



Memorial

University of Newfoundland

Consolidated Financial Statements with Supplementary Schedules

Year Ended March 31, 2006

Consolidated Financial Statements of

**MEMORIAL UNIVERSITY OF
NEWFOUNDLAND**

March 31, 2006

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
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FOR THE YEAR ENDED MARCH 31, 2006**

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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, 2006 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
June 16, 2006

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Financial Position

March 31, 2006, with comparative figures for 2005

(thousands of dollars)

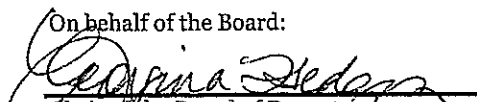
	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 36,348	\$ 26,549
Short term investments	9,905	13,914
Accounts receivable	38,965	33,559
Accrued interest receivable	959	694
Inventory and prepaids	6,148	5,141
	<u>92,325</u>	<u>79,857</u>
Mortgage receivable	450	590
Investments (note 7)	48,699	47,136
Capital assets (note 3)	157,085	152,374
	<u>\$ 298,559</u>	<u>\$ 279,957</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Bank indebtedness (note 6)	\$ 6,003	\$ 7,142
Accounts payable and accrued liabilities	11,912	12,507
Deferred revenue	10,616	12,474
Current portion of employee benefits obligation	9,390	9,672
Current portion of long term debt (note 5)	1,311	2,272
	<u>39,232</u>	<u>44,067</u>
Long-term liabilities:		
Long-term debt (note 5)	840	1,406
Employee benefits obligation (note 12)	79,367	74,019
	<u>80,207</u>	<u>75,425</u>
Deferred contributions (note 4)	191,371	179,009
Net Assets:		
Net assets restricted for endowment purposes (note 10)	53,114	48,620
Net assets invested in capital assets	(1,638)	(1,819)
Unrestricted net assets	(63,727)	(65,345)
	<u>(12,251)</u>	<u>(18,544)</u>
	<u>\$ 298,559</u>	<u>\$ 279,957</u>

See accompanying notes to consolidated financial statements.

Contingencies (note 9)

Subsequent events (note 13)

On behalf of the Board:


 Chair of the Board of Regents


 Chair of the Finance Committee

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Operations

Year ended March 31, 2006, with comparative figures for 2005

(thousands of dollars)

	2006	2005
Revenue:		
Government grants	\$ 243,191	\$ 216,332
Student fees	54,924	52,408
Other income	29,721	31,857
Amortization of deferred capital contributions	20,702	18,585
Sales and services	14,800	14,773
Investment income	6,162	3,184
Donations	2,757	422
	<u>372,257</u>	<u>337,561</u>
Expenditures:		
Salaries	193,158	187,779
Materials and supplies	37,889	28,045
Employee benefits	33,400	30,949
Amortization	20,455	18,931
Utilities	17,176	15,013
Scholarships and bursaries	16,297	15,384
Other	13,495	7,966
Externally contracted services	12,895	13,402
Travel and hosting	12,293	9,987
Renovations	10,673	11,323
Professional fees	8,629	5,658
Employee future benefits	5,000	3,554
Equipment rentals	2,465	2,845
Books	625	708
External cost recoveries	(15,596)	(14,528)
	<u>368,854</u>	<u>337,016</u>
Surplus of revenue over expenditures for the year	\$ 3,403	\$ 545

See accompanying notes to consolidated financial statements.

STATEMENT 3

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Changes in Net Assets

Year ended March 31, 2006, with comparative figures for 2005

(thousands of dollars)

	Invested in Capital Assets	Restricted for Endowment	Unrestricted	2006 Total	2005 Total
Balance, beginning of year	\$ (1,819) \$	48,620 \$	(65,345) \$	(18,544) \$	(21,993)
Surplus of revenue over expenditures	247	1,604	1,552	3,403	545
Endowment contributions		2,890		2,890	2,904
(Decrease) increase to invested in capital assets	(66)		66	-	-
Balance, end of year	\$ (1,638) \$	53,114 \$	(63,727) \$	(12,251) \$	(18,544)

See accompanying notes to consolidated financial statements.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Cash Flows

Year ended March 31, 2006, with comparative figures for 2005

(thousands of dollars)

	2006	2005
Cash provided by (used in):		
Operating activities:		
Surplus of revenue over expenditure for the year	\$ 3,403	\$ 545
Items not involving cash:		
Amortization of capital assets	20,455	18,931
Net increase in deferred contributions related to expenses of future periods	5,050	4,559
Amortization of deferred capital contributions	(20,702)	(18,585)
Increase in employee benefits obligations	5,066	3,543
Loss on disposal of capital assets	144	178
Change in non-cash working capital	(9,131)	(10,040)
	4,285	(869)
Financing activities:		
Decrease in bank indebtedness	(1,139)	(634)
Endowment contributions	2,890	2,904
Repayment of long-term debt	(1,527)	(1,311)
	224	959
Investing activities:		
Addition to deferred capital contributions	28,014	27,820
Capital assets acquired	(25,310)	(29,430)
Increase in pooled investments	(1,563)	(4,139)
Decrease in short-term investments	4,009	(13,914)
Reduction in mortgage receivable	140	1
	5,290	(19,662)
Increase (decrease) in cash and cash equivalents	9,799	(19,572)
Cash and cash equivalents, beginning of year	26,549	46,121
Cash and cash equivalents, end of year	\$ 36,348	\$ 26,549

See accompanying notes to consolidated financial statements.

Memorial University of Newfoundland

Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

1. AUTHORITY AND PURPOSE

Memorial University of Newfoundland (the "University") is a corporation operating under the authority of the *Memorial University Act*. It is a comprehensive research university offering a full range of undergraduate, graduate and continuing studies programs. The academic governance of the University is vested in the Senate. The University is a not-for-profit entity, governed by a Board of Regents, the majority of whom are appointed by the Province of Newfoundland and Labrador. The University is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Significant Accounting Policies

General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting principles are summarized as follows:

(a) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

(b) Consolidated statements

These financial statements have been prepared on a consolidated basis, reporting the operations and financial position of the University and the following related not-for-profit organizations:

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

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

2. Significant Accounting Policies (cont'd)

(c) Cash equivalents and short term investments

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

(d) Revenue recognition

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

(e) Contributed services

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

(f) Investments

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

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

2. Significant Accounting Policies (cont'd)

(g) Capital assets

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

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

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

⇒ Buildings	8% declining balance
⇒ Furniture and equipment	20% declining balance
⇒ Computers	30% declining balance
⇒ Banner Finance	20% declining balance
⇒ Vehicles	30% declining balance
→ Campus network	5 years straight line
⇒ Library collection	10 years straight line

(h) Employee future benefits

(i) Pension costs and obligations

The employees of the University participate in a defined benefit pension plan administered under the Memorial University Pensions Act with any deficiencies being funded by the Province of Newfoundland and Labrador. Payments to the pension plan consist of contributions from employees and contributions from the University as prescribed in the Pension Benefits Act (1997). In addition, where the plan experiences a solvency deficiency, the employer is required to contribute an amount sufficient to liquidate the deficiency within 5 years of the solvency valuation date. The University's contributions to the Pension Plan are recorded as expenditure in the Statement of Operations.

The most recent actuarial valuation prepared by Eckler Partners Ltd. Disclosed a solvency deficiency of \$137,392,000 and a going concern deficiency of \$91,344,000 at March 31, 2006. Under the Pension Benefits Act (PBA), a going concern deficiency must be funded over a period of not more than 15 years while a solvency deficiency is to be funded over a maximum 5 year period. Amortization of the going concern deficiency requires minimum special payments of \$6,859M per year. At present, the University has an exemption under the PBA from making payments relating to the solvency deficiency which expires December 31, 2010.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

2. Significant Accounting Policies (cont'd)

(ii) Other post employment benefits

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

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

(i) Agency Obligations

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

3. Capital assets

	Cost	Accumulated Depreciation	2006 Net Book Value	2005 Net Book Value
Buildings	\$187,538	\$100,224	\$87,314	\$92,061
Furniture & Equipment	56,041	26,238	29,803	21,535
Computers	26,096	18,105	7,991	7,003
Banner Finance	1,722	928	794	992
Vehicles	1,982	1,098	884	573
Campus network	3,283	2,953	330	990
Library collection	106,488	76,519	29,969	29,220
	\$383,150	\$226,065	\$157,085	\$152,374

Capital assets include certain assets under capital lease with a net book value of \$3.354 million (2005 – \$4.663 million).

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

4. Deferred Contributions

(a) Expenses of future periods

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

	2006	2005
Balance, beginning of year	\$35,829	\$31,271
Revenue received during the year	54,139	46,411
Expenses incurred during the year	49,089	41,853
	\$40,879	\$35,829

(b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2006	2005
Balance, beginning of year	\$143,180	\$133,945
Additional contributions received	28,014	27,820
Less amounts amortized to revenue	(20,702)	(18,585)
	\$150,492	\$143,180

(c) Total deferred contributions

	2006	2005
Expenses of future periods	\$40,879	\$35,829
Capital assets	150,492	143,180
	\$ 191,371	\$179,009

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

5. Long term debt

	2006	2005
CMHC mortgage, 5.875% interest, repayable in 50 equal, blended payments of \$29,095 semi-annually, maturing in June 2019, secured	\$510	\$537
Capital leases negotiated through the Royal Bank, interest rates vary, payable in equal annual installments, secured by assets under lease	942	2,362
RBC Royal Bank, fixed term loan, 5.19% interest, repayable in 9 equal annual, blended payments of \$121,580, maturing in April 2012, unsecured	699	779
	\$2,151	\$3,678
<i>Less Short Term Portion</i>	1,311	2,272
	\$840	\$1,406

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

⇒ 2007	\$1,311
⇒ 2008	\$ 374
⇒ 2009	\$ 32
⇒ 2010	\$ 34
⇒ 2011	\$ 36

6. Bank indebtedness

Pursuant to Section 41 of the Memorial University Act, the University has received approval from the Lieutenant-Governor in Council to borrow to finance two capital projects. The projects involve the development of a training facility on the Southside for the Marine Institute and the construction of a new residence complex for Sir Wilfred Grenfell College. Currently the Sir Wilfred Grenfell College Residence debt has been negotiated using bankers' acceptances which mature during 2006. Management expects to refinance this loan through bankers' acceptance for the balance of the term of the loan. The Southside Facility debt was repaid in full in 2006.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

7. Financial instruments

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

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

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fixed Income	\$23,405	\$24,278	\$22,565	\$22,966
Equities	25,294	29,695	24,571	27,940
	\$48,699	\$53,973	\$47,136	\$50,906

Cash in the amount of \$3 million is being carried in the pooled investment fund but for financial statements presentation, it is classified as cash and cash equivalents. Fair values are considered to approximate market values.

Details of significant terms and considerations, exposures to interest rate and credit risks on investments are as follows:

- (i) The quality of fixed income securities is supported by federal, provincial and municipal government guarantees or high quality corporate bonds. No significant weightings exist within the corporate bond category that would pose any material credit rate risk to the University.
- (ii) Interest rates on fixed income securities range from 3.9% to 7.4% with maturities ranging from 2006 to 2017.
- (iii) The income earned on the securities is used to pay scholarships and fund endowed chairs. Expenditure levels on these activities are determined based on the performance of the investments.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

8. Memorial University Act

In accordance with the Memorial University Act, the University is normally prohibited from recording a deficit on their financial statements. During 1996, pursuant to Section 36 of the *Memorial University Act*, the University received approval from the Lieutenant-Governor in Council to record a deficit of up to \$5 million in 1996 and an additional \$10 million in 1997 as a result of the recognition of the liabilities related to Voluntary Early Retirement Plans for faculty and staff. During 2001, the University received approval from the Lieutenant-Governor in Council to exclude from the definition of a deficit, pursuant to Section 36 of the *Memorial University Act*, any amounts resulting from the recognition of the liabilities related to recording vacation pay entitlements, severance and any other post employment benefits.

9. Contingencies

(a) Reciprocal exchange of insurance risks

The University, in association with fifty-six Canadian universities, participates in a reciprocal exchange (CURIE) of insurance risks. The self-insurance cooperative involves a contractual agreement to share the insurance property and liability risks of member universities for a term of not less than five years.

The projected cost of claims will be funded through members' premiums based on actuarial projections. As of December 31, 2005, CURIE has a surplus of \$11.2 million, of which the University's prorata share is approximately 3% on an ongoing basis. In addition, the reciprocal has obtained \$645 million re-insurance with commercial insurers to cover major property claims in excess of \$5 million per occurrence.

In respect of general liability, the limit is \$10 million per occurrence. Re-insurance for liability coverage in the amount of \$10 million in excess of a \$10 million per occurrence retention is in place.

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

(b) Guarantee of loan for The Memorial University of Newfoundland Students' Union

In 1994, the Board of Regents, with the authorization of the Province of Newfoundland and Labrador, guaranteed a loan in the amount of \$1.2 million for the Memorial University of Newfoundland Students' Union. The current balance outstanding on the loan is \$1.2 million.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

10. Net assets

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

	2006	2005
Restricted Assets subject to externally imposed restrictions requiring the principal to be maintained	\$43,898	\$39,761
Restricted assets subject to externally imposed restrictions requiring the principal be loaned to students	1,268	1,238
General University Endowment Fund is an internally restricted endowment	7,948	7,621
	\$53,114	\$48,620

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

The University has unrestricted operating net assets calculated as follows:

	2006	2005
Total net assets	(\$12,251)	(\$18,544)
Less:		
Net assets restricted for endowment purposes	53,114	48,620
Net assets invested in capital assets	(1,638)	(1,819)
Net assets internally restricted for specific purposes	3,443	3,069
Net assets invested in separately incorporated entities	7,256	6,938
Net assets invested in future employee benefits	(80,089)	(74,785)
Net assets invested in accrued vacation benefits	(8,668)	(8,906)
Unrestricted operating net assets	\$14,331	\$8,339

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

11. Opportunity fund

On March 25, 1997, the University launched a fund raising campaign with a goal to raise a combined total of \$50 million. The five-year campaign has raised \$28 million in private sector pledges to date and the Government of Newfoundland and Labrador has agreed to match donor contributions on a dollar-for-dollar basis up to \$28 million. As at March 31, 2006, the Government has contributed \$27.9 million toward their matching contributions. The balance of uncollected pledges and matching funds has not been reflected in the financial accounts of the University.

12. Employee Future Benefits

The University has a number of defined benefit and defined contribution plans providing group life insurance and health care benefits on a cost shared basis to retired employees, and in certain cases, their surviving spouses. In addition, the University pays a severance payment, to certain employee groups, upon termination, retirement or death, provided they meet certain eligibility criteria.

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

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

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

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

Future employee benefits

Include a discount rate of 5.2% and an average rate of compensation increase of 4.5%.

Supplemental retirement income plan (SRIP)

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

Voluntary early retirement income plan (VERIP)

Include a discount rate of 8%.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

12. Employee Future Benefits (cont'd)

	SRIP		VERIP		Other benefits	
	2006	2005	2006	2005	2006	2005
Accrued Benefit Obligation						
Balance, beginning of year	\$4,051	\$3,966	\$5,893	\$6,001	\$64,841	\$61,644
Current service cost	172	182	-	-	3,112	2,434
Interest cost	284	278	471	456	4,061	3,741
Benefits paid	(163)	(133)	(598)	(600)	(2,498)	(2,973)
Actuarial (gain) loss	(653)	(242)	(40)	36	1,156	(5)
	\$3,691	\$4,051	\$5,726	\$5,893	\$70,672	\$64,841
Current Plan Expense						
Current service expense	\$172	\$182	\$ -	\$ -	\$3,112	\$2,434
Interest cost	284	278	471	456	4,061	3,741
Actuarial (Gain) loss	(653)	(242)	(40)	36	1,156	(5)
	\$(197)	\$218	\$431	\$492	\$8,329	\$6,170

A summary of these accrued benefit obligations are as follows:

	2006	2005
Future employee benefits	\$70,672	\$64,841
Supplemental retirement income plan	3,691	4,051
Voluntary early retirement income plan	5,726	5,893
Accrued Vacation	8,668	8,906
Sub Total	\$88,757	\$83,691
Less current portion	9,390	9,672
Long term benefit obligation	\$79,367	\$74,019

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

13. Subsequent events

(a) Agreement with Memorial University of Newfoundland Student Union

On April 28, 2006, the University signed a lease agreement with Memorial University of Newfoundland's Student Union (MUNSU), under which the university will take ownership and control of MUNSU's daycare center, as well as restaurants, vending machines and bank machines in the University Center. The University will also assume the debt related to these areas. The University expects it will assume responsibility for operating these facilities on July 31, 2006.

(b) Western Sports and Entertainment Incorporated

On March 23, 2006 the University signed an agreement to take over the lease of the Pepsi Center in Corner Brook, Newfoundland, effective May 1, 2006. A separately incorporated entity has been established to operate the facility.

14. Comparative figures

Certain of the 2005 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2006.

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, 2006.

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

Deloitte & Touche LLP

Chartered Accountants
June 16, 2006

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Schedule of Financial Position
As at March 31, 2006
(thousands of dollars)

SCHEDULE 1

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current assets:												
Cash and cash equivalents	(7,720)	(13,530)	2,558	2,230	(499)	129	17,615	19,145	24,394	18,525	36,348	26,549
Short term investments	9,905	13,914									9,905	13,914
Accounts receivable	13,378	12,812	236	106	3,665	2,292	16,925	14,224	4,761	4,125	38,965	33,559
Accrued interest receivable	73	174							886	520	959	694
Inventory and prepaid expense	4,446	3,408	1,650	1,653			28	57	24	23	6,148	5,141
Interfund accounts	1,000	1,735	(1,000)	(1,725)								
	<u>21,082</u>	<u>18,513</u>	<u>3,444</u>	<u>2,304</u>	<u>3,166</u>	<u>2,421</u>	<u>34,568</u>	<u>33,426</u>	<u>30,065</u>	<u>23,193</u>	<u>92,325</u>	<u>79,857</u>
Mortgage receivable					450	590					450	590
Investments							600	600	48,099	46,536	48,699	47,136
Capital assets			634	760	153,698	149,296	2,615	2,168	138	150	157,085	152,374
Total assets	<u>21,082</u>	<u>18,513</u>	<u>4,078</u>	<u>3,064</u>	<u>157,314</u>	<u>152,307</u>	<u>37,783</u>	<u>36,194</u>	<u>78,302</u>	<u>69,879</u>	<u>298,559</u>	<u>279,957</u>
Current liabilities:												
Short term debt					1,311	2,272					1,311	2,272
Current portion of accrued benefit obligations	9,390	9,672									9,390	9,672
Deferred revenue	1,911	2,720	102	220	2,859	1,399	5,744	8,135			10,616	12,474
Bank indebtedness					6,003	7,142					6,003	7,142
Accounts payable and accrued liabilities	6,767	8,507	163	(52)	793	1,771	3,749	1,896	440	385	11,912	12,507
	<u>18,068</u>	<u>20,899</u>	<u>265</u>	<u>168</u>	<u>10,966</u>	<u>12,584</u>	<u>9,493</u>	<u>10,031</u>	<u>440</u>	<u>385</u>	<u>39,232</u>	<u>44,067</u>
Long-term liabilities:												
Other long term liabilities					840	1,406					840	1,406
Accrued benefits obligation	78,350	73,158	279	235			643	546	95	80	79,367	74,019
	<u>78,350</u>	<u>73,158</u>	<u>279</u>	<u>235</u>	<u>840</u>	<u>1,406</u>	<u>643</u>	<u>546</u>	<u>95</u>	<u>80</u>	<u>80,207</u>	<u>75,425</u>
Deferred contributions					147,753	140,877	26,686	24,566	16,932	13,566	191,371	179,009
Net assets:												
Net assets invested in capital assets			634	760	(2,283)	(2,593)	3	4	8	10	(1,638)	(1,819)
Net assets restricted for endowment purposes									53,114	48,620	53,114	48,620
Unrestricted net assets	(75,336)	(75,544)	2,900	1,901	38	33	958	1,047	7,713	7,218	(63,727)	(65,345)
	<u>(75,336)</u>	<u>(75,544)</u>	<u>3,534</u>	<u>2,661</u>	<u>(2,245)</u>	<u>(2,560)</u>	<u>961</u>	<u>1,051</u>	<u>60,835</u>	<u>55,848</u>	<u>(12,251)</u>	<u>(18,544)</u>
Total liabilities, deferred contributions and net assets	<u>21,082</u>	<u>18,513</u>	<u>4,078</u>	<u>3,064</u>	<u>157,314</u>	<u>152,307</u>	<u>37,783</u>	<u>36,194</u>	<u>78,302</u>	<u>69,879</u>	<u>298,559</u>	<u>279,957</u>

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
 Consolidated Schedule of Operations
 For the Year Ended March 31, 2006
 (thousands of dollars)

	OPERATING		ANCILLARY ENTERPRISES		PLANT		SPONSORED RESEARCH		SPECIAL PURPOSE AND TRUST		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:												
Government grants	191,713	174,395	150	150			48,569	39,575	2,759	2,212	243,191	216,332
Amortization of deferred capital contributions					20,431	18,294	258	277	13	14	20,702	18,585
Student fees	54,765	52,279							159	129	54,924	52,408
Sales and services			14,800	14,773							14,800	14,773
Investment income	1,998	1,572					304	118	3,860	1,494	6,162	3,184
Donations	25	8					94	42	2,638	372	2,757	422
Other income	14,756	15,512	729	778	(1,328)	894	10,253	8,498	5,311	6,175	29,721	31,857
Total revenue	263,257	243,766	15,679	15,701	19,103	19,188	59,478	48,510	14,740	10,396	372,257	337,561
Expenditures:												
Salaries	166,915	162,099	5,397	5,264		4	16,886	17,073	3,960	3,339	193,158	187,779
Employee benefits	30,078	27,834	710	710			2,062	1,937	550	468	33,400	30,949
Employee future benefits	4,941	3,545	44	(2)					15	11	5,000	3,554
Travel and hosting	6,184	5,431	34	33			3,902	3,166	2,173	1,357	12,293	9,987
Materials and supplies	14,006	10,438	6,864	7,458	404	198	15,418	8,928	1,197	1,023	37,889	28,045
Renovations	4,404	3,348	909	1,579	4,721	4,937	231	861	408	598	10,673	11,323
Books	506	547	(60)	4			153	97	26	60	625	708
Scholarships and bursaries	5,630	5,421		2			6,988	6,156	3,679	3,805	16,297	15,384
Utilities	15,160	13,158	1,640	1,417	4	4	188	179	184	255	17,176	15,013
Equipment rentals	1,671	1,547	53	114	11	1	353	1,045	377	138	2,465	2,845
Amortization			184	200	19,997	18,436	259	278	15	17	20,455	18,931
Externally contracted service	8,195	7,961	579	494	24	14	2,905	2,963	1,192	1,970	12,895	13,402
Professional fees	4,256	3,605	11	52	14	70	3,058	1,432	1,290	499	8,629	5,658
Other operating expenses	4,560	2,369	309	332	31	34	8,373	4,976	222	255	13,495	7,966
External cost recoveries	(14,228)	(13,420)	(31)	(10)	(480)	(287)	(33)	(18)	(824)	(793)	(15,596)	(14,528)
Total expenditures	252,278	233,883	16,643	17,647	24,726	23,411	60,743	49,073	14,464	13,002	368,854	337,016
Increase (decrease) for the year before the following	10,979	9,883	(964)	(1,946)	(5,623)	(4,223)	(1,265)	(563)	276	(2,606)	3,403	545
Interfund transfers	(10,771)	(9,205)	1,837	2,582	5,938	4,144	1,175	879	1,821	1,600		
Net (decrease) increase in net assets for the year	208	678	873	636	315	(79)	(90)	316	2,097	(1,006)	3,403	545

Unaudited Supplementary Schedules

**MEMORIAL UNIVERSITY OF
NEWFOUNDLAND**

March 31, 2006

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Schedule of Operating Fund Revenue
For the Year Ended March 31, 2006
(thousands of dollars)

SCHEDULE A

	2006		2005
Government grants:			
Province of Newfoundland and Labrador:			
Department of Education	\$ 162,012	\$	148,149
Department of Health	24,811		21,753
Government of Canada	4,040		4,007
Other	850		486
	<u>191,713</u>		<u>174,395</u>
Student fees:			
Semester tuition:			
Undergraduates	37,221		36,933
Graduates	4,041		4,080
Non-credit courses:			
Continuing Studies	622		586
Sir Wilfred Grenfell College	283		285
Marine Institute	9,553		7,524
Other fees	3,045		2,871
	<u>54,765</u>		<u>52,279</u>
Investment income	<u>1,998</u>		<u>1,572</u>
	1,998		1,572
Other income:			
Rental income	497		366
Miscellaneous income	13,376		14,154
Medical Practice Associates	908		1,000
	<u>14,781</u>		<u>15,520</u>
	<u>\$ 263,257</u>	\$	<u>243,766</u>

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Gross Operating Fund Expenditures by Function
For the Year Ended March 31, 2006
(thousands of dollars)

SCHEDULE B

	2006		2005
Academic:			
Faculty of Arts	\$ 24,983	\$	23,795
Faculty of Business Administration	8,485		8,390
Faculty of Education	8,030		7,924
Faculty of Engineering and Applied Science	9,070		7,993
Faculty of Medicine	27,815		26,318
Faculty of Science	33,655		32,084
School of Life Long Learning	922		1,126
School of Graduate Studies	4,221		3,910
School of Music	2,293		2,065
School of Nursing	4,040		3,894
School of Pharmacy	1,677		1,614
School of Human Kinetics	2,901		2,754
School of Social Work	2,155		2,108
Sir Wilfred Grenfell College	16,072		15,008
Labrador Institute of Northern Studies	391		409
Distance Education and Learning Technologies	3,831		3,571
Animal Care Unit	1,207		1,046
Fisheries and Marine Institute	29,223		27,089
Technical Services	2,668		2,743
Oil and Gas Development Partnership	251		474
CREAIT	453		93
Harris Centre	275		237
	184,618		174,645
Support services:			
Administrative departments	19,195		17,141
Computing and Communications	11,349		9,985
Library	13,210		12,274
Student Services	7,165		6,643
Facilities Management	20,179		18,491
	71,098		64,534
	\$ 255,716	\$	239,179

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Operating Fund Expenditure by Object

For the Year Ended March 31, 2006

SCHEDULE C

(thousands of dollars)

	ACADEMIC		LIBRARY		STUDENT SERVICES		FACILITIES MANAGEMENT		COMPUTING AND COMMUNICATIONS		ADMINISTRATION		Total	Total
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Academic salaries	88,086	85,382	2,218	2,134	718	659					457	164	91,479	88,339
Other instruction and research	1,667	1,436	136	129	829	1,024	1	3	108	141	92	53	2,833	2,786
Other salaries and wages	41,063	40,515	3,482	3,487	2,684	2,264	9,432	9,494	4,286	3,840	11,641	11,374	72,588	70,974
Employee benefits	22,662	21,008	1,117	1,047	588	482	2,370	2,222	811	717	2,530	2,358	30,078	27,834
	153,478	148,341	6,953	6,797	4,819	4,429	11,803	11,719	5,205	4,698	14,720	13,949	196,978	189,933
Travel and hosting	4,598	4,106	65	61	386	223	150	141	39	88	934	781	6,172	5,400
Materials and supplies	9,215	6,946	510	497	967	760	1,048	938	1,163	1,286	322	92	13,225	10,519
Renovations	1,749	1,122	38	15	127	87	1,709	1,774	124	35	144	315	3,891	3,348
Library acquisitions	1,665	1,705	5,299	4,432	5	4	10	8	2	1	20	19	7,001	6,169
Scholarships and bursaries	4,573	4,441			547	917					511	62	5,631	5,420
Utilities	3,127	2,938	36	38	60	58	11,482	9,668	302	303	152	155	15,159	13,160
Furniture and equipment:														
Rental	953	866	119	120	13	15	42	68	486	435	58	49	1,671	1,553
Purchase	2,556	1,486	7	72	71	8	240	246	2,025	1,096	403	268	5,302	3,176
Externally contracted service	3,008	2,811	137	166	83	62	1,925	1,846	2,490	2,660	552	415	8,195	7,960
Professional fees	2,396	2,332	12	33	16	20	226	230	110	(103)	1,479	1,080	4,239	3,592
Other:														
Institutional memberships	187	187	39	52	40	24	4	4	7	7	271	279	548	553
Property tax	105	104					236	236					341	340
Insurance	200	247	138	147			610	502	3	4	8	6	959	906
Debt repayments	87	139			41	45	202	4	13	76	13	14	356	278
Space rental	247	252			8	7		12			20	21	275	292
External cost recoveries	(3,526)	(3,378)	(143)	(156)	(18)	(16)	(9,508)	(8,905)	(620)	(601)	(412)	(364)	(14,227)	(13,420)
	31,140	26,304	6,257	5,477	2,346	2,214	8,376	6,772	6,144	5,287	4,475	3,192	58,738	49,246
	184,618	174,645	13,210	12,274	7,165	6,643	20,179	18,491	11,349	9,985	19,195	17,141	255,716	239,179

SCHEDULE D

COMPENSATION PRACTICES AT MEMORIAL UNIVERSITY OF NEWFOUNDLAND

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

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

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

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

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

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

SCHEDULE D**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
EXECUTIVE SALARY RANGES
MARCH 31, 2006**

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

SCHEDULE D

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ACADEMIC SALARY RANGES (note 1)
MARCH 31, 2006**

	Salary Range (\$)	Actual Minimum & Maximum Salaries	Number of Employees
Academic Executive:	note (2)		17
▶ Deans of Faculties/Schools			8
▶ Director of Faculty Relations			1
▶ Directors of Schools			5
▶ Principal (SWGCG)			1
▶ University Librarian			1
▶ Associate Vice-President			1
Academic Management:	note (3)		71
▶ Vice Dean (Medicine)			1
▶ Vice-Principal (SWGCG)			1
▶ Associate Vice Principal Research (SWGCG)			1
▶ Associate Deans			14
▶ Assistant Deans			6
▶ Department Heads			36
▶ Directors			4
▶ Associate Directors			4
▶ Associate University Librarians			4
Academic Staff:	24,609 - 121,296	27,772 - 171,952	1,068
▶ Professors	75,389 - 121,296	78,555 - 171,952	258
▶ Associate Professors	62,725 - 97,551	64,308 - 135,543	284
▶ Assistant Professors	53,227 - 67,474	50,061 - 99,134	245
▶ Lecturers (note 4)	46,895 - 54,810	46,895 - 64,308	73
▶ Co-op Education Coordinators	45,312 - 80,138	64,308 - 76,972	12
▶ Librarians	40,563 - 110,215	42,146 - 95,968	37
▶ Instructors - Marine Institute	24,609 - 85,876	27,772 - 85,876	159

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

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

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

Note 4: Lecturers include 31 Visiting Professors paid on the lecturer scale.

SCHEDULE D

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ADMINISTRATIVE SALARY RANGES (note 1)
MARCH 31, 2006**

	Salary Range (\$)	Actual Minimum & Maximum Salaries	Number of Employees
Administrative Directors Level 1 to 4:	63,916 - 108,654	63,916 - 140,000	16
Marine Institute Academic and Industrial Response Unit Managers	60,298 - 102,904	62,733 - 102,904	13
Management and Professional Staff (note 2)	22,556 - 87,015	31,450 - 113,091	252
Administrative Staff (note 3)	22,331 - 96,533	22,331 - 58,344	1,830

- Note 1: Some individuals are in receipt of market differentials which may result in salaries that exceed the maximum levels in their approved salary ranges.
- Note 2: Management and professional staff ranges reflect 15 salary levels developed under the university's Job Evaluation System.
- Note 3: Administrative and academic support staff salary ranges reflect salary levels defined by union collective agreements or non-bargaining terms and conditions of employment.