

ANNUAL FINANCIAL REPORT

MARCH 31, 2021

SFU

CANADA'S ENGAGED UNIVERSITY

Find out more at [sfu.ca](https://www.sfu.ca)

CANADA'S #1 COMPREHENSIVE UNIVERSITY

(2021 Maclean's University Rankings)

#7 AMONG WORLD'S TOP UNIVERSITIES FOR ENTREPRENEURIAL SPIRIT

(2020 The World's Universities
with Real Impact rankings)

WORLD'S #1 UNIVERSITY FOR IMPACT ON SUSTAINABLE CITIES AND COMMUNITIES

(2020 Times Higher Education World
University Impact Rankings)

170,000+ PROUD ALUMNI

(In 143 countries)

SFU FAST FACTS

#8 AMONG CANADIAN UNIVERSITIES FOR RESEARCH IMPACT

(2021 QS World University Rankings)

3 CAMPUSES AND 8 FACULTIES

37,000+ STUDENTS ENROLLED

(2020 calendar year)

CANADA'S FIRST FAIR TRADE GOLD CAMPUS

(Fairtrade Canada and the
Canadian Fairtrade Network)



FISCAL 2021 FAST FACTS

\$825 MILLION Total Revenues

\$2 BILLION Total Assets (Financial and Non-financial)

\$393 MILLION Endowment Capital



SFU'S NEW CHANCELLOR, AND PRESIDENT AND VICE-CHANCELLOR

SFU celebrated its 55th anniversary this year, welcoming Joy Johnson as SFU's new president and Tamara Vrooman as chancellor.

Johnson, SFU's 10th president, was formerly the university's vice-president, research and international. Vrooman, SFU's 12th chancellor, is president and CEO of Vancouver International Airport, and the former CEO of Vancouver City Savings Credit Union.

Johnson and Vrooman are both committed to furthering SFU's priorities to improve equity, diversity and inclusion at the university, advance reconciliation, enhance student experience and continue the university's climate action leadership.

For their installation during SFU's virtual convocation ceremony last October, Johnson and Vrooman wore newly designed regalia featuring Coast Salish motifs that represent the territories on which SFU resides.

Created by Squamish Chief Janice George—Chepximiya Siyam', and Willard 'Buddy' Joseph—Skwetsimeltxw, both expert weavers and teachers from the Squamish Nation, the motifs tell the stories of leaders.

Says Johnson, "I was honoured to wear this newly designed regalia, which appropriately reflects the territories where our campuses reside. Participating in the brushing ceremony and donning the beautiful new robe with my family at my side reminded me of the importance of community, and is a moment I'll always remember."

TABLE OF CONTENTS

- 2 President's Message
- 3 Vice-President's Message
- 4 We're Resilient
- 5 We're Making an Impact
- 7 We're Connecting
- 8 We're Discovering
- 9 Management Discussion and Analysis
- 12 Financial Health
- 18 Comparative Financial Information
- 23 Consolidated Financial Statements
- 24 Management Responsibility
- 25 Independent Auditor's Report
- 27 Financial Position
- 28 Operations
- 29 Remeasurement Gains and Losses
- 29 Changes in Net Financial Assets
- 30 Cash Flows
- 31 Notes to the Financial Statements
- 60 Board of Governors



On the cover:

Blusson Hall, located at the eastern edge of SFU's Burnaby campus, is home to the university's Faculty of Health Sciences.

MESSAGE FROM THE PRESIDENT

The 2020/21 fiscal year was one of the most challenging in recent memory. We began the year with news of a global pandemic, which resulted in moving our entire education, research and community engagement activities online in record time. At the same time, the university transitioned to a new president. In the face of these changes this past year, I could not be more proud of how the SFU community pulled together in creative and meaningful ways to support one another.

Despite the challenges, much was accomplished. We introduced new emergency funding for students and offered additional in-person and online supports. The Centre for Educational Excellence helped enhance online instruction, and SFU's IT Services established the remote support and tools we needed to teach, study and work from home. The university launched the SFU COVID-19 Action Now (SFU CAN) network to share resources and connect with our communities, while our researchers contributed to national and global efforts to address the pandemic and mitigate its consequences. We have leveraged SFU's financial strength—as detailed in this Annual Financial Report—to continue supporting the university's academic, research and community-focused mission.

There were many other remarkable accomplishments this year. SFU maintained its position as Canada's top comprehensive university in the *Maclean's* annual rankings. The Times Higher Education (THE) World University Impact Rankings placed SFU first in the world for our impact on sustainable cities and communities, and 19th in the world for its positive impact on society. THE also recognised SFU as one of the top ten universities in the world for our commitment to tackling climate change.

We made progress on reconciliation efforts, which included breaking ground on the First Peoples' Gathering House and the Indigenous Outdoor Classroom and TRC Memorial Garden. Our commitment to reconciliation was reinforced at the installation ceremonies where Chancellor Vrooman and I donned the beautiful new robes of office, designed to acknowledge and celebrate the traditional territories upon which SFU's Burnaby campus resides.

In Vancouver, we opened a new space at 312 Main Street to house SFU's Vancity Office of Community Engagement, our Community-Engaged Research initiative, SFU Public Square, and Lifelong Learning. The new building represents one more way SFU is embedded in our communities to connect and engage in programs that will benefit us all.



At SFU's Surrey Campus, we've begun the process of envisioning a new community-based medical school in partnership with the provincial government, Fraser Health, and the First Nations Health Authority. While details of this project will be worked out over the next several months, it's sure to complement SFU's community-focused vision and mission.

SFU has demonstrated its ability to engage with communities and partners to meet the challenges of our time. Inspired students, talented faculty, and world-class educational programs distinguish us as the best university of our kind. Over the next year, I'll be continuing to focus on enhancing the SFU student experience, advancing reconciliation, and promoting equity, diversity, inclusion and anti-racism across the university. I'll also be looking for ways to build upon SFU's strengths as we contribute to post-pandemic social and economic recovery in our communities.

Thank you to all at SFU and in our communities who have supported me during my first months as president, and for your outstanding efforts as we navigate through these uncertain times. I look forward to the future with confidence, and I am excited about all we will accomplish together in the years to come.

A handwritten signature in black ink, appearing to read 'Joy Johnson', followed by a horizontal line.

Dr. Joy Johnson
President and Vice-Chancellor

MESSAGE FROM THE VICE-PRESIDENT, FINANCE AND ADMINISTRATION

At SFU, we are committed to our shared vision to be Canada's engaged university. We have established key priorities in connection with our vision, including advancing reconciliation with Indigenous peoples, enriching the student experience, continuing to implement sustainable practices, and embedding values of equity, diversity and inclusion across our institution. Our team supports SFU's vision and strategic priorities through providing exemplary service to our students, staff, faculty and the community.

During the COVID-19 pandemic, we have been called upon to adapt and look at new ways to deliver essential services, while ensuring the university's financial resources remain strategically directed, optimized and protected. COVID-19 has brought unique financial challenges, including volatile investment markets, uncertain enrolments, struggling ancillary, commercial and housing operations, as well as the need to invest in remote learning and supports for students. We are grateful to SFU's IT Services and Bookstore & Spirit Shops teams for their incredible efforts transitioning the university to online working, research, teaching and learning—including facilitating virtual course delivery and digital course materials.

Even with financial obstacles this year, our endowment portfolio successfully outperformed the Canadian universities' median annualized rate of return, according to the Canadian Association of University Business Officers (CAUBO) investment surveys. And, despite the adverse impacts and pressures of the pandemic on SFU's budget and financials, Moody's Investors Service again rated SFU's credit profile as Aa1 Stable.

The university's financial strength has helped us continue making investments in infrastructure this past year. The first phase of construction of the university's Residence and Housing Master Plan is nearing completion on the Burnaby campus, with work beginning on the second phase. A third phase of new student residences is being designed, resulting in a total of 1,300 new on-campus beds. We finished construction and started operations of the Corix Biomass Heating Plant on Burnaby Mountain and are delighted to have completed the new Student Union Building, which was generously supported and financed by students. Work on other capital projects is planned for the coming year, including the First Peoples' Gathering House, SFU Art Museum, and Indigenous Student Centre expansion.



SFU continues to be an institutional leader in pursuing ecological, social and economic sustainability. We are incorporating innovative solutions and sustainable practices into SFU's building construction. The Corix Biomass Heating Plant is expected to reduce campus greenhouse gas emissions by up to 80 per cent, and our new building on the Surrey campus recently earned Leadership in Energy and Environmental Design (LEED) Gold certification. This year, SFU became the first university to invest in the Raven Indigenous Impact Fund (RIIF), a B.C.-based fund supporting Indigenous entrepreneurs. SFU's climate leadership strategy includes measuring the carbon footprint of the university's public equity investments, with our commitment to reducing that carbon footprint by 45 per cent by 2025.

This year SFU was included, again, on the lists of Canada's Top 100 Employers and Canada's Top Family-Friendly Employers. These awards speak to the university's deep commitment to employee engagement and recognize the importance we continue to place on supporting the balance between work and family commitments during the COVID-19 pandemic.

SFU continues to make a positive difference in the lives of our communities, both near and far. This year, we were designated by Fairtrade Canada and the Canadian Fairtrade Network (CFTN) as the first Canadian educational institution to attain Fair Trade Gold Campus status. By committing to serve Fairtrade products, and encouraging major foodservice companies to do so as well, SFU is helping ensure fairer prices and decent working conditions for farmers and their communities around the globe.

As we reflect on the past year, and move on to the next, we will continue our efforts to support SFU's key priorities and ensure financial sustainability while delivering exceptional foundational services to our students, staff, faculty and the community.

A handwritten signature in black ink that reads "M. Pochurko". The signature is fluid and cursive, with a long horizontal stroke at the end.

Martin Pochurko
Vice-President, Finance and Administration

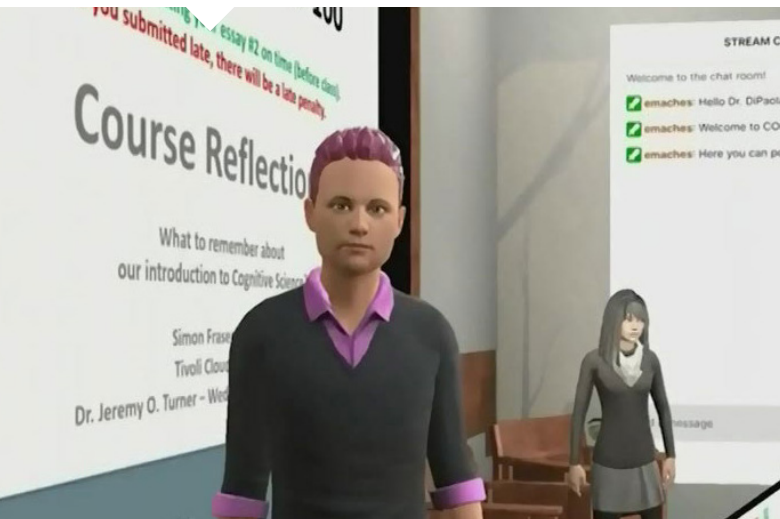
WE'RE RESILIENT: SFU CAN

To address the challenges of dealing with the COVID-19 pandemic, we created SFU COVID-19 Action Now (SFU CAN). This online, university-wide hub shares resources, connects communities, fosters dialogues and supports recovery. From distance-driven events to volunteer-driven remote education to grassroots initiatives, we've found ways to adapt our programs to deal with the new world of physical distancing.

- In just two weeks during March 2020, 400 members of SFU's IT Services transitioned approximately 41,000 students, faculty and staff to work and learn remotely from home. IT Services then began strengthening the university's IT infrastructure and enhancing its videoconferencing services to cope with the new requirements.
- We embraced some unconventional ways to deliver remote learning. Professor Steve DiPaola, in the School of Interactive Arts and Technology, experimented with a virtual reality classroom in which students became avatars that could move around the room and hold conversations with each other. "We're really concerned about students and burnout and being alone," says DiPaola. "This technology goes a long way to support the element of human connection missing from online interactions and remote classes."



- Despite COVID's challenges, our enrolment numbers for the summer and fall semesters remained strong, indicating continued demand for a quality education. In the fall semester, total undergraduate enrolment increased by 1.1 per cent. Undergraduate international student enrolment increased by 2.4 per cent, with a 26.8-per-cent increase in new international students.
- To help first-time students entering SFU during the pandemic lockdown, we established the online HIVE program to help them meet up with their peers for ongoing connection and social opportunities throughout the semester.
- We found engaging, online ways to hold convocations, special events, conferences, and even the Terry Fox Run. Our online convocation celebrations in spring and fall 2020, for example, attracted more than 26,000 video views, and our convocation content reached almost five million people over social media.
- Our alumni continued to support us. SFU alumnus Lance Uggla (BBA '85) and his family committed \$34.1 million to establish the Uggla Family Scholarship for 10 students each year who might not otherwise afford a university education. The scholarship's terms address social mobility, equity, diversity and inclusion. It is the largest gift the university has ever received. SFU alumnus Frode Strand-Nielsen (BA '80) donated \$1 million to establish endowments to support varsity female athletes.

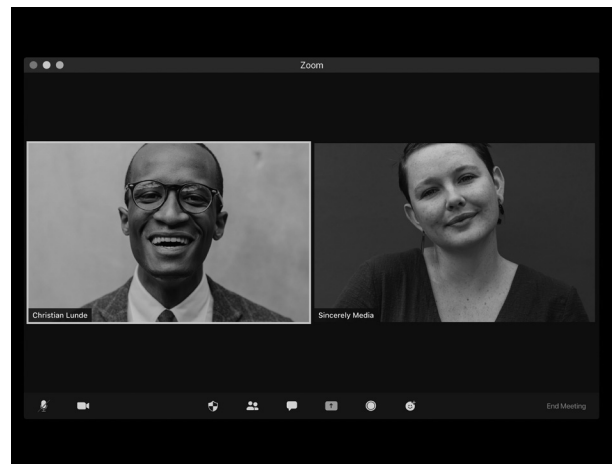


WE'RE MAKING AN IMPACT IN OUR COMMUNITIES

In early 2020 we committed to a five-year sustainability plan calling for the university to slash greenhouse gas emissions by half, and to shift half of our energy use to renewable sources by 2025. We signed a national university charter addressing climate change through responsible investing. We further reduced the carbon footprint of the university's public equity investments to a total reduction of 43 per cent (compared to 2016 baseline), in line with our target of meeting or exceeding our 45-per-cent reduction goal slated for 2025. And, in partnership with Corix Multi-Utility Services Inc., we opened a \$33-million, community-based, biomass heating plant that converts clean, local wood waste into low-carbon thermal energy. This will reduce our Burnaby campus greenhouse gas (GHG) emissions by up to 80 per cent.

To foster continued community engagement throughout the pandemic, SFU Public Square partnered with the Morris J. Wosk Centre for Dialogue and CityHive to host an experimental, weekly, interactive online community co-learning series as a means of staying connected while physically distanced. Called "Distant, not Disengaged", the 17-event series featured 70 speakers, 80 special guests and between 100 and 450 attendees at each event.

- To further our commitment to reconciliation, we were the first university to invest in the Raven Indigenous Impact Fund, a B.C.-based fund supporting Indigenous entrepreneurs to overcome systemic inequalities created through colonization.
- We continued to work with students, staff, faculty and the community to secure approval for the Burnaby Mountain Gondola—a critical transit project that will improve reliability, safety and service and will reduce emissions.
- The Province of B.C. announced plans to establish a new medical school, in partnership with SFU, Fraser Health, and the First Nations Health Authority. The medical school will focus on primary and community-based care as a means of strengthening public health care and improving health outcomes.



WE'RE MAKING AN IMPACT IN ACADEMIA

Our faculty's innovative research attracted national and international accolades in September 2020.

The Royal Society of Canada (RSC) honoured six SFU faculty members with Canada's highest academic honour—RSC fellowships—and named one early-career faculty member to the College of New Scholars, Artists and Scientists.

SFU FACULTY MEMBERS NAMED TO THE RSC:

- **Marianne Ignace**, professor, Departments of Linguistics and Indigenous Studies, is renowned for helping Indigenous communities revitalize their languages and traditions.
- **Michael Howlett**, Burnaby Mountain Professor and Tier 1 Canada Research Chair in Policy Innovation for Climate Change, Department of Political Science. His research advances theories and practice for understanding and addressing urgent policy challenges.
- **Bojan Mohar**, professor, Department of Mathematics, has made transformative contributions to discrete mathematics, theoretical computing and mathematical chemistry.



SFU scholars, clockwise from top left, Marianne Ignace, Michael Howlett, Bojan Mohar, Kelley Lee, S. Laurel Weldon, John Reynolds and Jodi Viljoen have been named to the Royal Society of Canada.

- **Kelley Lee**, professor and Tier 1 Canada Research Chair in Global Health Governance, and a Fellow of the Canadian Academy of Health Sciences. Her expertise on the health implications of globalization has influenced health policies around the world.
- **S. Laurel Weldon**, Distinguished Professor, Department of Political Science. Her research advances our understanding of democratic policymaking and gender equality around the world.
- **John Reynolds**, professor, Department of Biological Sciences, and Tom Buell BC Leadership Chair in Aquatic Conservation, is a ground-breaking researcher at the forefront of conservation and science policy in Canada.
- Our new college member, **Jodi Viljoen**, professor of clinical and forensic psychology, has developed new approaches to assessing and treating adolescents in the justice system.

MORE NATIONAL AND INTERNATIONAL HONOURS:

- Education professor **David Zandvliet** became the first UNESCO Chair in Bio-Cultural Diversity and Education — one of just 28 UNESCO chairs worldwide.
- Health sciences professor **Meghan Winters** won a Trailblazer Award from the Canadian Institute of Population and Public Health for her innovative contributions, leadership and mentorship in the field of public health.
- Physics professor **Stephanie Simmons**, who holds the Canada Research Chair in Quantum Nanoelectronics, made Caldwell Partners' Top 40 Under 40 list. The list recognizes outstanding Canadian leaders and innovators who have made significant impacts in their fields before the age of 40.
- The French Republic invested education professor **Danièle Moore** as a knight in the Ordre Des Palmes Academiques (Order of Academic Palms) for her contributions to the global education community.

NATIONAL ACADEMIC RECOGNITION FOR OUR STUDENTS

Three SFU graduate students—**Alexandra Wesolek**, **Kate Hanniball** and **Amanda Rowlands**—received national Vanier Scholarships worth \$150,000 over three years. These scholarships recognize our students' academic excellence, research potential and leadership.

WE'RE CONNECTING

TO SHARE AND APPLY KNOWLEDGE:

- In early 2020 we opened the Knowledge Mobilization Hub to ensure our researchers can more easily share and transfer their knowledge in meaningful ways to end-users in our communities. Located in the SFU Library Research Commons, the hub provides services and resources to help researchers increase their contributions to, and engagement with, communities at home and around the world.
- We introduced the Living Lab, a new program in which our student and faculty researchers, as well as staff, can test and apply their innovative sustainability ideas and research to our own infrastructure and facilities.
- We established the Digital Democracies Institute to rethink the relationship between technology and democracy, and to address how our world processes digital information, particularly around issues such as equality, justice and democratic dialogue. Ultimately, this institute plans to develop more positive alternatives for combatting online polarization, abusive language and discriminatory algorithms.
- Following its opening in January 2020, our 312 Main Street building located in Vancouver's Downtown Eastside (DTE) continued integrating innovative education and research with community engagement to deliver better access to SFU programs and resources for faculty, students and the DTE community.



TO BUILD COMMUNITY:

- We announced plans to open a First Peoples' Gathering House on the Burnaby campus in 2023. To be designed in the Coast Salish traditions and iconic typologies, the longhouse will be a ceremonial space where the SFU community can celebrate and honour Indigenous peoples, knowledge and culture. The \$15-million project, funded jointly by the provincial government and SFU, represents another important step in our commitment to reconciliation as we work to create and support an improved environment for our Indigenous community members.
- We continued to advance our commitments to equity, diversity and inclusion (EDI). We published the results of our first Diversity Meter, a survey initiated in 2019 to help us better understand and service the unique faculty and staff in our community. We also established an advisory council to guide and strengthen our EDI work.
- We made significant progress on our Burnaby campus renewal projects. We completed renovations to the AQ plaza, began renovations to the Applied Sciences Building, broke ground for the SFU Stadium, and began work on new residences. All of these projects will have a profound impact on campus and community life into the future, and will improve the student experience.
- We adopted a 2065 Campus Master Plan to guide the Burnaby campus' development over the next 50 years. Built around seven principles aligning with SFU's broader mission, it features ways to enhance connectivity and movement, foster sustainability and resilience, and support Indigenization.



WE'RE DISCOVERING

Throughout 2020 and continuing into 2021, SFU researchers, innovators and experts were at the forefront of the COVID-19 response, delivering analyses and predictions as well as new ideas and solutions.



Health sciences professor **Kelley Lee** received CIHR funding to lead international research that will help strengthen coordination between countries during the pandemic. Lee, a Tier 1 Canada Research Chair in global health and governance, is examining why most countries aren't adopting cross-border measures that comply with WHO recommendations.



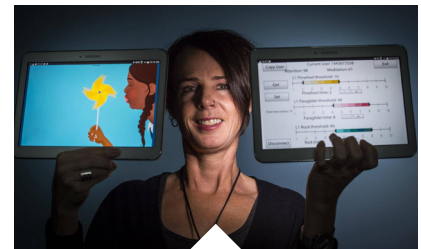
Mathematician **Caroline Colijn's** COVID-19 modelling played a critical role in alerting the public to the potential dangers and spread of the virus. Health sciences professor Kelley Lee and molecular biologist Fiona Brinkman also appeared frequently in the media to provide information and to comment on COVID-19.

As well, our researchers received grants worth almost \$16 million to lead or collaborate on national and international COVID-19 research projects that are yielding new insights into how we track, treat and fight the virus.

Health sciences researcher **Julia Smith** is co-leading the international Gender and COVID-19 Project. With a small group of Canadian and international scholars, she's conducting real-time gender analyses to discover how rapidly developing infectious disease outbreaks like COVID-19 can impact genders differently. The project is funded by the Canadian Institutes of Health Research (CIHR).



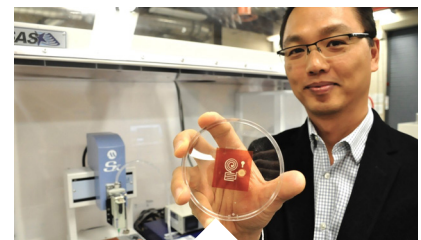
Professor **Peter Unrau**, of the Department of Molecular Biology and Biochemistry, together with three other SFU researchers, received CIHR Rapid Research funding to adapt his pioneering RNA imaging technology, called Mango, to rapidly detect the COVID-19 virus. The work, in partnership with St. Paul's hospital, has re-opened SFU's Level 3 biosafety facility. Mango can detect individual RNA molecules both in vitro, and in living cells. "Developing effective cures for cancer and other diseases demands better RNA imaging methodologies to rapidly learn, in detail, how cells work," says Unrau.



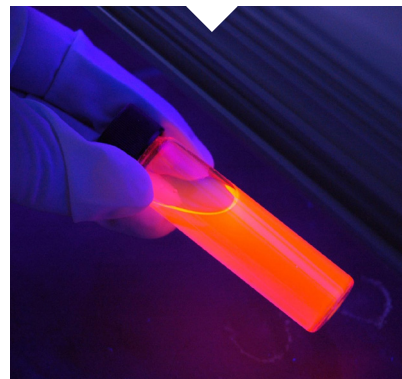
Interactive arts and technology professor **Alissa Antle** is developing an online social network for children called No Child Alone. The network aims to support children's social and emotional learning during the pandemic and beyond. Antle partnered with Curatio, a digital health company that develops peer-to-peer online support communities.



SFU health sciences professor **Jeff Reading** received a \$9-million grant from Canada's Immunity Task Force to head a national, Indigenous-led serology study to measure antibody responses to the COVID-19 virus.



At the start of the pandemic, when front-line workers urgently needed more personal protective equipment, engineering science professor **Woo Soo Kim** asked his students to use 3D printers at home to help meet the high demand for health-care supplies and equipment. He also began working with Vancouver General Hospital to develop a mobile ventilator air tube, based on origami folding, that could be manufactured using 3D printer technology.



MANAGEMENT DISCUSSION AND ANALYSIS

(unaudited)

INTRODUCTION

Our vision to be Canada's 'engaged university' drives the strategic planning, budgeting and fiscal management processes we use to allocate finite financial resources and optimize service results. Our governance context, as described in the following pages, culminates with a description of the accountability methods we use. This Annual Financial Report is the leading measure of the university's financial accountability.

Achievement of our vision hinges on SFU's financial health. A comprehensive perspective of the university's financial well-being is provided by this Annual Financial Report, which includes this unaudited Management Discussion and Analysis (MD&A) as management's perspective on SFU's financial condition. The MD&A is to be read in conjunction with the audited Consolidated Financial Statements.

KEY FINANCIAL PERFORMANCE INDICATORS

- Revenue grew 2.3% to \$825 million demonstrating sustained enrolment demand.
- Expense grew 2.4% and was fully covered by revenue, providing a net annual surplus.
- Debt burden is low, bond rating is high and financial assets fully cover all liabilities.
- Operating reserves grew and are within the prudent range to support operational stability.
- Employee benefit obligations are challenging but manageable.
- Endowment capital grew 3.2% to \$393 million.

The Financial Health and Comparative Financial Information sections of this report provide substantive information on the foregoing.

The university's revenues are based on a number of factors, including government funding levels and the strength of the global economy. Historically, these factors have remained relatively stable; however, the COVID-19 global pandemic has brought significant financial and operational challenges. The university will need to continue relying on its financial strength to respond to these challenges, as the ultimate duration and financial magnitude of the pandemic's impact are unknown.

This year's revenue of \$825 million exceeded expense of \$784 million, resulting in an Annual Operating Surplus Before Restricted Contributions of \$41 million for the year ended March 31, 2021. These funds are utilized to support the university's operational and capital plans, which are directed to sustaining and improving service delivery.

Operational plans include: execution of multi-year academic, research and service support plans; maintenance of financial reserves to preserve programs as well as to uphold financial and academic credibility; and generation of sufficient working capital to sustain operations in the face of growth and inflationary pressures.

The university's capital plans include development of new facilities and renewal/replacement of existing infrastructure (SFU's 465,000 square metres of owned and leased facilities, with insured replacement value of \$1.9 billion). SFU is grateful for the increased routine capital support received from the Province of British Columbia in recent years (\$36 million in 2021). This financial support, together with SFU-generated funds directed toward building renewal (\$38 million in 2021), is helping the university make significant progress on facilities renewal/replacement.

CONTEXT OF FINANCIAL ACCOUNTABILITY

As described in the preceding pages, the university's vision, mission and underlying principles drive strategic and operational planning, including financial planning. The university's Budget and Financial Plan advances SFU's vision through allocating and utilizing resources based on the university's strategic priorities.

The Budget and Financial Plan assists in guiding service delivery within the framework of financial accountability. Empowerment of the university's personnel is key to achieving results and is provided through delegation of authority, responsibility and accountability pursuant to financial management roles. To this end, personnel are informed with accessible, reliable and relevant information, as well as equipped with effective business processes and financial transaction standards. Internal controls of finances are established by management in the context of their roles, with internal oversight and accountability as the means to achieve reasonable assurance of the reliability and effectiveness of the university's financial operations.

SFU is accountable for its service performance against standards including government-identified indicators and external university rankings systems. The university must also provide accountability in terms of its finances, both internally and externally. This Annual Financial Report is set in the overall context of the university's vision, goals, plans, budgets and service accountability as described in the accompanying chart.

GOVERNANCE CONTEXT SETTING OF THE ANNUAL FINANCIAL REPORT

STRATEGIC VISION

1

- Mission and Values
- Core Themes and Goals:
 - Engaging Students
 - Engaging Research
 - Engaging Communities
- Fundamental Goal:
 - Leveraging Institutional Strength

STRATEGIC PLAN

2

- University Planning Framework
- Academic Plan
 - Faculty and Department Plans
 - Enrolment Plan
- Strategic Research Plan
- Community Engagement Plan
- Other Supporting Plans

UNIVERSITY BUDGET

3

- Budget Model
- University Strategic Initiatives

SERVICE DELIVERY

4

- Delegation of Authority and Resources
- Expenditure Transaction Standards
- Internal Oversight and Accountability

FINANCIAL ACCOUNTABILITY

5

- **Annual Financial Report**
- Budget and Financial Plan
- Sponsor and Government Reports
- Sponsor and Government Audits
- Bond Ratings

SERVICE ACCOUNTABILITY

- Accreditation Reviews
- Peer Reviews
- Government Letter of Expectations
- University Rankings

FINANCIAL HEALTH PERSPECTIVE AND PROSPECTS

1. DO REVENUES COVER EXPENSES AND PROVIDE FOR STRATEGIC INVESTMENTS AND INFRASTRUCTURE RENEWAL?

A key indicator of financial health is the ability of an organization to generate sufficient revenue to cover expenses and fund strategic operational improvement and infrastructure renewal. This was achieved by the \$41 million Annual Operating Surplus Before Restricted Contributions.

The university is in compliance with the Province of British Columbia's no annual deficit requirement.

2. IS REVENUE RESILIENT?

Revenue growth, as well as diversity and stability of revenue sources, are primary indicators of revenue resiliency. These factors will be considered in the following discussion.

Revenue growth

Revenue growth is essential to consistent multi-year service delivery and financial health. The university has experienced steady, modest growth of total revenue over the past five years. Total annual revenue has grown from \$689 million in 2017 to \$825 million in 2021.

2021 Revenue by Type

- Tuition
- Province of British Columbia
- Donations, grants, contracts and other
- Government of Canada
- Amortization of deferred capital contributions
- Investment income
- Sales of goods and services

Revenue stability

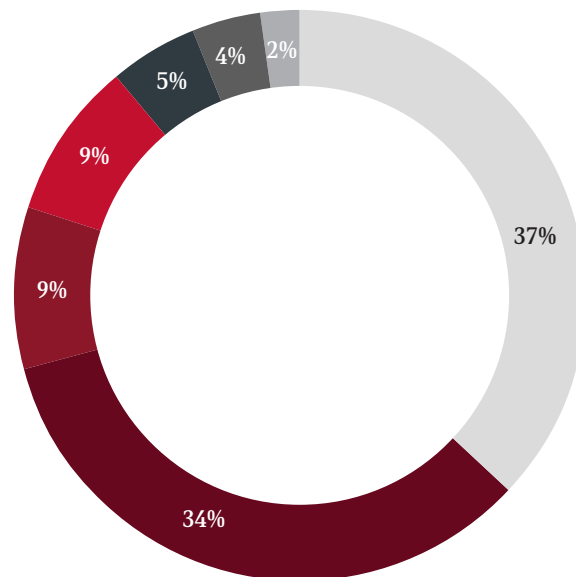
Government funding

The Province of British Columbia provides operating funding to deliver credit courses to eligible students and sets enrolment targets for Full Time Equivalent domestic undergraduate and graduate students (including co-op students). Both of these types of enrolments are stable and consistently exceed the targets.

Historically, prospects to achieve target requirements have been strong, considering there is a large diverse population adjacent to SFU's campuses in British Columbia's three largest cities: Vancouver, Surrey and Burnaby.

Revenue diversity

Multiple sources of revenue minimize dependency risk and contribute to financial stability. The university's diverse revenue sources are summarized in the following chart.



The provincial government anticipates that more than 860,000 new job opportunities will open up across British Columbia within the next 10 years, and more than 75% of these jobs will require post-secondary education or training. Continuity of provincial government funding is dependent on achieving alignment with the Ministry of Advanced Education and Skills Training's mandate for post-secondary education. The university is strategically directing its future growth towards programs and operations that align with the Ministry's mandate.

Tuition revenue

Domestic undergraduate enrolments have been stable, with domestic tuition revenue increases primarily attributable to annual tuition increases of 2%, which is the limit mandated by the provincial government. Graduate tuition revenue decreased in 2020/21 with decreased enrolment in response to the COVID-19 pandemic.

International undergraduate revenue has grown as a result of both enrolment and fee increases, and this growth has been a primary contributing factor toward the increase in total tuition revenue of the university.

Tuition fees for international students are higher than those for domestic students, as there is no associated provincial government funding provided for international students. SFU has committed to a 4% limit on annual tuition increases for continuing international students.

Despite the COVID-19 global pandemic, international enrolment has remained strong throughout the past year. However, factors such as emergence of virus variants and hindered vaccination rollouts provide uncertainty as to what the ultimate impact of the pandemic will be. Historically, the university has been effective at attracting and retaining international undergraduate students, due to the high global demand for university education, SFU's international reputation and long involvement in international education marketing and delivery, and the desirable location of Metro Vancouver.

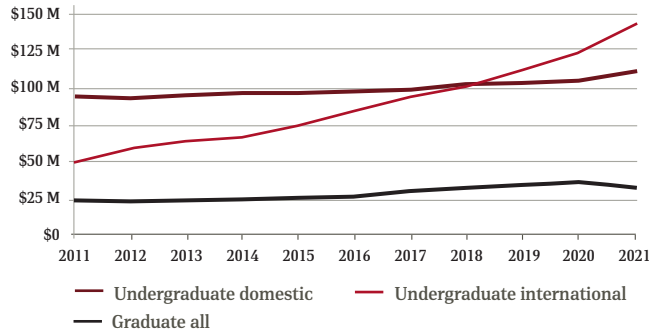
Since 2015, annual tuition revenue has exceeded provincial operating funding, and continues to trend upwards.

Research revenue

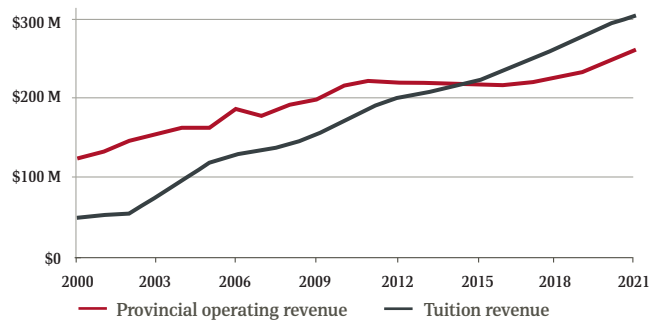
SFU is one of Canada's top 20 research universities on Research Infosource's 2020 Top Research Universities List. Among Canadian comprehensive universities, SFU places within the top three in total sponsored research income and number one in terms of its publication impact (2020 Research Infosource ranking). The Government of Canada is the leading funder of research at the university, contributing 57% of SFU's total research funding in 2021.

Future research funding is anticipated to remain strong given the federal government's goal to cement Canada's position as a world leader in research and innovation. The federal government has promised an additional \$7.2 billion over seven years, starting in 2021/22, for Canada's Strategic Innovation Fund (SIF). The SIF's objective is to spur innovation for a better Canada. The federal government will

Credit Tuition Revenue by Type



Provincial Operating and Total Tuition Revenue



also be providing funding in support of research initiatives and strategies around artificial intelligence, quantum, and photonics technologies.

The university's future funding is further influenced by the success rate of SFU faculty in research competitions and its ability to source matching funds from corporations, governments and institutions. The operational model of research is designed to adapt quickly to variable funding levels.

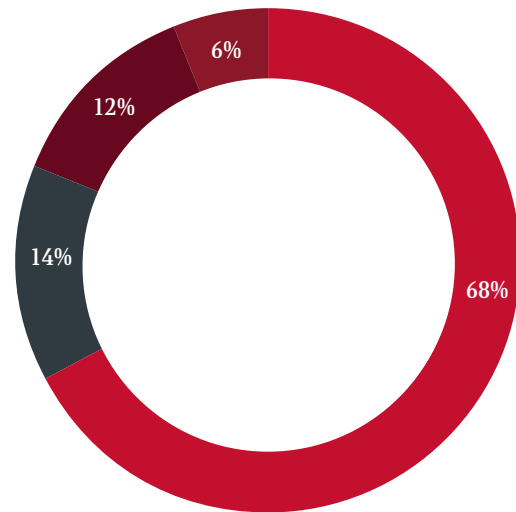
3. IS THE COMPOSITION OF EXPENSE BY TYPE STABLE?

SFU's fiscal management system of setting goals, allocating budgets, and streamlining operations is intended to achieve optimal expenditure of financial resources within the confines of the university's available revenue. Expenditure budgets required to deliver the associated services are linked to key revenues, such as tuition, research awards and contracts revenue.

SFU's largest expense is salaries and employee benefits. Despite multiple factors impacting remuneration expenses, such as rate changes and changes to collective agreements, expenses have historically remained relatively stable. For the past 20 years up until 2021, salaries and benefits expense as a percentage of total expense was within the range of 60% to 65%. However, the percentage was higher in 2021, at 68%. The increase in percentage was partly because of higher salaries expenses stemming from general wage increases, employee progress through the ranks and step increases plus retroactive pay for employee groups based on the most recent collective agreements. There was also a significant increase in employee benefits with the growth in salaries and increase in extended health premiums. At the same time, travel restrictions and the university's move to remote working, research, teaching and learning resulted in lower travel, supplies and other operational expenses in 2021. Taken together, these factors contributed to salaries and employee benefits being a higher percentage of total expense in 2021 compared to previous years.

2021 Expense by Type

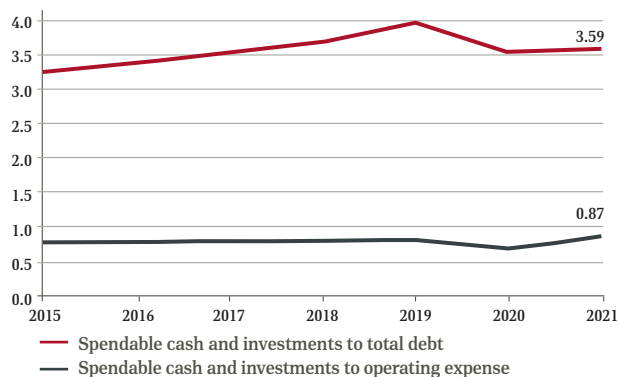
- Salaries and employee benefits
- Supplies, services, and travel
- Amortization, interest and utilities
- Scholarships and bursaries



4. CAN FINANCIAL OBLIGATIONS BE MET?

Capital markets utilize independent credit rating agencies to assess an organization's ability to manage debt. Moody's Investors Service has provided a credit rating of Aa1 with a stable outlook on SFU's senior unsecured debt. This rating is the highest among SFU's comprehensive university peers, as assessed by Moody's Investors Service.

Debt Burden Ratio and Spendable Assets Coverage of Expense Ratio



The accompanying graph shows SFU's calculated ratio of expendable cash and investments (excluding endowments) to total debt, and ratio of expendable cash and investments (excluding endowments) to operating expense. Both of these ratios increased this year as a result of the increase in the fair value of the university's investments.

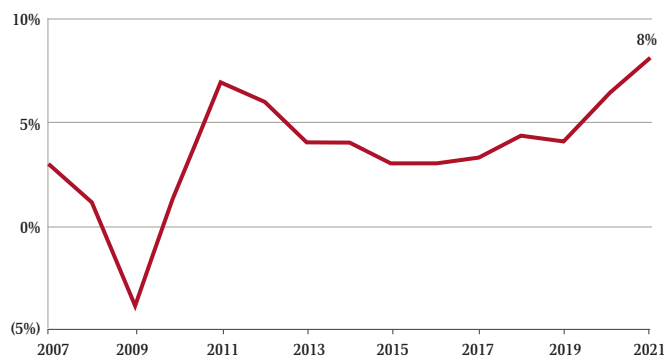
As at March 31, 2021, SFU's tangible capital assets net book value is effectively financed 14.5% (2020: 12.2%) by debt. This means that future students will benefit from access to assets with low associated debt obligations. Interest on long-term debt, at 1.1% of total revenue for the year ended March 31, 2021 (2020: 1.1%), is sufficiently low so as not to restrict the flexibility of operations.

The university has net financial assets of \$96 million, as measured by Public Sector Accounting Standards. This is a strong indicator of the university's ability to discharge its financial obligations.

5. ARE OPERATING RESERVES REASONABLE?

Reserves are essential to protect operations from variability in revenue and expenses, and to follow through on commitments not completed by the fiscal year end. At the same time, reserves should not be excessive such that they are detrimental to the delivery of current services. The university's operating reserve financial performance measure is net operating assets as a percentage of total consolidated revenue. A positive operating reserve level of approximately 4% to 9% of consolidated revenues represents a reasonable operating reserve level for SFU. Except for the 2009 year, where there was a significant negative impact due to the global financial crisis, this indicator has operated within the acceptable range.

Net Operating Assets as a Percentage of Total Consolidated Revenue



6. ARE OBLIGATIONS ASSOCIATED WITH ONGOING EMPLOYEE BENEFITS SUSTAINABLE?

Employee compensation includes defined benefit pensions, post-retirement benefits, and long-term disability benefits, which the university is obligated to provide after active service. The expenses of providing these plans are determined through actuarial measurements. As there is a financial risk to the university related to the obligation to make future payments, it is relevant to review the financial sustainability of these contractual commitments.

Defined benefit pensions plans

The defined benefit pension plans (Administrative/Union Plan and Academic Formula Retirement Benefit Plan) have Boards of Trustees who manage the plans' investment assets and administer the benefits. The university is responsible for funding the pension plans.

The university's net pension asset increased \$15 million during the year to reach \$69 million at year end. The university's contributions to the plans of \$26 million, determined pursuant to the B.C. Pension Benefits Standards Act, exceeded the current period pension expense of \$11 million.

The funding level is determined by the most recent actuarial valuation whereas the accounting expense is based on current assumptions. This has resulted in contributions exceeding expenses, and thus an increase in the pension

asset. The manner in which actuarial gains and losses are applied in determining contributions and expenses further impacts these amounts.

The unamortized net actuarial loss as at March 31, 2021 is \$2 million. When amortized, this will increase future pension expenses.

As SFU bears the financial and actuarial risks associated with the defined benefit pension plans, the university engages with stakeholders to maintain appropriate, balanced and sustainable approaches going forward.

Post-retirement and long-term disability benefits

The university provides employee future benefits in the form of post-retirement (medical and early retirement) and long-term disability benefits, for which the expenses, obligations and liabilities are determined by actuarial methods. These plans are unfunded, but the university has sufficient liquid assets to cover the recognized liabilities.

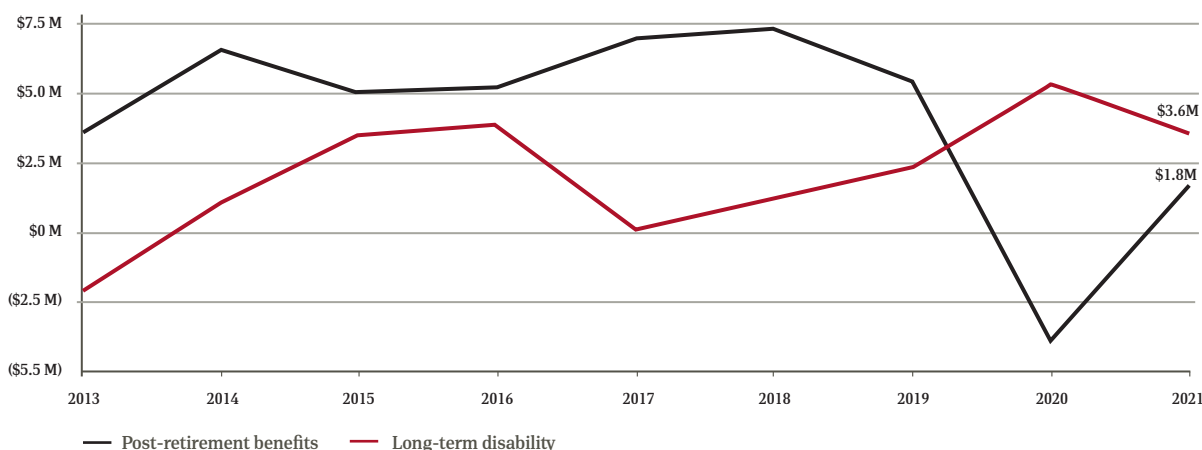
The long-term disability benefits expenses are fully recognized in the year in which the event occurs. As an event-driven compensated absence benefit, immediate recognition results in greater variances and less predictability year to year as the number and nature of claims occur.

The 2021 post-retirement expense is closer to historically seen levels, following the decrease in 2020 that resulted from the one-time elimination of MSP premiums.

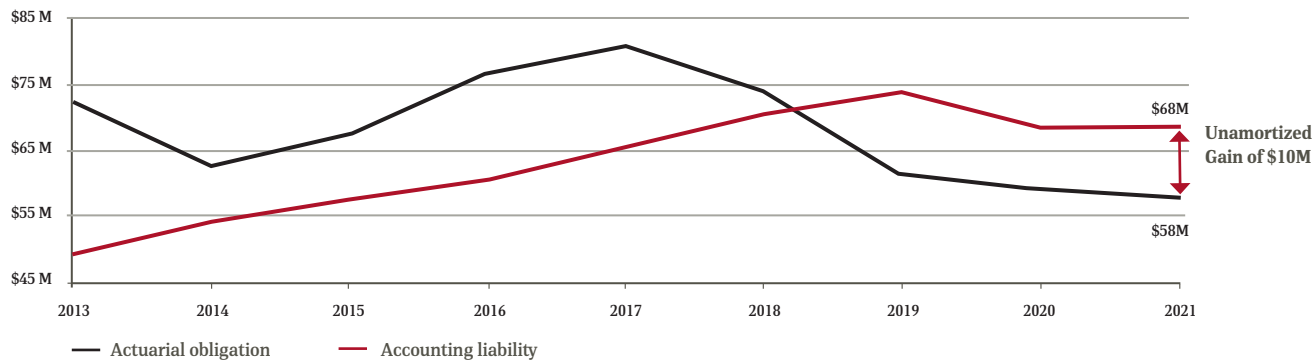
Accounting for post-retirement benefits involves the deferral and amortization of actuarial gains and losses. This accounting method generally results in a more predictable recognition of expenses and an unamortized actuarial gain or loss.

The difference between the post-retirement accrued benefit obligation of \$58 million and the liability of \$68 million at year end is a \$10 million unamortized gain, which will be recognized by the university as revenue over the Expected Average Remaining Service Lifetime (EARSL) of active employees.

Post-Retirement and Long-Term Disability Benefits Expense



Post-Retirement Benefits Unamortized Gain



7. ARE FACILITIES BEING SUSTAINED?

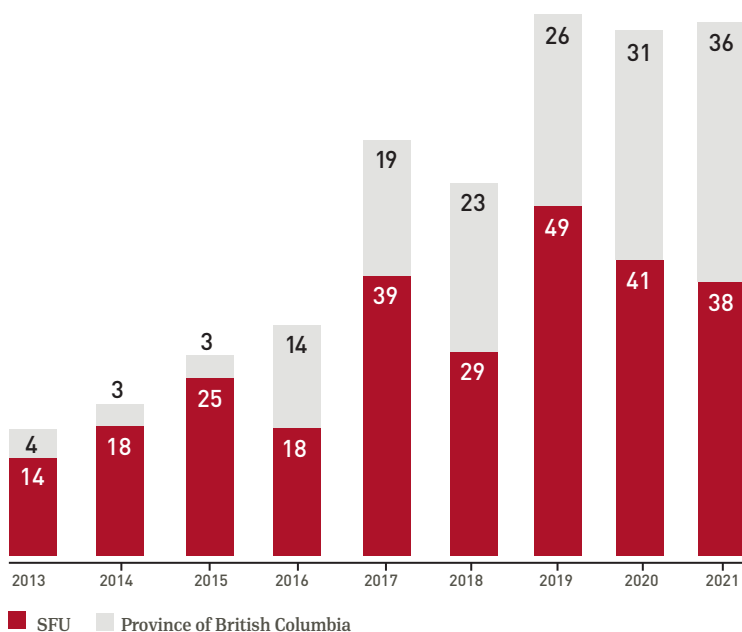
The university has substantial facilities across its three campuses to support high-quality education and research. SFU's Burnaby campus has an aging physical infrastructure that is experiencing physical deterioration and functional obsolescence, resulting in deferred maintenance requirements.

Extending the useful lives and updating the functional utility of buildings and related infrastructure involves considerable cost. Significant funding challenges arise from limitations on acquiring debt, availability of government capital contributions and capacity of the university to fund capital renewal from operations.

In recent years, with increased routine capital support from the Province of British Columbia (\$36 million in 2021) along with SFU's efforts toward building renewal, the university is beginning to make significant progress on the deferred maintenance issue.

Building Renewal Expenditures

Dollars in Millions



The remainder of this MD&A provides five-year comparative analyses of key aspects of the university's financial position and operations.

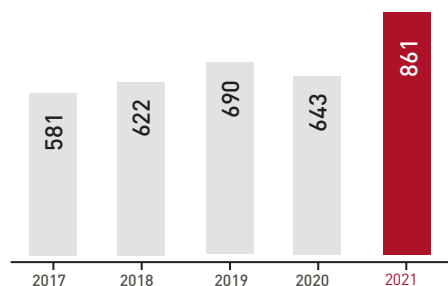
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Some statements in this MD&A are forward-looking statements, based on assumptions and addressing future events and conditions, and by their nature involve risks and uncertainties. Actual results could differ materially from those anticipated in forward-looking statements. Readers should not place undue reliance on any forward-looking statements. Factors that could cause results to differ materially from expectations include, but are not limited to, the performance of financial markets, interest rate fluctuations, changes in legislation and regulations, the effects of competition, and business continuity risks. SFU does not undertake any obligation to update or revise these forward-looking statements to reflect events or circumstances after the date of this report, or to reflect the occurrence of unanticipated events, except as required by law.

COMPARATIVE FINANCIAL INFORMATION

FINANCIAL ASSETS

Dollars in Millions



Financial Assets increased 34% to \$861M.

Dollars in Thousands	2021	2020
Cash and cash equivalents	57,852	47,969
Accounts receivable	47,578	16,534
Inventories for resale	614	1,400
Due from related parties	17,647	17,703
Pensions	69,479	54,423
Portfolio investments	630,448	479,947
Derivatives	17,638	
Investment in Great Northern Way Campus Trust	13,086	12,643
Investment in SFU Community Trust	6,842	11,906
Total Financial Assets	861,184	642,525

Cash and cash equivalents holdings are higher than the previous year due to an increase in anticipated expenditures.

Accounts receivable increase reflects the addition of a \$37M receivable from SFU Faculty Association members to reimburse the university for costs to be paid to the College Pension Plan of BC on their behalf.

Pensions increased primarily because contributions to the defined benefit plans as required by the Pension Benefits Standard Acts continue to exceed the related expense determined by Public Sector Accounting Standards.

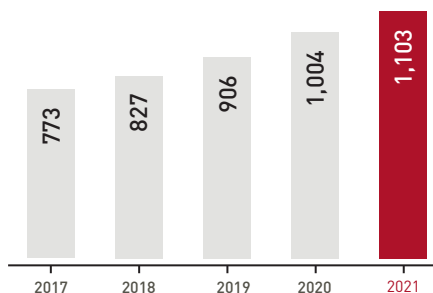
Portfolio investments increased because of strength in both equity and bond markets.

Derivatives balance reflects the fair market value of an interest rate swap used to hedge the university's exposure to interest rate changes from its commitment to borrow \$73M to fund a student housing development.

Investment in SFU Community Trust decreased \$5M reflecting the Trust's earnings which included an impairment charge against one of the Trust's properties.

NON-FINANCIAL ASSETS

Dollars in Millions



Non-Financial Assets increased 9.8% to \$1,103M.

Dollars in Thousands	2021	2020
Tangible capital assets	1,313,928	1,216,359
Less Deferred capital contributions	(611,977)	(599,312)
Restricted investments	393,917	381,756
Prepaid expense	6,330	4,701
Inventories held for use	637	522
Total Non-Financial Assets	1,102,835	1,004,026

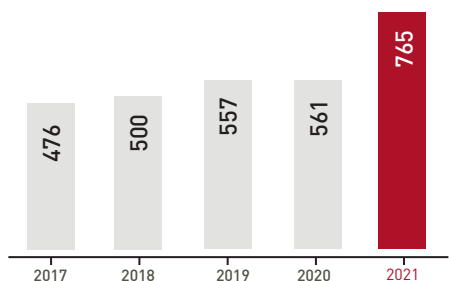
Tangible capital assets include land, buildings, leasehold improvements, library acquisitions, computers, and equipment and furnishings. The increase in the net book value of tangible capital assets of \$98M is the result of \$176M of capital additions, partially offset by \$79M of amortization. Significant additions include building and improvements \$74M, equipment and furnishings \$20M, and computer equipment \$20M.

Deferred capital contributions increased by \$55M of funding during the year, offset by \$43M of amortization. The largest contributions during the year were \$13M in Canadian and B.C. government funding for research infrastructure and \$35M of other provincial funding for various capital renewal projects.

Restricted investments relate primarily to the endowment. These investments are not available for use in university operations. The \$12M increase from the prior year resulted primarily from donations of \$7M and capitalized investment income of \$9M, offset by a loss from SFU Community Trust of \$4M.

LIABILITIES

Dollars in Millions



Liabilities increased 36.4% to \$765M.

Dollars in Thousands	2021	2020
Accounts payable and accrued liabilities	146,097	106,484
Employee future benefits	83,468	81,672
Debt	190,888	148,533
Deferred revenue	286,002	165,098
Deferred lease proceeds	58,464	59,116
Total Liabilities	764,919	560,903

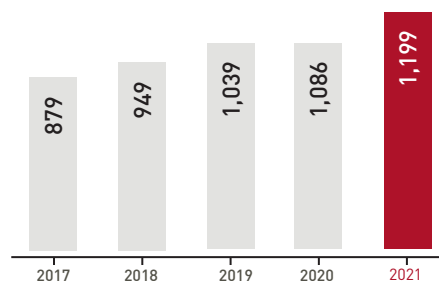
Accounts payable and accrued liabilities increased primarily because of a \$42M liability due to the College Pension Plan of BC for costs related to the transition of members from the Academic Plan.

Debt increased by \$42M as the university accessed the Province of BC commercial paper borrowing program to fund Phase 2 of the Student Housing project.

Deferred revenue increased primarily from an \$89M increase in the endowment income stabilization account as a result of a strong market rebound since April 2020 and a \$32M increase in sponsored research funding awards in the year.

NET ASSETS

Dollars in Millions



Net Assets increased 10.5% to \$1,199M.

Dollars in Thousands	2021	2020
Internally restricted for operating commitments	108,166	101,284
Invested in tangible capital assets	604,348	569,906
Endowment	392,917	380,756
Total Accumulated Operating Surplus	1,105,431	1,051,946
Accumulated remeasurement gains	93,669	33,702
Total Net Assets	1,199,100	1,085,648

Internally restricted for operating commitments of \$108M consists of net operating surplus of \$68M and university project commitments of \$40M.

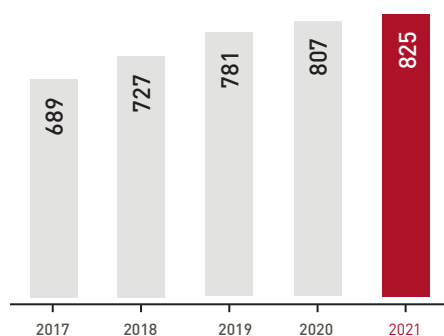
Investment in tangible capital assets represents the amount of net assets related to the university's physical infrastructure.

Endowment increased as a result of \$7M of donations and \$9M of capitalized funds offset by a \$4M loss from SFU Community Trust.

Accumulated remeasurement gains increased primarily because of unrealized gains of \$60M on investments and derivatives.

REVENUE

Dollars in Millions



Revenue increased 2.3% to \$825M.

Dollars in Thousands	2021	2020
Government grants and contracts	354,777	320,874
Tuition	305,905	292,879
Sale of goods & services	13,102	40,157
Donations, non-government grants and contracts	65,433	68,902
Investment income	33,892	29,694
Investment income - GNWCT	333	581
Amortization of deferred capital contributions	42,597	40,227
Other revenue	9,330	13,682
Total Revenue	825,369	806,996

Government grants and contracts grew because of increased provincial operating grant as well a new \$12M grant from Economic and Social Development Canada for a national youth employment program.

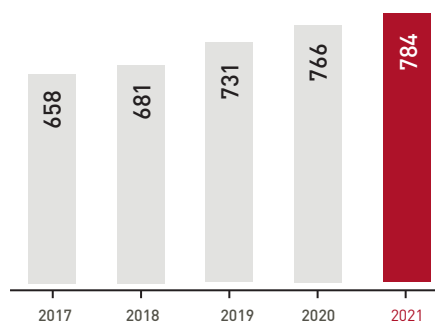
Tuition increased by \$13M due to higher undergraduate enrolment and tuition fees. This was partially offset by reduced graduate enrolments as well as a decline in Lifelong Learning tuition because of the pandemic.

Sales of goods & services decreased due to depressed revenues in Parking, Dining services, Residence and other ancillary services because of the continued COVID-19 related shutdown of the campus.

Investment income increased primarily because of strong capital performance of the past nine months. The fixed income portfolio made much larger capital gain distributions this year.

EXPENSE

Dollars in Millions



Expense increased 2.4% to \$784M.

Dollars in Thousands	2021	2020
Salaries	448,325	413,651
Employee benefits	83,266	69,646
Supplies and operating	57,859	70,093
Amortization of tangible capital assets	78,769	76,270
Professional and contracted services	43,412	49,858
Scholarships and bursaries	46,721	42,026
Travel and personnel	3,391	18,543
Cost of goods sold	2,099	4,813
Interest on long-term debt	9,152	9,157
Utilities	11,051	11,647
Total Expense	784,045	765,704

Salaries expense grew by 8% because of general wage increases, progress through the ranks and step increases plus retroactive pay for employee groups based on the most recent collective agreements.

Employee benefits increased with the growth in salaries, as well as an increase in extended health premiums, and additional faculty professional development and mortgage assistance.

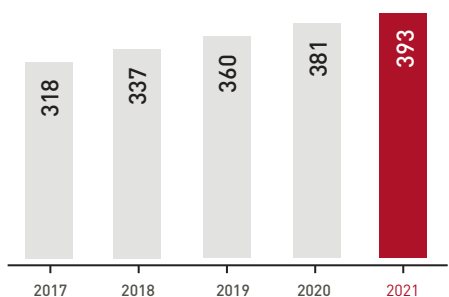
Supplies and operating expense decreased primarily due to reduced demand for supplies and services because of the campus closure.

Professional and contracted services decreased by \$6M due to reduced food services contract payments because of the campus closure.

Travel and personnel decreased due to COVID-19 travel restrictions.

ENDOWMENT

Dollars in Millions



Endowment increased 3.2% to \$393M.

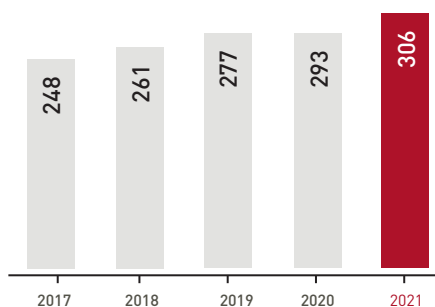
Dollars in Thousands	2021	2020
Faculty, academic & other programs	134,154	131,346
Student financial aid	119,487	114,043
Research chairs	100,735	98,166
Professorships	27,690	26,580
Library collections	6,975	6,793
Athletics	3,876	3,828
Total Endowment	392,917	380,756

Endowments consist of externally restricted donations received by the university, the principal of which is required to be maintained intact in perpetuity to support the activities of the university. The investment income generated from endowments must be used in accordance with the purposes stipulated by the donors. There were 978 (2020: 954) individual endowments that provided \$21M (2020: \$20M) in funding support during the year.

Donors, as well as university policy, stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and capitalizing a portion of investment income in order to maintain purchasing power. Donations of \$7M, reinvestment of \$6M of earnings, capitalization of \$3M, offset by SFU Community Trust (\$4M) helped the endowment surplus grow to \$393M.

TUITION

Dollars in Millions



Tuition increased 4.4% to \$306M.

Dollars in Thousands	2021	2020
Undergraduate - domestic	110,985	105,320
Undergraduate - international	143,007	124,354
Graduate	32,818	36,768
Credit courses	286,810	266,442
Non-credit courses and other student fees	19,095	26,437
Total Tuition	305,905	292,879

Undergraduate domestic tuition relates to student revenue, including co-op students. Current year enrolment exceeds the Province of B.C. targets. The undergraduate domestic tuition rate has increased 2% per year since government established a tuition limit policy in 2005.

Undergraduate international tuition revenue has increased due to strong enrolment demand and increases in tuition rates of 4% for new students. International undergraduate students are not supported by government funding and, as a result, pay the full cost of education at competitive rates in the international education market.

Graduate tuition revenue is derived from students enrolled in a range of academic and professional graduate programs which have different rates based on the types of program. Graduate students are supported by government funding and tuition rates for domestic graduate students are subject to the 2% tuition limit policy.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT RESPONSIBILITY

The university is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it. The regulations require the consolidated financial statements to be prepared in accordance with Canadian Public Sector Accounting Standards except that the contributions received or receivable by the university for the purpose of acquisition of tangible capital assets are accounted for as deferred capital contributions as described in note 2c(v) of the consolidated financial statements. The consolidated financial statements present the financial position of the university as at March 31, 2021 and the results of its operations, changes in net financial assets, remeasurement gains and losses, and its cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the university has developed and maintains a system of internal controls designed to provide reasonable assurance that university assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

The Board of Governors carries out its responsibility for review of the consolidated financial statements and oversight of management's performance of its financial reporting responsibilities principally through the Board's Audit, Risk and Compliance Committee. The Committee members are neither officers nor employees of the university.

The Committee meets with management, the internal auditor and the external auditors to discuss the results of the audit and other financial reporting matters. The external auditors have full access to the Audit, Risk and Compliance Committee, with and without the presence of management.

The audited consolidated financial statements for the year ended March 31, 2021 have been reported on by BDO Canada LLP. The Independent Auditor's Report outlines the scope of the examination and provides the firm's opinion on the presentation of the information in the statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Burnaby, BC
May 20, 2021



Dr. Joy Johnson
President and Vice-Chancellor



Martin Pochurko
Vice-President,
Finance and Administration



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Independent Auditor's Report

To the Board of Governors of Simon Fraser University, and

To the Minister of Advanced Education and Skills Training, Province of British Columbia

Opinion

We have audited the consolidated financial statements of Simon Fraser University and its controlled entities (the "Consolidated Entity"), which comprise the Consolidated Statement of Financial Position as at March 31, 2021, and the Consolidated Statements of Operations, Remeasurement Gains and Losses, Changes in Net Financial Assets, and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Consolidated Entity as at and for the year ended March 31, 2021 are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia (the "Act").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of the Consolidated Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the consolidated financial statements which describes the basis of accounting. The consolidated financial statements are prepared in order for the Consolidated Entity to meet the reporting requirements of the Act referred to above. Note 17 to the Consolidated Financial Statements discloses the impact of these differences between such basis of accounting and Canadian public sector accounting standards. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the Act, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Entity, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia

May 20, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2021

<i>Dollars in Thousands</i>	Note	2021	2020
Financial Assets			
Cash and cash equivalents	4	57,852	47,969
Accounts receivable	5	47,578	16,534
Inventories for resale		614	1,400
Due from related parties	6	17,647	17,703
Pensions	7	69,479	54,423
Portfolio investments	8	630,448	479,947
Derivatives	8d	17,638	
Investment in Great Northern Way Campus Trust	9	13,086	12,643
Investment in SFU Community Trust	10	6,842	11,906
Total Financial Assets		861,184	642,525
Liabilities			
Accounts payable and accrued liabilities	11	146,097	106,484
Employee future benefits	12	83,468	81,672
Debt	13	190,888	148,533
Deferred revenue	14	286,002	165,098
Deferred lease proceeds	15	58,464	59,116
Total Liabilities		764,919	560,903
Net Financial Assets		96,265	81,622
Non-Financial Assets			
Tangible capital assets	16	1,313,928	1,216,359
Less: deferred capital contributions	17	(611,977)	(599,312)
Restricted investments	8	393,917	381,756
Prepaid expense		6,330	4,701
Inventories held for use		637	522
Total Non-Financial Assets		1,102,835	1,004,026
Net Assets	18	1,199,100	1,085,648
Net Assets is comprised of			
Internally restricted for operating commitments		108,166	101,284
Investment in tangible capital assets		604,348	569,906
Endowment		392,917	380,756
Accumulated Operating Surplus		1,105,431	1,051,946
Accumulated Remeasurement Gains		93,669	33,702
Net Assets		1,199,100	1,085,648

The accompanying notes are an integral part of these consolidated financial statements

Approved:



James B. Stewart
Chair, Board of Governors



Martin Pochurko
Vice-President, Finance and Administration

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended March 31, 2021

<i>Dollars in Thousands</i>	Note	Budget Note 29	2021	2020
Revenue				
Government grants and contracts				
Province of British Columbia	19	257,798	277,499	259,953
Government of Canada	19	62,512	73,501	56,043
Other governments	19	2,492	3,777	4,878
Tuition				
Credit courses		274,814	286,810	266,442
Non-credit courses and other student fees		27,495	19,095	26,437
Sales of goods and services				
		41,744	13,102	40,157
Donations, non-government grants and contracts				
		57,700	65,433	68,902
Investment income				
	20	24,987	33,892	29,694
Investment income - Great Northern Way Campus Trust	9b		333	581
Amortization of deferred capital contributions				
	17	39,500	42,597	40,227
Other revenue				
		13,042	9,330	13,682
		802,084	825,369	806,996
Expense				
Instruction				
		519,841	502,725	504,487
Research				
		126,377	130,761	121,352
Specific purpose and trust				
		54,521	78,756	62,346
Facilities				
		47,192	46,943	49,867
Community engagement				
		21,667	25,218	27,652
	21	769,598	784,045	765,704
Annual Operating Surplus Before Restricted Contributions				
		32,486	41,324	41,292
Net restricted endowment contributions				
	22	18,930	12,161	20,603
Annual Operating Surplus				
		51,416	53,485	61,895
Accumulated Operating Surplus, Beginning of Year				
		1,051,946	1,051,946	990,051
Accumulated Operating Surplus, End of Year				
		1,103,362	1,105,431	1,051,946
Annual Surplus was allocated to increase Net Assets				
Internally restricted for operating commitments				
	18		6,882	20,831
Investment in tangible capital assets				
	18		34,442	20,461
			41,324	41,292
Endowment				
			12,161	20,603
Annual Operating Surplus				
	22		53,485	61,895

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the year ended March 31, 2021

<i>Dollars in Thousands</i>	2021	2020
Accumulated Remeasurement Gains, Beginning of Year	33,702	49,132
Unrealized Gains (Losses) Attributable to		
Portfolio investments	47,215	(13,401)
Designated fair value financial instruments	23,503	3,076
Foreign currency translation	(50)	702
(Gains) Losses Reclassified to Consolidated Statement of Operations		
Portfolio investments	(2,993)	(1,371)
Designated fair value financial instruments	(7,702)	(4,570)
Foreign currency translation	(6)	134
Increase (Decrease) in Remeasurement Gains (Losses) for the Year	59,967	(15,430)
Accumulated Remeasurement Gains, End of Year	93,669	33,702

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended March 31, 2021

<i>Dollars in Thousands</i>	Note	Budget Note 29	2021	2020
Annual Operating Surplus		51,416	53,485	61,895
Net restricted endowment contributions	22	(18,930)	(12,161)	(20,603)
Net effect of remeasurement gains (losses)			59,967	(15,430)
		(18,930)	47,806	(36,033)
Acquisition of tangible capital assets	16	(175,392)	(176,338)	(172,668)
Amortization of tangible capital assets	16	74,289	78,769	76,270
Deferred capital contributions	17	48,964	55,262	60,949
Amortization of deferred capital contributions	17	(39,500)	(42,597)	(40,227)
		(91,639)	(84,904)	(75,676)
Net effect of prepaid expense		120	(1,629)	(1,468)
Net effect of inventories held for use		8	(115)	(51)
		128	1,744	(1,519)
Increase (Decrease) in Net Financial Assets in the Year		(59,025)	14,643	(51,333)
Net Financial Assets, Beginning of Year		81,622	81,622	132,955
Net Financial Assets, End of Year		22,597	96,265	81,622

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2021

<i>Dollars in Thousands</i>	2021	2020
Operating Transactions		
Annual operating surplus	53,485	61,895
Items not involving cash		
Amortization of tangible capital assets	78,769	76,270
Amortization of deferred capital contributions	(42,597)	(40,227)
Employee future benefits	1,796	(2,045)
Income from investment in Great Northern Way Campus Trust	(333)	(581)
Income from investment in SFU Community Trust	5,064	(10,284)
Amortization of deferred lease proceeds	(652)	(652)
Amortization of long-term debt discount	286	286
	95,818	84,662
Changes in non-cash operating balances		
Accounts receivable	(31,044)	5,606
Due from related parties	56	(4,486)
Pensions	(15,056)	(16,313)
Inventories for resale and held for use	671	96
Prepaid expense	(1,629)	(1,468)
Accounts payable and accrued liabilities	39,613	12,461
Deferred revenue	120,904	(16,322)
Deferred lease proceeds		10,285
Cash Provided by Operating Transactions	209,333	74,521
Investing Transactions		
(Increase) decrease in investments, net of rereasurement gains/losses	(120,333)	44,710
Net (contribution to) distribution from Great Northern Way Campus Trust	(110)	86
Distribution from SFU Community Trust		9,593
Cash Provided by (Used in) Investing Transactions	(120,443)	54,389
Financing Transactions		
Short-term loan	42,069	
Deferred capital contributions received	55,262	60,949
Cash Provided by Financing Transactions	97,331	60,949
Capital Transactions		
Acquisition of tangible capital assets	(176,338)	(172,668)
Cash Used in Capital Transactions	(176,338)	(172,668)
Net Increase in Cash and Cash Equivalents	9,883	17,191
Cash and Cash Equivalents, Beginning of Year	47,696	30,778
Cash and Cash Equivalents, End of Year	57,852	47,969

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2021

1. AUTHORITY AND PURPOSE

Simon Fraser University (the university) operates under the authority of the University Act of British Columbia. It is a comprehensive research university engaged in research and delivering a full range of undergraduate, graduate and Lifelong Learning programs from campuses in Burnaby, Vancouver and Surrey, BC. Simon Fraser University is a not-for-profit entity

governed by a Board of Governors, the majority of whom are appointed by the Province of British Columbia. The academic governance of the university is vested in its Senate. The university is a registered charity and is exempt from income taxes under section 149 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

Financial Reporting Framework

The consolidated financial statements have been prepared in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it; the Financial Reporting Framework (FRF).

The Budget Transparency and Accountability Act requires that the consolidated financial statements be prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) except as modified by regulation 198/2011. The regulation requires that contributions received or receivable by the university for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are to be accounted for as deferred capital contributions as described in note 2c(v). Note 17c summarizes the impact of FRF versus PSAS on the consolidated financial statements.

Revenue recognized in the Consolidated Statement of Operations and certain related deferred capital contributions are recorded differently under FRF as described herein than under PSAS.

b. Basis of consolidation

Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of organizations which are controlled by the university. Government business enterprises are accounted for by the modified equity method. Other controlled organizations are consolidated or proportionately consolidated and inter-organizational transactions, balances and activities have been eliminated on consolidation.

The following organizations are consolidated or proportionately consolidated in the financial statements to the degree of interest in each:

- Consolidation: SFU Foundation (100%); SFU Community Corporation (100%); and SF Univentures Corporation (100%).
- Proportionate consolidation: TRIUMF (7.14% interest); Western Canadian Universities Marine Sciences Society (20% interest); Innovation Boulevard Society (50% interest); and I-INC Foundation (25% interest).

Investment in government business enterprises

Government business enterprises are accounted for by the modified equity method. Under this method, the university's investment in the business enterprise and its net income and other changes in equity are recorded as earned. No adjustment is made to conform the accounting policies of the government business enterprise to those of the university. Other comprehensive income is accounted for as an adjustment to net assets of the university. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions involving assets that continue to be controlled by the university.

The following organizations are government business enterprises and are accounted for by the modified equity method. These entities have fiscal years ending December 31 and adjustments are made to recognize any significant transactions between their fiscal year end and the university's March 31 fiscal year end.

- SFU Community Trust (SFUCT) (100% interest).
- Great Northern Way Campus Trust (GNWCT) (25% interest).

c. Revenue recognition

(i) Operating government grants not restricted in use are recognized when received or receivable. Such grants, if contributed for a future period, are deferred and reported as deferred revenue until that future period.

(ii) Other unrestricted revenue, including tuition and sales of goods and services, is reported as revenue at the time the service or product is provided.

(iii) Unrestricted contributions and donations are recognized as revenue when received.

(iv) Gifts-in-kind are recorded at fair market value on the date of their donation or at nominal value if the fair market value cannot be reasonably determined.

(v) Externally restricted contributions (grants and donations) are recorded as deferred revenue and then recognized as revenue when the restrictions specified by the contributors are satisfied.

- Contributions for specific purposes other than endowment or the acquisition of tangible capital assets are recorded as deferred revenue and recognized as revenue in the year in which the related expenses are incurred.
- Contributions restricted for capital purposes by external restrictions or the Restricted Contribution Regulation described in note 2a are recorded as deferred revenue until the amount is spent:
 - If the tangible capital asset acquired is land or property rights, the amount is recorded as revenue in the period of acquisition and as an increase to tangible capital assets.
 - If the tangible capital asset has a limited life, the amount invested is recorded as a deferred capital contribution and amortized on a straight-line basis over the useful life of the asset. Amortization commences once the asset is put into use.
- Endowment contributions and associated investment income allocated for preservation of endowment capital purchasing power are recognized in the Consolidated Statement of Operations in the period in which they are received or earned.

(vi) Investment income includes interest recorded on an accrual basis, declared dividends, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other than temporary. For operating investments and derivatives recorded at fair value, unrealized gains and losses are recorded in the

Consolidated Statement of Remeasurement Gains and Losses until realized when they are reclassified to the Consolidated Statement of Operations.

(vii) Income earned on externally restricted investments is deferred and recognized when the related expenditure is made or stipulations are met.

d. Financial instruments

Financial instruments are classified into two categories: (i) fair value and (ii) cost/amortized cost.

(i) Fair value category: portfolio instruments that are quoted in an active market and derivative financial instruments are reflected at fair value as at the reporting date. Other investments held by the university which are managed on a fair value basis have been designated to be recorded at fair value, with the exception of the residual interest in real property. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are immediately recorded as an expense. Unrealized gains and losses on unrestricted financial assets are recognized in the Consolidated Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to sale or impairment. At the time of derecognition, the related realized gains and losses are reversed from the Consolidated Statement of Remeasurement Gains and Losses.

Financial instruments are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category, as described below:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

(ii) Cost/amortized cost category: cash and cash equivalents are recorded at cost. Other financial instruments including residual interest in real property, accounts receivable, due from related parties, accounts payable and accrued liabilities, and debt are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Consolidated Statement of Operations upon derecognition or impairment.

e. Inventories for resale

Inventories of merchandise for resale are recorded at the lower of cost and net realizable value.

f. Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Non-financial assets includes deferred capital contributions as no cash is required to dispose of this contra-asset that is required to be recorded pursuant to the Budget Transparency and Accountability Act (note 2a). Presentation of deferred capital contributions as a part of non-financial assets also enables net financial assets to be presented in accordance with Canadian PSAS.

g. Foreign currency translation

The university's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the consolidated financial statements in equivalent Canadian dollars at the exchange rate in effect on the date of the consolidated financial statements. Any gain or loss resulting from a change in rates between the transaction date and the consolidated financial statement date is recognized in the Consolidated Statement of Remeasurement Gains and Losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the Consolidated Statement of Remeasurement Gains and Losses, is recognized in the Consolidated Statement of Operations.

h. Measurement uncertainty

The preparation of financial statements 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 that affect the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include: the useful life of tangible capital assets, estimated pension and employee future benefits, liabilities for contaminated sites, and impairment of assets.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available.

Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

i. New accounting standards

Effective April 1, 2022 the university will be required to adopt PS3280 Asset Retirement Obligations. This standard establishes when to recognize and how to measure an asset retirement obligation. This standard may be applied retroactively or prospectively and early adoption is permitted. The impact of adopting this standard on the university's financial results cannot be determined at this time.

Effective April 1, 2023 the university will be required to adopt PS3400 Revenue. Under the standard, transactions that include performance obligations are identified as "exchange contracts" while those that do not have performance obligations are identified as "non-exchange contracts". Revenues from exchange contracts are to be recognized when the underlying performance obligations have been satisfied while revenues from non-exchange contracts are to be recognized when received or receivable. This standard may be applied retroactively or prospectively and early adoption is permitted. The impact of adopting this standard on the university's financial results cannot be determined at this time.

3. FINANCIAL INSTRUMENTS RISKS

The fair value of a financial instrument is the estimated amount that the university would receive or pay to settle a financial asset or liability at the reporting date.

The financial instruments of the university and the nature of risks that they may be subject to are as follows:

<i>Financial Instrument Risks</i>	Market Risk				
	Credit Risk	Liquidity Risk	Foreign	Interest Rate	Other Price
Cash and cash equivalents	X		X		
Accounts receivable	X		X		
Due from related parties	X	X			
Investments - portfolio and restricted	X	X	X	X	X
Derivatives	X			X	
Accounts payable and accrued liabilities			X		
Debt				X	X

Credit risk

The university is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The university does not directly hold any collateral as security for financial obligations receivable.

arose are all considered in the determination of when to allow for past due accounts. The same factors are considered when determining whether to write off amounts charged to the allowance account against the amounts receivable.

Cash and cash equivalents

Credit risk associated with cash and cash equivalents is minimized by ensuring that these assets are invested in Schedule 1 Canadian chartered banks.

Due from related parties

The university believes its receivables from SFU Community Trust and Great Northern Way Campus Trust are collectible based on its understanding of the business plans of the Trusts.

Accounts receivable

The Province of British Columbia is the largest single source of revenue for the university. Management believes that the concentration of credit risk for other sources is limited.

- Student accounts receivable is made up of a large population of limited amounts. The university has leverage to stop further enrolment and the granting of transcripts until payment is made. Additionally, the university personnel manage the collection of overdue accounts proactively.
- Other receivables, advances and tax recoveries are generally with governments, major institutions and other credit worthy institutions.

Investments - portfolio and restricted

The university has investment policies to ensure investments are managed appropriately in order to balance preservation of capital, liquidity requirements and investment returns. The university retains several external investment management firms to invest funds in accordance with its investment policies, utilizing diverse agreed upon investment strategies primarily in active trading markets. The fair value hierarchy for fair value measurements provides an indication of the overall types of investments held at March 31, 2021: 95% quoted prices in active markets for identical investments (level 1) and 5% inputs that are not observable market data (level 3).

Derivatives

The university may enter into interest rate and foreign currency derivative contracts which expose the university to the risk of default by swap counter parties. This risk is mitigated by limiting exposure to derivative counter parties to highly rated financial institutions.

The university maintains allowances for potential credit losses and such losses to date have been within the university's expectations. In making estimates in respect of the allowance for doubtful accounts, current economic conditions, historical information, reasons for the accounts being past due and line of business from which the receivable

Liquidity risk

Liquidity risk is the risk that the university will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the university not being able to liquidate assets in a timely manner at a reasonable price.

The university meets its liquidity requirements by holding assets that can be readily converted into cash and preparing annual operating and capital expenditure budgets, which are monitored and updated as required. In addition, the university requires that funding for significant capital projects be secured before expenditures are incurred.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or factors affecting financial instruments traded in the market. The significant market risks to which the university is exposed are foreign exchange risk, interest rate risk and other price risk.

Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate in Canadian dollar value due to changes in foreign exchange rates.

The functional currency of the university is the Canadian dollar. The university transacts some revenue and expenditure activity in U.S. dollars and other currencies due to certain operating costs being denominated in U.S. dollars and other currencies. These transactions represent a small value of total transactions, resulting in minimal risk.

The university uses foreign exchange forward contracts only as a defensive strategy for any significant known future obligations to manage foreign exchange transaction exposures. There were no forward contracts outstanding at March 31, 2021 and March 31, 2020.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are demand deposits in Schedule 1 Canadian chartered banks, held primarily in Canadian currency, and are presented net of outstanding items

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of the university arises from its interest bearing assets, derivatives and its fixed income investments including bonds and debentures.

The university's cash and cash equivalents includes amounts on deposit that earn interest at market rates. The university manages its exposure to interest rate risk on cash in order to maximize the interest income earned on funds available for investment while maintaining the liquidity at levels necessary to conduct operations on a day to day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the university's results of operations.

The primary objective of the university with respect to its investments in fixed income investments is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory investment return.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from foreign exchange risk or interest rate risk). The university is exposed to price risk through its investment in equities, hedge funds and real estate. The price risk associated with bonds is considered as part of interest rate risk for these purposes.

5. ACCOUNTS RECEIVABLE

<i>Dollars in Thousands</i>	2021	2020
SFU Faculty Association members receivable (note 31)	35,510	
Revenue receivable	8,995	12,271
SFSS- Build SFU	76	1,623
Other receivables	2,167	2,153
GST receivable	1,978	1,310
Provision for doubtful accounts	(1,148)	(823)
Accounts receivable	47,578	16,534

including cheques written but not cleared by the bank as at the date of the Consolidated Statement of Financial Position.

Revenue receivable relates to services to students, ancillary services and government grants. Other receivables relate to employee travel advances and third party billings. SFSS-Build SFU pertains to a receivable related to the construction of a new student union building by the Simon Fraser Student Society (SFSS).

The SFU Faculty Association members receivable is related to the costs to be recovered from employees to join the College Pension Plan.

6. DUE FROM RELATED PARTIES

<i>Dollars in Thousands</i>	2021	2020
SFU Community Trust receivable		
Promissory note, interest at prime rate per annum, due on demand	3,233	
Promissory note, interest commencing Jan 2022 at prime rate per annum, due on demand	9,593	
Distribution receivable, non-interest bearing, to be settled within one year		9,593
Promissory note, non-interest bearing, due December 31, 2020		3,213
Parking agreement receivable, interest at prime rate, due December 31, 2021	4,474	4,474
Accrued interest receivable on parking agreement	177	143
Due from SFU Community Trust	17,477	17,423
Great Northern Way Campus Trust receivable		
Distribution receivable, interest commencing after 18 months at prime rate plus 1%, due on demand	170	
Distribution receivable, non-interest bearing, unsecured to be settled within one year		280
Due from Great Northern Way Campus Trust	170	280
Due from Related Parties	17,647	17,703

Pursuant to a parking agreement, the university and SFUCT have agreed to the total amount of the obligation of \$15,000,000, of which \$5,000,000 has been earned and recognized and \$526,000 (2020: \$526,000) has been received. Recognition of the receivable from SFUCT occurs in relation to phases of development; \$10,000,000 remains to be recognized in relation to future phases of development.

The outstanding SFUCT \$3,213,000 promissory note accrued interest calculated at prime (2.45%) per annum, beginning January 1, 2021. This accrued interest has been added to the note.

During the year GNWCT paid in full a non-interest bearing distribution of \$280,000 and declared a distribution of \$170,000 which is reported as a distribution receivable, interest commencing after 18 months at prime rate plus 1%, due on demand.

7. PENSIONS

Accounting policy

The university has two registered pension plans providing pension benefits to its employees.

For accounting purposes, the defined benefit FRB (Formula Retirement Benefit) pension obligations and cost of pension benefits earned by employees are recognized using annual accounting valuations from each of the plans' tri-annual actuarial funding valuations. A variety of assumptions factor into the results including expected investment performance, inflation rates, compensation levels, retirement age and life expectancy. The resulting actuarial gains and losses arising from changes in assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of active employees for the Administrative/Union Plan and Average Remaining Pension Payment Period for the Academic FRB plan.

Description of pension plans

The two registered pension plans are the Pension Plan for Members of the Academic Staff (Academic FRB Plan) and the Pension Plan for Administrative/Union Staff (Administrative/Union Plan). The Academic FRB Plan is comprised of both a defined contribution plan as well as a grandfathered FRB Plan. The Administrative/Union Plan is a FRB Plan. The provisions of these plans stipulate that the university has no formal claim to any pension plan surplus or asset.

Accordingly, the pension plans have separate financial statements.

The Boards of Trustees for each of these plans represent both the plan members and the university. The trustees are fully responsible for the management of the plans including the investment of assets and administration of benefits. The university is responsible for funding the pension plans.

Actuarial valuations are required by the B.C. Pension Benefits Standards Act (PBSA) for each of the defined benefit FRB Plans at intervals of not more than three years. Such valuations determine the employer contribution rate necessary to provide adequate funding of the plan liabilities. The valuations are prepared using the projected unit cost method, pro-rated on service. The Plans' actuaries prepare both going concern and solvency valuations for each plan. The most recent actuarial valuation for the Academic FRB Plan was prepared as at December 31, 2018, while the Administrative/Union Plan was prepared as at December 31, 2020.

Annual accounting valuations are prepared for the purposes of determining the present value of the accrued pension benefit obligation and pension expense to be recorded in the financial statements. An extrapolation is performed from the most recent actuarial valuation of each FRB plan, using assumptions determined by management in consultation with the Plans' actuaries and in accordance with PSAS. Accounting valuations are prepared on a going concern basis which assumes the plans will continue indefinitely. Assets are measured at market value, and liabilities measured using an appropriate discount rate. Accounting valuations were performed for both FRB plans as at December 31, 2020 using data from each of their most recent actuarial valuations.

Pension plan for members of the academic staff (Academic Plan)

The Academic Plan provides pension benefits primarily on a defined contribution basis whereby funding is directed to individual Money Purchase Accounts (MPA). Benefit payments are based upon the asset value within the individual MPA at the time of retirement. While all required contributions to the Plan are made by the university, additional contributions may also be made by employees to their individual MPA. As the Academic MPA Plan is not an FRB plan, an actuarial valuation is not required.

During the 2020 calendar year, contributions made by the university to the Academic MPA Pension Plan were 9.7% (2019 calendar year: 9.7%) of pensionable earnings, totaling \$15,517,000 (2019 calendar year: \$14,555,000).

The Academic Plan also includes a grandfathered FRB plan.

The Academic FRB Plan is a defined benefit plan which provides benefits based on earnings and years of service at SFU, indexed relative to the increase in the Consumer Price Index (CPI) up to a maximum of 3% per annum. A summary of changes in net pension asset is included in note 7a and contributions to the plan are summarized in note 7b.

The gains and losses are recognized by the university over the Average Remaining Pension Payment Period, currently 12 years.

The university intends to apply on behalf of the members to join the College Pension Plan of British Columbia as outlined in note 31.

Pension plan for administrative/union staff (Administrative/Union Plan)

The Administrative/Union Plan is a defined benefit FRB plan based on a combination of years of service and the average of the plan member's highest sixty consecutive months' salary. Pensions are indexed to the CPI up to a maximum of 3% per annum. Additional voluntary contributions to the Administrative/Union Plan may be made to an employee's MPA. Pursuant to an agreement between the university and the employee organizations, in certain circumstances, a portion of assets in excess of liabilities may be payable to plan members. If applicable, these payments would be directed to the individual MPA. No contributions were directed to the Administrative/Union MPA Plan by the university in the current or prior year. A summary of changes in net pension asset is included in note 7a and contributions to the plan are summarized in note 7b.

Contributions to the Administrative/Union Pension Plan made by the university during the 2020 calendar year were at a rate of 14.41% (2019 calendar year: 15.83%) of pensionable earnings, totaling \$21,460,000 (2019 calendar year: \$20,744,000). In addition, contributions of \$1,750,000 (2019 calendar year: \$4,227,000) were made in respect of commuted value solvency holdbacks.

The gains and losses are recognized by the university over EARSL, currently 10 years.

Defined benefit pension plan liability and expense

The liabilities of the FRB pension plans and current service costs for the year have been based on accounting valuations performed from the most recent actuarial valuation of each plan.

Pension expense is allocated to the appropriate function, within the Consolidated Statement of Operations, while the accrued pension asset is reported on the Consolidated Statement of Financial Position.

7a/ Net pension liability

<i>Dollars in Thousands</i>	Administrative / Union	Academic FRB	2021	2020
Accrued benefit obligation, beginning of year	324,163	25,461	349,624	329,072
Current period benefit cost (net of employee contributions)	20,703		20,703	15,825
Employee contributions / transfer from MPA	53		53	57
Interest cost	19,285	1,448	20,733	20,153
Benefit payments	(26,263)	(2,658)	(28,921)	(29,132)
Actuarial loss	36,568	(339)	36,229	13,649
Accrued Benefit Obligation, End of Year	374,509	23,912	398,421	349,624
Fair value of plan assets, beginning of year	410,192	28,248	438,440	387,500
Employer contributions	25,479	333	25,812	25,379
Employee contributions / transfer from MPA	53		53	57
Actual return on plan assets	27,162	3,106	30,268	54,636
Benefit payments	(26,263)	(2,657)	(28,920)	(29,132)
Fair Value Plan Assets, End of Year(*)	436,623	29,030	465,653	438,440
Funded Status, Pension Plan Surplus	62,114	5,118	67,232	88,816
Unamortized net actuarial gain, beginning of year	30,960	3,433	34,393	20,318
Actuarial gain on pension plan assets	2,572	1,481	4,053	30,533
Actuarial (loss) gain on pension plan obligation	(36,568)	339	(36,229)	(13,649)
Amortization of net actuarial gain	(4,198)	(266)	(4,464)	(2,809)
Unamortized Net Actuarial (Loss) Gain, End of Year	(7,234)	4,987	(2,247)	34,393
Net Pension Asset	69,348	131	69,479	54,423

* Defined benefit pension plan consists of:

	Administrative / Union		Academic FRB	
	2021	2020	2021	2020
Equity securities	64%	64%	67%	66%
Debt securities	36%	36%	33%	34%
	100%	100%	100%	100%

7b/ Defined benefit pension expense

<i>Dollars in Thousands</i>	Administrative / Union	Academic FRB	2021	2020
Current period benefit cost (including employee contributions)	20,756		20,756	15,882
Less: employee contributions	(53)		(53)	(57)
Amortization of net actuarial gain	(4,198)	(266)	(4,464)	(2,809)
Expected interest cost on pension obligation	19,285	1,448	20,733	20,153
Expected earnings on average pension assets	(24,590)	(1,625)	(26,215)	(24,103)
Pension Expense (Income)	11,200	(443)	10,757	9,066

7c/ Significant actuarial assumptions

	Administrative/Union		Academic FRB	
	2021	2020	2021	2020
Effective date of most recent actuarial valuation report for funding purposes	31-Dec-19	31-Dec-16	31-Dec-18	31-Dec-18
Measurement date of plan assets / accrued benefit obligation	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Expected future inflation rate	2.00%	2.00%	2.00%	2.00%
Expected Average Remaining Service Lifetime of active employees (EARSL)	10 yrs	10 yrs	n/a	n/a
Average remaining pension payment period	n/a	n/a	12 yrs	12 yrs
Beginning of period				
Discount rate	6.00%	6.25%	6.00%	6.25%
Expected long-term rate of return on plan assets	6.00%	6.25%	6.00%	6.25%
Rate of compensation increase	2.50%	2.50%	n/a	n/a
End of period				
Discount rate	5.75%	6.00%	6.00%	6.00%
Expected long-term rate of return on plan assets	5.75%	6.00%	6.00%	6.00%
Rate of compensation increase	2.50%	2.50%	n/a	n/a

Actual return on plan assets

	December 31, 2020	December 31, 2019
Administrative/Union	6.22%	12.35%
Academic FRB	10.70%	14.07%

7d/ Life expectancy assumptions

Years	December 31, 2020				December 31, 2019			
	Life expectancy at 65 for a member currently				Life expectancy at 65 for a member currently			
	Age 65		Age 45		Age 65		Age 45	
	Male	Female	Male	Female	Male	Female	Male	Female
Administrative/Union and Academic FRB								
2014 Private Sector Mortality Table	21.8	24.2	22.9	25.2	21.8	24.2	22.8	25.1

Defined benefit pension plan solvency

Pursuant to the BC Pension Benefits Standards Act, instead of making solvency deficiency payments, the university

chose to arrange Letters of Credit (LOC) to satisfy solvency contribution requirements (note 24).

7e/ Defined benefit pension plans: solvency deficiency payment and Letter of Credit requirements

Dollars in Thousands Calendar Year	Cumulative Letter of Credit Requirements		
	Administrative / Union	Academic FRB	Total
2020	118,450	10,320	128,770
2021	87,088	10,640	97,728
2022	*	*	*
2023	*	*	*
2024	*	*	*

* The next actuarial valuation reports of the plans will establish the future Letter of Credit (LOC) and solvency payment requirements.

7f/ Sensitivity to actuarial assumptions, as at December 31, 2020

<i>Dollars in Thousands</i>	Administrative / Union Obligation		Academic FRB Obligation	
	\$	%	\$	%
Estimated increase				
0.5% decrease in discount rate	31,810	8.5	815	3.4
0.5% increase in inflation on post retirement	20,410	5.5	793	3.3
0.5% increase in compensation	6,510	1.7		
10% reduction to mortality rates (0.8 years for a 65 year old)	7,500	2.0	1,090	4.5

The amounts above have been determined assuming all other assumptions remain unchanged.

8. INVESTMENTS

8a/ Consolidated Statement of Financial Position presentation of investments

<i>Dollars in Thousands</i>	Reported Value	
	2021	2020
Financial assets presentation category		
Portfolio investments	630,448	479,947
Non-financial assets presentation category		
Endowment investments (note 18a)	392,917	380,756
Non-endowment investment	1,000	1,000
Restricted investments	393,917	381,756
Total Investments	1,024,365	861,703

8b/ Investments

<i>Dollars in Thousands</i>	Reported Value		Cost
	2021	2020	2021
Investments Recorded at Fair Value			
Designated to the fair value category (level 1)			
Fixed income investments			
Federal bonds	55,209	61,449	55,885
Provincial and municipal bonds	80,965	78,069	82,005
Corporate bonds	187,121	168,811	187,738
	323,295	308,329	325,628
Sinking fund investments	3,683	3,567	2,688
Term deposits	1,156	1,825	1,156
Total Fixed Income Investments	328,134	313,721	329,472
Equity instruments quoted in an active market (level 1)			
Canadian equities	247,843	223,076	174,692
Foreign equities	397,050	272,336	251,625
Total Level 1 Category Financial Instruments	973,027	809,133	755,789
Designated to the fair value category (level 3)			
Private equities	22,557	26,186	18,442
Other investments	27,781	25,384	26,137
Total Level 3 Category Financial Instruments	50,338	51,570	44,579
Investments Valued at Cost/Amortized Cost			
Residual interest in real property	1,000	1,000	1,000
Total Investments Valued at Cost/Amortized Cost	1,000	1,000	1,000
Total Investments	1,024,365	861,703	801,368

The fixed income investments are benchmarked to the FTSE Canada Universe Bond Index. Bonds held in the portfolio mature between 2021 and 2081 and the yields to maturity range between 0.1% and 4.7% (2020: 0.01% and 11.5%).

Sinking fund investments are held and invested by the Province of British Columbia. These funds will provide for the retirement of debentures issued to the Province at maturity in 2022.

Term deposits consist of \$1,156,000 in redeemable and non-redeemable GIC's maturing in April 2021 held by TRIUMF.

Canadian equities are managed by two investment management firms, each with their own investment strategy. One uses a blend of fundamental analysis and quantitative models, while the other is strictly based on a fundamental bottom-up approach.

8c/ Reconciliation of investment cost to reported value

<i>Dollars in Thousands</i>	2021	2020
Investments at cost	801,368	767,346
Unrealized amounts reported in the Consolidated Statement of Remeasurement Gains and Losses		
Balance, beginning of year	31,549	47,815
Fair value change in the year	42,385	(16,266)
Balance, End of year	73,934	31,549
Deferred revenue related to restricted endowments		
Balance, beginning of year	62,808	92,462
Fair value change in the year	86,255	(29,654)
Balance, End of year	149,063	62,808
Total Investments at Reported Value	1,024,365	861,703

8d/ Derivatives

<i>Dollars in Thousands</i>	2021	2020
Interest rate derivative designated as fair value category (level 1)	17,638	
Total Derivatives	17,638	

Province of BC interest rate swap with notional value of \$73 million terminating on February 1, 2053 whereby SFU pays a fixed rate of 1.506% and receives a floating rate based on the Three Month CDOR rate. The derivative has a mandatory early termination date of February 1, 2023.

Foreign equities are invested approximately 59% (2020: 57%) in U.S. markets and 41% (2020: 43%) outside of the U.S.

Private equities consist of six pooled private equity funds in which the university participates.

Other investments consist of real estate, multi-strategy funds and mortgages. There are two multi-strategy funds: one follows a Canada-focused diversified strategy, and the other is a globally diversified fixed income portfolio. Real estate and mortgages consist of pooled real estate funds and direct mortgages secured by real estate.

Other investments valued at cost/amortized cost include the residual interest in a charitable gift of real property.

9. INVESTMENT IN GREAT NORTHERN WAY CAMPUS TRUST

GNWCT was established under the laws of the Province of British Columbia for the benefit of the British Columbia Institute of Technology, Emily Carr University of Art + Design, Simon Fraser University and the University of British Columbia. GNWCT offers a Masters of Digital Media degree program. Additionally, GNWCT is engaged in short-term property management and site development of land in the City of Vancouver that was 80% gifted by Finning International Inc. to the partner institutions in 2001.

The university's proportionate interest in GNWCT is accounted for on the modified equity basis utilizing the annual audited financial statements of GNWCT prepared as at December 31. As the fiscal periods of GNWCT and the university are not coterminous, any significant financial transactions that occur during the intervening period are recorded in these consolidated financial statements based on the fiscal year of the university.

Great Northern Way Campus Ltd., a company 25% proportionately owned by the four beneficiaries of GNWCT, has the sole purpose of being the Trustee of GNWCT and has no business operations.

9a/ Investment in Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2021	2020
Great Northern Way Campus Trust equity, December 31	52,342	50,572
SFU proportionate interest	25%	25%
Investment in GNWCT, End of Year	13,086	12,643

9b/ Change in investment in Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2021		2020	
	100%	25%	100%	25%
Net income reported by GNWCT	1,332	333	2,323	581
Net contributions from (distributions to) institutions	438	110	[341]	[86]
Change in GNWCT	1,770	443	1,982	495
GNWCT, beginning of year	50,572	12,643	48,590	12,148
GNWCT, End of Year	52,342	13,086	50,572	12,643

9c/ Life-to-date investment in Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2021	2020
Initial settlement upon GNWCT	33,787	33,787
GNWCT cumulative net income	75,449	74,117
Distributions from GNWCT	(76,819)	(76,137)
Contributions by partner institutions	19,925	18,805
	52,342	50,572
SFU proportionate interest	25%	25%
SFU Investment in GNWCT	13,086	12,643

9d/ Financial summary - Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	December 31, 2020	December 31, 2019
Financial Position		
Total assets	61,977	61,469
Total liabilities	9,635	10,897
Trust Balance, End of Year	52,342	50,572
Results of Operations & Trust Balance		
Revenue	7,516	8,705
Expense	6,184	6,382
Net Income for the Year	1,332	2,323
Net contributions from (distributions to) institutions	438	(341)
Net changes in the year	1,770	1,982
Trust balance, beginning of year	50,572	48,590
Trust Balance, End of Year	52,342	50,572
Cash Flows		
Operating transactions	556	253
Investing transactions	(913)	(718)
Decrease in Cash During the Year	(357)	(465)

10. INVESTMENT IN SFU COMMUNITY TRUST

SFUCT was established in 2002 to develop land adjacent to the Burnaby campus. This development is known as UniverCity. The university granted SFUCT the ability to sell to real estate developers rights to enter into 99-year leases on land that is owned by the university.

SFUCT is a taxable business trust and must pay income taxes on any taxable income not allocated to beneficiaries. The beneficiaries are the university and Simon Fraser University Foundation, whose beneficiary is also the university.

SFU Community Corporation, a company wholly owned by the university, has the sole purpose of being Trustee of SFUCT and has no business operations.

The university's 100% interest in SFUCT is accounted for on the modified equity basis utilizing the annual audited financial statements of SFUCT prepared as at December 31. As the fiscal periods of SFUCT and the university are not coterminous, any significant financial transactions that occur during the intervening period are recorded in these consolidated financial statements based on the fiscal year of the university.

In applying the modified equity basis of accounting to its interest in SFUCT, the university makes adjustments for related party transactions where the underlying assets remain under the university's control. The inter-entity rights to grant 99-year leases that were recorded by the SFUCT at fair market values are eliminated from equity/investment in SFUCT until realized by third party transactions. The ultimate sale to developers of these 99-year lease rights represents the culmination of the transaction for SFUCT who then report such amounts as sales. The university, as the grantor of the 99-year leases, adjusts these sales to amortize the net sales revenue on a straight-line basis over a 99-year lease period as further described in note 15.

During fiscal 2021, SFUCT determined with the change in use of the Childcare Centre that the land will no longer result in disposition proceeds from a long-term lease to a third party, and the building's carrying value will not be recoverable from future cash flows. As a result, the fair value of the Childcare land and building was assessed and it was determined that impairment losses on the land and on the building in the amounts of \$1,635,000 and \$1,298,000 were required and are reflected in the loss reported by SFUCT.

10a/ Investment in SFU Community Trust

<i>Dollars in Thousands</i>	2021	2020
(Loss) Net income reported by SFUCT	(5,064)	9,839
Reduction in the cost of sales to reflect SFU's original cost of leases		445
Interest in SFUCT Income for the Year	(5,064)	10,284
Distributions from SFUCT in the year		(9,593)
Investment in SFUCT, beginning of year	11,906	11,215
Investment in SFUCT, End of Year	6,842	11,906

10b/ Trust equity reconciled to investment in SFU Community Trust

<i>Dollars in Thousands</i>	2021	2020
Trust equity as reported by SFUCT	11,327	16,391
Less: adjustment to eliminate the inter-entity gain on the 99-year lease rights		
First rights settlement	(9,418)	(9,418)
Second rights settlement	(8,126)	(8,126)
Lease rights recognized through sales to third parties	13,059	13,059
	(4,485)	(4,485)
Investment in SFUCT, End of Year	6,842	11,906

10c/ Life-to-date investment in SFU Community Trust

<i>Dollars in Thousands</i>	2021	2020
Settled on formation at fair market value	14,339	14,339
Adjustment to eliminate the inter-entity gain on the 99-year lease rights	(9,418)	(9,418)
Settled upon SFUCT at University cost	4,921	4,921
Second settlement	8,126	8,126
Adjustment to eliminate the inter-entity gain on the 99-year lease rights	(8,126)	(8,126)
Settled upon SFUCT at University cost		
Cumulative income as reported by SFUCT	43,734	48,798
Lease rights recognized through sales to third parties	13,059	13,059
Interest in SFUCT cumulative income (note 15c)	56,793	61,857
Distributions from SFUCT:		
Applied to accounts receivable	(4,882)	(4,882)
Derived from SFUCT net income	(49,990)	(49,990)
	(54,872)	(54,872)
Investment in SFUCT	6,842	11,906

In addition to an equity interest in the net income of SFUCT, the university is entitled to base rent under certain conditions.

10d/ Life-to-date base rent continued

<i>Dollars in Thousands</i>	2021	2020
Balance, beginning of year	1,095	1,095
Base rent earned in the year		
Balance, End of Year	1,095	1,095

10e/ Financial summary - SFU Community Trust

<i>Dollars in Thousands</i>	December 31, 2020	December 31, 2019
Financial Position		
Total assets	72,319	75,862
Total liabilities	60,991	59,470
Trust Balance, End of Year	11,328	16,392
Results of Operations & Trust Balance		
Revenue	3,959	21,694
Expense	9,023	11,855
Net (Loss) Income for the Year	(5,064)	9,839
Distributions to beneficiaries		(9,593)
Trust balance, beginning of year	16,392	16,146
Trust Balance, End of Year	11,328	16,392
Cash Flows		
Operating transactions	(11,723)	23,859
Investing transactions	(830)	476
Financing transactions	(235)	(3,238)
(Decrease) Increase in Cash During the Year	(12,788)	21,097

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<i>Dollars in Thousands</i>	2021	2020
Trade payables and accruals	47,711	58,092
College Pension Plan transition liability (note 31)	42,600	
Salaries and benefits payable	26,750	21,992
Accrued vacation pay	12,090	8,870
Other	16,946	17,530
Accounts Payable and Accrued Liabilities	146,097	106,484

12. EMPLOYEE FUTURE BENEFITS

Accounting policy

The university provides retirement and compensated absence benefits to employees.

For accounting purposes, the university measures the accrued benefit obligation, liability and expense of the fiscal period through actuarial and accounting valuations. Adjustments arising from changes in actuarial assumptions and actuarial gains and losses are amortized over the Expected Average Remaining Service Lifetime (EARSL) of active employees, except for long-term disability which, as an event driven compensated absence benefit, is recognized immediately.

The university does not segregate assets to specifically offset this liability.

Description of benefit plans

The university operates three employee future benefit plans providing: non-pension retiree medical, extended health and dental benefits; early retirement benefits; and provisions for long-term disability.

Actuarial Valuations are performed for both of the retirement benefit plans at least every three years, while the event driven compensated absence benefit plan is performed annually. Such valuations determine the employer contribution rate necessary to provide adequate funding of the plan liabilities and are prepared using the projected benefit method, prorated on services. The most recent actuarial valuations for the retirement benefits plans and the compensated absence benefit plan was prepared as at December 31, 2018.

Annual accounting valuations have the primary purpose of determining the liability and expense to be recorded in the financial statements. Assumptions are determined congruent with relevant PSAS on a best estimate basis and are reviewed on an annual basis. This valuation assumes the plan will continue indefinitely and extrapolates the present value of accrued liabilities and benefit expenses from the most recent actuarial valuations. Given the absence of plan assets, the discount rate applied is equal to the relevant cost of borrowing.

Retirement benefits

Retirement benefits represent the liabilities of the university to provide non-pension retiree benefits and early retirement benefits to the employees in return for their services. As employees render services, the value of the retirement benefits are attributed to those services and recorded as liabilities and expenses. Gains or losses resulting from accounting valuations are amortized over EARSL using the straight line method, commencing the following fiscal year.

Non-pension retiree benefits

Non-pension retiree benefits represent the liabilities for portions of future premiums payable on behalf of eligible current employees and retirees for medical, extended health and dental benefits. Only employees hired before dates between July 1, 2001 and May 1, 2003, depending on employee group, are eligible for this benefit. The most recent accounting valuation reported an actuarial gain of \$1,887,000 (2020 loss: \$2,225,000) to be amortized over EARSL.

Early retirement benefits

Early retirement benefits represent the liabilities to employees who took early retirement in the mid 1990's and other employees who receive supplementary pensions. The most recent accounting valuation reported an actuarial gain of \$9,000 (2020: actuarial loss of \$309,000) to be amortized over EARSL.

Event driven liabilities

Compensated absence and long-term disability benefits represent liabilities that are created when events that obligate the university occur. Actuarial valuations are performed each year for these event driven liabilities. The expected costs of providing the benefits are recognized immediately in the period when such events occur. An insurance company administers the long-term disability plans and is reimbursed for disability claim payments plus service fees.

12a/ Liability and benefit expense for employee future benefits

	Retirement Benefits		Benefit	2021	2020
	Non-Pension Retiree	Early Retirement	Long-Term Disability		
<i>Dollars in Thousands</i>					
Accrued benefit obligation, beginning of year	56,137	2,977	13,515	72,629	71,102
Current period benefit cost	472	82	2,581	3,135	3,744
Interest cost	1,726	89	430	2,245	2,780
Benefit payments	(1,406)	(281)	(1,915)	(3,602)	(3,371)
Gain from MSP elimination					(6,038)
Actuarial (gain) loss	(1,887)	(9)	614	(1,282)	4,412
Accrued Benefit Obligation, End of Year	55,042	2,858	15,225	73,125	72,629
Unamortized net actuarial gain (loss) on liability, beginning of year	9,437	(394)		9,043	12,615
Actuarial gain (loss) on liability	1,887	9	(614)	1,282	(4,412)
Amortization of net actuarial (gain) loss	(663)	67	614	18	840
Unamortized Net Actuarial Gain (Loss) on Obligation, End of Year	10,661	(318)		10,343	9,043
Liability for Employee Future Benefits, End of Year	65,703	2,540	15,225	83,468	81,672

12b/ Employee future benefits expense

	Retirement Benefits		Compensated Absence Benefit	2021	2020
	Non-Pension Retiree	Early Retirement	Long-Term Disability		
<i>Dollars in Thousands</i>					
Current period benefit cost	472	82	2,581	3,135	3,744
Recognition of actuarial loss (gain)	(663)	67	614	18	840
Gain from MSP elimination					(6,038)
Interest cost on unfunded benefit obligation	1,726	89	430	2,245	2,780
Employee Future Benefits Expense	1,535	238	3,625	5,398	1,326

12c/ Significant actuarial assumptions

	Retirement Benefits				Compensated Absence Benefit	
	Non-Pension Retiree		Early Retirement		Long-Term Disability	
	2021	2020	2021	2020	2021	2020
Measurement date of accrued benefit obligation	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Expected future inflation rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Expected Average Remaining Service Lifetime of active employees (EARSLS)	5 yrs	5 yrs	8 yrs	9 yrs	n/a	n/a
Weighted average remaining years until last payment	n/a	n/a	n/a	n/a	5 yrs	5 yrs
Beginning of period discount rate	3.10%	3.90%	3.10%	3.90%	3.10%	3.90%
End of period discount rate	2.60%	3.10%	2.60%	3.10%	2.60%	3.10%
Assumed health care cost trend rates						
Dental	4.00%	4.00%	n/a	n/a	4.00%	4.00%
Extended Health Benefits (EHB)	6.40%	6.60%	n/a	n/a	6.40%	6.60%

12d/ Sensitivity to actuarial assumptions, as at December 31, 2020

	Retirement Benefits				Compensated Absence Benefit	
	Non-Pension Retiree		Early Retirement		Long-Term Disability	
	\$	%	\$	%	\$	%
<i>Dollars in Thousands</i>						
Estimated increase in accrued benefit obligation						
0.5% decrease in discount rate	4,691	8.5	185	6.5	515	3.4
0.5% increase in MSP, Dental and EHB cost trend rates	4,416	8.0				
10% reduction to mortality rates (0.8 years for a 65 year old)	2,651	4.8	145	5.1		
0.5% increase in inflation rate			121	4.2	498	3.3
0.5% increase in compensation			291	10.2		

The amounts above have been determined assuming all other assumptions remain unchanged.

13. DEBT

Debt reported on the Consolidated Statement of Financial Position is recorded at amortized cost and is comprised of the following:

13a/ debt

<i>Dollars in Thousands</i>	2021	2020
Debentures, senior unsecured	143,829	143,551
Commercial paper, Province of British Columbia	42,069	
Debenture, Province of British Columbia	4,990	4,982
Total	190,888	148,533

Senior unsecured debentures issued at a discount by the university in 2003 for \$150,000,000 with a coupon rate of 5.613%, interest paid semi-annually, due June 10, 2043, and are recorded using the effective interest method. Net proceeds of the issue were used to finance capital projects. The debentures are neither obligations of, nor guaranteed by, the Province of British Columbia.

The Province of British Columbia 90 day commercial paper is unsecured, bears interest at a rate of 0.01% and is due April 26, 2021.

The university has entered into an agreement with the Province of British Columbia to borrow approximately \$73,000,000 to finance the construction of the phase 2 student housing building that is expected to be completed in 2023. During construction, SFU can access the Province's commercial loan facility to make draws as construction progresses. At the time of substantial completion of the student housing, the university will borrow the funds for a period of 30 years at an interest rate to be based on the yield of the applicable Province of British Columbia debt instrument at that time. The university has entered into a derivative agreement with the Province to mitigate the risk of potential interest rate fluctuations on the 30 year debt during the intervening construction period. The fair value of the derivative is described in note 8d.

The Province of British Columbia debenture is unsecured, bears interest at a rate of 8.75% and is due in 2022.

Sinking fund investments are held and invested by the Province of British Columbia. These funds totaling \$3,683,000 (2020: \$3,567,000) will provide for the retirement at maturity of debentures issued to the Province. The amount forms part of the investment balance shown on the Consolidated Statement of Financial Position. Annual sinking fund payments due within the next five years are included in the annual payments table. Annual payments of principal, sinking fund installments and interest due over the next five years and thereafter are as follows::

13b/ Annual payments on debt

<i>Dollars in Thousands</i>	Principal	Sinking Fund	Interest	Total Payments
2022	42,069	44	8,858	50,971
2023		44	8,638	8,682
2024			8,420	8,420
2025			8,420	8,420
2026			8,420	8,420
2027 to 2042			134,712	134,712
2043	150,000		8,420	158,420

14. DEFERRED REVENUE

Contributions subject to external restrictions pursuant to legislation, regulation or agreement, are deferred and recognized as revenue in the period in which the stipulations are met.

The nature of such contributions, restrictions and recognition criteria vary, and include:

- Sponsored research and specific purpose amounts received are restricted to specific expenditures or class of expenditure.
- Endowment investment earnings are restricted until expended per donor terms of reference.

14a/ Changes in deferred revenue

<i>Dollars in Thousands</i>	Sponsored Research	Endowment	Specific Purpose	2021	2020
Balance, beginning of year	60,794	67,070	37,234	165,098	181,420
Donations and grant revenue received	108,447		43,338	151,785	118,441
Transferred to revenue	(76,304)		(40,812)	(117,116)	(98,528)
Endowment investment income (loss)		113,129		113,129	(9,468)
Transferred to investment income (note 20)		(16,943)		(16,943)	(14,881)
Transferred to net endowment contributions (note 22)					
Endowment principal addition		(6,531)		(6,531)	(3,463)
Preserve purchasing power		(3,420)		(3,420)	(8,423)
Balance, End of Year	92,937	153,305	39,760	286,002	165,098

14b/ Source of deferred revenue, end of year

<i>Dollars in Thousands</i>	Sponsored Research	Endowment	Specific Purpose	2021	2020
Province of British Columbia	16,340		12,694	29,034	14,955
Government of Canada	67,955		5,609	73,564	59,874
Endowment income stabilization account		145,605		145,605	57,148
Other	8,642	7,700	21,457	37,799	33,121
Balance, End of Year	92,937	153,305	39,760	286,002	165,098

Endowment deferred revenue

Endowment contributions are recorded in the Consolidated Statement of Operations as net restricted endowment contributions (note 22). The related net assets are separately accounted for (note 18b). Endowment investments are reported within restricted investments (note 8a).

Allocations are also made from the endowment income stabilization account to net restricted endowment contributions in order to preserve the purchasing power of the individual endowments.

Endowment investment returns are initially recorded as deferred revenue in the endowment income stabilization account. Allocations are then made to individual endowment spending accounts for expenditure pursuant to the donor terms. When expenditures occur, the related investment income is recognized in the consolidated statement of operations (note 20).

14c/ Endowment income stabilization account

<i>Dollars in Thousands</i>	2021	2020
Balance, beginning of year	57,148	95,090
Endowment investment income externally restricted for the year		
Realized income	26,873	20,186
Unrealized income (loss) (note 8c)	86,256	(29,654)
Endowment income allocated to		
Individual endowment spending accounts	(21,252)	(20,051)
Preserve purchasing power (note 22)	(3,420)	(8,423)
Increase (Decrease) in the Year	88,457	(37,942)
Balance, End of Year	145,605	57,148

15. DEFERRED LEASE PROCEEDS

15a/ Change in deferred lease proceeds

<i>Dollars in Thousands</i>	2021	2020
Balance, beginning of year	59,116	49,483
SFUCT income to be deferred and amortized over lease terms		9,839
Adjustment of land value on transfer to the Trust realized through sale of leases		446
Amortized and transferred to net restricted endowment contributions	(652)	(652)
Balance, End of Year	58,464	59,116

15b/ SFUCT income recognized as restricted endowment contributions

<i>Dollars in Thousands</i>	2021	2020
Interest in SFUCT loss for the year (note 10)	(5,064)	
Amortized to income in the year	652	652
Income Recognized in the Year as Restricted Endowment Contributions (note 22)	(4,412)	652

15c/ SFU Community Trust endowment component of accumulated surplus

<i>Dollars in Thousands</i>	2021	2020
Interest in SFUCT cumulative income (note 10c)	56,793	61,857
Less: deferred lease proceeds	(58,464)	(59,116)
Life-to-date SFUCT Income Recognized as Endowment Contributions	(1,671)	2,741
Base rent revenue earned (note 10d)	1,095	1,095
Initial settlement of investment into SFUCT	40	40
Life-to-date capitalized investment income	8,143	7,755
SFUCT Endowment Component of Accumulated Surplus	7,607	11,631
Total non SFUCT Endowment	385,310	369,125
Endowment	392,917	380,756

16. TANGIBLE CAPITAL ASSETS

16a/ Tangible capital assets - net book value

<i>Dollars in Thousands</i>	Cost	Accumulated Amortization	2021	2020
Buildings - concrete	1,197,809	283,152	914,657	864,415
Buildings - wood	43,131	19,316	23,815	24,992
Site services	78,632	21,298	57,334	54,683
Leasehold improvements	9,815	2,998	6,817	3,157
Computer equipment	72,803	37,056	35,747	41,797
Equipment & furnishings	122,156	67,779	54,377	50,376
Library books	94,862	47,464	47,398	47,723
Land	33,080		33,080	33,080
Assets under construction	140,703		140,703	96,136
Total	1,792,991	479,063	1,313,928	1,216,359

Accounting policy

Tangible capital assets are initially recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Contributed tangible capital assets are recorded at fair market value at the date of contribution. Amortization is recorded on a straight-line basis over the estimated useful life of the asset.

Estimated useful life of tangible capital assets

<i>Life in Years</i>	
Buildings - concrete	50
Buildings - wood	30
Site services	50
Leasehold improvements	Term of lease 7 - 10
Computer equipment	3
Equipment and furnishings	8
Library books	10

Land is not amortized as it is considered to have an unlimited useful life. Assets under construction are not amortized until the asset is put into productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the university's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. There were no write downs of tangible capital assets in 2021 (2020: nil).

Works of art and cultural assets, which include the university's art collection and the SFU Bill Reid Gallery collection, are not recognized as assets in the Consolidated Financial Statements. In 2021, additional donated works of art with an appraised value of \$117,000 (2020: \$198,000) were received. The art collections are insured at a replacement value of \$48,130,000.

Inventories held for use are recorded at the lower of cost and replacement cost. Prepaid lease expense is capitalized and amortized over the term of the related lease.

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. Where an estimate of value could not be made, contributed tangible capital assets are recognized at a nominal value. The value of contributed assets received during the year is approximately \$896,000 (2020: \$1,034,000).

Additions to buildings during the year include capitalized interest of \$nil (2020: \$nil).

16b/ 2021 Tangible capital asset cost - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Additions (Transfers)	Disposals	2021
Buildings - concrete	1,128,978	73,691	(4,860)	1,197,809
Buildings - wood	42,893	238		43,131
Site services	74,444	4,188		78,632
Leasehold improvements	5,262	4,553		9,815
Computer equipment	76,541	19,518	(23,256)	72,803
Equipment & furnishings	110,614	20,427	(8,885)	122,156
Library books	94,744	9,156	(9,038)	94,862
Land	33,080			33,080
Assets under construction	96,136	44,567		140,703
Total	1,662,692	176,338	(46,039)	1,792,991

16c/ 2021 Tangible capital assets amortization - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Amortization	Disposals	2021
Buildings - concrete	264,563	23,449	(4,860)	283,152
Buildings - wood	17,901	1,415		19,316
Site services	19,761	1,537		21,298
Leasehold improvements	2,105	893		2,998
Computer equipment	34,744	25,568	(23,256)	37,056
Equipment & furnishings	60,239	16,425	(8,885)	67,779
Library books	47,020	9,482	(9,038)	47,464
Total	446,333	78,769	(46,039)	479,063

16d/ 2020 Tangible capital asset cost - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Additions (Transfers)	Disposals	2020
Buildings - concrete	1,054,802	79,314	(5,138)	1,128,978
Buildings - wood	37,770	5,123		42,893
Site services	69,508	4,936		74,444
Leasehold improvements	4,726	536		5,262
Computer equipment	63,181	34,557	(21,197)	76,541
Equipment & furnishings	114,972	15,127	(19,485)	110,614
Library books	93,623	9,976	(8,855)	94,744
Land	33,080			33,080
Assets under construction	73,037	23,099		96,136
Total	1,544,699	172,668	(54,675)	1,662,692

16e/ 2020 Tangible capital assets amortization - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Amortization	Disposals	2020
Buildings - concrete	247,674	22,027	(5,138)	264,563
Buildings - wood	16,573	1,328		17,901
Site services	18,315	1,446		19,761
Leasehold improvements	1,482	623		2,105
Computer equipment	31,977	23,964	(21,197)	34,744
Equipment & furnishings	62,260	17,464	(19,485)	60,239
Library books	46,457	9,418	(8,855)	47,020
Total	424,738	76,270	(54,675)	446,333

16f/ Assets under construction by asset class

<i>Dollars in Thousands</i>	2021	2020
Buildings - concrete	127,010	81,974
Buildings - wood	313	
Site services	7,773	5,838
Leasehold improvements	4,422	6,772
Equipment & furnishings	1,185	1,552
Assets Under Construction	140,703	96,136

The three largest concrete buildings under construction as at March 31, 2021: SFU Student Housing Phase 1, \$69,588,000, the Lorne Davies Stadium, \$21,272,000 and the Student Housing Dining Hall \$16,148,000.

The university has entered into a financing arrangement under which the university will transfer its interest in certain cash flows of the phase 1 student housing building currently under construction. Substantial completion is expected in 2022, at which time the university will receive \$59,256,000 which will be amortized over the expected term of the agreement.

17. DEFERRED CAPITAL CONTRIBUTIONS

Accounting policy

Funding received or contributed for the acquisition of depreciable tangible capital assets is recorded as deferred capital contributions and is amortized to income at the same rate that the related tangible capital assets are amortized to expense. This is not consistent with the requirements of Canadian Public Sector Accounting Standards which require that government transfers be recognized when approved and eligibility criteria have been met, unless the transfer contains a stipulation that creates a liability, in which case the transfer is recognized over the period that the liability is extinguished. Note 17c quantifies the impact of this difference.

This accounting for deferred capital contributions is in compliance with the requirements of the Budget Transparency and Accountability Act of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it.

As described in notes 2a and 2c(v), contributions restricted for capital purposes are deferred and amortized to revenue over the estimated life of the related assets..

17a/ Change in deferred capital contributions

<i>Dollars in Thousands</i>	2021	2020
Balance, beginning of year	599,312	578,590
Contributions in the year	55,262	60,949
Amortized to revenue	(42,597)	(40,227)
Balance, End of Year	611,977	599,312

17b/ Source of deferred capital contributions, end of year

<i>Dollars in Thousands</i>	2021	2020
Province of British Columbia	456,338	443,958
Government of Canada	97,678	95,372
Other	57,961	59,982
Balance, End of Year	611,977	599,312

The impact of the difference between FRF and PSAS on the consolidated financial statements of the university would be as follows:

17c/ Difference between FRF and PSAS

<i>Dollars in Thousands</i>	FRF	PSAS	FRF	PSAS
	2021		2020	
Non-financial assets				
Deferred capital contributions	611,977		599,312	
Accumulated Surplus				
Accumulated surplus	11,999,100	1,811,077	1,085,648	1,684,960
Revenue				
Government grants and contracts	354,777	410,039	320,874	381,823
Amortization of deferred capital contributions	42,597		40,227	
Annual Operating Surplus				
Annual operating surplus	53,485	66,150	61,895	82,617

18. NET ASSETS

18a/ Net assets

<i>Dollars in Thousands</i>	2021	2020
Internally restricted for operating commitments		
Departmental operating budget carryover	57,960	48,051
Internal advance for tangible capital assets	(26,000)	(27,000)
	31,960	21,051
Internally funded research	35,655	30,073
Net operating	67,615	51,124
Ancillary operations	15,940	26,122
Specific purpose	24,611	24,038
Internally Restricted for Operating Commitments	108,166	101,284
Investment in tangible capital assets, before internal advance	578,348	542,906
Internal advance for tangible capital assets	26,000	27,000
Investment in tangible capital assets	604,348	569,906
Endowment (note 8a)	392,917	380,756
Accumulated Operating Surplus, End of Year	1,105,431	1,051,946
Accumulated remeasurement gains	93,669	33,702
Net Assets, End of Year	1,199,100	1,085,648

18b/ Change in endowment

<i>Dollars in Thousands</i>	2021	2020
Balance, beginning of year	380,756	360,153
Net restricted endowment contributions in the year (note 22)	12,161	20,603
Balance, End of Year	392,917	380,756

18c/ Change in accumulated operating surplus

<i>Dollars in Thousands</i>	Internally Restricted for Operating Commitments	Investment in Tangible Capital	Restricted for Endowment Principal
Accumulated Surplus, beginning of year	101,284	569,096	380,756
Annual operating surplus	53,485		
Increase in investment in tangible capital assets	(34,442)	34,442	
Net restricted endowment contributions (note 22)	(12,161)		12,161
Accumulated Operating Surplus, End of Year	108,166	604,348	392,917

Investment in tangible capital assets is comprised of

Tangible capital assets	1,313,928
Sinking fund investment	3,683
Long-term debt	(190,888)
Deferred capital contributions	(611,977)
Other net assets invested in capital	76,516
Investment in GNWCT	13,086
Investment in Tangible Capital Assets	604,348

19. GOVERNMENT GRANTS AND CONTRACT REVENUE

<i>Dollars in Thousands</i>	Budget	2021	2020
Province of British Columbia			
Operating		261,309	245,378
Sponsored research		2,256	1,512
Specific purpose		12,954	12,083
Minor maintenance and rehabilitation		980	980
	257,798	277,499	259,953
Government of Canada			
Operating		8,236	8,694
Sponsored research		45,724	52,112
Specific purpose		17,749	8,368
Tangible capital assets		1,792	970
	62,512	73,501	56,043
Other governments			
Operating			2
Sponsored research		3,601	4,260
Specific purpose		176	616
	2,492	3,777	4,878
Government Grants and Contract Revenue	322,802	354,777	320,874

20. INVESTMENT INCOME

<i>Dollars in Thousands</i>	Operating	Endowment	2021	2020
Interest and dividend income	6,248		6,248	9,006
Realized gains transferred from Consolidated Statement of Remeasurement Gains and Losses	10,701		10,701	5,807
Income from deferred contributions (note 14a)		16,943	16,943	14,881
Investment Income	16,949	16,943	33,892	29,694

21. EXPENSE BY OBJECT

<i>Dollars in Thousands</i>	Budget	2021	2020
Salaries	412,781	448,325	413,651
Employee benefits	80,345	83,266	69,646
Supplies and operating	71,405	57,859	70,093
Amortization of tangible capital assets (note 16c)	74,289	78,769	76,270
Professional and contracted services	44,734	43,412	49,858
Scholarships and bursaries	40,833	46,721	42,026
Travel and personnel	19,710	3,391	18,543
Cost of goods sold	4,791	2,099	4,813
Interest on long-term debt	9,078	9,152	9,157
Utilities	11,632	11,051	11,647
Expense	769,598	784,045	765,704

22. NET RESTRICTED ENDOWMENT CONTRIBUTIONS

Endowment consists of restricted donations to the university. The investment income generated from endowments must be used in accordance with purposes established by donors. Donors, as well as university policy, stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and endowing a portion of investment income in order to maintain purchasing power.

<i>Dollars in Thousands</i>	2021	2020
Donations	6,622	8,065
Capitalized investment income (note 14a)		
Endowment principal addition	6,531	3,463
Preserve purchasing power	3,420	8,423
Equity (loss) gain for the year from SFU Community Trust (note 15b)	(4,412)	652
Net Restricted Endowment Contributions in the Year (note 18b)	12,161	20,603

23. PLEDGES

Accounting policy

Pledges from donors (cash donations and gifts-in-kind) are not recognized as revenue in the consolidated financial statements until the donations are received since their collection cannot be reasonably assured until that time.

Pledges for future years include cash donations of \$38,276,000 (2020: \$39,426,000) and estimated gifts-in-kind of \$nil (2020: nil)

24. CONTINGENT LIABILITIES

From time to time, the university is involved in litigation or proceedings relating to claims arising out of its operations in the ordinary course of business. It is expected that the ultimate outcome of these claims will not have a material effect on the financial position of the university. The majority of these claims are covered by the university's insurance coverage. Any university payouts that may result from these claims will be recorded in the period when it becomes likely and determinable.

The university is a member in a self-insurance cooperative, in association with other Canadian universities, to provide property and general liability insurance coverage. Under the Canadian Universities Reciprocal Insurance Exchange

(CURIE), the university is required to share in any net losses experienced by CURIE beyond the reserves that CURIE has accumulated from member premiums. Members of CURIE have exposure to retroactive premium assessments should the premiums be insufficient to cover losses and expenses. No provision has been made for this potential liability. The university is committed to this insurance arrangement until December 31, 2022.

At March 31, 2021 the university is liable for Letters of Credit in the amount of \$98,224,000 (2020 \$129,266,000) which includes Letters of Credit related to pensions and development arrangements.

25. LIABILITY FOR CONTAMINATED SITES

Accounting policy

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the university is directly responsible or accepts responsibility; and
- (iv) a reasonable estimate of the amount can be made.

The university recognized and estimated a liability of \$4,000,000 (2020: \$3,675,000) for the remediation of a contaminated site resulting from salt leaking from a salt shed into nearby groundwater and surface water. The estimated

total future expenditures are \$4,000,000. The balance is recorded in accounts payable and accrued liabilities. No additional sites were identified in the year.

26. ASSET RETIREMENT OBLIGATIONS

Accounting policy

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of the discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in interest expense as part of determining the results of operations.

The university presently is unable to estimate future obligations related to the removal and disposal of asbestos which is believed to be prevalent throughout University owned buildings built prior to the mid 1980s. At present such estimates can only be provided for buildings that are in the process of being decommissioned. Over the period to

the required implementation in 2023 of a new PSAS standard PS3280 Asset Retirement Obligations the university will be working towards establishing reliable estimates in respect of asbestos removal and disposal throughout all relevant university buildings.

27. CONTRACTUAL RIGHTS

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future.

The university has entered into multi-year research funding agreements whereby it has the opportunity to earn revenue as the university incurs eligible expenditures as defined within funding agreements: 2022 \$9,698,000, 2023 to 2025 \$1,877,000.

28. CONTRACTUAL OBLIGATIONS

The university has entered into multi-year contracts for property leases and the delivery of services. These contractual obligations will become liabilities in the future when the

terms of the contracts are met. Disclosure in the table below relates to the unperformed portion of the contracts.

<i>Dollars in Thousands</i>	2022	2023	2024	2025	2026	Thereafter
Long-term lease	4,986	4,997	5,049	5,046	4,614	14,280
Service contracts	7,717	7,811	527			
Construction contracts	77,621					
Total	90,324	12,808	5,576	5,046	4,614	14,280

29. FINANCIAL REPORTING FRAMEWORK BUDGET

Accounting policy

Budget figures have been provided for comparative purposes and were approved by the Board of Governors on March 19, 2020.

The university is presenting two additional expense functions on the Statement of Operations for the current fiscal year end. The total expense value did not change from the consolidated budget approved by the Board of Governors, but has been restated to align with the functions in these statements.

30. COMPARATIVE AMOUNTS

Certain amounts on the consolidated financial statements for the year ended March 31, 2020 have been restated in order to conform to the presentation adopted in the current year.

31. APPLICATION OF SFU FACULTY ASSOCIATION TO JOIN THE COLLEGE PENSION PLAN OF BRITISH COLUMBIA

During 2021, the university and the SFU Faculty Association (SFUFA), which represents a majority of the active members of the Academic Pension Plan, completed a Collective Agreement which included a requirement for the university to make application to join the College Pension Plan of British Columbia on behalf of SFUFA members.

If accepted, the employees subject to the collective agreement will join the College Pension Plan (CPP), and the university would cease to contribute to the Academic Plan on behalf of SFUFA members, and would instead make contributions to the CPP.

The university would be required to pay certain transition costs to the CPP on behalf of the employees that join. This includes an initial deposit, as well as annual payments over a 20 year period. The present value of the anticipated future cash flows is \$42,600,000. The university believes that it is likely that its application will be approved during the 2022 fiscal year and has recognized this liability in accounts payable and accrued liabilities (note 11).

The collective agreement and pension proposal agreement provide for those transition costs to be recovered from SFUFA members subject to the Collective Agreement over the same time period. As at March 31, 2021 the university had received \$7,090,000 in financial benefits from these individuals, resulting in accounts receivable of \$35,510,000 (note 5).

The CPP is multi-employer joint trustee defined benefit plan. As the assets and liabilities of the CPP are not segregated, the university would account for its interest in the CPP as a defined contribution plan, with contributions to the CPP being expensed as incurred.

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