29,330 - 148,005	38,290 - 195,143	1236
Professors	95,428 - 148,005	97,241 - 195,143	265
Associate Professors	80,924 - 120,810	80,924 - 158,883	298
Assistant Professor	70,046 - 86,363	62,794 - 113,558	289
Lecturers' [note 4]	55,542 - 64,607	55,542 - 77,298	98
Co-op Education Coordinators	53,729 - 93,615	66,420 - 89,989	18
Librarians	50,102 - 131,687	51,915 - 122,622	36
Instructors-Marine Institute	29,330 - 109,916	38,290 - 109,916	232

- 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 \$9,500 to \$26,500 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 \$5,500 to \$10,000 depending on the size of their academic unit.
- Note 4: Lecturers include 43 Visiting Professors paid on the lecturer scale.

SCHEDULE D
[unaudited]

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ADMINISTRATIVE SALARY RANGES [note 1]
MARCH 31, 2010

	Salary Range (\$)	Actual Minimum & Maximum Salaries	Number of Employees
Senior Administrative Management Level 1 to 5: [note 2]	92,004 - 180,399	92,004 - 169,575	107
Management and Professional Staff [note 3]	26,878 - 100,461	39,938 - 106,453	327
Administrative Staff [note 4]	26,609 - 119,620	26,609 - 72,509	2061

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.