



**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**

*Consolidated Financial Statements  
with Supplementary Schedules*

*March 31, 2012*

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
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FOR THE YEAR ENDED MARCH 31, 2012**

**Consolidated Financial Statements**

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# **INDEPENDENT AUDITORS' REPORT**

To the Board of Regents of  
**Memorial University of Newfoundland**

We have audited the accompanying consolidated financial statements of **Memorial University of Newfoundland** which comprise the consolidated statement of financial position as at March 31, 2012 and the consolidated statements of operations, changes in net deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Memorial University of Newfoundland** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The logo for Ernst & Young LLP is written in a cursive, handwritten style. The letters are black and the overall appearance is that of a signature or a stylized brand mark.

St. John's, Canada  
July 5, 2012

Chartered Accountants

**CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION**

As at March 31

[thousands of dollars]

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	10,538	12,693
Restricted cash <i>[note 4]</i>	6,195	4,702
Short-term investments	114,536	92,870
Accounts receivable	68,017	65,691
Accrued interest receivable	2,991	3,654
Inventory and prepaid expense	6,926	6,400
<b>Total current assets</b>	<b>209,203</b>	<b>186,010</b>
Long-term receivable	-	991
Investments <i>[note 5]</i>	95,071	90,973
Capital assets, net <i>[note 6]</i>	259,477	193,776
	<b>563,751</b>	<b>471,750</b>
<b>LIABILITIES, DEFERRED CONTRIBUTIONS AND NET DEFICIENCY</b>		
<b>Current</b>		
Bank indebtedness <i>[note 7]</i>	15,139	16,531
Accounts payable and accrued liabilities	33,877	53,412
Deferred revenue	41,806	32,966
Current portion of employee future benefits <i>[note 8]</i>	16,233	14,856
Current portion of long-term debt <i>[note 9]</i>	494	303
<b>Total current liabilities</b>	<b>107,549</b>	<b>118,068</b>
Long-term debt <i>[note 9]</i>	960	346
Derivative liability <i>[note 7]</i>	2,365	1,644
Employee future benefits <i>[note 8]</i>	162,020	135,291
<b>Total liabilities</b>	<b>272,894</b>	<b>255,349</b>
Deferred contributions <i>[note 10]</i>	322,166	238,257
<b>Net deficiency</b>		
Net assets restricted for endowment purposes	72,903	66,548
Unrestricted net deficiency	(104,212)	(88,404)
<b>Total net deficiency</b>	<b>(31,309)</b>	<b>(21,856)</b>
	<b>563,751</b>	<b>471,750</b>

*See accompanying notes**Contingencies [note 13]*

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]

	<u>2012</u>	<u>2011</u>
<b>REVENUE</b>		
Government grants	402,356	383,633
Other revenue	63,773	52,204
Student fees	59,631	59,174
Amortization of deferred capital contributions <i>[note 10]</i>	21,325	22,229
Sales and services	16,646	16,065
Investment income <i>[note 5]</i>	577	11,343
	<u>564,308</u>	<u>544,648</u>
<b>EXPENSES</b>		
Salaries	308,313	286,192
Employee benefits	62,326	83,654
Materials and supplies	36,742	34,336
Repairs and maintenance	30,509	28,285
Employee future benefits	28,331	18,523
Utilities	25,593	22,552
Scholarships, bursaries and awards	25,079	24,225
Amortization of capital assets	21,065	22,110
Travel and hosting	16,599	16,280
Externally contracted service	16,406	15,348
Professional fees	13,354	11,044
Other operating expenses	10,734	13,041
Equipment rentals	3,680	4,595
Derivative liability loss (gain)	721	(151)
Interest expense	680	821
External cost recoveries	(20,910)	(17,696)
	<u>579,222</u>	<u>563,159</u>
<b>Excess of expenses over revenue</b>	<u>(14,914)</u>	<u>(18,511)</u>

*See accompanying notes*

**CONSOLIDATED STATEMENT OF CHANGES  
IN NET DEFICIENCY**

As at March 31  
[thousands of dollars]

	<b>Restricted for Endowment Purposes</b>	<b>Unrestricted</b>	<b>2012</b>	<b>2011</b>
<b>Balance, beginning of year</b>	<b>66,548</b>	<b>(88,404)</b>	<b>(21,856)</b>	<b>(6,654)</b>
Excess of revenue over expenses (expenses over revenue)	<b>894</b>	<b>(15,808)</b>	<b>(14,914)</b>	<b>(18,511)</b>
Endowment contributions	<b>5,461</b>	–	<b>5,461</b>	<b>3,309</b>
<b>Balance, end of year</b>	<b>72,903</b>	<b>(104,212)</b>	<b>(31,309)</b>	<b>(21,856)</b>

*See accompanying notes*

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year ended March 31  
[thousands of dollars]

	<u>2012</u>	<u>2011</u>
<b>OPERATING ACTIVITIES</b>		
Excess of expenses over revenue	(14,914)	(18,511)
Items not affecting cash:		
Amortization of capital assets	21,065	22,110
Net increase in deferred contributions related to expenses of future periods	22,937	3,142
Increase in long-term portion of employee future benefits	26,729	17,198
Increase in current portion of employee future benefits	1,377	1,248
Amortization of deferred capital contributions	(21,325)	(22,229)
Loss on disposal of capital assets	159	508
Increase (decrease) in derivative liability	721	(151)
Decrease in long-term receivable	991	1,000
Unrealized loss (gain) on investments	3,726	(6,000)
Change in non-cash working capital	(12,884)	17,968
<b>Cash provided by operating activities</b>	<u>28,582</u>	<u>16,283</u>
<b>INVESTING ACTIVITIES</b>		
Capital assets acquired	(85,973)	(40,245)
Increase in restricted cash	(1,493)	(1,944)
Increase in short-term investments	(21,666)	(26,832)
Increase in investments	(7,824)	(3,361)
<b>Cash used in investing activities</b>	<u>(116,956)</u>	<u>(72,382)</u>
<b>FINANCING ACTIVITIES</b>		
Decrease in bank indebtedness	(1,392)	(1,150)
Endowment contributions	5,461	3,309
Addition to deferred capital contributions	82,297	36,803
Decrease in long-term debt	(147)	(140)
<b>Cash provided by financing activities</b>	<u>86,219</u>	<u>38,822</u>
<b>Net change in cash and cash equivalents during the year</b>	(2,155)	(17,277)
Cash and cash equivalents, beginning of year	12,693	29,970
<b>Cash and cash equivalents, end of year</b>	<u>10,538</u>	<u>12,693</u>
<b>SUPPLEMENTARY INFORMATION</b>		
Interest paid	<u>680</u>	<u>821</u>

*See accompanying notes*



# Memorial University of Newfoundland

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

### 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 operations in the period during which they become known.

#### Consolidated financial 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 that are controlled by the University:

##### C-CORE

The Canadian Centre for Fisheries Innovation

Genesis Group Inc.

The Memorial University of Newfoundland Botanical Garden Incorporated

Memorial University Recreation Complex

Western Sports and Entertainment Inc.

Campus Childcare Inc.

Newfoundland Quarterly Foundation

Edutech Services Inc. (dissolved as of August 2, 2011)

#### 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.

## Memorial University of Newfoundland

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

#### Short-term investments

Investments in debt securities, whether or not quoted in an active market, are initially recorded at fair value plus financing fees and transaction costs that are directly attributable to their acquisition or disposal. These debt securities are thereafter carried at amortized cost using the straight-line amortization method.

#### 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 as their fair value cannot be determined.

#### 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 over their estimated useful lives using the following rates and methods. Half a year's amortization is taken in the year of acquisition and no amortization is taken in the year of disposal.

Buildings	8%	declining balance
Furniture and equipment	20%	declining balance
Computers	30%	declining balance
Banner systems	20%	declining balance
Vehicles	30%	declining balance
Library collection	10 years	straight-line

## **Memorial University of Newfoundland**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2012

#### **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 \$12.9 million [2011 – \$12.7 million].

#### **Investments and investment income**

Investments are carried at fair value. The value of investments recorded in the consolidated financial statements is determined as follows: short-term notes and treasury bills are valued based on cost plus accrued income, which approximates fair value; bonds and publicly traded securities are determined based on the latest bid prices; and investments in pooled funds are valued at their value as reported by the pooled fund managers. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income, which consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, net of related expenses, is recorded as revenue in the consolidated statement of operations.

#### **Employee future benefits**

##### **Pension plan**

The employees of the University participate in a defined benefit pension plan [the “Plan”] administered under the *Memorial University Pensions Act* with any deficiencies being funded by the Province of Newfoundland and Labrador. Payments to the 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 Plan are recorded as an expense in the consolidated statement of operations. The assets and obligations of the Plan are not recorded in the University’s consolidated financial statements.

The Plan is being funded in accordance with the March 31, 2010 actuarial valuation. The special payment required in the 2013 fiscal year in respect of the going concern deficiency identified in the 2010 valuation amounts to \$19.7 million.

With respect to solvency funding, the University has received an extension to solvency funding relief effective January 1, 2011, which expires on December 31, 2015. An exemption from the obligation to fund the Plan on a solvency basis was first granted in 2002 and this was continued through to December 31, 2010. At March 31, 2011, the current funding exemption was not yet in place and the University recognized a solvency funding payment due to the Plan of \$13.0 million. As a consequence of the exemption, this amount is no longer payable and has been reversed. The University’s special payment for the year ended March 31, 2012 has been reduced accordingly.

## Memorial University of Newfoundland

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

The most recent valuation of the Plan was prepared as at March 31, 2011 for internal management purposes. Eckler Ltd. has completed an extrapolation of the going concern results, which has revealed an estimated going concern deficiency of \$293.8 million at March 31, 2012. 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 \$293.8 million includes \$78.7 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 32.25 years. In accordance with the PBA, the balance of the going concern deficiency, namely \$215.1 million, would normally be liquidated over a period of not more than 15 years. If Plan funding were based on the March 31, 2012 extrapolation, the first annual payment in respect of this balance would be \$19.9 million.

#### Other benefits

##### Post-employment

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 benefits include:

Supplemental Retirement Income Plan [SRIP]

Voluntary Early Retirement Income Plan [VERIP]

Other post-employment benefits [which include severance, group life insurance and health care benefits]

##### Vacation

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 8*.

#### 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 may also enter into foreign exchange forward contracts to eliminate the risk of fluctuating foreign exchange rates on future commitments. The University does not utilize derivative financial instruments for trading or speculative purposes.

## Memorial University of Newfoundland

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

The University enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its floating rate bank indebtedness. 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 consolidated 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 12*.

### 3. CHANGES IN ACCOUNTING POLICY

In December 2009, the Public Sector Accounting Board approved an amendment to the Introduction to Public Sector Accounting Standards that eliminates the category of government business-type organizations resulting in the need to reclassify these entities as either government not-for-profit organizations [GNFPO] or other government organizations.

The University is a GNFPO and therefore will be required to follow Public Sector Accounting Standards.

Effective April 1, 2012, the University will adopt Public Sector Accounting Standards with Section 4200 and will report under the new standards for its financial statements for the year ended March 31, 2013, including comparative figures. Management is currently finalizing the impact of the adoption of these standards and the adjustments on transition date as at April 1, 2011.

### 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. INVESTMENTS

[thousands of dollars]

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Fixed income	50,788	53,862	43,052	46,361
Equities	38,857	41,209	37,400	44,612
	<b>89,645</b>	<b>95,071</b>	80,452	90,973

## Memorial University of Newfoundland

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

#### Investment income

[thousands of dollars]

	2012	2011
Investment income	4,693	5,882
Unrealized (loss) gain on investments	(3,726)	6,000
Less: related expenses	(390)	(539)
	<u>577</u>	<u>11,343</u>

#### 6. CAPITAL ASSETS

[thousands of dollars]

	2012		2011	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	320,859	139,883	180,976	120,499
Furniture and equipment	104,805	62,627	42,178	38,659
Computers	24,572	18,670	5,902	4,592
Banner systems	3,078	1,549	1,529	434
Vehicles	4,356	3,985	371	435
Library collection	140,842	112,321	28,521	29,157
	<u>598,512</u>	<u>339,035</u>	<u>259,477</u>	<u>193,776</u>

Capital assets include certain assets under capital leases with a net book value of \$2.3 million [2011 – \$1.6 million].

#### 7. 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 Grenfell Campus [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 [BAs] which mature during the 2012/13 fiscal year. Management expects to refinance these loans through BAs 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 floating rate Canadian BA for a fixed interest rate of 4.76% expiring April 12, 2017 with a notional amount of \$3.0 million. The fair value of this interest rate swap is \$0.32 million [2011 – \$0.24 million].

## **Memorial University of Newfoundland**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2012

Project 2 interest rate swap transaction involves the exchange of the underlying floating rate Canadian BA for a fixed interest rate of 5.12% expiring October 1, 2022 with a notional amount of \$13.8 million. The fair value of this interest rate swap is \$2.05 million [2011 – \$1.40 million].

#### **8. EMPLOYEE FUTURE 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.

The significant actuarial assumptions used in measuring SRIP include a discount rate of 4.45% [2011 – 5.2%] and an average compensation increase of 4.5% [2011 – 4.5%].

##### **Voluntary Early Retirement Income Plan [VERIP]**

In February and May 1996, the University offered faculty and staff, who reached 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 assumption used in measuring VERIP includes a discount rate of 4.45% [2011 – 5.2%].

##### **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 severance 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.

## Memorial University of Newfoundland

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

The significant actuarial assumptions used in measuring other benefits include a discount rate of 4.45% [2011 – 5.2%] and an average rate of compensation increase of 4.5% [2011 – 4.5%].

[thousands of dollars]	<u>SRIP</u>		<u>VERIP</u>		<u>Other Benefits</u>	
	2012	2011	2012	2011	2012	2011
<b>Accrued benefit obligation</b>						
Balance, beginning of year	<b>11,911</b>	9,327	<b>5,935</b>	5,992	<b>118,546</b>	103,710
Current service cost	<b>655</b>	451	-	-	<b>4,349</b>	3,668
Interest cost	<b>619</b>	540	<b>309</b>	341	<b>6,276</b>	6,198
Benefits paid	<b>(334)</b>	(309)	<b>(555)</b>	(545)	<b>(3,600)</b>	(3,244)
Actuarial loss	<b>2,708</b>	1,902	<b>415</b>	147	<b>16,074</b>	8,214
	<b>15,559</b>	11,911	<b>6,104</b>	5,935	<b>141,645</b>	118,546
<b>Current plan expense</b>						
Current service expense	<b>655</b>	451	-	-	<b>4,349</b>	3,668
Interest cost	<b>619</b>	540	<b>309</b>	341	<b>6,276</b>	6,198
Actuarial loss	<b>2,708</b>	1,902	<b>415</b>	147	<b>16,074</b>	8,214
	<b>3,982</b>	2,893	<b>724</b>	488	<b>26,699</b>	18,080

A summary of these accrued benefit obligations are as follows:

[thousands of dollars]	<u>2012</u>	<u>2011</u>
Employee future benefits	<b>141,645</b>	118,546
Supplemental retirement income plan	<b>15,559</b>	11,911
Voluntary early retirement income plan	<b>6,104</b>	5,935
Accrued vacation	<b>14,945</b>	13,755
	<b>178,253</b>	150,147
Less: current portion	<b>16,233</b>	14,856
Long-term employee future benefits	<b>162,020</b>	135,291



## Memorial University of Newfoundland

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

#### 9. LONG-TERM DEBT

[thousands of dollars]	<u>2012</u>	<u>2011</u>
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	118	227
CMHC mortgage on Queen's College, 5.875% interest, repayable in 50 equal, blended payments of \$29 semi-annually, maturing in June 2019, secured	311	349
Capital leases negotiated through the RBC Royal Bank, varying interest rates, payable in equal annual installments, secured by assets under lease	<u>1,025</u>	<u>73</u>
	<u>1,454</u>	<u>649</u>
Less: current portion	<u>494</u>	<u>303</u>
	<u><b>960</b></u>	<u><b>346</b></u>

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

[thousands of dollars]	
2013	494
2014	389
2015	389
2016	48
2017	51

#### 10. 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>2012</u>	<u>2011</u>
Balance, beginning of year	<b>64,323</b>	61,180
Grants and donations received during the year	<b>83,518</b>	63,754
Less: expenses incurred during the year	<u><b>60,581</b></u>	<u>60,611</u>
Balance, end of year	<u><b>87,260</b></u>	<u>64,323</u>

## Memorial University of Newfoundland

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

#### 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>2012</u>	<u>2011</u>
Balance, beginning of year	173,934	159,361
Additional contributions received	82,297	36,802
Less: amounts amortized to revenue	21,325	22,229
Balance, end of year	<u>234,906</u>	<u>173,934</u>

#### Total deferred contributions

[thousands of dollars]	<u>2012</u>	<u>2011</u>
Expenses of future periods	87,260	64,323
Capital assets	234,906	173,934
Balance, end of year	<u>322,166</u>	<u>238,257</u>

## 11. 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.

## 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 as either 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].

## Memorial University of Newfoundland

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

#### 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.

<b>Asset/liability</b>	<b>Classification</b>	<b>Measurement</b>
Cash, cash equivalents, restricted cash and short- term investments	Held-for-trading	Fair value
Investments	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost using EIM
Accrued interest 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.

#### 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.

## **Memorial University of Newfoundland**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2012

#### **Interest rate risk**

The University's exposure to interest rate risk relates to its floating interest rate bank indebtedness which utilizes BAs. 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.

#### **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.

### **13. 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, 2011, CURIE has a surplus of \$6.9 million and a cumulative subscribers' equity of \$47.9 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.

## **Memorial University of Newfoundland**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2012

#### **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 2011 comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted for the current year.

*Audited Supplementary Information*

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**

*March 31, 2012*

**INDEPENDENT AUDITORS' REPORT  
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** as at and for the year ended March 31, 2012.

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,  
July 5, 2012

Chartered Accountants

## CONSOLIDATED SCHEDULE OF FINANCIAL POSITION

As at March 31

[thousands of dollars]

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<b>Current assets:</b>												
Cash and cash equivalents	(83,333)	(61,107)	3,244	2,747	10,444	12,519	44,162	32,458	36,021	26,076	10,538	12,693
Restricted cash <i>[note 4]</i>	6,195	4,702	-	-	-	-	-	-	-	-	6,195	4,702
Short-term investments	114,536	92,870	-	-	-	-	-	-	-	-	114,536	92,870
Accounts receivable	36,893	44,251	735	436	1,041	1,000	24,875	17,164	4,473	2,840	68,017	65,691
Accrued interest receivable	1,038	751	-	-	-	-	-	-	1,953	2,903	2,991	3,654
Inventory and prepaid expenses	4,584	4,094	2,061	2,000	2	3	224	251	55	52	6,926	6,400
Interfund accounts	1,308	998	(1,308)	(998)	-	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>81,221</b>	<b>86,559</b>	<b>4,732</b>	<b>4,185</b>	<b>11,487</b>	<b>13,522</b>	<b>69,261</b>	<b>49,873</b>	<b>42,502</b>	<b>31,871</b>	<b>209,203</b>	<b>186,010</b>
Long-term receivable	-	-	-	-	-	991	-	-	-	-	-	991
Investments <i>[note 5]</i>	-	-	-	-	-	-	8,782	641	86,289	90,332	95,071	90,973
Capital assets, net <i>[note 6]</i>	-	-	3,051	3,279	255,881	189,216	365	1,104	180	177	259,477	193,776
<b>Total assets</b>	<b>81,221</b>	<b>86,559</b>	<b>7,783</b>	<b>7,464</b>	<b>267,368</b>	<b>203,729</b>	<b>78,408</b>	<b>51,618</b>	<b>128,971</b>	<b>122,380</b>	<b>563,751</b>	<b>471,750</b>
<b>Current liabilities:</b>												
Bank indebtedness <i>[note 7]</i>	-	-	-	-	15,139	16,531	-	-	-	-	15,139	16,531
Accounts payable and accrued liabilities	25,200	46,664	191	43	5,569	3,926	2,455	2,183	462	596	33,877	53,412
Deferred revenue	8,487	9,434	511	525	15,099	14,723	17,536	8,254	173	30	41,806	32,966
Current portion of employee future benefits <i>[note 8]</i>	16,233	14,856	-	-	-	-	-	-	-	-	16,233	14,856
Current portion of long-term-debt <i>[note 9]</i>	-	-	-	-	494	303	-	-	-	-	494	303
<b>Total current liabilities</b>	<b>49,920</b>	<b>70,954</b>	<b>702</b>	<b>568</b>	<b>36,301</b>	<b>35,483</b>	<b>19,991</b>	<b>10,437</b>	<b>635</b>	<b>626</b>	<b>107,549</b>	<b>118,068</b>
Long-term debt <i>[note 9]</i>	-	-	-	-	960	346	-	-	-	-	960	346
Derivative liability <i>[note 7]</i>	-	-	-	-	2,365	1,644	-	-	-	-	2,365	1,644
Employee future benefits <i>[note 8]</i>	159,378	133,200	722	548	-	-	1,648	1,314	272	229	162,020	135,291
<b>Total liabilities</b>	<b>209,298</b>	<b>204,154</b>	<b>1,424</b>	<b>1,116</b>	<b>39,626</b>	<b>37,473</b>	<b>21,639</b>	<b>11,751</b>	<b>907</b>	<b>855</b>	<b>272,894</b>	<b>255,349</b>
Deferred contributions <i>[note 10]</i>	-	-	955	1,054	233,386	171,564	56,152	38,900	31,673	26,739	322,166	238,257
<b>Net deficiency:</b>												
Net assets restricted for endowment purposes	-	-	-	-	-	-	-	-	72,903	66,548	72,903	66,548
Unrestricted net assets	(128,077)	(117,595)	5,404	5,294	(5,644)	(5,308)	617	967	23,488	28,238	(104,212)	(88,404)
	(128,077)	(117,595)	5,404	5,294	(5,644)	(5,308)	617	967	96,391	94,786	(31,309)	(21,856)
<b>Total liabilities, deferred contributions and net deficiency</b>	<b>81,221</b>	<b>86,559</b>	<b>7,783</b>	<b>7,464</b>	<b>267,368</b>	<b>203,729</b>	<b>78,408</b>	<b>51,618</b>	<b>128,971</b>	<b>122,380</b>	<b>563,751</b>	<b>471,750</b>

See accompanying notes



## CONSOLIDATED SCHEDULE OF OPERATIONS

Year ended March 31

[thousands of dollars]

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<b>REVENUE</b>												
Government grants	363,330	335,560	800	800	(44,134)	(19,325)	34,576	38,894	47,784	27,704	402,356	383,633
Other revenue	15,177	13,745	4,329	3,933	-	-	16,312	22,049	27,955	12,477	63,773	52,204
Student fees	59,407	59,027	-	-	-	-	-	-	224	147	59,631	59,174
Amortization of deferred capital contributions [note 10]	-	-	100	110	21,130	21,967	81	137	14	15	21,325	22,229
Sales and services	-	-	16,646	16,065	-	-	-	-	-	-	16,646	16,065
Investment income [note 5]	1,894	2,422	-	-	-	-	105	961	(1,422)	7,960	577	11,343
<b>Total revenue</b>	<b>439,808</b>	<b>410,754</b>	<b>21,875</b>	<b>20,908</b>	<b>(23,004)</b>	<b>2,642</b>	<b>51,074</b>	<b>62,041</b>	<b>74,555</b>	<b>48,303</b>	<b>564,308</b>	<b>544,648</b>
<b>EXPENSES</b>												
Salaries	268,193	247,813	10,300	9,917	84	15	25,195	24,414	4,541	4,033	308,313	286,192
Employee benefits	56,749	78,117	1,479	1,457	1	-	3,362	3,415	735	665	62,326	83,654
Materials and supplies	17,179	16,259	7,746	7,590	432	883	10,676	9,233	709	371	36,742	34,336
Repairs and maintenance	7,479	6,907	1,536	1,577	20,949	18,770	192	696	353	335	30,509	28,285
Employee future benefits	27,758	18,342	174	(12)	-	-	355	211	44	(18)	28,331	18,523
Utilities	22,068	19,163	2,932	2,671	1	1	246	328	346	389	25,593	22,552
Scholarships, bursaries and awards	8,960	9,310	2	3	-	-	11,194	10,252	4,923	4,660	25,079	24,225
Amortization of capital assets	-	-	343	364	20,624	21,591	83	139	15	16	21,065	22,110
Travel and hosting	9,508	8,798	59	77	6	5	4,646	5,212	2,380	2,188	16,599	16,280
Externally contracted service	8,381	8,329	934	996	78	130	2,542	2,760	4,471	3,133	16,406	15,348
Professional fees	5,843	5,537	84	44	85	72	5,178	3,478	2,164	1,913	13,354	11,044
Other operating expenses	8,851	8,096	202	297	-	2	1,302	4,224	379	422	10,734	13,041
Equipment rentals	3,007	3,657	242	207	83	45	301	600	47	86	3,680	4,595
Derivative liability loss (gain)	-	-	-	-	721	(151)	-	-	-	-	721	(151)
Interest expense	18	44	137	148	525	629	-	-	-	-	680	821
External cost recoveries	(17,345)	(16,223)	(190)	(38)	(2,389)	(788)	(396)	54	(590)	(701)	(20,910)	(17,696)
<b>Total expenses</b>	<b>426,649</b>	<b>414,149</b>	<b>25,980</b>	<b>25,298</b>	<b>41,200</b>	<b>41,204</b>	<b>64,876</b>	<b>65,016</b>	<b>20,517</b>	<b>17,492</b>	<b>579,222</b>	<b>563,159</b>
(Decrease) increase for the year before the following	13,159	(3,395)	(4,105)	(4,390)	(64,204)	(38,562)	(13,802)	(2,975)	54,038	30,811	(14,914)	(18,511)
Interfund transfers	(23,641)	(21,179)	4,215	4,660	63,868	38,618	13,452	2,900	(57,894)	(24,999)	-	-
<b>Excess of (expenses over revenue) revenue over expenses</b>	<b>(10,482)</b>	<b>(24,574)</b>	<b>110</b>	<b>270</b>	<b>(336)</b>	<b>56</b>	<b>(350)</b>	<b>(75)</b>	<b>(3,856)</b>	<b>5,812</b>	<b>(14,914)</b>	<b>(18,511)</b>

See accompanying notes

*Unaudited Supplementary Information*

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**

*March 31, 2012*

**SCHEDULE OF OPERATING REVENUE**

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

	<u>2012</u>	<u>2011</u>
<b>GOVERNMENT GRANTS</b>		
Province of Newfoundland and Labrador		
Department of Education	302,320	280,267
Department of Health	55,906	50,162
Other	757	842
Government of Canada		
Indirect cost of research	4,347	4,289
	<u>363,330</u>	<u>335,560</u>
<b>STUDENT FEES</b>		
Semester tuition		
Undergraduates	37,822	37,775
Graduates	5,824	5,319
Non-credit courses		
Continuing studies	825	873
Grenfell Campus	314	302
Marine Institute	10,057	10,279
Other fees	4,565	4,479
	<u>59,407</u>	<u>59,027</u>
<b>OTHER REVENUE</b>	<u>15,177</u>	<u>13,745</u>
	<u>15,177</u>	<u>13,745</u>
<b>INVESTMENT INCOME</b>	<u>1,894</u>	<u>2,422</u>
	<u>1,894</u>	<u>2,422</u>
	<u>439,808</u>	<u>410,754</u>

**SCHEDULE OF GROSS OPERATING  
EXPENDITURES BY FUNCTION**

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

	<u>2012</u>	<u>2011</u>
<b>ACADEMIC</b>		
Faculty of Medicine	63,209	51,997
Fisheries and Marine Institute	44,212	45,145
Faculty of Science	43,546	42,248
Faculty of Arts	33,524	31,854
Grenfell Campus	27,062	23,762
Faculty of Business Administration	13,489	11,882
Faculty of Engineering and Applied Science	13,198	13,497
Faculty of Education	11,201	11,162
School of Graduate Studies	7,569	7,701
Distance Education, Learning and Teaching Support	6,389	6,472
School of Nursing	6,291	6,006
School of Human Kinetics	4,815	4,201
Technical Services	4,558	4,182
School of Social Work	4,139	4,072
School of Pharmacy	3,743	3,067
School of Music	3,595	3,441
Co-op Education	2,640	2,477
Office of Collaborations and Research	2,426	1,992
Animal Care Unit	2,327	1,927
School of Life Long Learning	1,407	1,667
Labrador Institute	891	756
	<u>300,231</u>	<u>279,508</u>
<b>SUPPORT SERVICES</b>		
Administration	37,709	34,745
Facilities Management	30,867	27,872
Library	17,943	16,815
Computing and Communications	13,727	12,294
Student Services	11,455	10,649
	<u>111,701</u>	<u>102,375</u>
	<u>411,932</u>	<u>381,883</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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Academic salaries	137,146	128,087	2,994	2,795	1,144	1,116	-	-	-	-	821	684	142,105	132,682
Other instruction and research salaries	2,051	1,775	322	289	1,039	1,062	222	245	158	164	150	124	3,942	3,659
Other salaries and wages	68,062	62,081	4,715	4,542	5,081	4,536	14,288	13,271	7,277	6,234	22,722	20,886	122,145	111,550
Employee benefits	35,887	34,066	1,528	1,522	1,215	1,092	3,749	3,661	1,439	1,258	6,950	6,242	50,768	47,841
	<b>243,146</b>	<b>226,009</b>	<b>9,559</b>	<b>9,148</b>	<b>8,479</b>	<b>7,806</b>	<b>18,259</b>	<b>17,177</b>	<b>8,874</b>	<b>7,656</b>	<b>30,643</b>	<b>27,936</b>	<b>318,960</b>	<b>295,732</b>
Utilities	4,018	3,910	14	18	31	32	17,677	14,848	207	224	121	131	22,068	19,163
Materials and supplies	14,845	16,331	503	466	1,399	1,190	1,306	1,012	2,293	2,215	1,534	1,263	21,880	22,477
Renovations	12,757	7,746	505	237	199	271	2,532	2,674	582	567	122	184	16,697	11,679
Travel and hosting	7,095	6,675	132	147	577	578	166	144	134	48	1,403	1,206	9,507	8,798
Scholarships and bursaries	8,095	8,569	-	-	603	562	6	4	-	-	255	175	8,959	9,310
Externally contracted services	3,272	3,230	63	91	49	78	3,544	3,224	586	808	868	897	8,382	8,328
Professional fees	3,625	3,371	169	10	86	67	422	291	54	(160)	1,486	1,957	5,842	5,536
Rental	986	1,893	69	108	36	29	147	103	1,617	1,556	152	143	3,007	3,832
Other:														
Reference books	2,472	2,553	6,877	6,583	5	7	4	7	-	-	50	36	9,408	9,186
Insurance	346	336	-	-	-	-	40	34	2	2	905	938	1,293	1,310
Institutional memberships	404	378	89	64	31	24	10	4	12	15	453	377	999	862
Space rental	914	749	-	-	4	2	-	-	-	-	69	72	987	823
Property tax	143	124	-	-	-	-	790	767	-	-	-	-	933	891
Debt repayments	88	112	-	-	13	18	2	1	14	17	238	30	355	178
External cost recoveries	(1,975)	(2,478)	(37)	(57)	(57)	(15)	(14,038)	(12,418)	(648)	(654)	(590)	(600)	(17,345)	(16,222)
	<b>57,085</b>	<b>53,499</b>	<b>8,384</b>	<b>7,667</b>	<b>2,976</b>	<b>2,843</b>	<b>12,608</b>	<b>10,695</b>	<b>4,853</b>	<b>4,638</b>	<b>7,066</b>	<b>6,809</b>	<b>92,972</b>	<b>86,151</b>
	<b>300,231</b>	<b>279,508</b>	<b>17,943</b>	<b>16,815</b>	<b>11,455</b>	<b>10,649</b>	<b>30,867</b>	<b>27,872</b>	<b>13,727</b>	<b>12,294</b>	<b>37,709</b>	<b>34,745</b>	<b>411,932</b>	<b>381,883</b>

## **COMPENSATION PRACTICES AT MEMORIAL UNIVERSITY OF NEWFOUNDLAND**

Compensation at Memorial University of Newfoundland [the “University”] is characterized by the financial remuneration received by individuals in relation to the duties and responsibilities of their respective position. Compensation is predominantly in the form of a fixed salary that is regularly reviewed for annual step progression, general economic increases, administrative stipends and market differential where deemed necessary.

At the executive level, the Board of Regents [the “Board”] on the recommendation of its Executive Compensation Committee engages in a Senior Executive Compensation Review that assesses compensation levels for the University’s Executive members against similar positions within the Canadian University Market. This market review is normally done on a five-year interval to ensure market currency.

Compensation for Academic Executive, Academic Management, and Academic Staff includes a salary amount identified on the faculty scale, based on experience, rank and highest degree, in accordance with the Memorial University of Newfoundland Faculty Association [MUNFA] collective agreement. In addition, there is an administrative stipend, set by the Board that is applied in addition to core compensation to reflect the size and complexity of the faculty, school or department. Per-course instructors are represented by Lecturers’ Union of Memorial University of Newfoundland [LUMUN] and compensated in accordance with negotiated salary amounts.

There are three main salary scales for administrative groups below the level of Vice-President, including: Senior Administrative Management [SAM] scale; the Management and Professional staff [MPS] scale; and unionized and non-unionized staff [Common] scale.

Compensation levels for administrative positions below the level of Vice President are determined based on consideration of nine common factors in the application of the University’s job evaluation plan [AIKEN]. In these cases, positions are assessed and assigned a rating outcome in nine areas, resulting in a total number of points for a position with an associated salary band, the intention being that broader, more difficult positions will achieve higher ratings and therefore be slotted higher in terms of salary banding. Once banded, compensation and employee progress through these bands or salary levels are a separate process.

Compensation analyses for academic and administrative positions are regularly completed to ensure market compliance within identified comparator groups and to ensure ongoing competitiveness of the University’s compensation structure. These market differentials are applied where market demands are greater than assigned salary levels.

For unionized faculty and staff, compensation structures are determined through collective bargaining processes between the University and the various unions representing each employee group: MUNFA, Canadian Union of Public Employees [CUPE], and the Newfoundland Association of Public Employees [NAPE].

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

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**  
**EXECUTIVE SALARY RANGES**  
**MARCH 31, 2012**

	<b>Salary Range (\$)</b>
President and Vice-Chancellor <i>[note 1]</i>	274,286 - 342,857
Vice-Presidents:	
Provost (Academic) <i>[note 2]</i>	208,917 - 261,146
Administration and Finance	185,693 - 232,116
Research <i>[note 3]</i>	185,693 - 232,116
Grenfell Campus [GC]	185,693 - 232,116
Fisheries and Marine Institute <i>[note 4]</i>	185,693 - 232,116
Deputy Provost (Students) and Associate Vice-President (Academic) Undergraduate Studies, Pro Tempore <i>[note 5]</i>	179,485 - 224,357

Note 1: Actual salary is \$430,000 as per employment contract.

Note 2: The Board approved the conversion of the position of "Vice President, Academic" to "Provost and Vice President (Academic)" effective September 8, 2011.

Note 3: Actual salary is \$261,146 as per employment contract.

Note 4: The Board approved the conversion of the position of "Executive Director, Fisheries and Marine Institute" to "Vice President, Fisheries and Marine Institute" effective July 7, 2011.

Note 5: The Board approved the creation of the position of Deputy Provost (Students) and Associate Vice-President (Academic) Undergraduate Studies, Pro Tempore and eliminated the position of "Dean of Student Affairs" effective October 20, 2011.

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**  
**ACADEMIC SALARY RANGES**  
**MARCH 31, 2012**

	Salary Range (\$)	Actual Minimum and Maximum Salaries (\$)	Number of Employees
Academic Executive: Deans of Faculties/Schools University Librarian Associate Vice-President	<i>[note 1]</i>		17 13 1 3
Academic Management: Associate Deans Assistant Deans Department Heads Directors Associate Directors Associate University Librarians	<i>[note 2]</i>		85 27 6 42 5 1 4
Academic Staff:	31,723 -160,086	42,945 - 224,799	1300
Professors	103,217 -160,086	109,100 - 224,799	261
Associate Professors	87,529 -130,671	89,490 - 171,852	334
Assistant Professors	75,763 - 93,412	65,958 - 122,827	305
Lecturers <i>[note 3]</i>	60,075 - 69,880	62,036 - 85,868	99
Co-op Education Coordinators	58,113 -101,255	75,762 - 97,333	23
Librarians	54,190 -142,435	54,190 - 114,981	38
Instructors-Marine Institute	31,723 -118,886	42,945 - 118,886	240

Note 1: Academic Deans 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. The Board approved that the title "Dean" should refer to the academic heads of Schools and discontinue the title "Director", the Board further approved the corresponding "Associate Directors" should be called "Associate Deans".

Note 2: Academic Department 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 3: Lecturers include 42 Visiting Professors paid on the lecturer scale.



**MEMORIAL UNIVERSITY OF NEWFOUNDLAND  
ADMINISTRATIVE SALARY RANGES  
MARCH 31, 2012**

	<b>Salary Range (\$)</b>	<b>Actual Minimum and Maximum Salaries (\$)</b>	<b>Number of Employees</b>
Senior Administrative Management Level 1 to 5 <i>[note 1]</i>	99,511 -195,120	99,511 -195,120	120
Management and Professional Staff <i>[note 2]</i>	47,213 - 89,189	47,213 - 89,189	471
Administrative Staff <i>[note 3]</i>	28,780 -101,920	28,780 - 76,621	2148

Note 1: Compensation levels were assessed based on the Canadian broader public sector.

Note 2: Compensation was assessed based on the Atlantic Canadian broader public sector developed under the University's Job Evaluation System.

Note 3: Administrative salary ranges [Common Pay Scale] reflect salary levels defined by union collective agreements or non-bargaining terms and conditions of employment.