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SFU

SIMON FRASER UNIVERSITY
THINKING OF THE WORLD

TO: Senate

FROM: Kate Ross
Registrar and Secretary of Senate

DATE: August 27, 2009

SUBJECT: SFU Financial Statements – March 31, 2009

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.

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

SFU

Simon Fraser University
Annual Financial Report

MARCH 31, 2009

www.sfu.ca/finance

The Design Group, University Relations
SFU Document Solutions
Greg Ehlers & Dale Northey, LIDC

SFU THINKING OF THE WORLD



BOARD OF GOVERNORS

Standing (Left to Right)

- Brandt C. Louie, Chancellor**
- Brian Taylor**
- Kevin Harding**
- Michael Francis, Board Chair**
- Paul Percival**
- Lynda Brown-Ganzert**
- Robert Elton**
- Judy Zaichkowsky**
- Michael Stevenson, President and Vice-Chancellor**

Seated (Left to Right)

- Daniel U. Pekarsky, Deputy Board Chair**
- Natalie Bocking**
- Jeanette McPhee**
- Peter Dhillon**

Members not appearing in the photograph

- Nancy McKinstry**
- Andrew Barton**

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DR. MICHAEL STEVENSON
PRESIDENT

Along with many other institutions, SFU experienced significant market value losses in its investment portfolios due to the economic crisis and the severe decline in financial markets that gripped the world in 2008. While the impact on the year's financial statements is evident, future effects on pension funds, endowment spending, fundraising, and government spending are being cautiously anticipated.

Despite the financial picture, SFU has been highly successful in delivering and advancing its academic programs and research endeavours. SFU remains in the top tier in natural sciences, social sciences, and humanities and has experienced continuing success in these areas. The pursuit of program differentiation and strategic innovation continues to offer students opportunities to study and research in areas that cross disciplinary boundaries and are innovative in thought and application.

SFU's enrolment growth is a testament to the quality of the institution. Student demand for SFU's programs remains strong, particularly at the Surrey campus which is well positioned to provide post-secondary education to the growing population seeking entry to university. The University's presence in downtown Vancouver will also be elevated in the coming year with the opening of the School for the Contemporary Arts at Woodward's.

SFU's faculty, students, athletes, staff, and alumni continue to contribute to the enrichment of the University through nationally and internationally recognized accomplishments. SFU retained its position at the head of Canada's comprehensive universities, with major achievements in research and continued success in the recruitment of first

rate faculty and students. The new fiscal year begins with the launch of two new faculties, the Faculty of Environment and the Faculty of Communication, Art and Technology, as well as the re-focusing of the Faculty of Applied Sciences. The development and growth of these faculties is tremendously promising because of their compelling strategic importance to the University, the province, and the global community.

The growth and renovation of physical infrastructure continues at all three campuses. This fiscal year saw the completion of Blusson Hall (right), the new building for Health Sciences; on-going construction at the Woodward's redevelopment in Vancouver for the School for the Contemporary Arts; and active planning for new science and technology facilities in Surrey. In addition, student housing at both Burnaby and Surrey continue to be a priority and the renovated graduate residence, Hamilton Hall, opens in May 2009.

As governments wrestle with measures to stimulate the economy, the importance for continuing investment in research and education has been repeatedly voiced. Federal and provincial budgets support the fundamental importance of investment in universities in order to allow the province and country to emerge from the current recession with a revitalized economic order. This is a cause for optimism which will sustain SFU in its quest for innovation, engagement, and excellence.

DR. MICHAEL STEVENSON
PRESIDENT

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 assets of SFUV are not material to these financial statements.

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.

21. COMPARATIVE AMOUNTS

Certain amounts on the financial statements for the year ended March 31, 2008 have been reclassified in order to conform to the presentation adopted in the current year.

22. PRIOR PERIOD ADJUSTMENTS

In order to more distinctly communicate the impact of investment performance on the financial position of the University, net assets internally restricted for commitments- operating, was increased by \$6,070,000 at the beginning of the year from \$3,160,000 to \$9,230,000; and net assets operating - operating investments income (loss) stabilization was decreased at the beginning of the year from nil to a deficit balance of \$6,070,000 to record the 2008 deficiency of operating investment returns in comparison to the budget for the year (notes 10 & 11).

Net assets internally restricted for commitments- capital, lease and other has had the balance at the beginning of the year retroactively restated to decrease the balance by \$840,000 from \$36,619,000 to \$35,779,000 (note 12) and the balance deferred contributions at the beginning of the year has been retroactively restated by \$840,000 from \$58,719,000 to \$59,559,000 (note 8) to correct the classification of a project balance.

23. FINANCIAL INSTRUMENT RISKS

The University through its financial assets and liabilities is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2009.

Credit Risk

Credit risk is the risk that the University will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the University to credit risk consist primarily of cash and short term investments and accounts receivable. The university has an investment policy to ensure investments are managed appropriately to secure the preservation of capital and the availability of liquid funds. The University has also retained qualified investment firms to invest surplus funds in accordance with its investment policy. The majority of receivables are due from students, government and government agencies.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The University is exposed to some foreign exchange risk as some investments, revenue and expenses are dominated in foreign currencies.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Investments bear some interest rate risk but these risks are mitigated through the diversification of the portfolio. Long-term debt, almost entirely, has interest rates fixed for long periods of time with the debt intended to be repaid over its stated term.

Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market (see note 2: financial instruments).

Liquidity Risk

Liquidity risk is the risk that the University will not be able to meet its obligations as they fall due. The University maintains adequate levels of working capital to ensure all its obligations can be met when the fall due (see note 2: financial instruments)

24. CAPITAL DISCLOSURES

The University considers its capital to be its net assets, operating, restricted and capital. Its restricted net assets consist of amounts for future commitments (See Note 10, 11, and 12) and amounts invested in property and equipment assets. The University's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide services to its students and research funding agencies. Annual budgets are developed and monitored to ensure the University's capital is maintained at an appropriate level. The University has no external restrictions imposed on its capital.

to the time of next actuarial valuation, this may necessitate a higher contribution rate by the University; however, management continues to view the assumption of long-term investment rate of return to be reasonable and appropriate.

Pension Plan for Certain Members

This plan covers two 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 2008 were \$9,300 (2007: \$21,600).

16. CONTINGENCIES

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.

As described in the foregoing note 15, the University has a contingent liability of \$21,772,000 in relation to the Administrative/Union Pension Plan.

17. 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 (CURIE), the University is required to share in any net losses experienced by CURIE, beyond the reserves that CURIE has accumulated from member premiums. Subscribers to CURIE have exposure to premium retro-assessments should the premiums be insufficient to cover losses and expenses. The University is committed to this insurance arrangement until December 31, 2012.

18. PLEDGES

Pledges made by donors to the University for donations to be received in future years are estimated at \$32,320,000 (2008: \$39,429,000). Pledges are not recorded in the financial statements until the related donations are received by the University.

19. RELATED ENTITIES THAT ARE NOT CONSOLIDATED

TRIUMF

Simon Fraser University is one of six universities in a joint operation called the Tri-Universities Meson Facility (TRIUMF) located on the University of British Columbia (UBC) campus. On April 1, 2009 a seventh university became a member of the joint operation. 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.

\$ in thousands	2009	2008
FINANCIAL POSITION		
Total assets	16,845	16,607
Total liabilities	13,685	11,466
Fund balances		
restricted	3,845	3,371
other	(685)	1,770
	16,845	16,607
RESULTS OF OPERATION		
Revenue	60,541	67,669
Expenses	62,522	66,361
Net Revenue (loss)	(1,981)	1,308

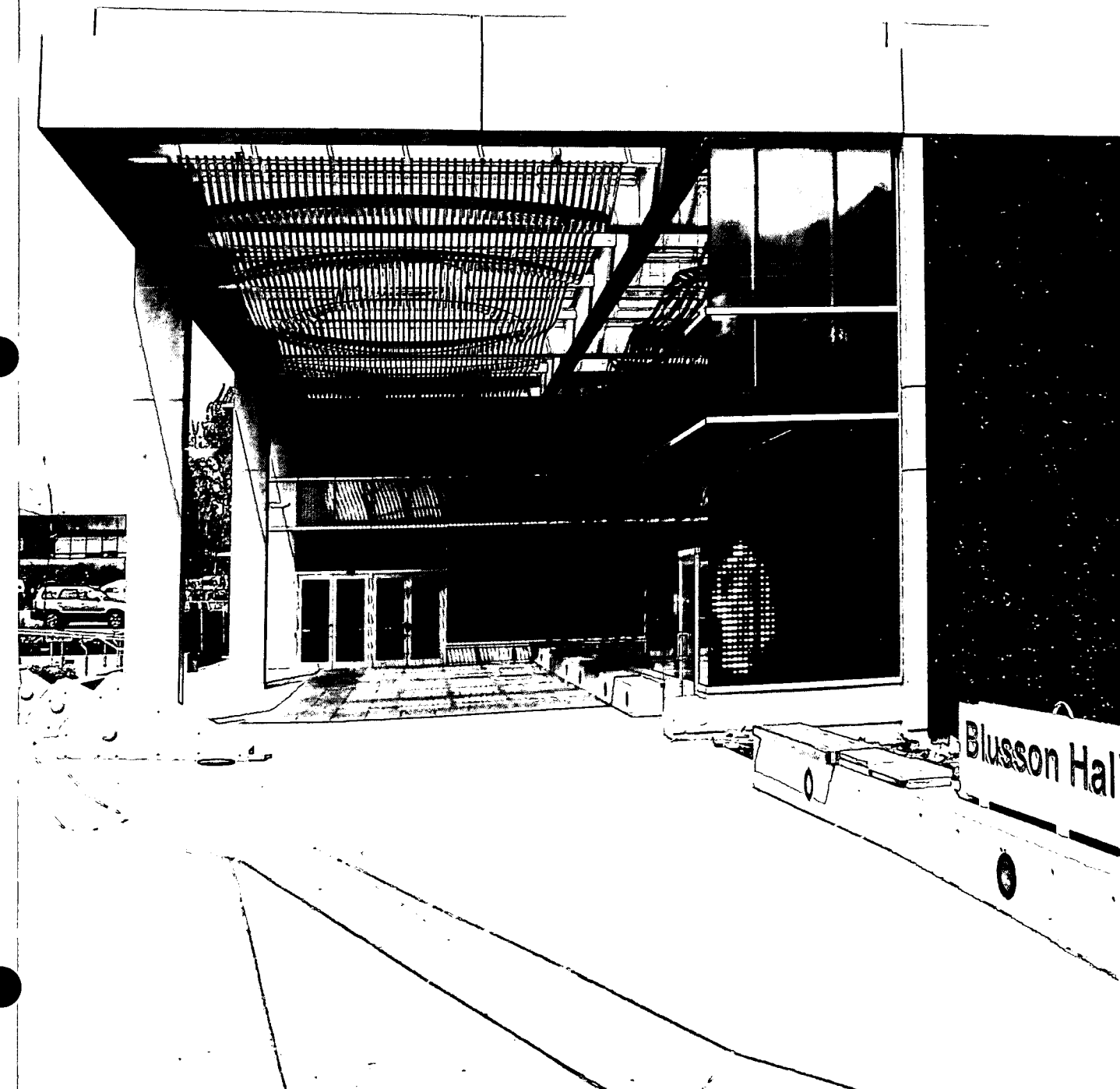
WCUMBS

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 a grant to the Society in 2009 of \$308,000 (2008 - nil). 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.

Designed by Vancouver-based architects Busby, Perkins and Will, Health Sciences' Blusson Hall exceeds Leadership in Energy and Environmental Design (LEED) Silver standards with a green roof, sustainably harvested wood products, limited use of off-gassing construction materials, storm-water collection for irrigation, radiant-floor heating and abundant natural light. The Faculty of Health Sciences has a cell-to-society focus in infectious disease, environmental health, mental health and addictions, and global health.





DR. PAT HIBBITTS
VICE PRESIDENT
FINANCE & ADMINISTRATION

The 2008/09 fiscal year commenced with a last minute reduction in the provincial operating grant. The considerable \$6 million cut came on the heels of finalizing a budget which had already incorporated a reduction in expenses of \$9 million. The cuts initiated a hiring freeze, further curtailment of discretionary spending, and the use of cash reserves to successfully present a balanced operating budget to the Board of Governors. That was the beginning of the financial challenges for the fiscal year.

The deteriorating economy and relatively sudden crash in financial markets impacted the entire global economy. By fall 2008, world markets had lost an estimated 30 per cent of their value since the beginning of the year, and SFU watched as the value of its investments plummeted by 22 per cent by early 2009. However, the overall loss of market value for the year is only 16 per cent. Moreover, equity markets are continuing to recover and investments have continued to rebound since the beginning of the new fiscal year. In the meantime, the impact on diminished revenues has been mitigated by reducing endowment spending from 5% to 4% and long-term investment strategies have been re-visited with a rebalancing of investment portfolios. The outlook remains guardedly optimistic.

The University experienced a \$62.2 million net loss for the year. This was primarily the result of investment losses as operating investment income was \$18.9 million below budget and endowment losses of \$32.9 had a total impact of \$51.8 million. In addition, increased accruals related to employee future benefits, one-time restructuring costs, and consolidated losses from Great Northern Way Campus Trust also contributed to the deficit. Operating revenues

from government remained stable and tuition fees exceeded budget by \$13 million as undergraduate enrolment continues to exceed targets. Funding for research remains strong and revenue from our ancillary operations remains consistent with the prior year.

Concurrent with the economic and financial market decline, donation revenue also diminished during the year. While fundraising strategies have been adjusted to accommodate smaller gifts, our largest challenge is to raise \$12 million more in pledges for construction of the new facilities for the School for Contemporary Arts at Woodward's (right).

While the financial challenges continue, we are proactively addressing these risks through prudent use of resources, efficient administration of programs, alternative revenue generation strategies, and strategic re-alignment of our academic, research and financial plans. The University is further encouraged by the federal and provincial government's support of post-secondary education through additional funding and commitment to infrastructure development. We will continue to work with the provincial government and fellow research universities to develop a sustainable funding formula that adequately covers our costs of compensation, deferred maintenance, and inflation and which will let us confidently emerge with a sustainable financial model that supports the long-term operation of research universities in British Columbia.

DR. PAT HIBBITTS
VICE PRESIDENT, FINANCE & ADMINISTRATION

14. INVESTMENT INCOME (LOSS)

\$ in thousands	Operating Fund 11	Operating Other	Endowment	2009 total	2008 total
Income (loss)					
Realized (notes 8, 10)	(14,081)	478	(1,762)	(15,365)	25,022
Unrealized (change in market adjustment (notes 4, 10))	203	-	(36,976)	(36,773)	(5,837)
Subtotal (notes 8, 10)	(13,878)	478	(38,738)	(52,138)	19,185
Decrease in endowment income stabilization account realized & unrealized from beginning of year (note 8)	-	-	15,090	15,090	-
Total	(13,878)	478	(23,648)	(37,048)	19,185

note 8

Investment markets have been volatile and this is reflected in changing values of investments and investment income. This continued subsequent to the fiscal year end with the TSX Composite increasing 19.3% and the DEX Universe Bond Index decreasing 0.4%.

15. 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 a defined benefit option for members who were in the plan on March 20, 1973. All contributions to the plan are by the employer. Contributions by the University for the calendar year 2008 were \$10,320,000 (2007: \$9,630,000).

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, 2007 reports a going concern surplus on a smoothed value basis of \$104,000 and on a market value basis of \$3,931,000. The 2007 solvency valuation reported a solvency deficiency (i.e. if the plan were to be wound-up on that date) of \$21,772,000. Pursuant to the British Columbia Pension Benefits Standards Act, instead of making solvency deficiency payments of \$4,856,000 for five years commencing in 2008, the University chose the alternative of arranging a letter of credit in the amount of \$5,000,000 to satisfy the current year's contribution requirement. In the calendar years 2009 through 2012 contributions or further letters of credit will be required to satisfy the contribution requirement.

Any surplus in the plan is not available to the University as the arrangement stipulates that the University will 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 any surplus in excess of 15% of the defined benefit portion of the liabilities with assets taken at market values would be distributed to members. The next valuation is to be completed with an effective date no later than December 31, 2010.

The employer contribution rate is 12.69%, as indicated by the 2007 actuarial valuation. Employer contributions for calendar year 2008 were \$10,897,000 (2007: \$10,047,000).

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 6.00%; and an inflation rate of 2.25%.

Since the December 31, 2007 actuarial valuation, investment markets have experienced extraordinary declines and the plan's investments have been affected by this decline. Should the decline persist

12. INTERNALLY RESTRICTED FOR COMMITMENTS : CAPITAL, LEASE & OTHER

\$ in thousands	2009	2008
Ancillary enterprises	(400)	(1,141)
Property and equipment	(3,547)	4,507
Specific purpose (note 22)	12,560	15,796
Long term lease commitment	15,170	16,096
Self insurance	589	521
Total (note 22)	24,372	35,779

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

Property and equipment represents funds that are restricted to capital projects; with a deficit representing capital expenditures incurred in advance of cash receipt of related funding.

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 and is reported as an asset on the University's statement of financial position.

In a previous 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 is being 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.

13. 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. 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.

\$ in thousands	2009	2008
Balance, beginning of year	176,902	147,667
Donations	9,270	14,431
Capitalized investment income	919	5,642
Equity income for the year from SFU Community Trust (note 9)	(1,828)	(791)
Deferred investment income capitalized (returned) under Burnaby Mountain Matching program	(5,529)	6,277
Deferred contributions capitalized pursuant to donor definition of endowment terms & other endowment fundraising	2,106	3,676
Endowment investment loss & endowment income allocations charged to endowment net assets (note 8)	(32,869)	
Balance, end of year	143,971	176,902

Income (loss) from the University's beneficial interest in SFU Community Trust was recognized as a direct increase in (reduction of) 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" which are 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.

Endowment principal		
\$ in thousands	2009	2008
Individual endowment principal balances	181,840	176,902
Income stabilization account loss not deducted from individual endowment principal balances (note 8)	(32,869)	
Total	143,971	176,902

At over 125,000 square feet, the School for the Contemporary Arts in the Woodward's re-development project has high environmental standards, including:

- extensive green roofs
- significant recycled/locally-sourced materials
- entire site uses existing Beatty Steam plant, converting steam to hot water radiant heating.
- the structure is built to last for more than 100 years (most buildings now have a 30-50 year life expectancy).





MANAGEMENT DISCUSSION & ANALYSIS UNAUDITED

ABOUT SFU

Simon Fraser University is a public university serving students from British Columbia, Canada, and the world. The University is a research intensive, comprehensive post-secondary learning institution with approximately 33,000 credit students and more than 940 instructional and research faculty members. The University's three distinct campuses offer a broad range of degrees from eight faculties as well as many varied continuing education and mature learner courses.

Dedicated to our mandate of instruction, research and community engagement, the University is recognized internationally for the quality of its faculty, students, academic programs, and research. SFU consistently ranks among the nation's top comprehensive universities, both for academic offerings and research.

In 2008, according to *The Times of London* 2008 survey of the world's best schools, SFU ranked among the top 200 universities in the world: placing 109th in overall academic ranking; 64th in social sciences; and 116th in engineering and information technology. In research, ReSearch Infosource Inc. ranked SFU 4th among Canada's comprehensive universities, and 20th among Canada's top 50 research universities.

SFU's strengths lie in its ability to offer students a broad range of choice in interdisciplinary programming. The University offers innovative and diversified core programs in the natural sciences, social sciences, and humanities, and the current focus is to continue to build expertise in the health services.

SFU's work integrated programs, well regarded international field schools, and dual degree programs are also a competitive strength. The three distinct campuses in Burnaby, downtown Vancouver, and Surrey, offer the finest facilities for scholarly pursuits. The main Burnaby campus provides academic and research space for all Faculties as well as residences for 1,800 graduate and undergraduate students; the Surrey campus offers a more intimate learning environment with courses from all Faculties and progressive programs in science, technology, communication, and engineering; and the Vancouver campus provides a centre for SFU Business as well as credit and non-credit continuing education courses.

In addition to academic and research pursuits, SFU's Clan athletics is viewed as one of the top athletic departments in Canada and SFU has 15 varsity sports teams involving more than 300 student/athletes.

The University has annual revenues of over \$483 million. Public funds account for 48 per cent while another 28 per cent is raised through tuition and course fees. The endowment fund is valued at \$149 million and generates resources to support student aid, academic programs, athletics, library materials, and research. The University provides essential services to students, faculty and staff on campus through several ancillary operations which are run as self-sustaining businesses. These include the SFU bookstores, residences and housing, parking services, microcomputer store, document solutions, and dining services.

SFU Community Trust: Financial Summary

\$ in thousands	2009	2008
FINANCIAL POSITION		
Total assets	29,705	26,834
Total liabilities	17,922	13,007
Trust balance, end of year	11,783	13,827
RESULTS OF OPERATIONS & TRUST BALANCE		
Revenue	1,032	6,674
Expenses	3,076	8,311
Net income (loss) for the year	(2,044)	(1,637)
Trust balance, beginning of year	13,827	7,338
Transfer of land rights from the University	-	8,126
Trust balance, end of year	11,783	13,827
CASH FLOWS		
Operating activities	(3,054)	7,729
Investing activities	(3,248)	(9,693)
Financing activities	6,410	346
Increase (decrease) in cash during the year	108	(1,618)

10. OPERATING (DEFICIT) : OPERATING INVESTMENT INCOME (LOSS) STABILIZATION

Since all of the operating surplus is internally restricted except for the differential between the operating investment income budget and actual results, this amount (deficit) also represents the operating investment income (loss) stabilization account. This is intended to assist readers with understanding the cumulative impact of changes in investment performance and is determined as follows:

\$ in thousands	2009	2008
Fund 11 Operating investment income (loss) in the year (note 14)		
Realized	(14,081)	5,267
Unrealized	203	(5,837)
	(13,878)	(570)
Budget for the year	5,100	5,500
Actual to budget variance for the year	(18,978)	(6,070)
Balance, start of year (note 22)	(6,070)	-
Balance, end of year	(25,043)	(6,070)

11. INTERNALLY RESTRICTED FOR COMMITMENTS : OPERATING

\$ in thousands	2009	2008
Balance, beginning of year	3,160	13,881
Reclassification to separately report operating investments income (loss) stabilization (note 22)	6,070	-
	9,230	13,881
Increase (decrease) in the year	(3,690)	(4,651)
Balance, end of year	5,540	9,230

The balance at the end of the year of internally restricted for commitments: operating general consists of the following elements:

Operating budget carryovers	11,591	14,138
Auxiliaries & special projects	2,715	3,048
Research & other grants	11,765	12,458
	26,071	29,644
Less: accrued but not funded employee future benefits		
Funded liability	25,723	22,135
Accrued liability	(40,244)	(36,729)
Unfunded portion	(14,521)	(14,594)
Vacation pay	(6,010)	(5,820)
Subtotal: accrued but not funded	(20,531)	(20,414)
Balance, end of year	5,540	9,230

9. DEFERRED LEASE PROCEEDS / RELATED ENTITY 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 (2008: \$19,800,000) to the University and \$2,060,000 (2008: \$2,060,000) to the Foundation. Cumulatively,

Net income from Trust

\$ in thousands	2009	2008
Net income (loss) as reported by the Trust	(2,044)	(1,637)
Adjustment of land value on transfer to Trust realized through sales of leases	0	227
Elimination of rent expense in the Trust paid to SFU	0	401
	(2,044)	(1,099)
Portion of income of prior year recognized this year	216	216
Net income (loss) to University from Trust, recorded as increase (decrease) in net assets held as endowment principal	(1,828)	(793)

Change in deferred lease proceeds/equity in Trust

Net income (loss) to University Trust, per above	(1,828)	(793)
Base rent elimination	401	(401)
Change in the year	(1,427)	(1,194)
Balance, beginning of year	(17,904)	(16,710)
Balance, end of year	(19,331)	(17,904)

Deferred lease proceeds/equity in Trust compared to Trust balance

Deferred lease proceeds/University equity interest in Trust, end of year, as above	(19,331)	(17,904)
Adjustment of land value on transfer to Trust not realized through sale of leases	10,698	11,097
Income recognized in the Trust but deferred by the University to be recognized in relation to the underlying leases	20,416	20,634
Trust balance, end of year	11,783	13,827

the University has, on an equity accounting basis, recognized \$1,649,000 (2008: \$3,477,000) 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.

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 13. This amounted to a loss of \$1,828,000 (2008: loss of \$793,000):

SFU BY NUMBERS

	2009	2008	2007	2006	2005
STUDENTS					
Undergraduate	27,479	26,332	25,009	24,368	23,480
Graduate	5,461	5,241	5,044	4,637	4,363
International (Fall)	2,991	2,802	2,524	2,384	2,094
Average Entry Grade (BC Grade 12, per cent)	81.1	82.1	83.7	83.7	83.8
Credentials Awarded (Jan-Dec)	5,743	5,859	5,582	5,609	5,136
REVENUES & EXPENSES (millions)					
Total Revenues	483	519	502	479	425
Government Funding	271	274	267	259	225
Student Tuition & Fees	155	142	134	130	119
Sponsored Research Funding	64	67	67	60	53
Ancillaries Revenue	35	35	30	28	26
Total Expenses	545	512	478	455	400
FINANCIAL POSITION (millions)					
Total Assets	1,113	1,173	1,063	986	894
Capital Assets	779	767	700	601	495
Endowment Fund	149	177	148	133	116
Internally Restricted Operating Net Assets	(19)	3	14	33	39
RESOURCES					
Faculty and Staff (continuing)	2,564	2,548	2,426	2,323	2,169
Burnaby Campus Space (gross square metres)	289,508	283,635	266,781	252,648	240,089
Vancouver Academic Campus Space (gsm)	24,432	23,424	24,267	19,415	19,046
Surrey Campus Space (gsm)	26,465	21,437	9,931	9,678	6,774

The objective of this Management Discussion and Analysis is to assist readers of Simon Fraser University's financial statements better understand the financial position of the University and operating activities for the fiscal year ended March 31, 2009. It provides a look at the internal and external factors that influenced the year's financial results and a basis for future performance. Although the Management Discussion and Analysis is unaudited, this discussion should be read in conjunction with the audited financial statements and disclosure notes that have been prepared in conjunction with Canadian generally accepted accounting principles.

Cautionary Note on Forward Looking Statements

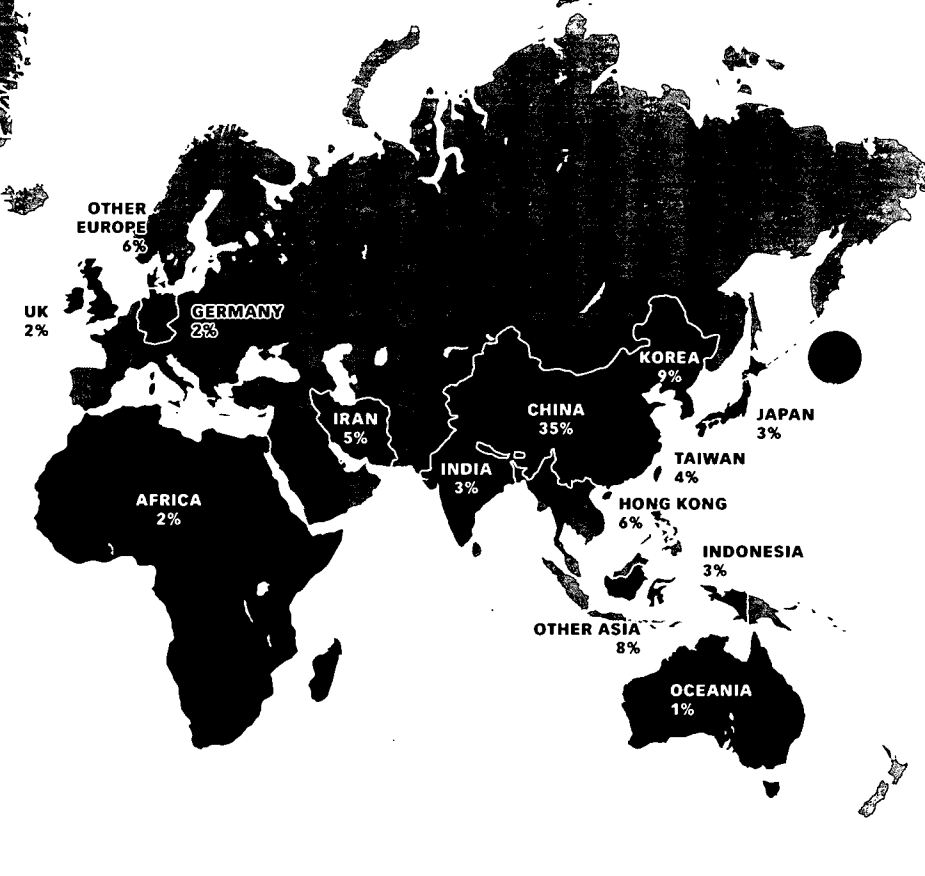
Some of the statements contained in this Management's Discussion and Analysis are forward-looking statements. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated in forward looking statements. Readers should not place undue reliance on any forward-looking statements.

Factors that could cause actual 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 impact 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.

SFU'S VALUES & COMMITMENTS

- We are an open, inclusive university whose foundation is intellectual and academic freedom.
- Our scholarship unites teaching and research: we celebrate discovery, diversity and dialogue.
- Our students and communities can expect teaching that is personal and learning opportunities that are lifelong.
- We champion the liberal arts and sciences and pioneering interdisciplinary and professional programs.
- We are a university where risks can be taken and bold initiatives embraced.
- Upon these foundations, we will engage all our communities in building a robust and ethical society.

FIGURE 1 FALL 2008 INTERNATIONAL STUDENTS BY COUNTRY OF CITIZENSHIP



OUR STUDENTS

SFU continues to attract top quality students with average entry grades of over 81 per cent for BC Grade 12 students. Total headcount for the year was 33,000 students which translate to over 23,000 full-time equivalent (FTE) students.

The 2008 Fall semester enrolment of 20,805 undergraduate domestic students was a 3.4 per cent increase over the previous year. The new domestic student intake was 4,796 students at the end of September which was substantially more than the University's goal of 4,386.

In 2008/09, BC College transfer students comprised 26 per cent of new students while domestic BC Grade 12 entry students were 49 per cent of the total. The Faculty of Arts accepted 79 per cent of all domestic BC College students followed by the Faculties of Science (8 per cent), Applied Sciences (8 per cent), and Business Administration (3 per cent).

SFU continues to place strategic focus on building graduate programs and providing research opportunities to attract graduate students. The annualized graduate student headcount was up by 2 per cent over the previous year to 4,043 students; SFU's largest ever increase in new graduate students. SFU's focus for future graduate student expansion continues to be in areas of government priority. It is expected that as the academic curriculum is re-shaped and program development within the new Faculties are finalized, there will be significant growth in the demand for graduate study in these areas.

With a global focus, SFU continues to build its international profile and aims to create a richer contact between domestic and international students through enrolment more international students. The number of international students continues to grow and this year SFU not only met the international enrolment target of 932 but exceeded it, enrolling 1,085 new international students.

OUTSTANDING ACHIEVEMENTS

- Grad student **Nic Rivers**, in the School of Resource and Environmental Management, won a \$150,000 Trudeau scholarship, Canada's richest social sciences and humanities doctoral prize, for his work in assessing the effectiveness of alternative strategies to counter climate change.
- Business student **Milun Tesovic's** lyric-sharing website, MetroLyrics, won a 2008 Red Herring Top 50 award as one of Canada's most innovative and promising companies. He also won an SFU Student Entrepreneur of the Year award.
- MBA students **Kylie McMullen, Pinder Rehal, Katy Read, Judy Luo** and **Ashley Wu** received international recognition for applying what they learned in the classroom to real world situations. Their case analysis "Selling the Canadian Armed Forces Brand to Canada's Youth" received the Pearson Education Prize for the Best Case Study on the case track of the 2008 Academy of Marketing Conference, the UK's largest academic marketing conference.
- SFU long-jumper **Ruky Abdulai** broke her own personal best and a 12-year old Canadian record to compete in the 2008 Olympic Games, where she finished 25th.

8. DEFERRED CONTRIBUTIONS

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

Changes in deferred contributions

\$ in thousands	Sponsored Research	Specific Purpose	Subtotal	Property & Equipment	2009 total	2008 total
Balance, beginning of year	33,104	25,615	58,719	363,776	422,495	407,454
Reclassification to net assets internally restricted for commitments: capital, lease and other (note 22)	-	840	840	-	840	840
Contributions in the year	64,976	31,957	96,933	15,328	112,261	136,289
Transferred to revenue	(60,995)	(24,767)	(85,762)	(13,962)	(99,724)	(102,403)
Decrease to endowment income stabilization account in the year	-	(47,959)	(47,959)	-	(47,959)	(18,845)
	37,085	(14,314)	22,771	365,142	387,913	423,335
Investment loss and endowment income allocations charged to endowment net assets:						
Endowment investment loss (note 14)	-	23,648	23,648	-	23,648	-
Allocation to individual endowment spending accounts	-	9,143	9,143	-	9,143	-
Allocation to individual endowments to preserve purchasing power	-	78	78	-	78	-
Subtotal (note 13)	-	32,869	32,869	-	32,869	-
Balance, end of year	37,085	18,555	55,640	365,142	420,782	423,335

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 \$365,142,000 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 for specific purposes

\$ in thousands	2009	2008
External non-research contracts	10,004	8,320
Endowment & other externally restricted spending accounts	8,551	3,045
Endowment income stabilization account (2009 deficit, note 13)	-	15,090
Balance, end of year	18,555	26,455

The endowment income stabilization account represents the cumulative difference between endowment investment income and the funding applied to: (a) individual endowment spending accounts and (b) the amount added to endowment principal to preserve the spending power of the capital.

Endowment income stabilization account

\$ in thousands	2009	2008
Endowment investment income (loss) for the year		
Realized (note 14)	(1,762)	16,298
Unrealized (notes 4, 14)	(36,976)	(21,364)
	(38,738)	(5,066)
Endowment income allocated to		
Individual endowment spending accounts	(9,143)	(10,450)
Endowment principal to preserve purchasing power	(78)	(3,329)
Decrease in endowment income stabilization account during the year	(47,959)	(18,845)
Balance, start of year (note 14)	15,090	33,935
	(32,869)	15,090
Loss on endowment investments allocated to endowment principal (note 13)	32,869	-
Balance, end of year	0	15,090

7. EMPLOYEE FUTURE BENEFITS

\$ in thousands	Long term Disability	Early Retirement	Non-Pension Benefits	2009 total	2008 total
Balance, beginning of year	6,128	4,546	26,055	36,729	34,869
Current service cost	87	-	1,212	1,299	1,099
Interest on benefit obligation	404	330	1,303	2,037	763
Amortization of actuarial deficiency	380	-	1,043	1,423	1,043
	6,999	4,876	29,613	41,488	37,774
Disbursements	-	(371)	(873)	(1,244)	(1,045)
Balance, end of year	6,999	4,505	28,740	40,244	36,729

Long Term Disability

The long-term disability amount represents the liability to employees who are being paid or have made claims pursuant to the University's self-insured long term disability plans. An insurance company administers the plans and is reimbursed for disability claims payments plus service fees; which are recorded as employee benefits expense as incurred in the statement of operations. Thus no disbursements are deducted from the plan.

An actuarial valuation as at March 31, 2009 reports an actuarial liability for individuals on long-term disability of \$10,799,000. This compares to the liability accrued for the obligation at that time of \$6,999,000; resulting in an actuarial deficiency of \$3,800,000. The actuarial deficiency is being amortized over 10 years which represents the average number of years until the last long-term disability payment to claimants at the time of the actuarial valuation.

The valuation is based on the 1987 Commission's Group Disability Valuation Table. The accrued benefit liability is discounted at the interest rate for long term good quality corporate investments at the time of the actuarial valuation, which is assumed to be 6.6%. There are no contributions by employees to fund this benefit. The next valuation will be as at March 31, 2010 in order to determine current service costs on an annual basis.

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 reported in the actuarial valuation as at December 31, 2006 and no current service costs liability is being added to this plan. The actuarial valuation was based on the 1994 Uninsured Pensioners Mortality table, a discount rate of 5% and an inflation rate of 2.25% per annum. The expected return on plan assets is 7.25% and the actual return was 7.25% (2008: 5.5%).

Non-Pension Benefits

The non-pension benefits amount represents the liability for portions of premiums payable to eligible current employees and retirees for Medical Services Plan, Extended Health Benefits 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 liability recognized in the financial statements for non-pension benefits is \$28,740,000 (2008: \$26,055,000).

An actuarial valuation as at March 31, 2006 reported a benefit obligation of \$32,246,000 in comparison to an accrued liability in the financial statements of \$22,855,000 resulting in an unaccrued liability of \$9,391,000. This is being amortized over the average remaining service period of active employees covered by the non-pension benefits at the time of the actuarial valuation; which was 9 years; providing an annual amortization of \$1,043,000. As at March 31, 2009, the balance of the unaccrued liability identified in the actuarial report that remains to be accrued as expense and liability is \$6,258,000 (2008: \$7,301,000) over the next 6 (2008:7) 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%. The accrued benefit liability is discounted at the interest rate for long term good quality corporate investments at the time of the actuarial valuation, which is assumed to be 5%. There are no contributions by the employees to fund this benefit. The next valuation will be as at March 31, 2009 with results available in the 2010 fiscal year.

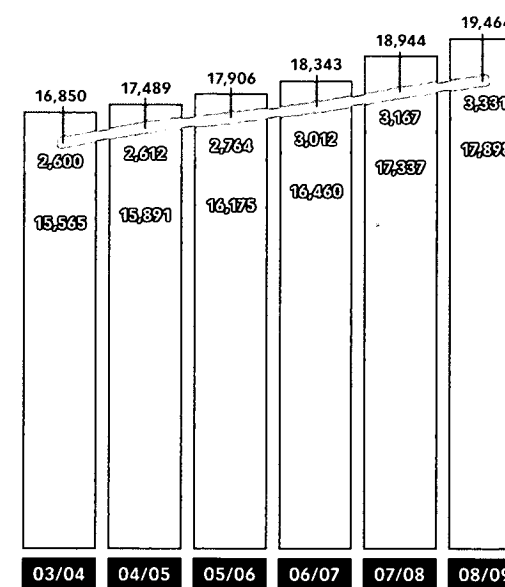
Measuring Student Enrolment

Enrolment is perhaps the most significant indicator of growth and provides a direct link to revenues and international student enrolment and enrolment in premium programs provide an important source of unrestricted funds. Graduate student enrolment directly impacts the research mission of the University and the President's long-term goal is to increase graduate enrolment to 25 per cent of total enrolment.

While government funded enrolment has increased by 15.5% since 2003/04, SFU's actual total enrolment has increased by 17% (figure 2).

2 / PROGRAM FTES

□ UNDERGRUATES □ GRADUATES □ GOVERNMENT FUNDED



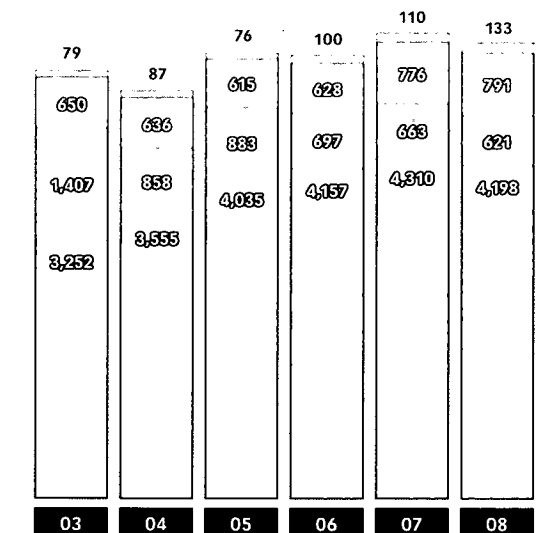
Recruitment and retention of students is a core strategic goal. Student Services has undertaken several initiatives to enrich the student's experience throughout their university career. These initiatives will continue through 2009/10 with the intent to not only provide students with greater academic success but a quality of life that makes the university journey at SFU a memorable and enjoyable one.

Measuring Student Success

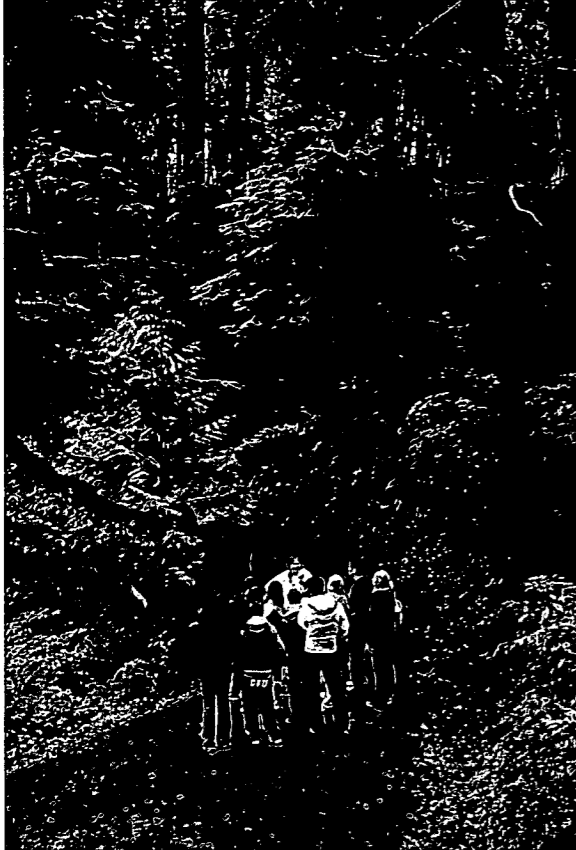
One of the University's mandates is to educate students and provide them with the knowledge and skills to enter the workforce. Quantifying this goal may be partially achieved through measuring the credentials annually awarded by the University. Total credential awarded to students has grown by 7 per cent from 2003 to 2008, with Bachelors increasing by 29%, Masters increasing by 22%, and Doctorate degrees increasing by 68%. This is offset by Other Graduate Credentials decreasing by 56% (figure 3).

3 / CREDENTIALS AWARDED

□ BACHELORS □ OTHER GRAD CREDENTIALS □ MASTERS □ DOCTORATES



SFU is fully committed to supporting the provincial government's priority to provide post-secondary access to First Nations students. In March 2007, a First Nations University-Wide Strategic Plan was approved by the Senate and Board of Governors. Since that time the Office of First Nations has been developed to coordinate First Nations activities across the University. SFU aims to establish itself as one of the leading universities in First Nations research, teaching and engagement with First Nations peoples and communities. In 2007/08 510 First Nations students took courses at SFU.



Undergraduates learn outside the classroom; the Faculty of Environment

OUR FACULTIES

2008 was a pivotal year for the Faculty structure at SFU. A comprehensive and consultative review concluded with the recommendation to reorganize the Faculty of Applied Science and create two new faculties: the Faculty of Environment and Faculty of Communication, Art and Technology, both of which officially begin operations on April 1, 2009. In addition to the two new Faculties, SFU has six original Faculties: Applied Sciences, Arts & Social Sciences, Business Administration, Education, Health Sciences, and Sciences. As of April 1, 2009, the Faculty of Applied Sciences has been re-focused to include Computing and Engineering and Kinesiology will be moved to the Faculty of Science. SFU has areas of strength in each of the Faculties and the Faculty re-organization and corresponding changes to the curriculum are expected to position SFU to provide new and enhanced programs.

The 3-year Academic Plan which provides the strategic direction for the University's academic mandate is currently under revision. The consultative process will raise ideas with respect to academic curricula, teaching methods, academic quality improvements, and student services as well as provide the foundation for faculty and financial planning. The new plan will be submitted to the Senate in 2009.



Katie Brushett, Masters student in Global Health, Faculty of Health Sciences

Focus on Health

Offering a comprehensive program on public and population health, the Faculty of Health Sciences provides an interdisciplinary approach to learning and research in the health field. The Faculty's mission is to integrate social and natural science research in order to discover vital information about population health on a global scale—and then apply this knowledge to develop better public health policies.

The Faculty is committed to giving students practical opportunities to apply their knowledge to health problems in B.C. and beyond.

The growth and expansion of the Faculty of Health Sciences is a key strategic priority and enrolment within the Faculty has increased five times since Fall 2006. The Faculty enrolled 72 per cent more undergraduate students in Fall 2008 and 35 per cent more graduate students than they did the previous year.

SFU continues to plan new clinical programs in the health fields and medicine that do not duplicate established programs of existing medical schools.

5. PROPERTY AND EQUIPMENT

\$ in thousands	Cost	Accumulated Amortization	2009 net	2008 net
Buildings				
concrete	713,873	153,942	559,931	545,712
wood	26,858	11,557	15,301	11,753
Site services	35,999	11,176	24,823	24,535
Leasehold improvements	12,189	7,367	4,822	5,014
Computing equipment	29,953	11,820	18,133	24,560
Equipment and furnishings	117,637	45,364	72,273	73,236
Library books	80,246	33,553	46,693	45,205
Special Collections	7,346	-	7,346	7,151
Land and property rights	30,141	-	30,141	30,101
Total capital assets	1,054,242	274,779	779,463	767,267

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.

As at March 31, 2009, the University had committed to contracts for the construction and acquisition of buildings that involve future expenditures of approximately \$29,140,000. The capital financing plan in relation to construction of the School for the Contemporary Arts at the Woodward's redevelopment includes fundraising of which a further \$12,318,000 of pledges need to be obtained. Alternatively, the University will need to seek other sources of financing or to absorb a portion in internal operations.

Buildings, concrete includes \$85,000,000 of construction in progress.

6. LONG TERM DEBT

\$ in thousands	2009	2008
Demand loan	3,750	5,875
Term loan	4,378	4,907
Mortgages		
student residence	1,791	1,915
Verdant	4,969	5,045
Debentures		
senior unsecured	140,380	140,090
Province of BC	11,000	11,000
	166,268	168,832
Current portion	(8,517)	(11,158)
Total long term debt	157,751	157,674

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 a bank prime plus 0.65%; has interest only payments; and the principal is due on demand. The debt is secured by a promissory note, general security

agreement and first charge over certain properties. The term loan, collateralized by a bankers acceptance agreement, bears interest at 1.26% and is due August 25, 2009.

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

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

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 of principal, sinking fund installments and interest due within the next five years are as follows:

\$ in thousands	Principal	Sinking fund	Interest
2010	8,342	175	9,831
2011	226	175	9,785
2012	239	175	9,771
2013	254	217	9,330
2014	259	44	9,183

Disclosure of Related Party Transactions by Not-for-Profit Organizations

Section 4460 of the CICA Handbook has been amended to be consistent with the related party accounting rules for private and public enterprises. This standard is effective for the University's reporting period beginning April 1, 2009. The University does not expect that this standard will impact its financial reporting significantly.

Disclosure of Allocated Expenses by Not-for-Profit Organizations

Section 4470 of the CICA Handbook establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. Particular emphasis is made to allocation of fundraising and general administration expenses.

This standard is effective for the University's reporting period beginning April 1, 2009. The University does not expect that this standard will impact its financial reporting significantly.

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.

\$ in thousands	2009	2008
Cash	(8,308)	20,991
Short term notes	10,017	2,699
Bonds maturing under one year	4,816	5,736
Total	6,525	29,426

Cash and short-term investments is presented net of outstanding items including cheques written but not cleared by the bank as at the date of the statement of financial position. Cash and short term investments is primarily in Canadian currency with a minor amount expressed in USA dollars.

4. INVESTMENTS

\$ in thousands	2009	2008
Bonds and debentures	151,552	145,465
Canadian equities	72,997	112,026
Foreign equities	29,292	42,991
Long term annuity	12,075	12,135
Private equities	10,707	8,076
Great Northern Way portfolio	8,413	9,022
Long term promissory note	7,236	8,121
Sinking fund	6,249	5,776
Vancouver Foundation	5,925	7,022
Donated hedge fund	2,092	2,097
Total	306,538	352,731

Foreign equity investments are invested approximately 38% in United States markets and 62% outside of Canada and the United States

Sinking funds investments are held and invested by the Province of British Columbia. These funds totaled \$6,249,000 (2008: \$5,776,000) 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.

Investments with a market value of \$8,000,000 are included above and are held on behalf of a sponsored research organization and for which an offsetting liability is recorded in accounts payable and accrued liabilities.

The University holds no asset backed commercial paper.

Market Adjustment Analysis

\$ in thousands	2009 market	2008 market
Market adjustment		
Operating investments		
Balance, beginning of year	(1,933)	3,904
Change in the year	203	(5,837)
Balance, end of year	(1,730)	(1,933)
Endowment investments		
Balance, beginning of year	15,249	36,613
Change in the year	(36,976)	(21,364)
Balance, end of year	(21,727)	15,249
Total, end of year	(23,457)	13,316
Investments, cost, year end	329,995	339,415
Investments, at market, year end	306,538	352,731

Bonds and Debentures Analysis

\$ in thousands	2009 market	2008 market
Government bonds		
Federal	22,403	21,127
Provincial and municipal	28,104	26,783
	50,507	47,910
Corporate debentures	33,130	32,742
Indexed bond fund	67,915	64,813
Total	151,552	145,465

Focus on Environmental Studies

With continuing global concern over environmental sustainability and the increase in green technologies, SFU will provide opportunities to students in a number of environmentally related areas. Establishing a core vision for the new Faculty of Environment and developing new undergraduate programs to support its mission is a key activity for the new fiscal year. Positioning SFU as a leader in environmental economics and policy research as well as continuing research on alternative energy research is a key priority.

Focus on Art, Technology and Design

SFU has been extremely successful with the School of Interactive Arts and Technology at SFU Surrey and is committed to continuing the development of programs in contemporary arts, new media, technology, and design fields. The new Faculty of Communication, Art and Technology, which unites these programs with the School for the Contemporary Arts and the School of Communication under one umbrella, will facilitate the multidisciplinary collaboration in this important field.

OUR PEOPLE

SFU has over 940 faculty members with an additional 2,300 sessional lecturers, teaching and research assistants. SFU's faculty are accomplished educators and researchers and have won national and international recognition for their achievements.

- Kinesiologist **Max Donelan** and his research team created the Bionic Energy Harvester, a wearable technology that generates electricity from the natural motion of walking.
- Senior mathematics lecturer **Malgorzata Dubiel** makes learning math so much fun that 3M named her to its 2008 3M National Teaching Fellowship, a select group of Canada's finest university teachers.

Market competition for outstanding faculty continues to be a challenge for the University. The Faculty Renewal Plan for 2009/10 continues to cite the high cost of living in the Lower Mainland, the shortage of suitable candidates, and the high salaries paid by US and other Canadian universities as challenges for faculty hiring. Nevertheless, SFU managed to fill 95.4 per cent of budgeted positions in 2008/09.

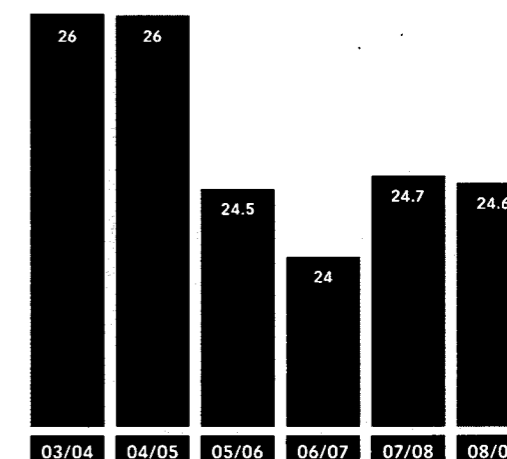
SFU's 1,600 non-academic staff provides the supporting administrative structure for the academic and research activities of the University. In 2008, MediCorp Canada named SFU as one of Canada's Top 100 employers.

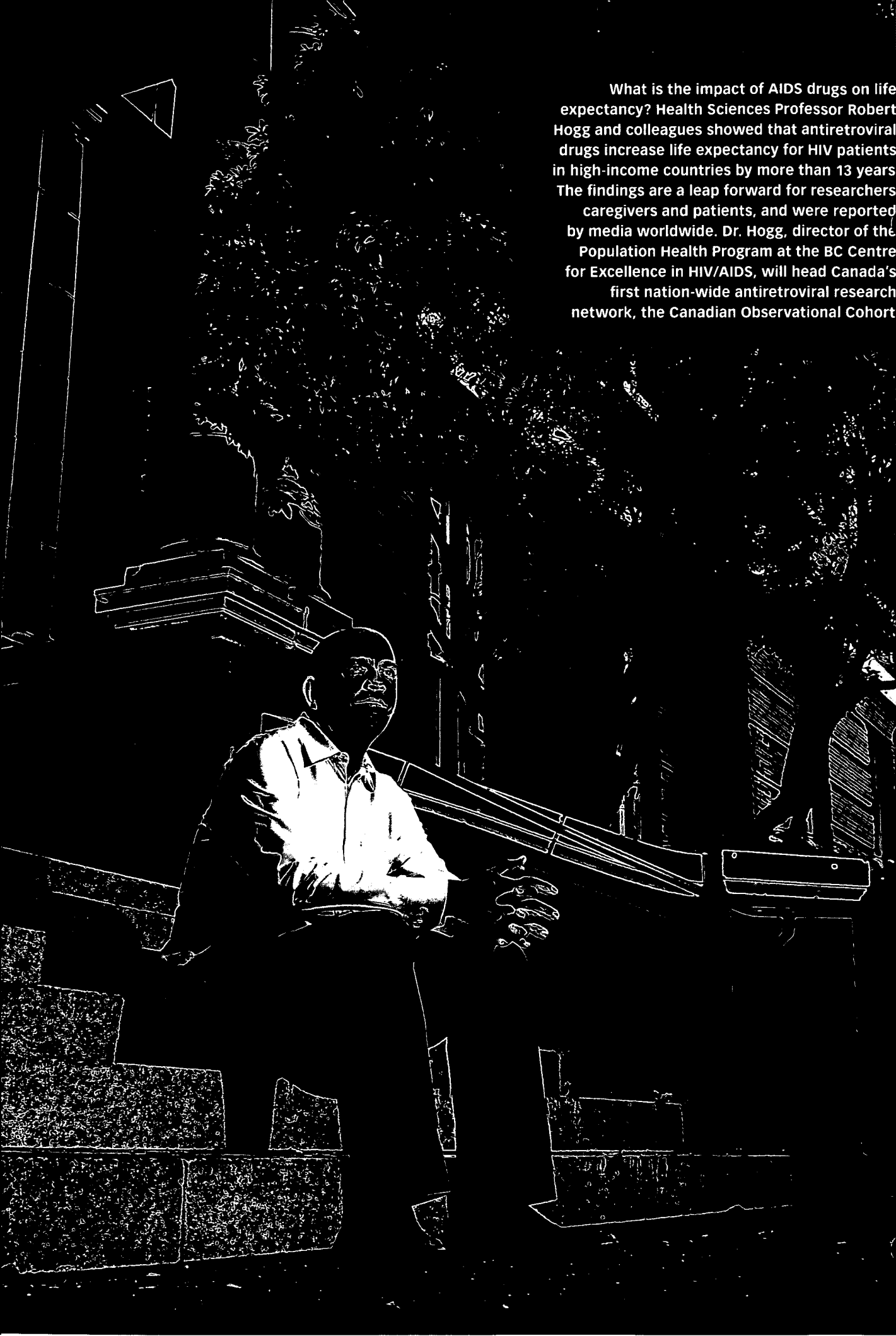
PERSONALIZED TEACHING

One of SFU's core values is to provide personalized teaching which includes fostering meaningful connections between faculty and students. While class sizes may vary significantly from faculty to faculty, and from course to course, the average undergraduate class size in the Fall semester has remained stable at around 56 students and the average Graduate class size has decreased from 16 to 14 students. The student to faculty ratio has improved since 2003/04 from 26.0:1 to 24.6:1 but has decreased slightly in the last year due to budget constraints and the impact this has had on faculty hiring (figure 4).

4 / STUDENT TO FACULTY RATIO

NUMBER OF STUDENTS PER INSTRUCTOR





What is the impact of AIDS drugs on life expectancy? Health Sciences Professor Robert Hogg and colleagues showed that antiretroviral drugs increase life expectancy for HIV patients in high-income countries by more than 13 years. The findings are a leap forward for researchers, caregivers and patients, and were reported by media worldwide. Dr. Hogg, director of the Population Health Program at the BC Centre for Excellence in HIV/AIDS, will head Canada's first nation-wide antiretroviral research network, the Canadian Observational Cohort.

Loans and receivables and other financial liabilities

The University has classified accounts receivable as loans and receivables, and accounts payable and accrued liabilities and long-term debt as other financial liabilities for financial reporting purposes. These instruments are initially recognized at their fair value and 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. Given the short-term nature of accounts receivable, accounts payable and accrued liabilities these items their carrying value equates to their fair value.

Inventories

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.

Estimated useful life (time in years)

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.

Impairment of Long-Lived Assets

Long-lived assets are tested for impairment whenever circumstances indicate that the service potential has declined. When events or circumstance indicate that the service potential has declined, the long-lived assets are written down based upon the relative loss of service potential and a related expense recognized in the statement of operations and changes in net operating assets. A long-lived asset taken completely out of use is written down to its residual value. There was no write down of long-lived assets in 2009 or 2008.

Prepaid Lease

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

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:

CICA Handbook Section 1000, Financial Statement Concepts

Section 1000 has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for the University's reporting period beginning April 1, 2009. The University is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Cash Flow Statements

Section 1540 was amended to include not-for-profit organizations within its scope. This standard is effective for the University's reporting period beginning April 1, 2009. The University does not expect that this standard will impact its financial reporting significantly.

Financial Statement Presentation by Not-for-Profit Organizations

Section 4400 of the CICA Handbook has been amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets; and
- require that revenues and expenses must be recognized and presented on a gross basis when a not-for profit organization is acting as a principal in transactions.

This standard is effective for the University's reporting period beginning April 1, 2009. The University does not expect that this standard will impact its financial reporting significantly.

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 AND 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 & 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 19. 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 and

pledges are recognized as revenue when received.

Externally restricted contributions (grants and donations) are reported as revenue depending on the nature of 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.
- 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 accrued liabilities 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 as held-for-trading. These instruments 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.

OUR RESEARCH

SFU's research profile continues to grow, as evident from the increase in sponsored research revenues and various well-publicized research achievements. SFU was singled out in the annual rankings of Canada's innovation leaders for the largest income growth among the research-intensive universities. Between 2002 and 2007, external research funding increased by 126 per cent and continues to remain strong. In 2007/08, the University received funding of \$12.2 million for the ATLAS project.

Approximately half of SFU's research funding comes from the three federal granting councils NSERC, SSHRC, and CIHR, where faculty members have been extraordinarily successful. Researchers have consistently exceeded the national success rates in SSHRC and NSERC competitions.

Past and future success in competing for research awards depends upon many different factors: faculty members and their stature and track records in their respective fields; recruitment and retention of superior graduate students to work with these professors, the effectiveness of collaborative partnerships, both within SFU and with other institutions; and a distinctive, competitive edge in innovative programs. SFU researchers received many notable awards and recognition for outstanding achievements.

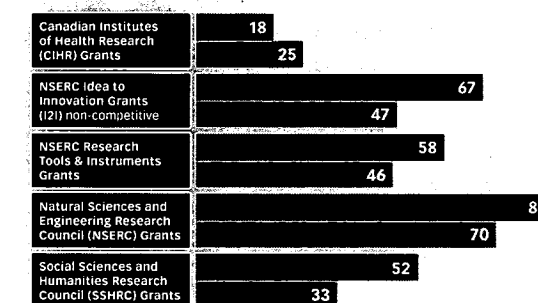
- SFU resource economist **Mark Jaccard's** tireless work in persuading governments to enact effective climate-change policies earned him the 2008 Academic of the Year award from the Confederation of University Faculty Associations.
- Health Sciences professors **Tim Takaro** and **Ryan Allen** became involved in a \$12 million Canadian Healthy Infant Longitudinal Development (CHILD) Study. They hope to determine the factors that are increasing the incidence of childhood asthma and allergies.
- Entomologist **Bernie Roitberg** extensive research has generated significant advances in understanding the behaviour and evolutionary ecology of insects and their natural enemies. In October 2008, the Entomological Society of Canada recognized his research with a 2008 gold medal and a ranking as "one of Canada's international science stars."
- SFU chemist **David Vocadlo** led an international team whose enzyme inhibitor seems to prevent the tangling of a brain protein linked with the onset of disorders such as Alzheimer's disease.

Measuring Research Success

In comparison with other Canadian universities, SFU continues to achieve excellent results in annual competitions for research awards from the three federal granting agencies:

5 / SUCCESS OBTAINING RESEARCH FUNDING

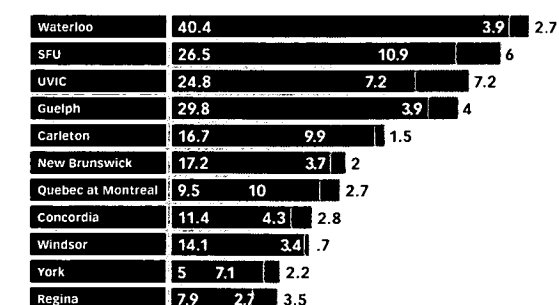
■ SFU ■ NATIONAL AVERAGE



The success of our researchers in obtaining funding means that SFU received \$6.3 million from the Federal Indirect Cost of Research program which is used to invest in research facilities and resources. With respect to research intensity (tri-council funding per faculty member), SFU surpasses several medical/doctoral universities and all but one comprehensive university, a fact that attests to the high quality and competitiveness of the outstanding research programs (figure 6).

6 / TRICOUNCIL RESEARCH INTENSITY

■ NSERC ■ SSHRC ■ CIHR





UniverCity, SFU's sustainable community on Burnaby Mountain



Technology and Sciences Complex on Burnaby campus

OUR CAMPUSES

SFU Burnaby

Atop Burnaby Mountain, SFU's main campus offers a breathtaking landscape for students, staff and faculty to work and live. The 290,000 square metres of space provides facilities for SFU's 22,500 students who attend courses at Burnaby every year.

The opening of Blusson Hall for Health Sciences in September 2008 marked the completion of a \$56.9 million project. Named after Stewart and Marilyn Blusson who contributed \$12 million to the project, the three-storey complex provides classroom and lecture halls, office space, and research laboratories for the Faculty of Health Sciences.

SFU has embarked upon a program of environmental sustainability and in 2008 became North America's first post-secondary institution to achieve Go Green certification from the International Building and Owner Managers Association (BOMA). The new Blusson Health Sciences building is the greenest building on the Burnaby Campus. In this same vein, a new sustainability policy was established to ensure SFU will continue its leadership in sustainable operations, research, teaching, performance evaluation and community outreach.

The SFU 10-Year Capital Plan identifies a number of infrastructure renewal projects at the Burnaby campus. Renovation of graduate residences is completed and with additional infrastructure funding of \$49.4 million, the existing new Chemistry facilities will be renewed.

SFU Surrey

With the continual growth of the South Fraser region, programming at SFU Surrey continues to mature and expand. Over 20 undergraduate and graduate programs are being offered at this campus from 5 of SFU's Faculties. Focus is now on implementing the second phase of enrolment growth as outlined in the 2003 Memorandum of Understanding between SFU and the Ministry of Advanced Education and Labour Market Development.

To accommodate this growth and related research expansion, new facilities, particularly for science and technology, as well as student housing is required. SFU has signed an agreement with Surrey Campus Residences Corporation (SCRC) to build a 240-bed student residence.

The proposed new programs and facilities will provide SFU Surrey with the enabling capability to meet student demand "close to home" in the critical need area of Science and Health Sciences. University science options in the South Fraser region are particularly limited and currently Science students at SFU Surrey must travel to the Burnaby campus for their laboratory courses.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2009

\$ in thousands	2009	2008
OPERATING ACTIVITIES		
Net Revenue (loss) for the year	(62,211)	6,716
Items not involving cash		
Unrealized portion of investment losses	36,773	5,837
Amortization of deferred contributions, property & equipment	(13,962)	(10,822)
Amortization of property and equipment	49,508	41,858
Employee future benefits	3,515	1,860
	13,623	45,449
Changes in non-cash operating balances		
Accounts receivable	3,846	(2,133)
Inventories	(883)	487
Prepaid expenses	306	1,190
Prepaid lease	315	(3,066)
Accounts Payable and accrued liabilities	(3,034)	5,049
Deferred contributions, net of unrealized endowment income	(3,919)	(2,697)
Cash provided by operating activities	10,254	44,279
INVESTING ACTIVITIES		
Net decrease (increase) in long term investments, net of market adjustment	9,420	(38,780)
Property and equipment acquisitions	(61,704)	(99,292)
Endowment contributions	6,365	30,429
Cash used in investing activities	(45,919)	(107,643)
FINANCING ACTIVITIES		
Deferred contributions for property and equipment	15,328	49,922
Long term debt proceeds		9,118
Debt principal repaid	(2,564)	(190)
Cash provided by financing activities	12,764	58,850
Net decrease in cash and short term investments	(22,901)	(4,514)
Cash and short term investments, beginning of year	29,426	33,940
Cash and short term investments, end of year	6,525	29,426

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

STATEMENT OF CHANGES IN NET ASSETS
SIMON FRASER UNIVERSITY MARCH 31, 2009

\$ in thousands	INTERNALLY RESTRICTED COMMITMENTS				EXTERNALLY RESTRICTED FOR ENDOWMENT PRINCIPAL
	OPERATING: INVESTMENT STABILIZATION	OPERATING	CAPITAL, LEASE & OTHER	INVESTED IN PROPERTY & EQUIPMENT	
NET ASSETS, beginning of year					
As previously stated		3,160	36,619	261,727	176,902
Reclassification of internally restricted to operating: investment stabilization (note 22)	(6,070)	6,070			
Reclassification to deferred contributions (note 22)			(840)		
As restated	(6,070)	9,230	35,779	261,727	176,902
CHANGES FOR THE YEAR					
Net revenue (loss) for the year	(62,211)				
Transfers					
Change in restricted for specific commitments	15,097	(3,690)	(11,407)		
Increase in investment in property & equipment	(4,733)			4,733	
Endowment Transactions					
Contributions and other transfers					11,376
Capitalized investment income					(4,610)
SFU Community Trust equity income (loss) (note 9)					(1,828)
Loss on endowment investments allocated to endowment principal (notes 8 & 13)	32,869				(32,869)
Net assets, end of year	(25,048)	5,540	24,372	266,460	148,971
	<i>note 10</i>	<i>note 11</i>	<i>note 12</i>	<i>see below</i>	<i>note 13</i>

Invested in Property & Equipment is represented by

Property and Equipment	779,463
Sinking Fund Investment	6,249
Long-term debt, before current portion	(166,268)
Deferred Contributions for property and equipment	(365,142)
Net current assets and current liabilities invested in Capital Fund	4,922
Long-term donation receivable	7,236
Invested in Property & Equipment	266,460

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

The Fei and Milton Wong Experimental Theatre is set to open in early 2010 when SFU's School for the Contemporary Arts relocates to the new Woodward's development. With a flexible seating arrangement that can accommodate myriad stage configurations and audiences of up to 450, the intimate black-box theatre will be a welcome addition to the city's cultural scene. A well-known Vancouver businessman and recognized leader in the community, former SFU chancellor Milton Wong and his wife Fei have donated \$3 million to SFU Contemporary Arts.

SFU Vancouver

SFU's Vancouver campus has four sites including SFU Harbour Centre, the Morris J. Wosk Centre for Dialogue, the Segal Graduate School of Business, and the SFU Contemporary Arts' Alexander Street studio space. SFU will extend its Vancouver presence with the transition of the School for Contemporary Arts to the Woodward's redevelopment which is expected to be complete in 2009/10.

SFU Vancouver offers a variety of undergraduate programs, including the Undergraduate Semester in Dialogue, and professional graduate degrees including master's programs in business, gerontology, international studies, liberal studies, public policy, publishing and urban studies. Currently the campus welcomes more than 70,000 people annually; 10,000 are students enrolled in credit and non-credit courses and thousands of others attend SFU public programs or are involved in events organized externally.

The \$71.5 million redevelopment of the historic Woodward's site is expected to be completed within the next fiscal year. The School for Contemporary Arts will be relocated to these new facilities which will include 125,000 square feet of space comprising a cinema, various theatres, an art studio and gallery, various teaching studios, a multimedia centre, and a sound stage. The facility is expected to serve over 1,000 students, faculty and staff each day and attract thousands of arts enthusiasts to enjoy music, film, theatre, dance and visual arts events.

OUTSTANDING ACHIEVEMENTS

- The **UniverCity** residential community won several 2008 environmental honours, including a LivCom award backed by the United Nations Environment Programme, a Best Practices award from Canada Mortgage and Housing Corp. and a National Planning Excellence award from the American Planning Association.
- SFU became North America's first post-secondary institution to achieve **Go Green** certification from the International Building and Owner Managers Association (BOMA). SFU also launched its own Green Pages website.
- The recently completed **Arts & Social Sciences and Blusson Hall** complex received the 2009 Lieutenant-Governor of British Columbia Gold Medal Award in Architecture.



OUR EXTERNAL ENVIRONMENT

The most significant external factors currently shaping SFU's operating environment are the economic recession, the funding capabilities and priorities of government, and British Columbia's changing student demographic.

Global Recession

Although British Columbia has been an economic leader in Canada for several years, the Province is not immune to the effects of the global recession. The consequences of the recession to the University are threefold: it has direct financial implications to operating, endowment and pension fund investment portfolios; it is likely to change enrolment trends and education demands; and it impacts governments which may have repercussions to public funding for education and research.

The most obvious impact, and one that has already been severely felt by SFU, is the decline in the world equity markets and the resulting loss in value of investment portfolios. Not only does this translate to a loss in the financial statements but it has a significant hit to future income and impairs the University's financial flexibility for funding both endowed and operating activities.

Secondly, while the factors that influence participation rates in post-secondary education are multifaceted, the Educational Policy Institute in their paper *On the Brink: How the Recession of 2009 Will Affect Post-Secondary Education*, written by Alex Usher and Ryan Dunn, suggests that the current recession will have a positive impact on enrolment in short-course programs, including university graduate programs.

As SFU's strategic plans include the growth and development of graduate programs, this is good news, however increasing graduate enrolment comes at a cost that SFU cannot fund alone. While governments have recognized the prudence of supporting education during the recession, additional operating funds are expected for targeted programs, and infrastructure funds are for projects selected by government such as the \$49 million Chemistry building renovation announced in April 2009.

Government Funding

For British Columbia to effectively compete in a knowledge-based economy, the importance of post-secondary education has been well recognized. Leading both the country and the world in progressive thought and innovation means having a well supported and funded post-secondary education system.

Recent federal and provincial budgets both stated that post-secondary education is a clear priority and both levels of government articulated that education and research are crucial to economic recovery. Infrastructure and operational support will be made available to support these commitments.

Research and innovation has consistently been identified and supported as a priority within BC. Generous funding through provincial research agencies has been a key factor in the research and innovation-intensive industries such as technology and engineering, clean energy, and health sciences. Progressive and innovative research and development will provide opportunities for the province to diversify its productivity, compete in the increasingly knowledge based global economy, and benefit with a faster recovery from the recession.

STATEMENT OF OPERATIONS AND CHANGES IN OPERATING NET ASSETS FOR THE YEAR ENDED MARCH 31, 2009

\$ in thousands	2009	2008
REVENUE		
Government grants and contracts		
Province of British Columbia	215,007	211,811
Government of Canada	53,412	60,941
Other governments	2,275	1,528
Tuition		
Credit courses	135,704	125,450
Non-credit courses	9,081	7,341
Other	10,006	9,202
Sales of goods and services	41,382	40,075
Gifts, grants and contracts	29,139	25,614
Investment income (loss) (note 14)	(37,048)	19,185
Amortization of deferred contributions: property & equipment	13,962	10,822
Miscellaneous income	9,840	6,536
	482,760	518,505
EXPENSE		
Salaries	278,336	258,900
Employee benefits	53,476	49,387
	331,812	308,287
Amortization of property and equipment	49,508	41,858
Scholarships, bursaries & prizes	26,338	25,828
Other operational expenses	24,693	25,810
Travel and personnel expenses	17,372	17,837
Professional fees	15,917	17,683
Materials and supplies	17,809	15,246
Cost of goods sold	12,771	12,163
Interest on long-term debt	10,381	10,614
Contract services	10,501	10,135
Renovations and alterations	10,537	8,411
Utilities	8,164	7,801
Equipment rental and maintenance	5,564	5,098
Grants to other agencies	3,604	5,018
	544,971	511,789
Net revenue (loss) for the year	(62,211)	6,716
CHANGES IN NET ASSETS		
Decrease in net assets restricted for commitments	15,097	9,973
Increase in investment in property and equipment	(4,733)	(26,663)
Loss on endowment investments allocated to endowment principal (note 8)	32,869	-
Net change in operating net assets	(18,978)	(9,974)
Operating net assets, beginning of year (note 22)	(6,070)	3,904
Operating net assets, end of year (note 22)	(25,048)	(6,070)

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

STATEMENT OF FINANCIAL POSITION
SIMON FRASER UNIVERSITY MARCH 31, 2009

\$ in thousands	2009	2008
ASSETS		
Current Assets		
Cash and short-term investments (note 3)	6,525	29,426
Accounts receivable	13,098	16,944
Inventories	2,446	1,563
Prepaid expenses	1,988	2,294
	24,057	50,227
Investments (note 4)	306,538	352,731
Property and Equipment (note 5)	779,463	767,267
Prepaid Lease (note 12)	2,751	3,066
Total Assets	1,112,809	1,173,291
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	45,889	48,923
Current portion of long term debt (note 6)	8,517	11,158
	54,406	60,081
Employee future benefits (note 7)	40,244	36,729
Long-term debt (Note 6)	157,751	157,674
Deferred contributions (note 8)	55,640	59,559
Deferred contributions for property and equipment (note 8)	365,142	363,776
Deferred lease proceeds (note 9)	19,331	17,904
	692,514	695,723
Net Assets		
Operating (deficit): investment income (loss) stabilization (note 10)	(25,048)	(6,070)
Internally restricted for commitments		
Operating (note 11)	5,540	9,230
	(19,508)	3,160
Capital, lease & other (note 12)	24,372	35,779
	4,864	38,939
Invested in property and equipment	266,460	261,727
Endowment (note 13)	148,971	176,902
	420,295	477,568
Total Liabilities and Net Assets	1,112,809	1,173,291

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

Approved:

MICHAEL FRANCIS
CHAIR, BOARD OF GOVERNORS

PAT HIBBITTS
VICE PRESIDENT, FINANCE & ADMINISTRATION

Investing in research was recognized in the *Campus 2020: Thinking Ahead* report commissioned by the government. Geoff Plant stated "We must ensure BC has institutions recognized as global leaders in knowledge discovery, creation and application. To do so means that BC must make a significant, ongoing commitment to research funding. The province must spend at a sustainable and meaningful level—significantly enough to ensure that our research institutions are adequately supported."

Student Demographic

According to the Educational Policy Institute, the main driver of enrolment in undergraduate programs is demographic rather than economic. Seventy nine per cent of SFU's undergraduate students are within the 18–24 years age range with the mean age of full-time undergraduate students at 21 years with a slight increase to 23 years for part-time students. Furthermore, 58 per cent of all students attending SFU in the fall of 2008 had previously attended secondary school while the rest had attended another post-secondary institution.

Nevertheless, while this is currently the case, population projections are indicating a different picture for future years (fig 7 below). Provincial enrolment in Grade 12 will decline and the BC population aged 18–24 is expected to sink to its lowest point by 2025. The trend for the South Fraser region is not so severe however with the creation of additional universities in the region, competition for these students has increased and SFU must continue to differentiate its programs through multi-disciplinary focus on academic programs and research.

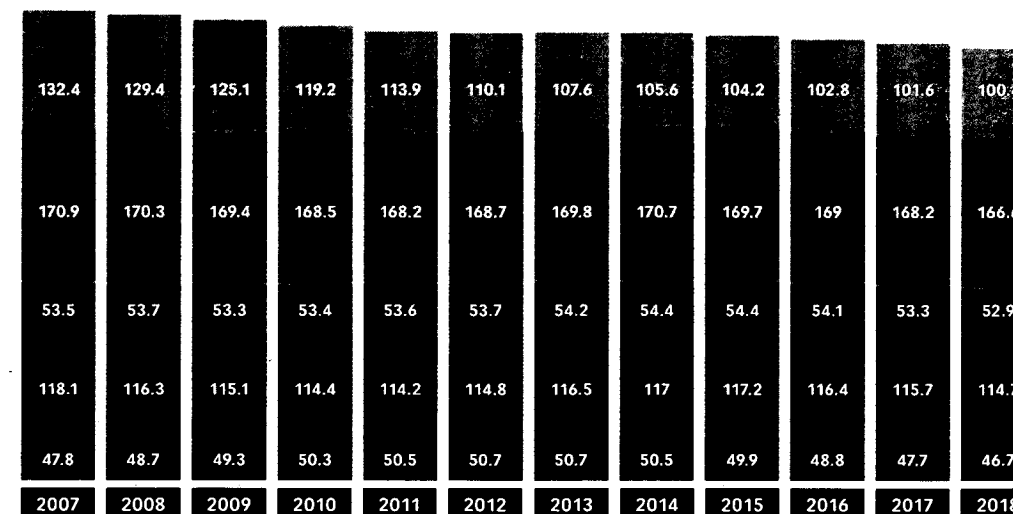
Changes to the student demographic necessitate changes to the future of post-secondary programming and a shift that focuses on the education needs of the mature learner. SFU has recently implemented a continuing education program called SFU NOW (Nights and Weekends) which is an initiative to help working adults complete an undergraduate degree through additional programming flexibility.

With an aging population, one of the biggest challenges in BC will be replacing retiring professional workers. One of the roles of post-secondary education is to adapt to society's training needs and providing the means to fill this gap. SFU has identified the need for more professional and semi-professional programs and will explore ways to deliver these requirements.

SFU's operating environment will continue to change and preparing for these changes is part of the overall planning process. The next iteration of the 3-year Academic Plan will be completed in 2009/10 and it will address the academic requirements of our students, government and society. In tandem with this new plan, the Strategic Research Plan will also be updated to ensure that research and teaching priorities are aligned.

7 / POPULATION PROJECTION BY COLLEGE AREA, AGES 18–24

IN THOUSANDS ■ CAPILANO ■ DOUGLAS ■ FRASER VALLEY ■ KWANTLEN □ VANCOUVER (BC STATS PEOPLE 32 POP. PROJECTION 2007)



RISKS AND UNCERTAINTIES

SFU manages risk through a framework of risk identification, measurement, and monitoring.

The following is an overview of the most significant risks currently facing the University.

1. Economic Environment & Investment Returns

The recession and the decline in financial markets has already impacted SFU's investment portfolios. Until markets start to recover, further decreases in market value may be expected. Endowment spending capacity has been affected and spending allocation rates have been reduced from 5 to 4 per cent for 2009/10. Budgeted operating investment income has been reduced from \$5.1 million in 2008/09 to \$4 million in 2009/10. This source of income supplements other revenues for supporting the University's non-endowed activities. Re-alignment of investment policy mix and performance reviews of investment managers has been performed. Monitoring of investment performance is on-going.

2. Public Funding Environment

The government funding model is based on historical per student rates that do not include adjustments for unfunded salary increases, inflation, or infrastructure growth. Salary increases outside the provincial government's Negotiating Framework and deferred maintenance on capital buildings are key components that are not part of the funding formula. In addition, provincial legislation caps tuition fee increases to the rate of inflation measured by the Consumer Price Index which is 2% for 2009/10. This funding model requires the University to make budget adjustments to expenses which are beginning to impact the quality of education that SFU can provide. SFU continues to work with The Research Universities Presidents Council and the government to promote a more sustainable government funding model.

3. Unsustainable Financial Model

Departments have been permitted to carry forward unspent operating budgets at the end of each year for expenditure in the following year. While this was sustainable as long as the carry forward balance were greater than the accrued liabilities, this is no longer the case as operating reserves have been used to supplement budget cutbacks and been further reduced by market losses on investments. The operating reserve is now in a deficit position and rebuilding these cash reserves is a priority for continued financial stability.

4. Fundraising

SFU has been highly successful in raising funds through philanthropic donations. The impact of the recession to our partners and donors is expected to reduce donations by over 67 per cent for the next fiscal year. A change to fundraising strategy is warranted and the University Advancement office will focus on strengthening relationships with existing donors and alumni and raising SFU's visibility to favorably position the University when the economy recovers.

In 2009, SFU will complete the \$71.5 million Woodward's redevelopment project and move the School for the Contemporary Arts to its new location. Currently \$12 million in pledges remains to be raised and with a constrained philanthropic environment, the University may be required to fund the difference.

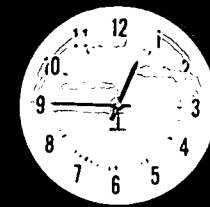
5. Course Accessibility

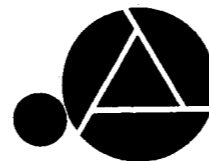
Ensuring that undergraduate courses are available to students is vital to the success of the University. Course accessibility impacts the student's ability to complete degrees on a timely basis as well as has consequences to student satisfaction and the University's reputation. This risk has been addressed through new course scheduling policy and the new Academic Plan will address the challenge of course accessibility for students.

6. Enrolment

Post-secondary education opportunities for students in British Columbia have increased with the conversion of several community colleges to university status. While these are not research institutions, the risk to SFU's enrolment is that transfer students from BC Colleges will diminish over the long run. This combined with the changing student demographic may pose a challenge for SFU to continue to meet and exceed enrolment targets. Ensuring that SFU's program are differentiated and SFU expands its research focus are key strategies for mitigating this risk.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**





Report of the Auditor General of British Columbia

FUTURE OUTLOOK

As SFU contends with the current economic uncertainties and financial market turbulence, the University's prudent use of resources, cost-containment efforts, and development of other sources of revenues will ensure that SFU continues to provide the quality education and research for which it has developed an exceptional reputation. Along with ongoing efforts toward revenue diversification and strategic changes for operational efficiencies, SFU's financial flexibility is enhanced by its AAA rating from Moody's Investors Service.

A major factor contributing to the University's ability to continue delivering outstanding academic programs is the support from the provincial government. There is a direct relationship between the support from government and the University's ability to enhance, let alone maintain, its core academic and research programs. Both the provincial and federal governments have indicated their overall support for post-secondary education through additional operating and infrastructure funds in their 2009 Budgets.

The University continues its capital development plans. Not only will it expand its facilities with the addition of the School for the Contemporary Arts, but graduate student residence rehabilitation is also expected to be complete in 2009. With additional infrastructure funds and new private partnerships, the renovation of chemistry facilities and residence maintenance will be initiated in 2009/10.

The University will continue to employ its long-term investment strategy to maximize total returns on its investment portfolios at an appropriate level of risk, while utilizing a spending-rate policy that protects the University's operations from temporary market volatility. The Investment Advisory Committee which provides guidance to the University with respect to its investments and policies has agreed to a rebalancing of the portfolio to within policy asset mix limits. This will be initiated early in the new fiscal year.

Student demand for admission to the University's programs remains exceptionally strong, and applications for fall enrolment are optimistic. Interest in the Faculty of Health Sciences and Faculty of Environment are encouraging as in these new Faculties are a strategic priority for the University. Surrey has been historically under-served in terms of university education and SFU's Surrey campus is entering its second phase of growth and development. The demographic trend in the South Fraser region indicates that student enrolment will continue at targeted rates.

SFU will continue to work with lower mainland colleges to promote post-secondary articulation and increase transfer students. Strategic partnerships with lower mainland colleges will benefit students and the entire BC post-secondary system. Short course programs such as graduate programs are expected to be in demand during the recession and SFU will pay particular focus to increasing opportunities for these students. Moreover, SFU recognizes the changing student demographic and the shift of programming focus to the adult learner and mature student.

The three year Academic Plan will be finalized in 2009/10 and will map the future for the University in terms of academic curriculum and student experience. SFU has developed an outstanding research profile in areas identified in the Strategic Research Plan which will also be updated to reflect academic changes and priorities. The growing national and international reputation of SFU and successful competition for research funding is expected to continue through 2009/10.

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

*To the Minister of Advanced Education and Labour Market Development,
Province of British Columbia:*

I have audited the statement of financial position of *Simon Fraser University* as at March 31, 2009, and the statements of operations and changes in operating 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, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia
May 28, 2009*

John Doyle, MBA, CA
Auditor General

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, 2009 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, 2009 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.

DR. MICHAEL STEVENSON
PRESIDENT

DR. PAT HIBBITTS
VICE PRESIDENT, FINANCE & ADMINISTRATION
MAY 13, 2009

Who owns the past? Ownership of and access to ancient material and data pose increasing dilemmas for scholars, practitioners, indigenous peoples and policy makers. Archaeology professor George Nicholas leads a \$2.5-million SSHRC project designed to examine and resolve the issues, involving an unprecedented collaboration of archaeologists, ethicists, indigenous groups, lawyers, anthropologists, museum specialists, and policy makers representing eight countries.



FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED MARCH 31, 2009

KEY POINTS

SFU's core mandate of education and research, while recently impacted by financial challenges, is operating in a relatively stable financial manner. Most of the year's net loss relates to investment market declines and one-time expenses, whereas enrolment and tuition have both increased and sponsored research revenue is stable, indicating strong support for the University's key operations.

The net loss of \$62.2 million is primarily the result of investment losses: operating investment income of \$18.9 million below budget and endowment investment losses of \$32.8 million total \$51.8. In addition, accrued expenses related to the Voluntary Exit Incentive Plan of \$4.9 million, the impact of the consolidated loss from Great Northern Way Campus Trust, and the increase in accruals for employee future benefits contributed to the consolidated net loss.

The economic crisis and severe decline in world-wide financial markets impacted SFU as it has other holders of investment portfolios. The investment loss reported on the statement of operations is \$37.0 million. The total investment loss was \$52.1 million however \$15.1 million of the loss was absorbed in the deferred contributions endowment investment stabilization account. Compared with last year's investment income of \$19.2 million, there is a \$71.3 million change. Fortunately, investment markets are now shifting towards a recovery mode.

Government funding remains steady at \$271 million which was a 3% increase over 2008. Moreover, revenues from tuition and student fees increased \$13 million or 9% per cent due to strong undergraduate enrolment and a 2% increase in fees. SFU is funded for 17,196 undergraduate and 2,268 graduate full-time equivalent student spaces and enrolled over 22,339 domestic and international students.

Sponsored research revenues decreased slightly from \$67 in 2008 to \$65 million in 2009. Grants from the Canada Foundation for Innovation and BC Knowledge Development Fund in 2008 of \$12 million were not repeated in 2009 due to the cyclical nature of this funding.

SFU's largest expenses is salary and benefit costs which totaled \$332 million, a 7 per cent or \$24 million increase over 2007/08. This includes the costs of the organizational restructuring of \$5 million.

Capital spending was \$62 million. The University completed the Blusson Hall building for Health Sciences and made significant progress on the rehabilitation of Hamilton Hall graduate residences which will re-open in May 2009. The Woodward's redevelopment for the School of Contemporary Arts is expected to complete in 2009/10.

The endowment was also impacted by investment losses. The endowment investment portfolio experienced a \$38.7 million loss, mitigated in part by drawing down the \$15.1 million endowment income stabilization account; this resulted in a net \$23.6 million investment loss. After endowment donations and spending allocations the endowment net assets were reduced \$27.9 million (15.8%) to \$149.0 million. During 2009, there was no capitalization of interest to endowments to protect the purchasing power of the capital as there was no income to allocate for the purpose. For 2010, the budgeted allocation of income to endowment spending accounts has been reduced from 5% to 4%.

Reserves for operations declined to a deficit of \$19.5 million. This includes \$26.1 million of operating budget carryovers, less accrued but unfunded liabilities for employee future benefits and vacation pay of \$20.5, and operating investment loss in the stabilization account of \$25 million.

SFU is innovatively adapting itself to the needs of the communities it serves while simultaneously adapting its operations to the available financial resources. This will continue to occur through the positive engagement of students, faculty, staff, donors, and funding partners as the financial challenges are addressed and opportunities are realized.

SIGNIFICANT ACCOUNTING POLICIES AND RELATED ORGANIZATIONS

As explained in Note 2 and Note 9, the University's financial statements include the financial information for the following related entities.

SFU COMMUNITY TRUST

SFU Community Trust's mandate is to oversee the development of UniverCity, a compact, mixed-use residential neighbourhood founded on the Four Cornerstones of Sustainability: Equity, Economy, Education and Environment. The Official Community Plan allows for up to 4,536 residential units in two distinct neighbourhoods to the south and east of SFU's campus, each with its own elementary school and neighbourhood park. The OCP includes provisions for a commercial core, community facilities, and an extensive network of pedestrian paths and bike trails. The Trust oversees the development of UniverCity through the provision of zoned, serviced, subdivided sites to private sector developers on a prepaid, long-term (99-year) leasehold basis.

The Trust is presided over by a 17-member Board of Directors comprising key SFU stakeholders, faculty and student representatives as well as a number of prominent real estate and development experts from in and around Vancouver and the Lower Mainland. The Board of Directors establishes policy for SFU Community Trust and plays a very active role in shaping the planning and development of UniverCity.

SIMON FRASER UNIVERSITY FOUNDATION

The purpose of the Simon Fraser University Foundation (the "Foundation") is to encourage public awareness of, and support for, Simon Fraser University (the "University") and its benefits to the people of British Columbia. The Foundation is an Agent of the Crown and is therefore exempt from income taxes under section 149 of the Income Tax Act. The majority of the Foundation's revenue is rental income from the 20 rental units in the Verdant housing complex which are owned by the Foundation for the purposes of leasing to SFU's faculty and staff. The Foundation is consolidated in the endowment fund of the University.

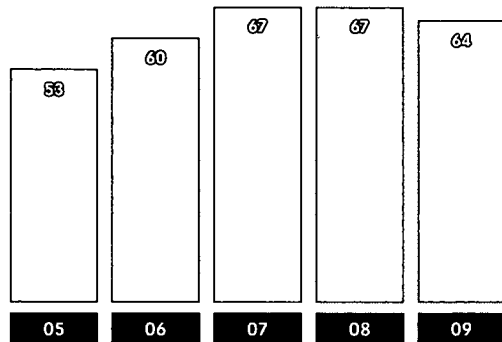
GREAT NORTHERN WAY

The Great Northern Way collaborative university campus combines the strengths of four academic institutions: University of British Columbia; Simon Fraser University; Emily Carr University of Art + Design and the British Columbia Institute of Technology. GNWC has the mandate to intersect arts, technology and the environment in a manner that bridges academia with industry, artists with technology, and innovation with development. It is an integrative environment that builds community and celebrates innovation.

SFU has a 25% interest in GNWC and it recorded on a proportionate consolidation basis.

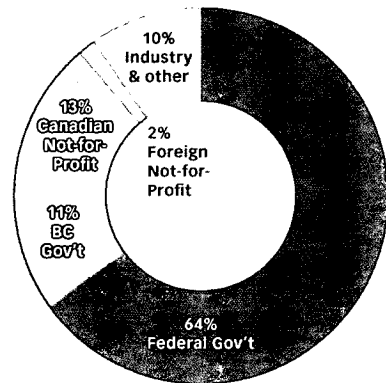
14 / SPONSORED RESEARCH REVENUES

IN MILLIONS OF DOLLARS



SPONSORED RESEARCH REVENUES

Research is primarily funded by federal granting agencies and the provincial government (sources below).

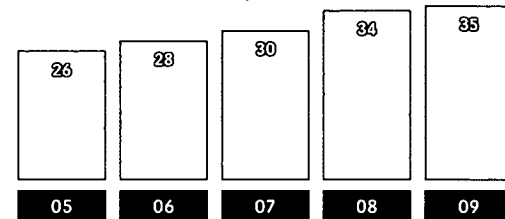


The change in sponsored research revenues for 2008/09 is related to the cyclical nature of the Canada Foundation for Innovation (CFI). In 2008, SFU won a \$8.2 million CFI award for the Department of Physics. The change in provincial funding is related to BC Knowledge Development Fund which contributed \$4 million to Physics last year.

\$ in thousands	2009	2008
Federal Research Councils	32,648	31,422
Province of British Columbia	7,158	10,784
Canada Foundation for Innovation	4,226	7,597
Canada Research Chairs	5,315	5,375
Canadian Not for Profit	8,326	7,679
Misc Int'l/Corporate Sponsors	7,273	4,165
Total	64,946	67,022

15 / ANCILLARIES EXTERNAL REVENUE

IN MILLIONS OF DOLLARS



ANCILLARIES

Ancillary Services provide goods and services to the University community.

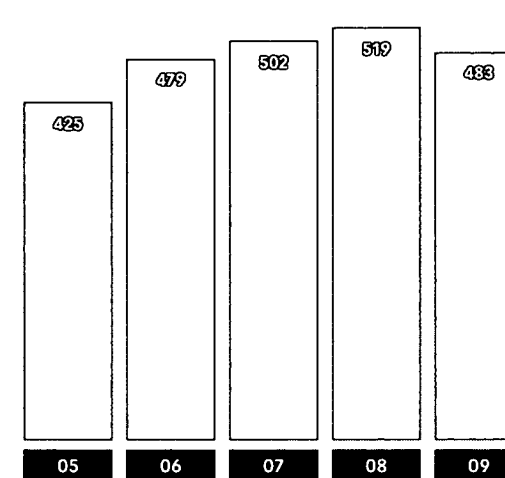
\$ in thousands	2009	2008
Bookstore	13,990	13,364
Residences	13,213	12,976
Parking	4,105	4,110
Microstore	2,591	2,308
Food Services	596	690
Document Solutions	82	68
Total	34,557	38,516

- SFU Bookstores** in Burnaby, Harbour Centre & Surrey.
- Residence & Housing** have accommodation capacity for over 1,800 students and provide 14 hotel rooms. Rehabilitation of the graduate student residence, Hamilton Hall, has been ongoing and is expected to complete in 2009/10.
- Food Services** are 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 controls demand for limited parking and encourages 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 remained stable at \$34.5 million.

8 / REVENUE 2005-2009

IN MILLIONS OF DOLLARS



REVENUES

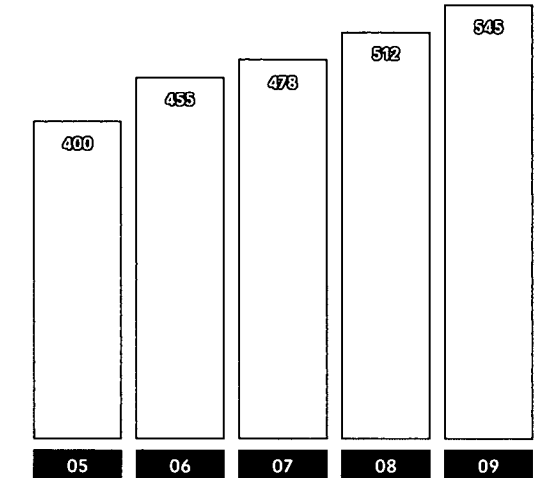
Revenues decreased 7% over 2008 to \$483 million.

\$ in thousands	2009	2008	%
Govt Grants & Contracts	270,694	274,280	(1)
Student Fees	154,791	141,993	9
Sales of goods & services	41,382	40,075	3
Gifts, Grants & Contracts	29,139	25,614	14
Investment Income	(37,048)	19,185	(293)
Amortization of Deferred Capital Contributions	13,962	10,822	29
Miscellaneous revenues	9,840	6,536	51
Total	482,730	513,505	(7)

- Government grants and contracts** decreased by 1 per cent overall. While provincial operating funding increased 2 per cent for student growth and wage settlements, this is offset by a decrease in federal revenues for sponsored research.
- Tuition and student fees** increased by 9 per cent due to a 2 per cent increase in tuition rates and growth in both undergraduate and graduate enrolment.
- Sales of goods and services** includes revenues from ancillary operations; consistent at \$35 million.
- Gifts, Grants & Contracts** increased due to recognition of deferred contributions for specific purpose and research projects.
- Investment loss** reported is \$37.0 million but the total loss is \$52.1 million as \$15.1 million was absorbed in the deferred contributions endowment investment stabilization account. Compared to 2008's investment income of \$19.2 million, there is a \$71.3 million change.
- Amortization of deferred capital contributions** increased by \$3.1 million by completing construction and commencement of amortization on Blusson Hall.

9 / EXPENSES 2005-2009

IN MILLIONS OF DOLLARS



EXPENSES

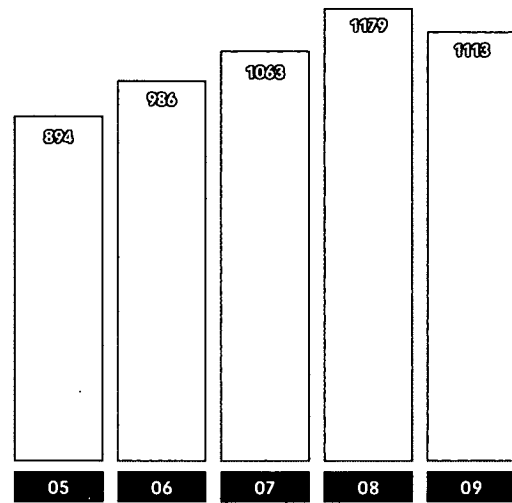
Total expenses for the year increased 6% over 2008 to \$545 million in 2009, due to these significant changes:

\$ in thousands	2009	2008	%
Salaries & Benefits	331,812	308,287	8
Supplies & Services	103,624	104,628	(1)
Amortization Cap. Assets	49,508	41,858	18
Scholarships & Bursaries	26,338	25,828	2
Cost of Goods Sold	12,771	12,163	(5)
Interest on Long Term Debt	10,381	10,614	(2)
Renovations & Alterations	10,537	8,411	25
Total	544,971	511,739	6

- Salaries and employee benefits** represent 61 per cent of total expenses. The increase in salaries of \$23.5 million over 2008 is due to wage settlements, merit increases, progression through the ranks, and growth in faculty and staff to support increased student enrolment. Salaries and benefits also includes a \$4.9 million accrual for costs related to the Voluntary Faculty Exit Incentive Plan.
- Supplies & Services** Budget reductions meant a decrease in discretionary spending. Decreases to travel and personnel expenses, professional fees, and operational expenses contributed to the decrease.
- Amortization of Capital Assets** increased as a result of asset purchases and the completion of construction of projects.
- Renovations and Alterations** A return to historic levels of facilities maintenance has caused the \$2 million increase. This is funded in part by SFU's annual capital allowance from the provincial government.

10 / ASSETS

IN MILLIONS OF DOLLARS



ASSETS

Total assets for the year decreased by 5% over 2008 to \$1,113 million. Most of the decrease is caused by the write-down of long-term investments to market value.

\$ in thousands	2009	2008
Current assets	24,057	50,227
Property & equipment	779,463	767,267
Investments	306,538	352,731
Prepaid lease	2,751	3,066
Total	1,112,809	1,173,291

- Current assets** are significantly lower than in 2008 due to a decrease in cash and short-term investments. In 2007, capital funding was on-hand at year end.
- Property and equipment** combines capital projects for buildings and leasehold improvements, library acquisitions, computers, furniture and equipment. Capital spending included construction for the Health Sciences building and Contemporary Arts.
- Investments** decreased by \$46.2 million. Market losses of \$13.4 million on non-endowment investments and \$38.7 million on endowment investments were offset by \$5.9 million of new funds invested.

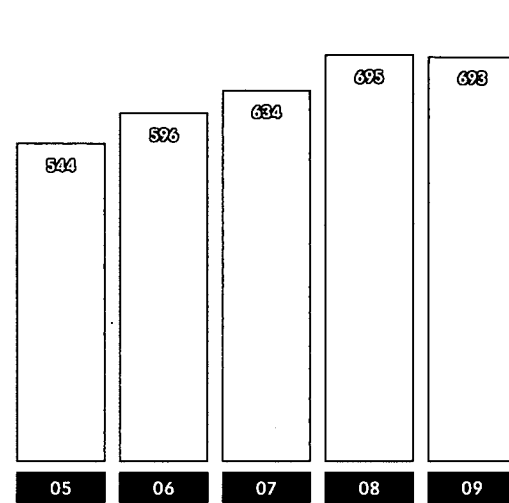
LIABILITIES

Liabilities decreased slightly over 2008 to \$693 million.

- Current liabilities** has two components. The current portion of long term debt decreased by \$2.6 million due to the decrease of the University's 1/4 share of debt held by Great Northern Way Campus Trust. In addition, accounts payable and accrued liabilities decreased by \$3.0 million. The accrual increase of \$4.9 million for the Voluntary Faculty Exit Incentive Plan was offset by \$8 million of decrease in accounts

11 / LIABILITIES

IN MILLIONS OF DOLLARS



payable as vendors were paid on the year end date.

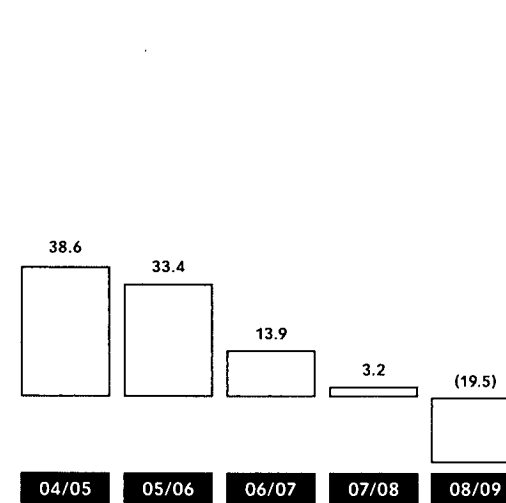
- Employee future benefits** liability increased by \$3.5 million as accruals were made based on actuarial recommendations. The unaccrued portion of employee future benefits is now \$10.1 million and the accrued but unfunded portion of these liabilities is \$14.5 million

\$ in thousands	2009	2008
Current liabilities	54,406	60,081
Employee future benefits	40,244	36,729
Long-term debt	157,751	157,674
Deferred contributions	55,640	59,559
Deferred capital contrib.	365,142	363,776
Deferred lease proceeds	19,331	17,904
Total	692,514	695,723

- Deferred contributions** are externally restricted resources not recognized as revenue until related expenses are incurred. They increased \$12.1 million and were offset by the drawdown of the endowment income stabilization account of \$15.1 million. The endowment income stabilization account element of deferred contributions was drawn down to nil from investment losses.
- Deferred capital contributions** represent the unamortized portion of restricted capital advances. The balance has increased due to contributions for ongoing major capital projects such as Contemporary Arts at Woodward's. This funding is amortized to income over the life of the related buildings.
- Deferred lease proceeds** increased by \$1.4 million reflecting the loss from operations in SFU Community Trust due to slower real estate sales.

12 / NET OPERATING RESERVES

IN MILLIONS OF DOLLARS



NET ASSETS

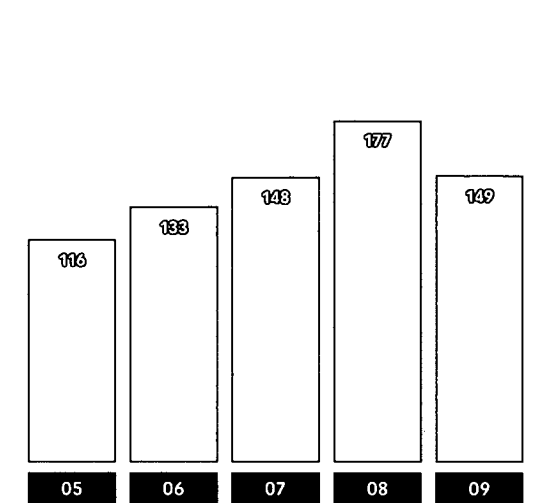
Net assets decreased from 2008 by 12% to \$420 million.

\$ in thousands	2009	2008
Operating (deficit): investment income (loss) stabilization	(25,048)	(6,070)
Internally restricted for operating commitments	5,540	9,230
Net operating reserves	(19,508)	3,160
Internally restricted for capital & lease commitments	24,372	35,779
Invested in property, plant & equipment	266,460	261,727
Endowment	148,971	176,902
Total	420,295	477,368

- Operating Investment Income/Loss Stabilization** represents the differential between operating investment income budget and actual results in order to isolate the impact of the investment losses in the year.
- Internally Restricted for Operating Commitments** include balances derived from operating budget carry forward amounts at the department level as well as internally restricted funds for research and other projects. These amounts are offset by accrued but unfunded liabilities for employee future benefits.
- Internally Restricted for Capital & Lease Commitments** are for non-operating commitments which relate to capital projects, long term lease commitments for SFU Harbour Centre, and reserves which are designated for contracts for specific purpose activities. The decrease is due to capital funding that was received late in 2008 and spent in 2009.

13 / ENDOWMENT FUND

IN MILLIONS OF DOLLARS



ENDOWMENTS

Endowments are donations that are restricted by the contributor. They are designed to preserve capital over the long run. The endowment fund market value has declined to \$149 million in 2009.

The endowment was negatively impacted in several ways due to the collapse of the investment markets. The fund balance has been reduced by \$28 million as donations were offset by the decrease in market value of \$33 million and a loss from SFU Community Trust of \$1.8 million. The income stabilization reserve which protects endowment spending against fluctuations in the value of the fund has been reduced from \$15.1 million in 2008 to nil at the end of this fiscal year.

The endowment fund investment policy requires diversification between fixed income (30 per cent) and equity securities (70 per cent) to balance investment risk with optimizing earnings.

\$ in thousands	spending 2009
Faculty & academic support	4,086
Student financial aid	2,600
Research chairs	1,641
Professorships	463
Library	219
Athletics	134
Total	9,143

Due to market losses in the current fiscal year, the spending allocation rate has been reduced from 5 per cent to 4 per cent for the foreseeable future. The impact is a \$2.2 million decrease to spending for 2009/10.