



SIMON FRASER UNIVERSITY  
THINKING OF THE WORLD

TO: Senate

FROM: Alison Watt  
Director, University Secretariat

DATE: August 27, 2008

SUBJECT: SFU Financial Statements – March 31, 2008

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Section 32 of the University Act states that the board must make an annual report of its transactions to the minister, in which it must set out a balance sheet and a statement of revenue and expenditure for the year ending on the preceding March 31, and other particulars the minister may require. A copy of the annual report shall be transmitted to Senate.

The document is forwarded to Senate for information.

*Alison Watt*

NOTE:

If you do not wish to keep a copy of the Financial Statement, please return it to Bobbie Grant, Senate & Academic Services, Student Services, MBC 3102

ON THE COVER SFU Contemporary Arts is relocating to a new education and performance centre in the Woodward's redevelopment in Vancouver's Downtown Eastside.

# SFU FINANCIAL STATEMENTS

MARCH 31, 2008



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ADDITIONAL RESOURCES AVAILABLE ONLINE:  
[www.sfu.ca/finance/accounts](http://www.sfu.ca/finance/accounts)

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**DR. MICHAEL STEVENSON**  
PRESIDENT

Simon Fraser University has a goal to provide the best liberal arts and science education in Canada, differentiating itself through interdisciplinary academic programs, student-centred teaching, successful research innovation, and valuable engagement with the external community.

In 2007/08, our exceptional faculty, staff, students, alumni, and community partners helped us embrace this goal and achieve outstanding progress towards it.

Responding to the factors that shape the delivery of higher education and research, SFU has made strides in 2007/08 that will provide a foundation for further development:

- ▮ cultural and global priorities signify the need for new programs centering on the environment, public health, and contemporary arts and technology;
- ▮ demographic forecasts in student populations call for new recruitment initiatives, both nationally and internationally, as well as providing lifelong learning opportunities to a broader range of students;
- ▮ infrastructure developments are required to accommodate

- ▮ new teaching methods and research programs; and
- ▮ economic challenges influence the availability of resources and affect where we choose to invest.

Evaluating how we respond to these factors has been a large part of 2007/08, and the results provide a basis for moving forward.

The year concluded a rigorous review of our academic operations. The evaluation of our faculty structure will lead to a reorganization of our curriculum, and the implementation of new faculties of the Environment, and Contemporary Arts, Communication and Design. Completion of the new buildings at our Burnaby campus for the Faculty of Health Sciences, and



### Board of Governors

Left to right:

Michael Francis, Deputy Chair  
Daniel U. Pekarsky  
Barry Macdonald (term ended February 2008)  
Saida Rasul (term ended February 2008)  
Jeanette McPhee  
Derrick Harder  
Pauline Rafferty  
Paul Percival  
Michael Stevenson, President and Vice-Chancellor  
Judy Zaichkowsky  
Nancy McKinstry, Chair  
Paulette Johnston

Members not appearing in the photograph:

Brandt C. Louie, Chancellor  
C. A. Apaak  
Peter Dhillon (new member effective February 2008)  
Robert Elton  
Brian E. Taylor (new member effective February 2008)

## 19. Change in Accounting Policy

Effective April 1, 2007, the University adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. CICA 3855 Financial Instruments—Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3861 Financial Instruments Disclosures and Presentation and CICA 3865 Hedges discuss the presentation and disclosure of these items. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

Transactions entered in to prior to the adoption of these recommendations have not been retroactively designated. In accordance with the transitional provisions, the prior year comparative figures have not been restated.

Pursuant to the requirements of these financial instruments standards, the University now classifies and recognizes its financial assets and liabilities as described in the Summary of Significant Accounting Policies. Upon adoption, the University remeasured its held-for-trading financial assets at their fair value, and its held-to-maturity investments, loans and receivables and other liabilities at their amortized cost. This resulted in an increase to investments at April 1, 2007 of \$40,517,000 and was accounted for as follows:

<i>(Dollars in thousands)</i>	2008
Operating net assets	3,904
Deferred contributions	36,613
	<b>40,517</b>

## 20. Asset Retirement Obligation

In accordance with Generally Accepted Accounting Principles, the University recognizes asset retirement obligations where a reasonable estimate of the fair market value of the obligation and the future settlement date of the retirement of the asset can be determined. The University has identified potential asset retirement obligations relating to removal and disposal of environmentally hazardous building materials in some facilities that may be incurred upon major upgrades or demolition in the future. At this time, the University has not recognized these asset retirement obligations as there is an indeterminate settlement date of any potential future demolition or renovation of the facilities and therefore the fair value can not be reasonably estimated.

## 2007/08 PROGRESS

- Exceeded enrolment targets for both undergraduate and graduate students
- Completed the Arts and Social Sciences Complex on Burnaby Mountain
- Maintained fundraising at \$32 million
- Won teaching and research awards: Malgorzata Dubiel, named 3M National Teaching Fellowship
- Increased research revenues to \$67 million
- Achieved "Go Green" certification from the International Building and Owner Managers Association (IBOMA)
- Built strategic partnerships: MOU signed between SFU and the Public Health Foundation of India to collaborate on public health in India
- Named one of Canada's Top 10 family friendly employers

the development of the new location for the School for the Contemporary Arts, will provide the necessary facilities for these innovative programs.

Although enrolment is growing, we continue to look for new ways to recruit and retain top students—both across Canada and globally. Our strategic partnerships in China are helping build our international reputation, and new partnerships in Indonesia and Malaysia will further this cause as well. Our goal is not only to create and to develop unique programs of study that will attract the best students, but to provide them with an exceptional university experience once they arrive. We have invested in upgrading the whole process—from streamlining admissions procedures, to renovating classrooms, laboratories and student residences, to offering personalized support to foster student success.

As one of British Columbia's research intensive institutions, building our capacity for innovative research is a key priority. Overcoming the competitive market for attracting top faculty is vital, both for maintaining the ability to offer graduate students with unsurpassed research opportunities, and for winning the research awards that support and fund these endeavours. The success of our faculty in building our research enterprise is

evidenced by our strong level of research funding in 2007/08.

Despite these advancements, this year will also be pivotal from a financial perspective. Economic realities impede our ability to move forward at our desired rate, and this is the third consecutive year that we have funded escalating expenditures from reserves.

The level of government funding for our core operations, despite continuing to increase year over year, is not keeping up with the cost of delivering post-secondary education and research in British Columbia—particularly at a first class level. Changes to our financial position are imperative and we have taken the first steps to turn this around. In the coming year, we will seek out new ways of being the best, while implementing the means to restore our strong financial position.



**DR. MICHAEL STEVENSON**  
PRESIDENT



**PAT HIBBITTS**  
VICE PRESIDENT  
FINANCE & ADMINISTRATION

Consistent with SFU's strategic direction, 2007/08 saw continued focus on the growth and development of the Faculty of Health Sciences and the expansion of programs at the Surrey campus. Enrolment in both these areas climbed and we supported this growth with additional human resources and capital infrastructure. Moreover, we invested in initiatives for improving academic and research quality, and services for our students.

Due to the lack of sustainable government funding and constraints on tuition fees, fiscal prudence continued through 2007/08 and the consolidated financial picture finished in a positive position. Key highlights for the year ended March 31, 2008 are as follows:

- Total revenues increased by 3% to reach \$518.5 million. While competition for research and philanthropic dollars continues to be strong, SFU increased its level of research funding and maintained fundraising targets. As expected, operating revenues from provincial and federal funding increased 3% over 2007, while student fees were up 6% due to a 2% rate increase and the remainder from growth. Total expenditures escalated 7% to \$511.9 million, with salaries and benefits increasing by \$20.5 million.
- Domestic undergraduate enrolment remains strong and

exceeded targets, however international student recruitment continues to be challenging. Undergraduate enrolment at the Surrey campus increased over 30%, and tripled for the Faculty of Health Sciences. Raising our international profile and recruiting students from abroad is a core component of ongoing enrolment initiatives. Demand for academic programs remains strong and we continue to attract top students. The admission average cutoff was 75% in the 2007 fall semester intake, while the admission average for high school admits was 85%.

- Our sponsored research revenue from awards, grants and contracts increased by \$500,000 to \$67 million. The federal government continues to be the largest source of research funding with over \$44 million received from the federal granting councils, and an additional \$11 million from the provincial

#### 14. Pledges

Pledges made by donors to the University for donations to be received in future years are estimated at \$39,429,000 (2007: \$39,313,000). Pledges are not recorded in the financial statements until the related donations are received by the University.

#### 15. Contingencies

Simon Fraser University is the defendant to several unresolved statements of claims. 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.

#### 16. Canadian University Reciprocal Insurance Exchange

The University is a member in a self-insurance co-operative in association with other Canadian universities to provide property and general liability insurance coverage. Under this arrangement referred to as the Canadian University Reciprocal Insurance Exchange (C.U.R.I.E.), the University is required to share in any net losses experienced by C.U.R.I.E. The University is committed to this insurance arrangement until December 31, 2012.

#### 17. Related Entities that are not consolidated

##### TRIUMF

Simon Fraser University is a member along with six (effective April 1, 2008: seven) other universities in a joint venture called the Tri-Universities Meson Facility (TRIUMF) located on the University of British Columbia (UBC) campus. TRIUMF is Canada's National Laboratory for research in Particle Physics. TRIUMF is not incorporated and each University has an undivided fractional interest in all the assets, liabilities and obligations of TRIUMF, except for the land and buildings occupied by TRIUMF, which are owned by UBC. The facility and its operations are funded by federal government grants and the University makes no direct financial contribution and has no expectation of monetary gain from this research venture.

<i>(Dollars in thousands)</i>	2008	2007
<b>Financial Position</b>		
Assets	16,607	9,132
Liabilities	11,466	5,299
Fund balances — restricted	3,371	2,633
other	1,770	1,200
Total liabilities and fund balances	16,607	9,132
<b>Results of Operations</b>		
Revenue	68,524	59,932
Expenses	67,216	58,392
<b>Net revenue for the year</b>	<b>1,308</b>	<b>1,540</b>

##### WCUMBS

The University is one of five University members of the Western Canadian Universities Marine Biological Society (WCUMBS), which operates a research station at Bamfield, British Columbia. The Society is a not-for-profit organization incorporated under the Society Act of British Columbia. The University made no operating grant to the Society in 2008 (2007: \$281,775). Such grants, when made, are recorded as an expenditure by the University. There is no expectation of monetary gain to the University from this venture.

##### SFU COMMUNITY CORPORATION

The University owns all of the outstanding shares of SFU Community Corporation. SFU Community Corporation has no business operations and its sole purpose is to act as the trustee of SFU Community Trust as described in Notes 2. and 9.

##### SF UNIVENTURES CORPORATION

The University owns 100% of the shares of SF Univentures Corporation (SFUV), which was established to promote technology transfer to the private sector. The consolidated assets of SFUV are not considered to be material and are not included in these financial statements.

#### 18. Comparative Amounts

Certain amounts on the financial statements for the year ended March 31, 2007 have been reclassified in order to conform to the presentation adopted in the current year.

## 12. Endowment

Endowment consists of restricted donations to the University. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. 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.

<i>(Dollars in thousands)</i>	2008	2007
Balance, beginning of year	147,667	132,979
Donations	14,431	4,956
Capitalized investment income	5,642	3,892
Equity income for the year from SFU Community Trust (note 9)	(791)	216
Capitalized ¼ share of GNWCT endowment from BC Govt	-	4,250
Deferred investment income capitalized under Burnaby Mountain Matching program	6,277	851
Deferred contributions capitalized pursuant to donor definition of endowment terms & other endowment fundraising	3,676	523
<b>Balance, end of year</b>	<b>176,902</b>	<b>147,667</b>

Income from the University's beneficial interest in SFU Community Trust was recognized as a direct increase in net assets held as endowment principal. Note 9 describes the Trust's sale of 99 year leases that result in recognition of "deferred lease proceeds" amortized to income over the remaining terms of the leases. Funds from the Trust are invested to generate income for the benefit of the endowment.

## 13. Pension Plans

The assets and liabilities of pension plans are not reflected in the University's financial statements. The boards of trustees of these plans represent plan members and the employer and are responsible for the management of the pension plans including the investment of assets and administration of benefits.

### ACADEMIC PENSION PLAN

The University Pension Plan for Academic Staff generally provides benefits on a money purchase basis, but includes an option to members who were in the plan on March 20, 1973 to choose benefits based on years of service, and the average of the highest sixty (60) consecutive months' salary. All contributions to the plan are by the employer. Contributions by the University for the calendar year 2007 were \$9,630,000 (2006: \$8,853,000).

An amendment to the plan in 1981 and a letter of agreement between the University and the Faculty Association in 1990 addressed the funding and the distribution of the formula retirement benefit account. The latest actuarial valuation for this group as at December 31, 2006 shows an actuarial liability of \$25,123,000 against the actuarial value of assets of \$29,209,000 resulting in a surplus of \$4,086,000. The valuation is based on the 1994 Uninsured Pensioners Mortality Table, using an investment rate of return of 6.25% and price inflation of 3%.

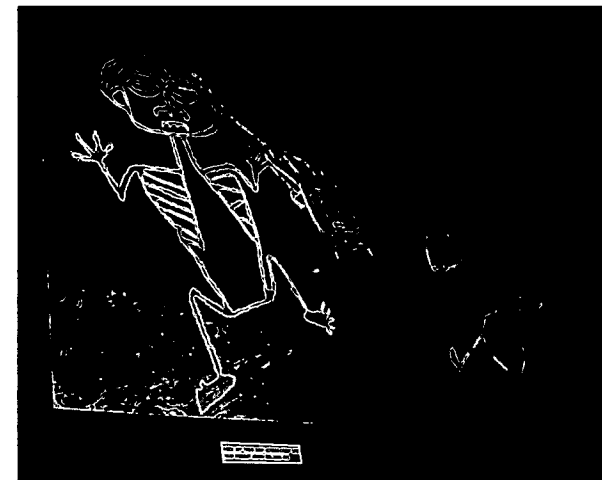
### ADMINISTRATIVE/UNION PENSION PLAN

The University Pension Plan for the Administrative/Union Staff provides benefits based on years of service and the average of the highest sixty (60) consecutive months' salary. Pensions are indexed to CPI up to a maximum of 3% per annum. Under the Pension Plan:

- The University's contribution is based on the amounts estimated by the Actuary and recommended by the Administrative/Union Pension Plan Trustees to the Board of Governors of the University. The University shall contribute to the fund such amounts as the Board of Governors determines are required to fund the retirement benefits. All contributions to the plan are by the employer.
- The latest actuarial valuation as at December 31, 2004 showed an actuarial liability of \$146,772,000 against market value assets of \$148,825,000, resulting in a surplus of \$2,048,000. This surplus is not available to the University as the University shall not suspend or reduce its contribution to the pension fund without the prior approval of the employee organizations. Pursuant to an agreement between the University and the employee organizations, the portion of the surplus in excess of 15% of the defined-benefit portion of the above liabilities with assets taken at market values would be distributed to members. The next valuation will be at December 31, 2007.
- The employer contribution rate is 12.34%, as indicated by the 2004 actuarial valuation. Employer contributions for calendar year 2007 were \$10,047,000 (2006: \$9,202,000).
- The valuation is based on the 1994 Uninsured Pensioner Mortality Table projected to 2015 using mortality projection scale AA, an investment rate of return of 6.25%, and an inflation rate of 2.25%.

### PENSION PLAN FOR CERTAIN MEMBERS

This plan covers four members who contributed to the Teachers Insurance and Annuity Association and College Retirement Equities fund in 1971, and have chosen to remain in the defined contribution plan. University contributions in calendar year 2007 were \$21,600 (2006: \$35,700).



MUSEUM OF ETHNOLOGY AND ARCHAEOLOGY, ARTS AND SOCIAL SCIENCES COMPLEX



LIGHTING AND ARCHITECTURAL DETAILS, ARTS AND SOCIAL SCIENCES COMPLEX

government. An \$8.2 million award for research infrastructure from the Canada Foundation for Innovation and matching \$4 million from BC Knowledge Development Fund was an admirable achievement for our Faculty of Science, Department of Physics. To support our objectives, we enrolled over 3,100 graduate students in 2008.

- University Advancement raised over \$32 million in gifts and pledges in 2008. Notable fundraising achievements included a pledge of over \$3 million from St. Paul's Hospital Foundation, the Heart and Stroke Foundation and Pfizer Canada Inc., for the Pfizer/Heart and Stroke Foundation of BC & Yukon Chair in Cardiovascular Prevention Research at St. Paul's Hospital; a \$4 million gift from the Djavad Mowafaghian Foundation, of which \$1.5 million is for the Containment Lab in Infectious Disease Research and, \$2.5 million is for the Mowafaghian Endowment in Children's Health Policy Research.
- The endowment fund grew to \$177 million in 2008. We received over \$14 million in new endowed donations but investment income fell by 6% over 2006/07 due to market declines.
- Capital projects, which are financed through provincial government funding, federal research councils, fundraising, and advances from SFU's bond fund resulted in over \$55 million of

spending. This included construction of the Health Sciences building, the School for Contemporary Arts at Woodward's, wrap-up of the Surrey campus fit out, and completion of the Arts and Social Sciences Complex on Burnaby Mountain.

- Our six ancillary operations generated over \$33 million in revenues, an increase of 12% over 2007.
- While the year included a number of positive financial gains, challenges lie ahead. Expenditures continue to out pace revenues and our general operating net assets were drawn down from \$13.8 million to \$3.1 million. The University has resolved to look proactively at how we can manage the growing gap between our funding and our costs, and to develop a financial strategy that rebuilds our reserves to adequate levels. Implementation of these measures, while continuing to maintain the quality of our core programs and services, will be a chief priority for 2008/09.

*Pat Hibbitts*

PAT HIBBITTS  
VICE PRESIDENT, FINANCE & ADMINISTRATION



## FINANCIAL HIGHLIGHTS

## TOTAL REVENUE, ALL FUNDS

The University's total revenue rose 3% or \$16.8 million over 2007 to \$518.5 million.

(Dollars in thousands)	2008	2007	Change (%)
Government grants and contracts	274,280	267,455	3
Student fees	141,993	133,998	6
Sales of goods and services	40,075	38,048	5
Gifts, grants and contracts	25,614	27,395	(7)
Investment income	19,185	20,492	(6)
Amortization of deferred capital contrib.	10,822	9,454	14
Miscellaneous income	6,536	4,890	34
<b>Total</b>	<b>518,505</b>	<b>501,732</b>	<b>3</b>

The following significant changes contributed to increased revenues for 2008:

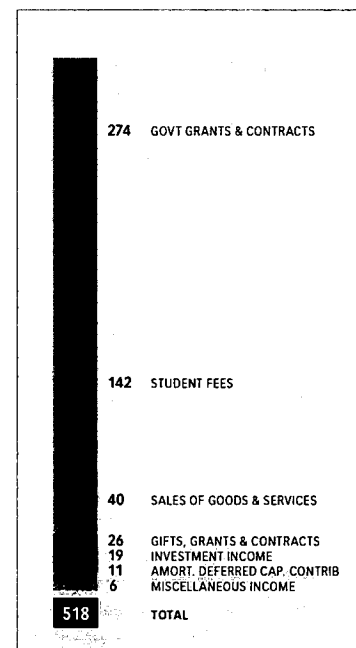
**Government grants and contracts** grew by 3% due to provincial funding increases for student growth and wage settlements.

**Student fees** increased by 6% due to a 2% rate increase and growth in graduate and undergraduate enrolment. Surrey campus enrolment grew by over 30%.

**Investment income** decreased by 6% due to unfavourable market conditions that persisted during 2007/08.

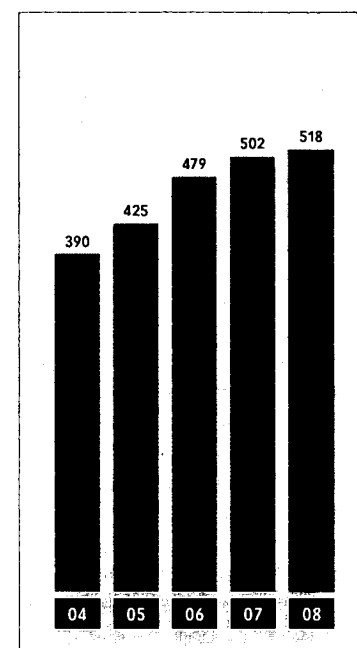
## 1 / REVENUE BY SOURCE

(IN MILLIONS OF DOLLARS)



## 2 / REVENUE 2004-2008

(IN MILLIONS OF DOLLARS)



## SFU COMMUNITY TRUST, FINANCIAL SUMMARY

(Dollars in thousands)	2008	2007
<b>FINANCIAL POSITION</b>		
Total assets	26,834	15,996
Total liabilities	13,007	8,658
<b>Trust balance, end of year</b>	<b>13,827</b>	<b>7,338</b>
<b>RESULTS OF OPERATIONS AND TRUST BALANCE</b>		
Revenue	6,674	8,433
Expenses	8,311	6,152
Net income (loss) for the year	(1,637)	2,281
Trust balance, beginning of year	7,338	7,317
Allocation to beneficiaries during year	-	(2,260)
Transfer of land rights from the University	8,126	-
<b>Trust balance, end of year</b>	<b>13,827</b>	<b>7,338</b>
<b>CASH FLOWS</b>		
Operating activities	7,729	8,375
Investing activities	(9,693)	(5,691)
Financing activities	346	(1,032)
<b>Decrease in cash during the year</b>	<b>(1,618)</b>	<b>(1,652)</b>

## 10. Internally Restricted for Operating Commitments

(Dollars in thousands)	2008	2007
Operating budget carryovers	9,972	15,334
Market adjustment of operating investments, at year end	(1,904)	-
Auxiliaries and special projects	3,048	4,195
Research and other grants	12,548	14,765
	<b>23,574</b>	<b>34,294</b>
Less: accrued but not funded		
Employee future benefits, funded liability	22,135	19,896
Accrued liability	(36,729)	(34,869)
	<b>(14,594)</b>	<b>(14,973)</b>
Unfunded portion		
Vacation pay	(5,820)	(5,440)
	<b>(20,414)</b>	<b>(20,413)</b>
	<b>3,160</b>	<b>13,881</b>

Operating Commitments is composed of carryover funds for faculties and departments under a policy allowing them to carry over unspent budget. It includes unspent balances on specific projects and internally funded research in progress.

Market Adjustment of Operating Investments represents the cumulative gain (loss) to adjust investments related to all activities except endowments from cost to market value. As described in note 19, an accounting policy adopted during the year affects this accounting, and as it was applied retroactively without restatement, there is no comparative amount presented for 2007.

## 11. Internally Restricted for Capital, Lease &amp; Other Commitments

(Dollars in thousands)	2008	2007
Ancillary enterprises	(1,141)	(1,116)
Property and equipment	4,507	8,765
Specific purpose	16,636	17,336
Long term lease commitment	16,096	16,250
Self insurance	521	706
	<b>36,619</b>	<b>41,941</b>

The Ancillary Enterprises represents accumulated funds held for the ongoing operations of ancillaries such as the Bookstore, Food Services, Microcomputer Store, Residences, Parking and Document Solutions.

Property and equipment represents funds restricted to capital projects.

Specific purpose represents funds from various sources that are allocated internally to specific activities.

Long-term lease commitment funds provide for obligations entered into for the occupancy of the University's Harbour Centre facility, which include lease payments, tenant loan payments, a contribution towards operating costs, and to fund amortization of the Prepaid Lease.

During the year, the University prepaid a termination payment due at the expiry of the lease in December 2017 as the terms were favorable to the University. The Prepaid Lease will be amortized over the remainder of the lease.

Commitments in relation to the Harbour Centre lease for the next five years are \$331,000 per year.

Self-insurance funds are held to pay self-insured property and liability losses.



**EQUITY IN SFU COMMUNITY TRUST**

The University records its equity accounted interest in the income (loss) of the Trust as a direct increase (decrease) in net assets held as endowment principal as described in note 12. This amounted to a loss of \$791,000 (2007: income of \$216,000) and was determined as follows:

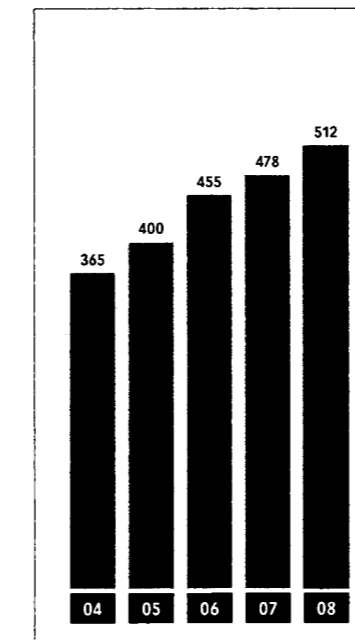
<i>(Dollars in thousands)</i>	2008	2007
<b>NET INCOME FROM TRUST</b>		
Net income (loss) as reported by the Trust	(1,637)	2,281
Adjustment of land value on transfer to Trust realized through sale of leases	227	460
Elimination of rent expense in the Trust paid to SFU	401	-
	<b>(1,007)</b>	<b>2,741</b>
Less: net income deferred to future years to be amortized over terms of leases	-	(2,714)
Portion of income of prior year recognized this year	216	189
<b>Net income, increase (decrease) in net assets held as endowment principal</b>	<b>(791)</b>	<b>216</b>
<b>CHANGE IN DEFERRED LEASE PROCEEDS / EQUITY IN TRUST</b>		
Net income (loss) to University from Trust, per above	(791)	216
Trust allocations to beneficiaries		
Foundation	-	(960)
University	-	(1,300)
Base rent elimination	(401)	-
Change in the year	<b>(1,194)</b>	<b>(2,044)</b>
Balance, beginning of year	(16,710)	(14,666)
<b>Balance, end of year</b>	<b>(17,904)</b>	<b>(16,710)</b>
<b>DEFERRED LEASE PROCEEDS / EQUITY IN TRUST COMPARED TO TRUST BALANCE</b>		
Deferred lease proceeds / equity interest in Trust, end of year, per above	(17,904)	(16,710)
Adjustment of land value on transfer to Trust not realized through sales of leases		
on original transfer	2,971	3,198
on transfer during the year	8,126	-
Income recognized in the Trust, but deferred by the University to be recognized in relation to the underlying leases	20,634	20,850
<b>Trust balance, end of year</b>	<b>13,827</b>	<b>7,338</b>

**TOTAL EXPENSES, ALL FUNDS**

<i>(Dollars in thousands)</i>	2008	2007	Change (%)
Salaries and benefits	308,287	287,829	7
Supplies and services	104,628	95,909	9
Amortization of capital assets	41,858	39,873	5
Scholarships and bursaries	25,828	23,802	9
Cost of goods sold	12,163	11,218	8
Interest & amortization on long-term debt	10,614	7,186	48
Renovations and alterations	8,411	12,313	(32)
<b>Total</b>	<b>511,789</b>	<b>478,130</b>	<b>7</b>

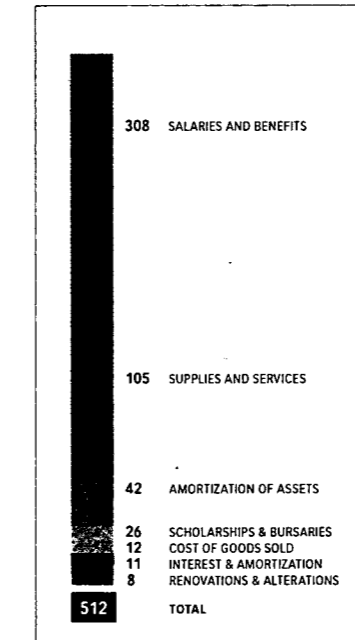
**3 / EXPENSES 2004-2008**

(IN MILLIONS OF DOLLARS)



**4 / EXPENSES BY SOURCE**

(IN MILLIONS OF DOLLARS)



Total expenses for the year increased by 7% to \$512 million. Changes include:

**Salaries and employee benefits** represent 60% of total annual expenses. The increase in salaries of \$20.4 million is due to government funded wage settlements, merit increases, progression through the ranks, and growth in faculty and staff.

**Supplies and services** were higher due to an increase in new facilities-related contracts at the Surrey campus, and an increase in travel costs for field programs.

**Scholarships and bursaries** increased 9% over 2007/08 due to our continuing commitment to provide students in need with financial assistance.

**Renovations and alterations** spending in 2006/07 was elevated due to a one time increase of \$2.5 million in the Annual Capital Allowance grant received in 2006. In 2007/08 spending returned to previous levels.

**Interest on long-term debt** grew 48% due to the completion of construction on many of our major capital projects and as such the interest is no longer being capitalized.



## ASSETS

(Dollars in thousands)	2008	2007
Property and equipment	767,267	699,932
Investments	352,731	300,635
Current assets	50,227	54,285
Prepaid lease	3,066	-
<b>Total</b>	<b>1,173,291</b>	<b>1,054,852</b>

**Property and equipment** is a combination of capital projects for buildings and leasehold improvements, as well as library acquisitions, computers, and furniture and equipment. Capital investment increased by \$67 million. \$55 million was spent on major capital construction for the Health Sciences building, the School for Contemporary Arts at the Woodward's redevelopment, the completion of the Surrey campus and the completion of the Arts & Social Sciences building on Burnaby Mountain; \$16.5 million in computer acquisitions of which \$5 million was donated from IBM Canada; \$14.4 million in furniture and equipment; and \$9.4 million in library collections.



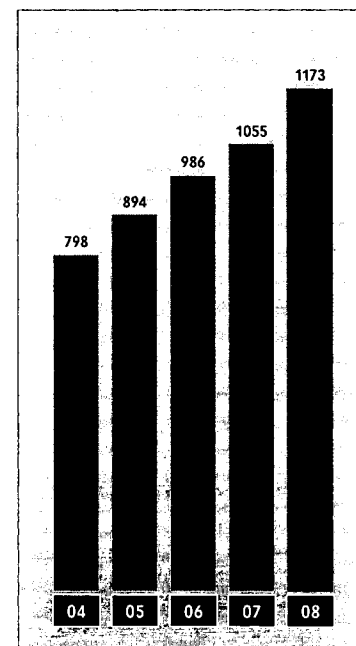
STUDENTS IN NEW COMPUTER LAB, SFU BURNABY CAMPUS

**Investments** consist of endowments and general operating funds. In accordance with the new accounting standards implemented this year, investments for 2008 are reported at market value while the 2007 figure is at cost. The end of year market adjustment at March 31, 2008 for the investment portfolio was an increase in \$13.3 million.

**The prepaid lease** is related to Harbour Centre. It required an \$8 million payment at the end 2017. We had the option of prepaying the obligation by discounting it at an effective rate of 10.5% per year. We have exercised the option and prepaid \$3 million in 2008.

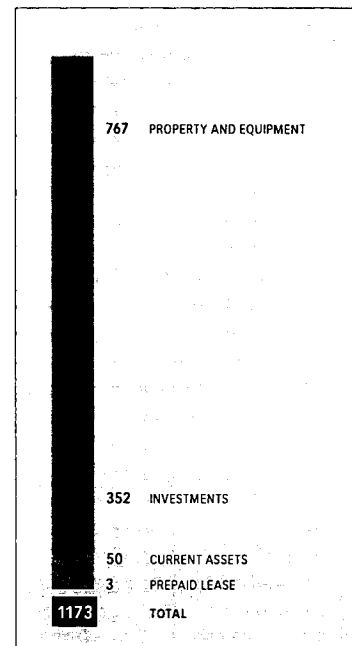
## 5 / ASSETS 2004-2008

(IN MILLIONS OF DOLLARS)



## 6 / ASSETS BY SOURCE

(IN MILLIONS OF DOLLARS)



An actuarial valuation as at March 31, 2006 reports an unaccrued liability of \$9,166,000. This is being amortized over the average remaining service period of active employees covered by the non-pension benefits, which as of March 31, 2008 is 7 years.

The valuation is based on the RP-2000 Mortality table, a discount rate of 5%, price inflation at 2.5% per annum, an extended Health benefit trend rate of inflation plus 6.0% trending down by 0.5% per annum to 3.5%, a Dental trend rate of inflation plus 2% and an MSP Premium trend rate of 2.5%. There are no contributions by the employees to fund this benefit. The next valuation will be as at March 31, 2009.

## 8. Deferred Contributions

Deferred contributions represent unspent resources externally restricted for a particular purpose in a subsequent period.

## Changes in deferred contributions

(Dollars in thousands)	SPONSORED RESEARCH	SPECIFIC PURPOSE	SUBTOTAL	PROPERTY & EQUIPMENT	2008 TOTAL	2007 TOTAL
Opening balance	31,697	14,468	46,165	324,676	370,841	323,030
Opening market adj. for endowment investments (note 19)	-	36,613	36,613	-	36,613	-
Contributions in the year	67,022	19,345	86,367	49,922	136,289	154,619
Decrease in unrealized market value of endowment investments in year	-	(21,364)	(21,364)	-	(21,364)	-
Transferred to revenue	(65,615)	(23,447)	(89,062)	(10,822)	(99,884)	(106,808)
<b>Balance, end of year</b>	<b>33,104</b>	<b>25,615</b>	<b>58,719</b>	<b>363,776</b>	<b>422,495</b>	<b>370,841</b>

Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. The \$363,776,000 of deferred contributions for property and equipment represents the unamortized portion of restricted capital advances relating to assets which were purchased with restricted contributions.

## Deferred contributions, specific purposes

(Dollars in thousands)	2008	2007
External non-research contracts	7,480	7,303
Endowment & other externally restricted spending accounts	2,886	7,165
Market adjustment of endowment investments	15,249	-
<b>Balance, end of year</b>	<b>25,615</b>	<b>14,468</b>

Market adjustment of endowment investments represents the cumulative gain at the end of the year to adjust endowment related investments from cost to market value. These funds are utilized to stabilize funding available for endowment spending and to fund preservation of the capital of endowments. As described in note 19, an accounting policy adopted during the year affects this accounting and as it was applied retroactively without restatement, there is no comparative amount presented for 2007.

## 9. Deferred Lease Proceeds / Related Entities accounted for by the equity method

SFU Community Trust is developing land on Burnaby Mountain known as "UniverCity". The land was settled on the Trust by the University. The Trust is a taxable business trust and must pay income taxes on any taxable income that is not allocated to beneficiaries. The majority of the development is being accomplished by the sale of 99 year leases to developers who will develop residential housing.

SFU Community Trust has two beneficiaries, the University and Simon Fraser University Foundation—whose beneficiary is also the University. The Trust is not consolidated but is accounted for by the equity method with the income amortized over the 99 year terms of the related leases.

Since its inception, the Trust has distributed \$19,800,000 (2007: \$19,800,000) to the University and \$2,060,000 (2007: \$2,060,000) to the Foundation. Cumulatively, the University has, on an equity accounted basis, recognized \$3,477,000 (2007: \$4,269,000) as income capitalized to the endowment. However, the entire actual funds received, \$19,800,000, is invested for the benefit of the endowment.

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

Audited financial statements of the Trust as at December 31st are separately prepared. Information on the equity accounting in the University and a financial summary of the Trust's activities are provided below.

As at March 31, 2008, the University had committed to contracts for the construction and acquisition of buildings that involve future expenditures of approximately \$49,500,000.

### 6. Long-term Debt

(Dollars in thousands)	2008	2007
Demand loan	5,875	2,804
Term loan	4,907	4,249
Mortgages—student residences	1,915	2,051
Mortgages—Verdant	5,045	-
Debentures—senior unsecured	150,000	150,000
Debentures—Province of BC unsecured	11,000	11,000
Unamortized debt discount and issue costs	(9,910)	(10,199)
	<b>168,832</b>	<b>159,905</b>
Current portion	(11,158)	(7,345)
<b>Total long-term debt</b>	<b>157,674</b>	<b>152,560</b>

Demand loan is the University's ¼ share of the Great Northern Way Campus Trust (GNWCT) demand loan and revolving loan. The loan bears interest at prime plus 0.65%, has interest only payments, and the principal is due on demand. Pursuant to an interest rate swap agreement, the interest on \$2,500,000 has been fixed at 5.47% per annum. The debt is secured by a promissory note, general security agreement and first charge over certain properties.

The term loan, secured by a bankers acceptance agreement, bears interest at 3.80% and is due August 15, 2008.

Mortgages secured by student residence buildings bear interest at rates between 5.375% to 6.875% and mature between January 1, 2017 and July 1, 2019 with annual payments of \$248,000 including principal and interest until maturity.

Mortgage secured by the Verdant rental units bears interest at 5.20% to June 3, 2017, matures June 3, 2037 and is payable in quarterly payments of \$84,000.

Senior Unsecured Debentures issued by the University for \$150,000,000 at 5.613% have semi-annual interest payments and mature June 10, 2043. 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.

Debentures issued to the Province of British Columbia, unsecured, pursuant to the Financial Administrative Act, bear interest rates from 8.75% to 9.5%, and mature between 2012 and 2022.

Annual payments including principal and interest and sinking fund payments due within the next five years are as follows:

### Annual payments for the next five years

(Dollars in thousands, with principal & interest)	2009	2010	2011	2012	2013
	21,503	10,185	10,185	10,246	9,867

### 7. Employee Future Benefits

(Dollars in thousands)	GROUP INSURANCE	EARLY RETIREMENT	NON-PENSION BENEFITS	2008 TOTAL	2007 TOTAL
Opening balance	5,811	4,603	24,455	34,869	33,122
Current costs	-	-	1,099	1,099	1,099
Interest on benefit obligation	317	255	1,624	2,196	2,166
Adjustment and amortization of net actuarial loss	-	-	(390)	(390)	(413)
	<b>6,128</b>	<b>4,858</b>	<b>26,788</b>	<b>37,774</b>	<b>35,974</b>
Disbursements	-	(312)	(733)	(1,045)	(1,105)
<b>Balance, end of year</b>	<b>6,128</b>	<b>4,546</b>	<b>26,055</b>	<b>36,729</b>	<b>34,869</b>

#### GROUP INSURANCE

Group insurance is the estimated liability for claims arising from the University's self-insured long-term disability plans. Manulife administers the plans and is reimbursed for disability claims payments plus a service fee, which are recorded as employee benefits expense as incurred. Manulife advises that the gross amount to pay all current claimants to the end of their maximum entitlements is \$10,456,000 (2007: \$9,989,000). Based on historical experience, the maximum potential claim is not paid to all claimants. Accordingly, a lesser amount is accrued for group self-insurance liability, being \$6,128,000 (2007: \$5,811,000).

#### EARLY RETIREMENT

The early retirement amount represents current and future pension payments to employees that took early retirement in the mid 1980's and other employees that receive supplementary pensions. This liability is fully accrued as the actuarial liability at December 31, 2006 was \$4,296,000. The actuarial valuation completed on March 16, 2007 was based on the 1994 Uninsured Pensioners Mortality table, a discount rate of 5% and an inflation rate of 2.25% per annum.

#### NON-PENSION BENEFITS

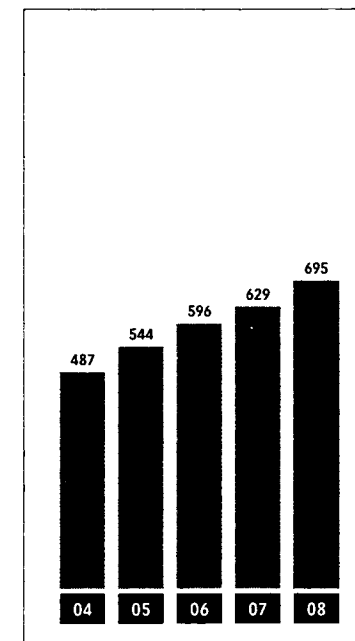
The non-pension benefits amount represents portions of premiums payable to current and eligible future retirees for the Medical Services Plan, Extended Health Benefits and Dental Benefits. New employees are not eligible for this benefit. The accrued benefit liability for non-pension benefits is \$26,055,000 (2007: \$24,455,000).

### LIABILITIES

(Dollars in thousands)	2008	2007
Current liabilities	60,081	51,219
Employee future benefits	36,729	34,869
Long term debt	157,674	152,560
Deferred contributions	58,719	46,165
Deferred contributions for property & equipment	363,776	324,676
Deferred lease proceeds	17,904	16,710
<b>Total</b>	<b>694,883</b>	<b>629,199</b>

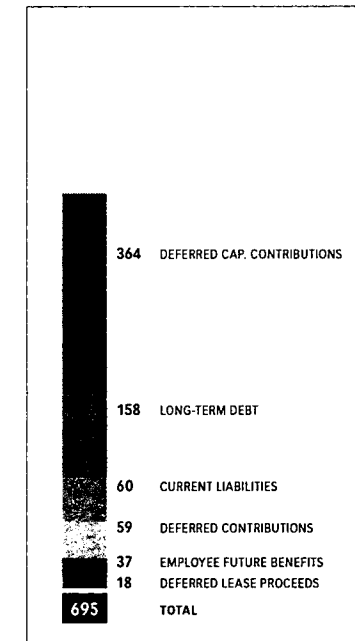
#### 7 / LIABILITIES 2004-2008

(IN MILLIONS OF DOLLARS)



#### 8 / LIABILITIES BY SOURCE

(IN MILLIONS OF DOLLARS)



Long-term debt increased in 2008 was due to an additional \$5 million mortgage for the Verdant housing complex at UniverCity.

Deferred contributions are externally restricted resources that are not recognized as revenue until the related expenses are incurred. The increase in deferred contributions is due to growth in restricted research contributions and other contracts as well as the market adjustment for endowment investments.

Deferred capital contributions represent the unamortized portion of restricted capital advances. The balance has increased due to contributions received for ongoing major capital projects including the Health Sciences building and the Woodward's redevelopment for the School for the Contemporary Arts. The funding is held in deferred capital contributions until the buildings are complete and the related amortization is recorded. The balance also includes amounts for gifts in kind, such as the donation of computers from IBM.



ARCHITECTURAL DETAIL, STUDENT RESIDENCES

**FINANCIAL POSITION, NET ASSETS**

(Dollars in thousands)	2008	2007
Internally restricted for operating commitments	3,160	13,881
Internally restricted for capital & lease commitments	36,619	41,941
Investment in property, plant and equipment	261,727	225,164
Endowment	176,902	147,667
<b>Total</b>	<b>478,408</b>	<b>428,653</b>



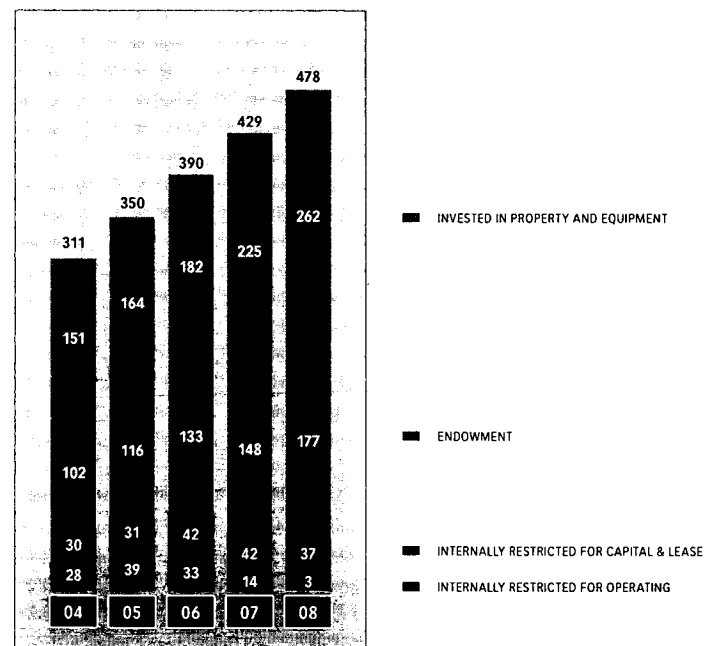
STUDENTS IN SFU'S TOWN SQUARE IN THE UNIVERCITY DEVELOPMENT

**Internally Restricted Operating Commitments** are primarily derived from carry forward balances at the department level and are used to fund non-recurring costs.

**Internally Restricted for Capital and Lease Commitments** are for non-operating commitments which relate principally to capital commitments (\$4.5 million) and long-term lease commitments (\$16 million). They also include reserves for the Specific Purpose Fund (\$16.6 million) which are designated for service contracts.

**9 / NET ASSETS 2004-2008**

(IN MILLIONS OF DOLLARS)



**Capital Disclosures**

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the University's fiscal year beginning April 1, 2008. The University is currently assessing the impact of the new standard.

**3. Cash and Short-Term Investments**

Cash and short-term investments includes demand deposits in Canadian financial institutions and investments maturing in less than one year. Short-term investments are recorded at market value.

(Dollars in thousands)	2008	2007
Cash	20,991	15,032
Cash equivalents	2,699	3,585
Bonds maturing under one year	5,736	15,323
<b>Total</b>	<b>29,426</b>	<b>33,940</b>

**4. Investments**

**Long-term Investments**

(Dollars in thousands)	2008 MARKET	2007 COST	2007 MARKET
Bonds and debentures	145,465	125,880	127,621
Canadian equities	112,026	89,374	117,830
Foreign equities	42,991	42,758	51,041
Long term annuity	12,135	12,021	12,021
Long term promissory note	8,121	8,922	8,922
Sinking fund	5,776	4,604	4,604
Private equities	8,076	3,027	2,637
Vancouver Foundation	7,022	5,305	7,734
Great Northern Way portfolio investments	9,022	6,778	6,778
Donated hedge fund	2,097	1,966	1,966
<b>Total Long-term Investments</b>	<b>352,731</b>	<b>300,635</b>	<b>341,154</b>

Investments include sinking funds held and invested by the Province of British Columbia. These funds totaled \$5,776,000 (2007: \$4,604,000) and will provide for the retirement of debentures issued to the Province at maturity. Annual sinking fund payments due within the next five years are included in the debt repayment schedule in note 6.

**Bonds and Debentures Analysis**

(Dollars in thousands)	2008 MARKET	2007 COST	2007 MARKET
Government bonds			
Federal	21,127	22,766	22,965
Provincial & municipal	26,783	22,351	23,243
	<b>47,910</b>	<b>45,117</b>	<b>46,208</b>
Corporate debentures	32,742	19,869	20,079
Indexed bond fund	64,813	60,894	61,334
<b>Total bonds and debentures</b>	<b>145,465</b>	<b>125,880</b>	<b>127,621</b>

**5. Property and Equipment**

(Dollars in thousands)	COST	ACCUMULATED AMORTIZATION	2008 NET	2007 NET
Buildings				
Concrete	686,496	140,784	545,712	500,290
Wood	22,567	10,814	11,753	12,392
Site services	35,017	10,482	24,535	24,465
Leasehold improvements	11,869	6,855	5,014	5,624
Computing equipment	32,494	7,934	24,560	17,473
Equipment and furnishings	110,250	37,014	73,236	68,305
Library books	76,300	31,095	45,205	43,000
Special collections	7,151	-	7,151	6,574
Land and property rights	30,101	-	30,101	21,809
<b>Total property &amp; equipment</b>	<b>1,012,245</b>	<b>244,978</b>	<b>767,267</b>	<b>699,932</b>

Space in the Central City complex for the Surrey campus is included in buildings. The 429 acres of land in Burnaby is recorded in the financial statements at its 1965 assessed value of \$572,000. A portion of this land is set aside for development by the SFU Community Trust.

interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment. Given the short-term nature of these items their carrying value equates to their fair value.

**Other financial liabilities**

The University has classified accounts payable and long-term debt as other financial liabilities for financial reporting purposes. These liabilities are initially recognized at cost. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

**INVENTORIES**

Inventories of supplies kept at Central Stores are recorded at cost. Inventories of merchandise held for resale in the Bookstore and the Microcomputer Store are recorded at the lower of acquisition cost and net realizable value.

**PROPERTY AND EQUIPMENT**

Property and equipment acquisitions are recorded on the statement of financial position at cost. Donated assets are recorded at fair market value at the date of acquisition. Amortization of property and equipment is recorded on a straight line basis over the estimated life of the asset and commences in the year following acquisition or substantial completion of construction.

**Estimated useful life**

<i>(Time in years)</i>	
Site services	50
Buildings	
concrete	50
wood frame	30
Library books	10
Equipment and furnishings	8
Computing equipment	3
Leasehold improvements	Term of Lease

No amortization is taken on land, property rights, works of art and collections, which include that portion of library assets considered to have permanent value, as they are considered to have an unlimited useful life.

**PREPAID LEASE**

Prepaid lease expense is capitalized and amortized over the term of the related lease.

**DEBT DISCOUNT AND ISSUE COSTS**

Debt discount and costs related to debt issues are capitalized and amortized over the life of the debt.

**USE OF ESTIMATES**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the impairment of assets, provision for doubtful accounts, amortization period for property and equipment, and actuarial assumptions for employee future benefits and pension plans. Actual results could differ from management's best estimates as additional information becomes available in the future.

**NEW ACCOUNTING PRONOUNCEMENTS**

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

**Inventories**

The CICA has issued Section 3031—Inventories, which provides guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard includes guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The University does not expect the adoption of these changes to have a material impact on its financial statements.

**Financial instruments—disclosures and presentation**

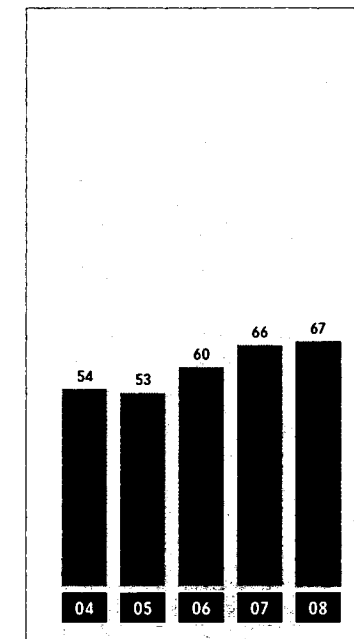
CICA Handbook Section 3862, Financial Instruments—Disclosure, increases disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments—Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for the University's fiscal year beginning April 1, 2008. Adoption of the new standards will result in the University revising its disclosure and carrying its presentation forward unchanged. These include both qualitative and quantitative disclosure about the nature and extent of risk arising from financial instruments and how the University manages those risks.

**SPONSORED RESEARCH REVENUE**

<i>(Dollars in thousands)</i>	
	2008
Federal research councils	29,506
Province of British Columbia	10,784
Canada Foundation for Innovation (CFI)	7,597
Canada Research Chairs (CRC)	5,375
Other sources	13,759
<b>Total</b>	<b>67,021</b>

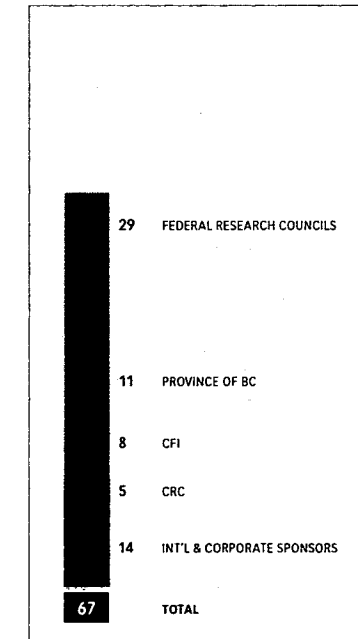
**10 / RESEARCH REVENUE 2004-2008**

*(IN MILLIONS OF DOLLARS)*



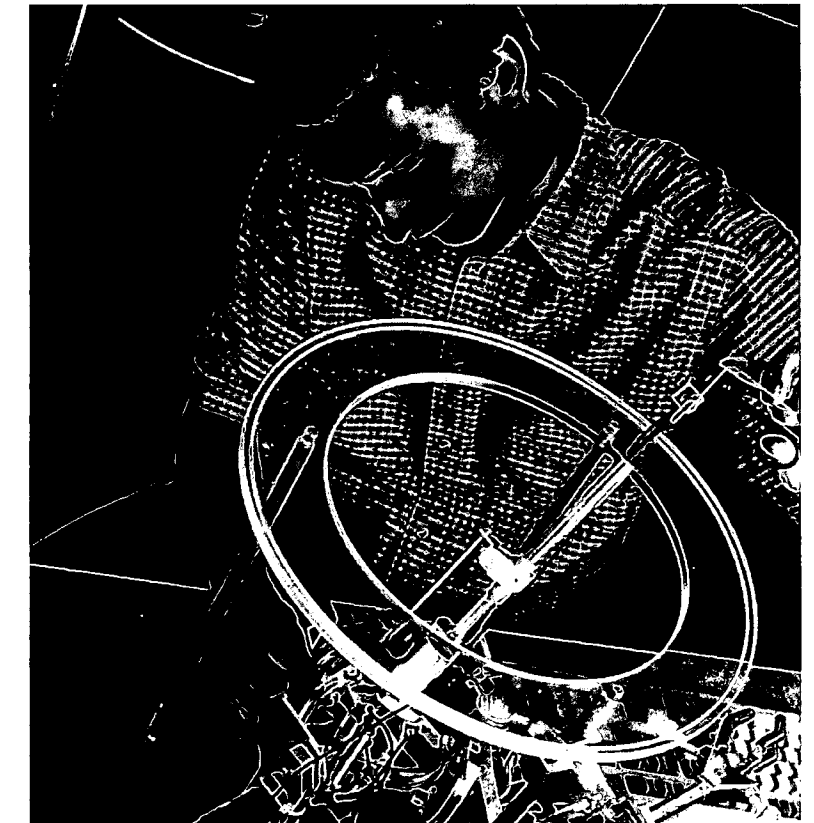
**11 / RESEARCH REVENUE BY SOURCE**

*(IN MILLIONS OF DOLLARS)*



Research is principally funded by the federal granting agencies and the provincial government. At March 31, 2008, there were over 2,000 active research projects with total budgets of over \$127 million. Notable research grants received in the year include a Canada Foundation for Innovation award of \$8.2 million and a \$4 million award from BC Knowledge Development Fund for the Department of Physics, and a 5 year award from Canadian Institute of Health Sciences of \$2.3 million for the Faculty of Health Sciences.

SFU increased its level of sponsored research revenue to \$67 million. Our success in competing for research dollars is attributable to our outstanding faculty and students, and innovative research programs.



**ENDOWMENT FUND**

Endowments are donations that are restricted by the contributor. They are designed to preserve capital and purchasing power. In 2008, donations and capitalized investment earnings of \$29 million increased the endowment fund to \$177 million.

Investments related to the Endowment Fund include not only the net assets of the Endowment Fund but also the deferred lease proceeds from the SFU Community Trust of \$17.9 million. Deferred lease proceed revenue is recognized over the 99 year lease term, but the amount is prepaid and held in the investment portfolio.

The endowment fund investment benchmark is 70% equity securities and 30% fixed income and cash.

**ANCILLARY SERVICES**

The six ancillary Services provide goods and services to the University community. They include:

- ▮ SFU Bookstores located in Burnaby, Harbour Centre, and Surrey.
- ▮ Residences that have accommodation capacity for 1,850 students and provide 14 hotel rooms.
- ▮ Food Services provided through a contractor at seven locations on the Burnaby campus.
- ▮ Parking operates all parking lots and repays debt on the parkade. The U-Pass program is a key initiative to control demand from limited parking spaces and encourage the use of transit for environmental benefits.
- ▮ Document Solutions provides both digital and traditional printing services.
- ▮ Microcomputer Store in the Cornerstone building sells personal computers and supplies to the university community.

Revenues are generated to cover operating expenses, debt service payments, and to provide reinvestment to ensure long-term financial viability. Revenues increased 12% over 2007 to \$33.5 million.

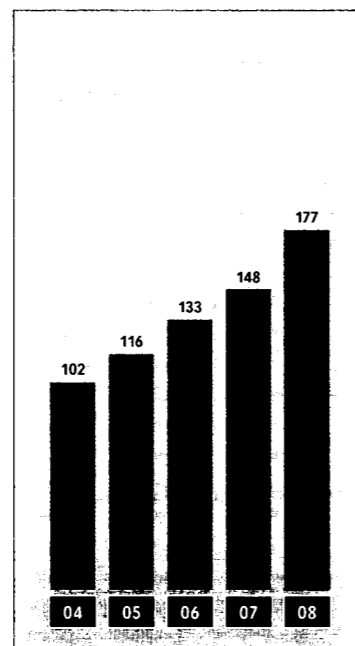
(Dollars in thousands)	2008	2007
Bookstores	13,364	12,182
Residences	12,976	11,479
Parking	4,110	3,629
Microcomputer Store	2,308	2,158
Food Services	690	451
Document Solutions	68	37
<b>Total ancillaries net revenue</b>	<b>33,516</b>	<b>29,936</b>



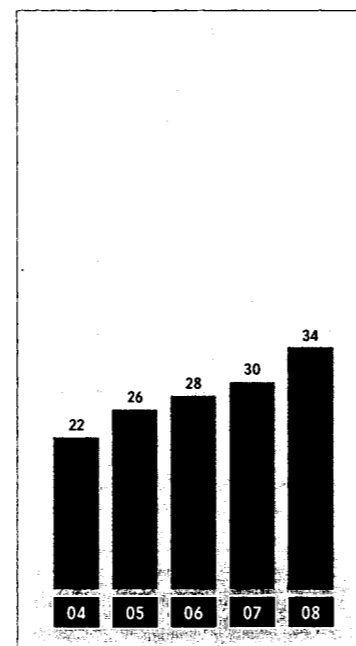
ON-SITE CONFERENCE CATERING AT SFU VANCOUVER'S HARBOUR CENTRE

**12 / ENDOWMENT FUND 2004-2008**

(IN MILLIONS OF DOLLARS)

**13 / ANCILLARIES REVENUE 2004-2008**

(IN MILLIONS OF DOLLARS)

**NOTES TO THE FINANCIAL STATEMENTS**

Simon Fraser University | For the Year Ended March 31, 2008

**1. Authority and Purpose**

Simon Fraser University is an agent of the Crown and operates under the authority of the University Act, R.S. Chapter 468. The purpose of the University is to conduct research and deliver a full range of undergraduate, graduate and continuing studies programs. Simon Fraser University is a not-for-profit entity governed by a Board of Governors, the majority of which are appointed by the provincial government of British Columbia. The academic governance of the University is vested in the Senate. The University is a registered charity and is therefore exempt from income taxes under section 149 of the Income Tax Act. The University receives a significant portion of its revenues from the Province of British Columbia.

**2. Significant Accounting Policies & Reporting Practices****ACCOUNTING METHOD**

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. These principles are consistent with those used in prior years.

The deferral method of accounting for contributions is used. Net assets are reported in relation to general operating, internally restricted, invested in property and equipment, and endowments. Revenues and expenses are recorded on a gross and accrual basis.

**RELATED ENTITIES**

The University's 25% interest in the Great Northern Way Campus Trust is recorded on a proportionate consolidation basis. Simon Fraser University Foundation is consolidated in the accounts of the University. The SFU Community Trust is recorded based on the equity method as described in Note 9.

Details of other corporations and consortiums, in which the University may have a significant interest, are contained in Note 17. These entities are not consolidated in these financial statements as the net assets are not contemplated to be, and are not, readily realizable by the University.

**REVENUE RECOGNITION**

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 contributions until that future period. Other unrestricted revenue, including student fees and sales of goods and services, are reported as revenue at the time the services or products are provided. Unrestricted contributions are recognized as revenue when received.

Externally restricted contributions (grants and donations) are reported as revenue depending on the restrictions on the use of the funds by the contributors.

- ▮ Contributions for specific purposes other than endowment or the acquisition of property and equipment are recorded as deferred contributions and recognized as revenue in the year related expenses are incurred.
- ▮ Contributions restricted for capital purposes are recorded as deferred contributions until the amount is invested in property and equipment.
  - ▮ If the property and equipment acquired is land, property rights or a special collection item, the amount is recorded as a direct increase to net assets invested in property and equipment.
  - ▮ If the property and equipment has a limited life, the amount invested is recorded as a deferred capital contribution and amortized over the useful life of the asset to net assets invested in property and equipment. Amortization of deferred capital contributions for property and equipment is recorded on a straight-line basis over the estimated life of the related assets and commences in the year following acquisition or substantial completion of construction.
- ▮ Endowment contributions, matching contributions and investment income allocated for endowment capital preservation are recognized as direct increases in net assets held for endowments in the period in which they are received or earned.
  - ▮ Gifts-in-kind are recorded at fair market value on the date of their donation or at nominal value when the fair market value can not be reasonably determined.

**FINANCIAL INSTRUMENTS**

The University's financial instruments consist of cash and short-term investments, accounts receivable, long-term investments, accounts payable and long-term debt. These financial instruments are accounted for as follows:

**Held-for-trading**

The University has designated cash and short-term investments and long-term investments on initial recognition as held-for-trading. These instruments are initially recognized at cost. Upon application of the financial instruments accounting policy, they are recognized at their fair value, determined by published price quotations in an active market. Transaction costs to buy or sell these items are recognized in income on the settlement date. Net gains and losses arising from changes in fair value are recognized immediately in income unless funds are externally restricted.

**Loans and receivables**

The University has classified accounts receivable as loans and receivables for financial reporting purposes. These assets are initially recognized at cost. Loans and receivables are subsequently measured at their amortized cost, using the effective

STATEMENT OF  
CASH FLOWS  
SIMON FRASER UNIVERSITY  
2007/08

<i>(Dollars in thousands)</i>		
FOR THE YEAR ENDED MARCH 31, 2008:	2008	2007
<b>OPERATING ACTIVITIES</b>		
Net revenue for the year	6,716	23,602
Items not involving cash		
Amortization of deferred contributions, property & equipment	(10,822)	(9,454)
Amortization of property & equipment	41,858	39,873
Amortization of debt discount and issue costs	289	298
Employee future benefits	1,860	1,747
	<b>39,901</b>	<b>56,066</b>
Changes in non-cash operating balances		
Accounts receivable	(2,133)	16,239
Inventories	487	(77)
Prepaid expenses	1,190	56
Prepaid lease	(3,066)	-
Accounts payable and accrued liabilities	5,049	(12,994)
Deferred contributions	12,554	(499)
<b>Cash provided by operating activities</b>	<b>53,982</b>	<b>53,791</b>
<b>INVESTING ACTIVITIES</b>		
Net increase in long-term investments	(48,194)	(30,835)
Property and equipment acquisitions	(99,292)	(139,112)
Endowment contributions	29,235	14,472
Net equity loss from SFU Community Trust	1,194	-
Distributions from SFU Community Trust	-	2,261
<b>Cash used in Investing Activities</b>	<b>(117,057)</b>	<b>(153,214)</b>
<b>FINANCING ACTIVITIES</b>		
Deferred contributions for property & equipment	49,922	57,764
Long term debt proceeds	8,829	5,577
Debt principal repaid	(190)	(8,283)
<b>Cash provided by Financing Activities</b>	<b>58,561</b>	<b>55,058</b>
Net decrease in cash and short term investments	(4,514)	(39,365)
Cash and short term investments, beginning of year	33,940	73,305
<b>Cash and short term investments, end of Year</b>	<b>29,426</b>	<b>33,940</b>

FINANCIAL STATEMENTS



STATEMENT OF CHANGES IN NET ASSETS SIMON FRASER UNIVERSITY 2007/08

<i>(Dollars in thousands)</i> FOR THE YEAR ENDED MARCH 31, 2008:	INTERNALLY RESTRICTED COMMITMENTS				ENDOWMENT PRINCIPAL
	GENERAL OPERATING	OPERATING	CAPITAL LEASE & OTHER	INVESTED IN PROPERTY & EQUIPMENT	
<b>NET ASSETS, BEGINNING OF YEAR</b>	(20,413)	34,294	41,941	225,164	147,667
Reclassification of accrued but not funded commitments to Internally restricted	20,413	(20,413)			
As restated	-	<b>13,881</b>	<b>41,941</b>	<b>225,164</b>	<b>147,667</b>
<b>CHANGES FOR THE YEAR</b>					
Opening market adjustment for operating investments (note 19)	3,904				
Net Revenue for the Year	6,716				
Transfers					
Change in restricted for specific commitments	16,043	(10,721)	(5,322)		
Increase in investment in property & equipment	(26,663)			26,663	
Donation of property rights				9,900	
Endowment transactions					
Contributions and other transfers					18,107
Capitalized investment income					11,919
SFU Community Trust equity income (loss) (note 9)					(791)
<b>Net Assets, end of year</b>	<b>0</b>	<b>3,160</b>	<b>36,619</b>	<b>261,727</b>	<b>176,902</b>
Invested in property & equipment represented by					
Property and equipment				767,267	
Sinking fund investment				5,776	
Long term debt, before current portion				(168,832)	
Deferred contributions for property equipment				(363,776)	
Net current assets and liabilities in capital fund				(162)	
Deferred capital contributions				13,333	
Long term donation receivable				8,121	
<b>Invested in property &amp; equipment</b>				<b>261,727</b>	

STATEMENT OF  
OPERATIONS AND  
CHANGES IN NET ASSETS  
SIMON FRASER UNIVERSITY  
2007/08

(Dollars in thousands)

FOR THE YEAR ENDED MARCH 31, 2008:	2008	2007
<b>REVENUE</b>		
Government grants and contracts		
Province of British Columbia	211,811	203,536
Government of Canada	60,941	62,017
other governments	1,528	1,902
Tuition — Credit courses	125,450	118,330
Non-credit courses	7,341	6,894
Other	9,202	8,774
Sales of goods and services	40,075	38,048
Gifts, grants and contracts	25,614	27,395
Investment income	19,185	20,492
Amortization of deferred contributions: property & equipment	10,822	9,454
Miscellaneous income	6,536	4,890
	<b>518,505</b>	<b>501,732</b>
<b>EXPENSES</b>		
Salaries	258,900	242,634
Employee benefits	49,387	45,195
	<b>308,287</b>	<b>287,829</b>
Amortization of property & equipment	41,858	39,873
Scholarships, bursaries & prizes	25,828	23,802
Other operational expenses	25,810	24,734
Travel and personnel expenses	17,837	15,540
Professional fees	17,683	16,703
Materials and supplies	15,246	14,595
Cost of goods sold	12,163	11,218
Interest on long-term debt	10,316	6,888
Contract services	10,135	8,226
Renovations and alterations	8,411	12,313
Utilities	7,801	6,796
Equipment rental and maintenance	5,098	4,620
Grants to other agencies	5,018	4,695
Amortization of bond discount and issue costs	298	298
	<b>511,789</b>	<b>478,130</b>
<b>Net Revenue</b>	<b>6,716</b>	<b>23,602</b>
<b>CHANGES IN NET ASSETS</b>		
Decrease in net assets restricted for commitments	16,043	19,230
Increase in investment in property and equipment	(26,663)	(42,832)
Net change in operating net assets	<b>(3,904)</b>	-
Operating net assets, beginning of year (note 19)	3,904	-
<b>Operating Net Assets, End of Year</b>	<b>-</b>	<b>-</b>

STATEMENT OF MANAGEMENT RESPONSIBILITY

The University is responsible for the preparation of the financial statements and has prepared them in accordance with Canadian generally accepted accounting principles. The financial statements present fairly the financial position of the University as at March 31, 2008 and the results of its operations 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 control 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 financial statements.

The Board of Governors carries out its responsibility for review of the financial statements and oversight of management's performance of its financial reporting responsibilities principally through its Audit Committee. Members of the Audit Committee are not officers or employees of the University. The Committee meets with Management, the internal auditor and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit Committee, with and without the presence of Management.

The financial statements for the year ended March 31, 2008 have been reported on by the Auditor General of British Columbia. The Auditors' Report outlines the scope of their examination and provides their opinion on the fairness of presentation of the information in the statements.



*Michael Stevenson*

DR. MICHAEL STEVENSON  
PRESIDENT

*Pat Hibbitts*

PAT HIBBITTS  
VICE PRESIDENT, FINANCE & ADMINISTRATION  
MAY 13, 2008



Report of the Auditor General  
of British Columbia

To the Members of the Board of Governors of  
Simon Fraser University, and

To the Minister of Advanced Education,  
Province of British Columbia:

I have audited the statement of financial position of *Simon Fraser University* as at March 31, 2008 and the statements of operations and changes in net assets, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of *Simon Fraser University* as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures as at March 31, 2007 and for the year then ended were reported upon by other public accountants who expressed an opinion without reservation in their report dated May 12, 2007.

John Doyle, MBA, CA  
Auditor General

Victoria, British Columbia  
May 13, 2008

STATEMENT OF FINANCIAL POSITION SIMON FRASER UNIVERSITY 2007/08

(Dollars in thousands)	2008	2007
FOR THE YEAR ENDED MARCH 31, 2008:		
<b>ASSETS</b>		
Current Assets		
Cash and short-term investments (note 3)	29,426	33,940
Accounts receivable	16,944	14,811
Inventories	1,563	2,050
Prepaid expenses	2,294	3,484
	<b>50,227</b>	<b>54,285</b>
Investments (note 4)	352,731	300,635
Property and equipment (note 5)	767,267	699,932
Prepaid lease (note 11)	3,066	-
<b>Total assets</b>	<b>1,173,291</b>	<b>1,054,852</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued liabilities	48,923	43,874
Current portion of long-term debt (note 6)	11,158	7,345
	<b>60,081</b>	<b>51,219</b>
Employee future benefits (note 7)	36,729	34,869
Long-term debt (note 6)	157,674	152,560
Deferred contributions (note 8)	58,719	46,165
Deferred contributions for property and equipment (note 8)	363,776	324,676
Deferred lease proceeds (note 9)	17,904	16,710
	<b>694,883</b>	<b>626,199</b>
<b>NET ASSETS</b>		
Operating	-	-
Internally Restricted for commitments		
Operating (note 10)	3,160	13,881
Capital, lease and other (note 11)	36,619	41,941
Invested in property and equipment	261,727	225,164
	<b>301,506</b>	<b>280,986</b>
Endowment (note 12)	176,902	147,667
	<b>478,408</b>	<b>428,653</b>
<b>Total Liabilities and Net Assets</b>	<b>1,173,291</b>	<b>1,054,852</b>

Approved:

NANCY MCKINSTRY  
CHAIR, BOARD OF GOVERNORS

PAT HIBBITTS  
VICE PRESIDENT, FINANCE & ADMINISTRATION

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