



SIMON FRASER UNIVERSITY
THINKING OF THE WORLD

TO: Senate
FROM: Alison Watt
Director, University Secretariat
DATE: August 29, 2007
SUBJECT: SFU Financial Statements – March 31, 2007

A handwritten signature in black ink, appearing to read "Alison Watt", is located to the right of the "FROM:" field.

Section 32 of the University Act states: "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 promptly to the senate."

This document is forwarded to Senate for information.

NOTE:

IF YOU DO NOT WISH TO KEEP A COPY OF THE SFU FINANCIAL STATEMENTS,
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BOBBIE GRANT, SENATE & ACADEMIC SERVICES, STUDENT SERVICES

SFU FINANCIAL STATEMENTS
MARCH 31, 2007

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www.sfu.ca/finance/accounts

FINANCIAL STATEMENTS

Simon Fraser University | Fiscal year ended March 31, 2007

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STATEMENT OF MANAGEMENT RESPONSIBILITY

Simon Fraser University | Fiscal year ended March 31, 2007

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, 2007 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 Audit 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, 2007 have been reported on by BDO Dunwoody LLP, Chartered Accountants. 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



Pat Hibbitts
VICE-PRESIDENT, FINANCE & ADMINISTRATION
MAY 16, 2007



Board of Governors

Front row left to right:

Brandt C. Louie
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H.Y. LOUIE CO., LTD.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER,
LONDON DRUGS LTD.

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ORDER-IN-COUNCIL
CHAIR (September 2005–February 2007)

H. Michael Stevenson
PRESIDENT AND VICE-CHANCELLOR

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PRESIDENT, CORPORATE ADVISORY GROUP

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FACULTY OF ARTS AND SOCIAL SCIENCES,
CO-OPERATIVE EDUCATION PROGRAM

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SIMON FRASER UNIVERSITY AND TRIUMF

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DEPUTY CHAIR (February 1007–present)
PRESIDENT, SEED MANAGEMENT INC

Derrick Harder
STUDENT MEMBER

Pauline Rafferty
ALUMNI ORDER-IN-COUNCIL
CHIEF EXECUTIVE OFFICER,
ROYAL BRITISH COLUMBIA MUSEUM



SFU BOARD OF GOVERNORS

Investment and growth in the higher education system in British Columbia and in Canada has continued over the past year. The province has invested in undergraduate enrolment growth, research and capital projects, while the federal government has continued large investments in the research agenda. There is much to celebrate; however, progress brings its own challenges. SFU has had to rise to these challenges over the past year.

The provincial government of British Columbia has invested in undergraduate education as a high priority, with a program to fund 25,000 additional seats in post-secondary institutions. This program has been introduced in association with a concurrent decline in the population graduating from grade 12. Together, these conditions have ushered in a new era of more open accessibility to B.C. universities, intensifying the competition for top students. SFU has responded with emphasis on student recruitment and retention, as well as revitalization of the undergraduate student experience.

Research is critical to the overall success of a comprehensive university, both for new discoveries and to attract the best professors and graduate students. Funding from Canada, British Columbia and others drives research as our fastest area of growth — with an increase of \$7 million this year and 56% over the last five years. Administrative support to comply with detailed funding agency requirements is challenging.

Graduate student enrolment has grown in response to the increased scale of research activity, and increased demand for post-graduate qualifications in the expanding knowledge economy. Fortunately, formula funding in B.C. will again finance growth in graduate enrolment over the next four years, following a long freeze on such funding in the province. Growth in enrolment and research activity has necessitated significant expansion of facilities.

New academic infrastructure has included the first new Technology and Science complex on Burnaby Mountain, the Segal Graduate School of Business in our Vancouver campus and the new Surrey Campus, all officially opened in our 40th anniversary year. This year, additions to campus infrastructure included the opening of a new gymnasium and fitness centre, newly surfaced and lit athletic fields, and the second Technology and Science complex on the hill. Construction of other major facilities is proceeding.

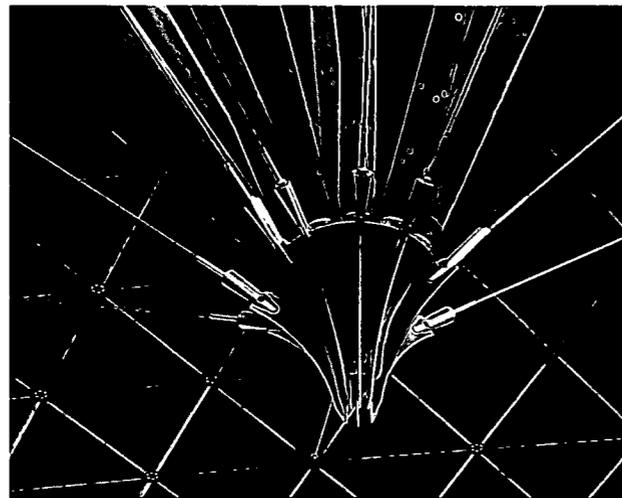


Pat Hibbitts, VICE-PRESIDENT
FINANCE & ADMINISTRATION

Despite the significant improvements associated with these capital projects, we continue to face construction cost inflationary pressures that cannot entirely be handled by changes to the planned scope of the projects. Internally Restricted Net Assets have had to be redirected to support capital projects. Further, these new capital projects entail additional operating costs not covered by formula funding. The inevitable result is to resort to operating budget reductions elsewhere in the university to finance these infrastructure costs.

Faculty and staff are critical to the success of the University and represent our largest operating expense. Four-year public sector compensation agreements, with corresponding funding provided for the first time to universities, provide a welcome period of stability and predictability. However, there remain significant challenges in attracting the best personnel with constrained remuneration in a highly competitive employment market and with strong inflationary pressures on benefit programs.

ARCHITECTURAL DETAIL, SURREY CAMPUS



Despite a sustained period of improvements in government funding based on Full Time Equivalent growth, the current arrangements create some systemic financial issues for the university. Inflation in non-salary expenses is not funded by government and the limiting of tuition increases to 2% results in ongoing program and operational reductions to cope with non-salary inflation. Faculty and staff salary progression, critical to attract and retain top-notch employees, is not recognized in the government funding formula. Further, provincial funding does not adequately recognize construction inflation or operating costs of new buildings, and it does not recognize the full extent of capital depreciation and expense of maintaining buildings of 30 to 40 years old. Even in a young university, these latter problems are becoming a serious issue.

One indicator of the support of our communities, alumni and reputation is our success in fund raising. In 2007, we exceeded the goal of our six year Reaching New Heights campaign by raising in excess of \$130 million. These funds are critical to the development of new facilities, the funding of new academic chairs, professorships and research programs, and the expansion of student financial assistance through the Endowment Fund.

As a whole, we are pleased with the support we have received to realize the University's mandate and look forward to further success as we work with our funding agencies and stakeholders to realize the full potential of this great institution. Following are financial highlights of the past fiscal year.

Pat Hibbitts
VICE-PRESIDENT, FINANCE & ADMINISTRATION

13. Financial Instruments

The University's financial instruments consist of cash and short term investments, accounts receivable, investments, accounts payable and accrued liabilities and long term debt. It is management's opinion that the University is not exposed to significant interest, currency or credit risk arising from these financial instruments. The carrying values of accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of long-term debt approximates the carrying value due to the nature of the existing terms.

On April 1, 2007 the University will be adopting new standards prescribed by the CICA collectively known as the "New Financial Instrument Standards". The adoption of the new standards may result in a retroactive adjustment to the balances of net assets reported at March 31, 2007. The amount of the adjustment to net assets, if any, is not reasonably determinable at this time.

14. Pledges

Pledges made by donors to the University for donations to be received in future years are estimated at \$39,313,000 (2006: \$26,419,000). Pledges are not recorded in the financial statements until the related donations are received by the University.

15. Contingencies

Simon Fraser University is the defendant to several unresolved statements of claims. It is expected that the ultimate outcome of these claims will not have a material effect on the financial position of the University. The majority of these claims are covered by the University's insurance coverage. Any University payouts that may result from these claims will be recorded in the period when it becomes likely and determinable.

16. Canadian University Reciprocal Insurance Exchange

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

17. Related Entities that are not consolidated

TRIUMF

Simon Fraser University is a member with five other universities in a joint venture called the Tri-Universities Meson Facility (TRIUMF) on the University of British Columbia (UBC) campus. Canada's National Laboratory for research in Particle Physics, TRIUMF is not incorporated and each University has an undivided 1/6 interest in its assets, liabilities and obligations, except for the land and buildings it occupies, which are owned by UBC. The facility and its operations are funded by federal government grants and the University makes no direct financial contribution.

Financial Position

(Dollars in thousands)	2007	2006
Total assets	8,660	6,059
Total liabilities	5,298	3,766
Fund Balances, restricted	2,608	2,169
other	754	124
	8,660	6,059

Results of Operation

Revenue	60,599	58,197
Expenses	59,530	58,356
Excess (deficiency) of Revenue over Expenses	1,069	(159)

WCUMBS

SFU 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. SFU's operating grant to the Society was \$281,775 (2006: \$359,000), recorded as an expenditure. SFU has no expectation of monetary gain from this venture.

SFU COMMUNITY CORPORATION

The University owns the outstanding shares of SFU Community Corporation, which has no business operations and exists solely to act as trustee of SFU Community Trust, described in Notes 2 and 9.

SF UNIVENTURES CORPORATION

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

11. Endowment

Endowment consists of restricted donations to the University. Investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Donors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended, and reinvesting unexpended income.

<i>(Dollars in thousands)</i>	2007	2006
Balance, beginning of year	132,979	116,050
Donations	4,956	7,767
Capitalized income and other transfers		
Capitalized investment income	3,892	3,747
Equity income, SFU Community Trust (Note 9a)	216	189
Capitalized ¼ share of GNWCT endowment from the provincial government	4,250	-
Deferred investment income capitalized under Burnaby Mountain Matching program	851	2,961
Deferred contributions capitalized pursuant to donor definition of terms and other endowment fundraising	523	2,265
Balance, end of year	147,667	132,979

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

12. Pension Plans

The assets and liabilities of pension plans are not reflected in the University's financial statements.

ACADEMIC PENSION PLAN

The University Pension Plan for Academic Staff generally provides benefits on a money purchase basis, but includes an option to members who were in the plan on March 20, 1973 to choose benefits based on years of service, and the average of the highest sixty (60) consecutive months' salary. All contributions to the plan are by the employer. Contributions by the University for the calendar year 2006 were \$8,853,000 (2005: \$8,148,000).

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, 2003 shows an actuarial liability of \$17,380,000 against the actuarial value of assets of \$16,979,000 resulting in an unfunded liability of \$401,000. The University started contributions of \$56,400 per year in 2005/2006 towards the unfunded liability. The valuation is based on the 1994 Uninsured Pensioners Mortality Table, using an investment rate of return of 6.5% and price inflation of 3%.

ADMINISTRATIVE/UNION PENSION PLAN

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

- The University's contribution is based on the amounts estimated by the Actuary and recommended by the Administrative/Union Pension Plan Trustees to the Board of Governors of the University. The University shall contribute to the fund such amounts as the Board of Governors determines are required to fund the retirement benefits. All contributions to the plan are by the employer.
- The latest actuarial valuation as at December 31, 2004 showed an actuarial liability of \$146,772,000 against market value assets of \$148,825,000, resulting in a surplus of \$2,048,000. This surplus is not available to the University as the University shall not suspend or reduce its contribution to the pension fund without the prior approval of the employee organizations. Pursuant to an agreement between the University and the employee organizations, the portion of the surplus in excess of 15% of the defined-benefit portion of the above liabilities with assets taken at market values would be distributed to members. The next valuation will be at December 31, 2007.
- The employer contribution rate is 12.34%, as indicated by the 2004 actuarial valuation. Employer contributions for calendar year 2006 were \$9,202,000 (2005: \$8,467,000).
- The valuation is based on the 1994 Uninsured Pensioner Mortality Table projected to 2015 using mortality projection scale AA; an investment rate of return of 6.25%; and an inflation rate of 2.25%.

PENSION PLAN FOR CERTAIN MEMBERS

This plan covers four members who contributed to the Teachers Insurance and Annuity Association and College Retirement Equities fund in 1971, and have chosen to remain in the defined contribution plan. University contributions in calendar year 2006 were \$35,700 (2005: \$37,400).

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Simon Fraser University | Fiscal year ended March 31, 2007

TOTAL REVENUE, ALL FUNDS

The University's total revenue surpassed the half billion mark with a total of \$502M (figure 1).

Of the \$8M increase in government grant revenue, \$4.1M related to funding of wage settlements.

Revenue

(Dollars in millions)

FOR THE YEAR ENDED MARCH 31:	2007	2006
Sources		
Govt. Grants & Contracts	267	259
Student Fees	134	130
Sales of Goods & Services	39	37
Gifts, Grants & Contracts	27	20
Investment Income	20	20
Amortization of Deferred Capital Contributions	9	9
Miscellaneous Revenue	5	4
Total	502	479

Expenses

(Dollars in millions)

FOR THE YEAR ENDED MARCH 31:	2007	2006
Sources		
Salaries	243	233
Employee Benefits	45	42
Supplies & Services	108	105
Amortization of Property and Equipment	40	32
Scholarships, Bursaries	24	23
Cost of Goods Sold	11	11
Interest on Long Term Debt	7	8
Total	478	400

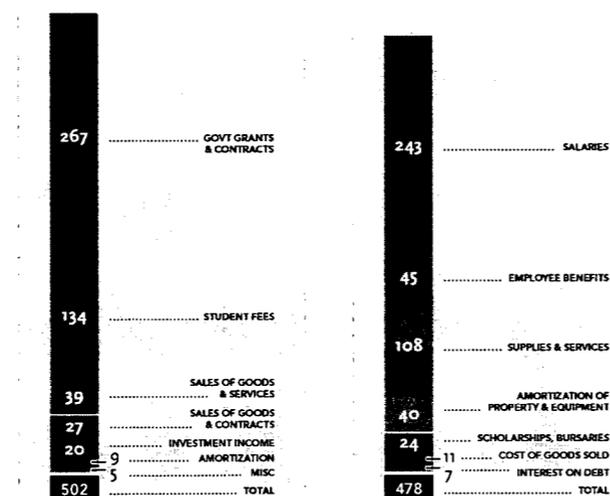
TOTAL EXPENSES, ALL FUNDS

Total expenses increased by \$28M to \$483M (figure 2).

Salaries and employee benefits expenses represent 60% of total expenses. The increase in salaries from \$233M to \$243M in 2007 is due to increased staff numbers to serve increased student enrollment, increased research activity, and for salary increases agreed to with employee groups.

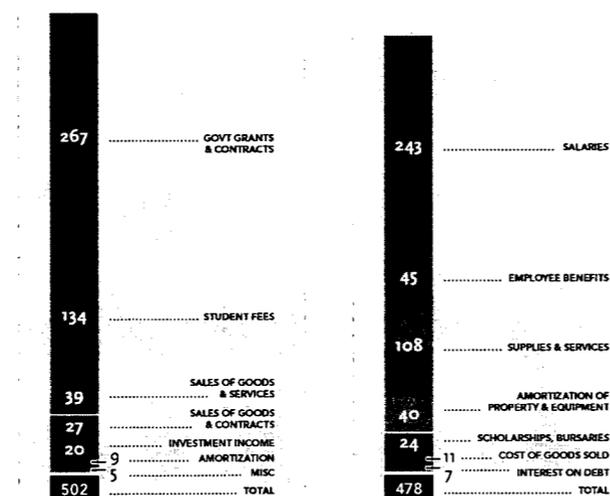
1 / TOTAL REVENUE 2007

(IN MILLIONS OF DOLLARS)



2 / TOTAL EXPENSES 2007

(IN MILLIONS OF DOLLARS)



DEFERRED LEASE PROCEEDS / EQUITY IN TRUST

The University's interest in the net assets of the Trust and allocations received in advance of income recognition (in relation to terms of underlying leases) represents the University's interest in the Trust operations, described as "Deferred lease proceeds" on the Statement of Financial Position. It amounts to \$16,710,000 (2006: \$14,665,000).

Deferred lease proceeds

(Dollars in thousands)	2007	2006
Trust Balance, beginning of year		
As reported by the Trust	7,317	7,314
Adjustment of land value on transfer to Trust not realized through sales of leases	(3,658)	(3,882)
Deferred revenue on leases	(18,325)	(17,186)
University's equity interest in Trust	(14,666)	(13,754)
Net income to University from Trust, per above	216	189
Trust Allocations to beneficiaries: Foundation University	(960)	(1,100)
Deferred Lease Proceeds / University equity interest in Trust, end of year	(16,710)	(14,665)

SFU COMMUNITY TRUST, FINANCIAL SUMMARY

Financial Position

(Dollars in thousands)

	2007	2006
Total assets	15,996	15,635
Total liabilities	8,658	8,318
Trust balance, end of year	7,338	7,317

Results of Operations & Trust Balance

	2007	2006
Revenue	8,433	4,722
Expenses	6,152	3,619
Net income for the year	2,281	1,103
Trust balance, beginning of year	7,317	7,314
Allocation to beneficiaries during year	(2,260)	(1,100)
Trust balance, end of year	7,338	7,317

Cash Flows

	2007	2006
Operating activities	8,375	(907)
Investing activities	(5,691)	(3,982)
Financing activities	(1,032)	4,740
Decrease in cash during the year	(1,652)	(149)

10. Internally Restricted for Specific Commitments

(Dollars in thousands)	2007	2006
General Operating		
Operating budget carryovers	15,334	25,390
Auxiliaries and special projects	4,195	11,349
Research and other grants	14,765	17,000
Total General Operating	34,294	53,739
Ancillary enterprises		
Property and Equipment	8,765	9,147
Specific Purpose	17,336	14,342
Long-term lease commitment	16,250	16,433
Self insurance	706	86
Total Restricted for Specific Commitments	76,235	95,383

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

The Ancillary Enterprises represents accumulated funds held for the ongoing operations of ancillaries such as the Bookstore, Food Services, Microcomputer Store, Residences, Parking and Document Solutions. Property and equipment represents funds that are restricted to capital projects. Specific purpose represents funds from various sources that are allocated internally to specific activities.

Funds restricted for long term commitments are set aside to meet future obligations:

- 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 and a contribution towards operating costs. Lease and tenant loan obligations include annual payments of \$1,140,000, which started in September 1988 increasing to \$1,648,000 over the term of the lease, and a termination payment of \$8M upon the expiry of the lease in December 2017 or a discounted equivalent of that amount at an earlier date.
- Self-insurance funds are held to pay the self-insured property and liability losses.

experience, the maximum potential claim is not paid to all claimants. A lesser amount is accrued for group self-insurance liability: \$5,811,000 (2006: \$5,520,000).

EARLY RETIREMENT

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

NON-PENSION BENEFITS

The non-pension benefits amount represents portions of premiums payable to current and future retirees for the Medical Services Plan, Extended Health Benefits and Dental Benefits. The accrued benefit liability for non-pension benefits is \$24,455,000 (2006: \$22,855,000) and at March 31, 2007 an amount of \$9,481,000 has been internally designated to fund this liability.

An actuarial valuation was done at March 31, 2006 to reflect the changes in staff and faculty and increase in premiums since the previous valuation of \$23,080,000 at March 31, 2003. The actuarial valuation shows an increase of \$9,166,000, which brings the total obligation to \$32,246,000 at March 31, 2006. The increase of \$9,166,000 will be amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the non-pension benefits as of March 31, 2007 is 8 years.

The March 31, 2006 valuation is based on the RP-2000 Mortality table. Actuarial assumptions are a discount rate of 5%, price inflation at 2.5% per annum, an extended Health benefit trend rate of inflation plus 6% trending down by 0.5% per annum to 3.5%, a Dental trend rate of inflation plus 2% and an MSP Premium trend rate of 2.5%. There are no contributions by employees to this benefit. The next valuation will be March 31, 2009.

8. Deferred Contributions

Deferred contributions represent unspent resources externally restricted for a particular purpose in a subsequent period. 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 \$324,676,000 of deferred contributions for property and equipment represents the unamortized portion of restricted capital advances relating to assets purchased with restricted contributions.

Changes in deferred contributions

(Dollars in thousands)	SPONSORED RESEARCH	SPECIFIC PURPOSE	PROPERTY + EQUIPMENT	2007 TOTAL	2006 TOTAL
Balance, beginning of the year	33,294	13,370	276,366	323,030	289,738
Add: Contributions received during the year	66,486	30,369	57,764	154,619	128,701
Less: Transferred to revenue	68,083	29,271	9,454	106,808	95,409
Balance, end of year	31,697	14,468	324,676	370,841	323,030

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

SFU Community Trust is developing 78 acres of 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.

SFU Community Corporation, 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 recorded its equity accounted interest in the income of the Trust as a direct increase in net assets held as endowment principal as described in note 11. This amounted to \$216,000 (2006: \$189,000).

Net Income from Trust

(Dollars in thousands)	2007	2006
Net income as reported by the Trust	2,281	1,103
Adjustment of land value on transfer to Trust realized through sales of leases	460	224
	2,741	1,327
Deferred to be amortized over terms of leases	(2,525)	(1,138)
Net income to University from Trust, recorded as increase in net assets held as endowment principal	216	189

SPONSORED RESEARCH

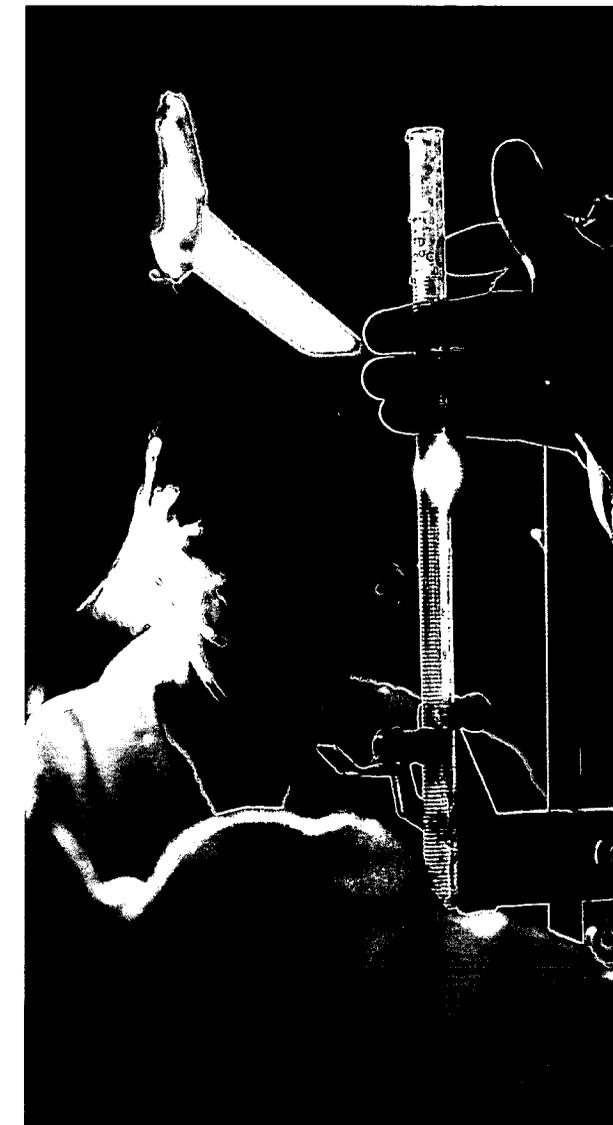
As a comprehensive university, research is a major component of SFU's mandate. In addition to internally sponsored research, there is sponsored research funded by external organizations (figures 3, 4).

CAPITAL ASSETS

Physical Infrastructure improvements continue at a robust rate with \$99M spent on land, buildings and leasehold improvements and \$40M on equipment, furniture and library acquisitions (figure 5).

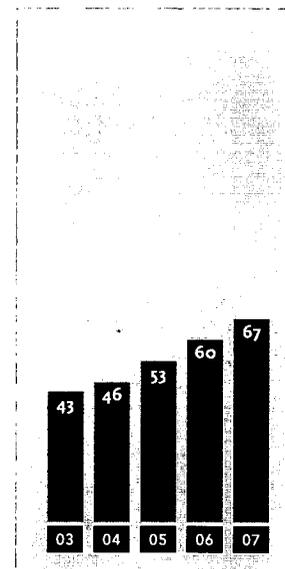
Capital projects completed in the year include the Surrey Campus and the extension to the gymnasium. Projects

CHEMISTRY STUDENTS IN THE LABORATORY WITH DR. ALICE HANLAN



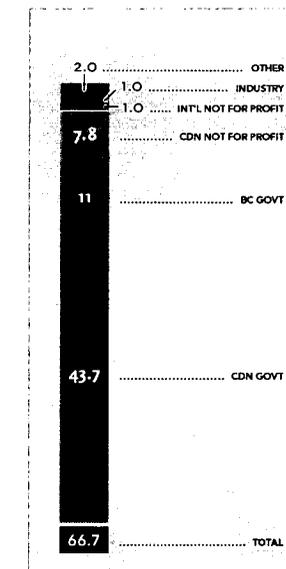
3 / EXTERNAL RESEARCH REVENUE

(IN MILLIONS OF DOLLARS)



4 / SPONSORED RESEARCH REVENUE

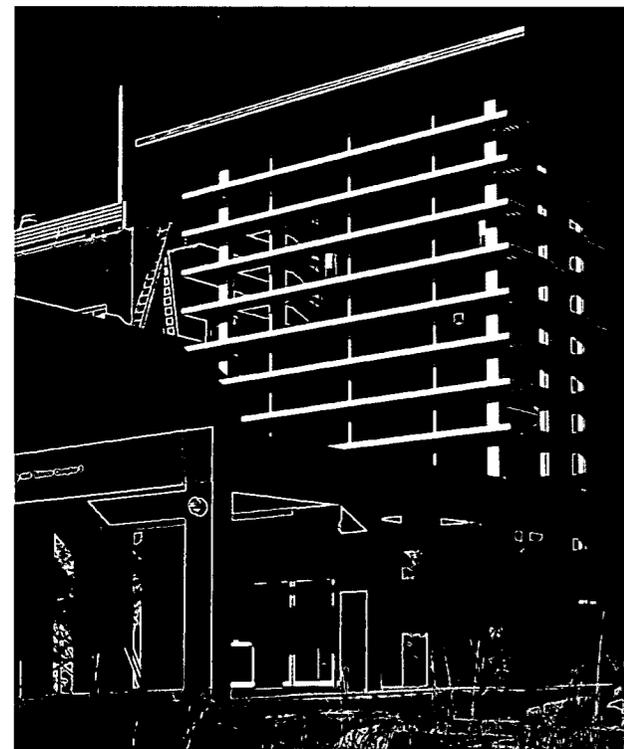
(IN MILLIONS OF DOLLARS)



in progress at March 31, 2007 include Phase 2 of the Technology and Applied Sciences Complex, the Arts and Social Sciences Complex and the Health Sciences building.

This year's property development was financed from Province of B.C. Deferred Capital Contribution (\$58M), the balance of proceeds of a previous debenture issue (\$28M), Canada Foundation for Innovation (Federal and Provincial) (\$14M), allocations from research, and donated funds. Ongoing campus development is dependent on the provision of provincial funding, provincial authorization to borrow, and community donations.

PHASE 2 OF THE TECHNOLOGY AND APPLIED SCIENCES COMPLEX, BURNABY CAMPUS

**ENDOWMENT FUND**

The Endowment Fund balance is growing as the result of both community donations and proceeds from SFU Community Trust's UniverCity project (figure 6).

ANCILLARY SERVICES

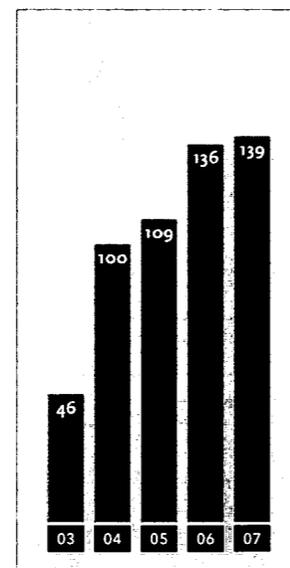
Ancillary services provide goods and services to the University community.

Revenues are generated to cover operating expenses, debt service payments and to provide reinvestment to ensure long term financial viability.

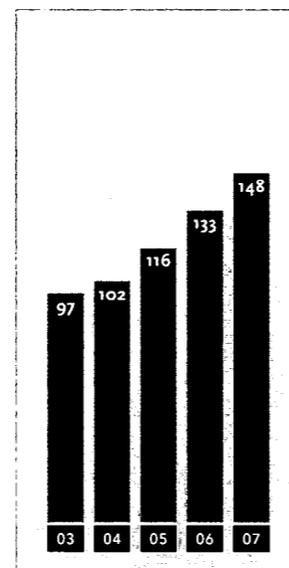
Net Assets are designated as Internally Restricted For Specific Commitments (figures 7, 8).

5 / PROPERTY AND EQUIPMENT

(IN MILLIONS OF DOLLARS)

**6 / ENDOWMENT FUND BALANCE**

(IN MILLIONS OF DOLLARS)

**5. Property and Equipment**

(Dollars in thousands)	COST	ACCUMULATED AMORTIZATION	2007 NET	2006 NET
Buildings				
concrete	629,937	129,647	500,290	415,115
wood	22,486	10,094	12,392	12,626
Site services	34,420	9,955	24,465	23,688
Leasehold improvements	11,975	6,351	5,624	6,067
Computing equipment	28,296	10,823	17,473	19,309
Equipment & furnishings	99,522	31,217	68,305	58,470
Library books	72,357	29,357	43,000	41,101
Special collections	6,574	-	6,574	6,549
Land	21,809	-	21,809	17,768
Total Capital Assets	927,376	227,444	699,932	600,693

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. Of this land, 78 acres is set aside for development by the SFU Community Trust.

As at March 31, 2007, the University had committed to contracts for the construction and acquisition of buildings that involve future expenditures of approximately \$38M.

6. Long Term Debt

(Dollars in thousands)	2007	2006
Demand Loans	2,804	4,002
Term Loan	4,249	4,509
Mortgages	2,051	3,186
Debentures		
Senior unsecured	150,000	150,000
Province of BC unsecured	11,000	14,155
(less Sinking Funds)	(4,604)	(7,646)
	165,500	168,206
Current Portion	(7,345)	(8,796)
Total Long Term Debt	158,155	159,410

Demand loans are the University's ¼ share of the Great Northern Way Campus Trust (GNWCT) demand loan and revolving loan. These loans bear interest at prime plus 0.65% and prime plus 0.75%. They have interest only payments and the principal is due on demand. Pursuant to an interest

rate swap agreement, the interest on \$2.5M has been fixed at 5.47% per annum. The debt is secured by a promissory note, general security agreement and first charge over certain properties.

The term loan, secured by a bankers acceptance agreement, bears interest at 4.45% and is due August 27, 2007.

Mortgages from Canada Mortgage and Housing Corporation are secured by student residence buildings. They bear interest rates between 5.375% to 6.875% and mature between January 1, 2017 and July 1, 2019 with annual payments of \$248,000 with principal and interest until maturity.

Senior Unsecured Debentures issued by the University for \$150M at 5.613% have semi-annual interest payments and mature June 10, 2043. Net proceeds of the issue were used to finance capital projects. The debentures are neither obligations of, nor guaranteed by, the Province of British Columbia.

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

Annual payments for the next five years

(Dollars in thousands, including principal and interest due)

	2008	2009	2010	2011	2012
	17,249	9,849	9,849	9,849	9,707

7. Employee Future Benefits

(Dollars in thousands)	GROUP INSURANCE	EARLY RETIREMENT	NON-PENSION BENEFITS	2007 TOTAL	2006 TOTAL
Opening Balance	5,520	4,747	22,855	33,122	30,493
Current Costs	-	-	1,099	1,099	993
Interest on benefit obligation	291	251	1,624	2,166	2,446
Adjustment and Amortization of Net Actuarial Loss	-	-	(413)	(413)	211
	5,811	4,998	25,165	35,974	34,143
Disbursements	-	395	710	1,105	1,021
Balance, end of year	5,811	4,603	24,455	34,869	33,122

GROUP INSURANCE

Group insurance is the estimated liability for claims arising from the University's self-insured long-term disability plans. Manulife administers the plans and is reimbursed for disability claims payments plus a service fee; recorded as employee benefits expense as incurred. Manulife advises that the gross amount to pay all current claimants to the end of their maximum entitlements is \$9,989,000 (2006: \$6,557,000). Based on historical

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, 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.

DEBT DISCOUNT AND ISSUE COSTS

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

INVESTMENTS

Short term investments are recorded at the lower of cost or market value.

Long term investments, in marketable securities, are carried at cost or, when donated, at their fair market value at the date of the ownership transfer to the University. When there has been a decline in the value of an investment that is not considered temporary, the investment is written down to net realizable value. Gains and losses on sales of investments are recognized in the year of disposal and are included in investment income.

INVENTORIES

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

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.

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.

4. Investments**Long Term Investments**

<i>(Dollars in thousands)</i>	2007		2006	
	COST	MARKET	COST	MARKET
Bonds and debentures	125,880	127,621	125,100	126,905
Canadian equities	89,601	118,066	78,562	109,664
Foreign equities	45,558	53,442	42,310	45,569
Long term annuity	12,021	12,021	11,919	11,919
Long term promissory note	8,922	8,922	-	-
Vancouver Foundation	5,305	7,734	5,305	7,432
Donated hedge fund	1,966	1,966	2,000	2,003
Total Long Term Investments	289,253	329,772	265,196	303,492

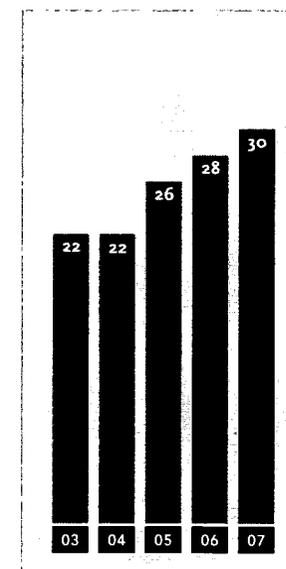
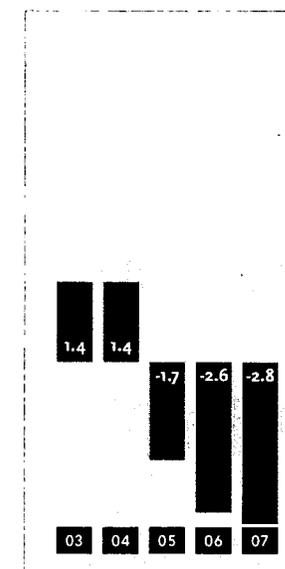
The Vancouver Foundation holds a number of endowment funds for the benefit of the University. These funds totalled \$7,338,000 at March 31, 2007 and the portion of \$5,305,000 belonging to the University is included in the University's financial statements. In the fiscal year 2006/07 these funds generated income of \$470,000 (2006: \$421,000) for the University to be used for specific purposes.

Bonds and Debentures Analysis

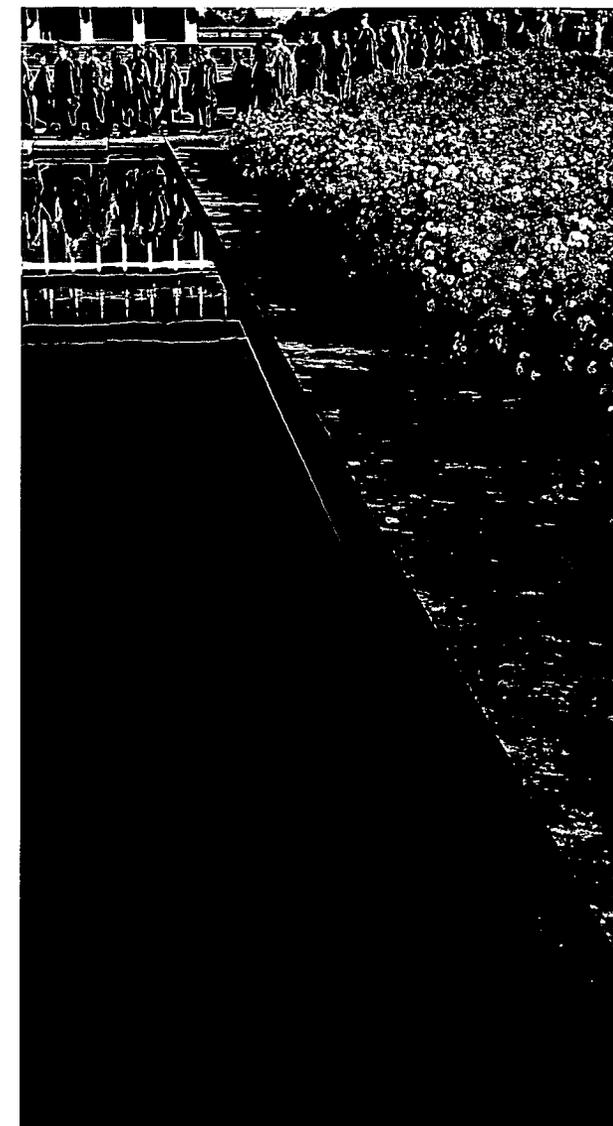
<i>(Dollars in thousands)</i>	2007		2006	
	COST	MARKET	COST	MARKET
Segregated Assets:				
Government bonds				
Federal	22,766	22,965	26,833	26,921
Provincial + municipal	22,351	23,243	19,432	20,196
Corporate debentures				
Indexed Bond Fund	45,117	46,208	46,265	47,117
Sub-total segregated	64,986	66,287	64,178	65,134
Internally managed Bonds	60,894	61,334	57,680	58,161
Sub-total externally managed	125,880	127,621	121,858	123,295
Internally managed Bonds	-	-	3,242	3,610
Total Bonds and Debentures	125,880	127,621	125,100	126,905

THE SIX ANCILLARY SERVICES ARE:

- SFU Bookstores in Burnaby, Harbour Centre and Surrey.
- Residences have capacity for 1,850 students and 14 hotel rooms. Older residences will be renovated.
- 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 is a key initiative to control demand from limited parking space.
- Document Solutions provides both digital and lithographic printing.
- The Microcomputer Store in the Cornerstone building sells computers and supplies to the SFU community.

7 / ANCILLARIES GROSS REVENUE*(IN MILLIONS OF DOLLARS)***8 / ANCILLARIES NET ASSETS***(IN MILLIONS OF DOLLARS)*

ACADEMIC QUADRANGLE, BURNABY CAMPUS



AUDITOR'S REPORT

BDO Dunwoody LLP, Chartered Accountants, Vancouver, British Columbia

To the Members of the Board of Governors of Simon Fraser University, and to the Minister of Advanced Education, Province of British Columbia:



We have audited the Statement of Financial Position of Simon Fraser University as at March 31, 2007 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. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material aspects, the financial position of the University as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP
CHARTERED ACCOUNTANTS
VANCOUVER, BRITISH COLUMBIA
MAY 12, 2007

NOTES TO THE FINANCIAL STATEMENTS

Simon Fraser University | Fiscal year ended March 31, 2007

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. Summary of 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 on a non-fund basis, as the operations for the entire University have been combined for reporting purposes. These principles are consistent with those used in prior years.

The deferral method of accounting for contributions is used. Results are reported in the operating fund, special purpose fund and capital fund. Revenues and expenses are recorded on a gross and accrual basis.

RELATED ENTITIES

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

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

REVENUE RECOGNITION

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

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

Externally restricted contributions — grants and donations — are reported as revenue depending on the 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 or a special collection item, the amount is recorded as a direct increase to net assets invested in property and equipment.
 - If the capital asset has a limited life, the amount invested is recorded as deferred contributions for property and equipment and amortized over the useful life of the asset to net assets invested in property and equipment. Amortization of deferred contributions for property and equipment is recorded on a straight-line basis over the estimated life of the related assets and commences in the year following acquisition or substantial completion of construction.
- Endowment contributions, matching contributions and investment income allocated for endowment capital preservation are recognized as direct increases in net assets held for endowments in the period in which they are received or earned.

Gifts-in-kind are recorded at fair market value on the date of their donation or at nominal value when the fair market value can not be reasonably determined.

PROPERTY AND EQUIPMENT

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

STATEMENT OF CASH FLOWS

Simon Fraser University 2006/07

(Dollars in thousands)

YEAR ENDED MARCH 31, 2007:	2007	2006
Operating Activities		
Net Revenue for the Year	23,602	23,522
Items not involving cash:		
Amortization of deferred contributions for property and equipment	(9,454)	(9,208)
Amortization of property and equipment	39,873	31,758
Amortization of debt discount and issue costs	298	288
Employee future benefits	1,747	2,629
	56,066	48,989
Changes in non-cash working capital balances		
Accounts receivable	16,239	(14,124)
Inventories	(77)	(300)
Prepaid expenses	56	(111)
Accounts Payable and accrued liabilities	(12,994)	15,160
Deferred contributions	499	7,216
Cash Provided by Operating Activities	58,791	56,830
Investing Activities		
Net increase in long term investments	(24,057)	(21,816)
Property and equipment purchased	(139,112)	(137,891)
Endowment contributions	14,472	16,740
Distributions from SFU Community Trust	2,261	911
Cash Used in Investing Activities	(146,436)	(142,056)
Financing Activities		
Deferred contributions for property and equipment	57,764	35,284
Long term debt proceeds	5,577	3,290
Debt principal repaid	(8,283)	(3,142)
Cash Provided by Financing Activities	55,058	35,432
Net Increase (Decrease) in Cash and Short Term Investments	(32,587)	(49,794)
Cash and Short Term Investments, beginning of year	73,305	123,099
Cash and Short Term Investments, end of year	40,718	73,305

STATEMENT OF FINANCIAL POSITION

Simon Fraser University 2006/07

(Dollars in thousands)

AS AT MARCH 31, 2007:	Notes	2007	2006
Assets			
Current Assets:			
Cash and short-term investments	3	40,718	73,305
Accounts receivable		14,811	31,050
Inventories		2,050	1,973
Prepaid expenses		3,484	3,540
		61,063	109,868
Investments	4	289,253	265,196
Property and Equipment	5	699,932	600,693
Unamortized debt discount and issue costs		10,199	10,497
Total assets		1,030,447	986,254
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable and accrued liabilities		43,874	56,868
Current portion of long term debt	6	7,345	8,796
		51,219	65,664
Employee future benefits	7	34,869	33,122
Long-term debt	6	158,155	159,410
Deferred contributions	8	46,165	46,664
Deferred contributions for property and equipment	8	324,676	276,366
Deferred lease proceeds	9	16,710	14,665
		631,794	595,891
Net Assets:			
Operating		(20,413)	(20,331)
Internally Restricted for specific commitments	10	76,235	95,383
Invested in Property and Equipment		225,164	182,332
		280,986	257,384
Endowment	11	147,667	132,979
		428,653	390,363
Total Liabilities and Net Assets		1,030,447	986,254

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

Approved:


N. McKinstry CHAIR, BOARD OF GOVERNORS


P. Hibbitts VICE-PRESIDENT, FINANCE & ADMINISTRATION

STATEMENT OF OPERATIONS AND CHANGES IN OPERATING NET ASSETS

Simon Fraser University 2006/07

(Dollars in thousands)

FOR THE YEAR ENDED MARCH 31, 2007:	2007	2006
Revenue		
Government grants and contracts:		
Province of British Columbia	203,536	209,920
Government of Canada	62,017	46,916
Other governments	1,902	2,209
Student fees — Credit courses	118,330	113,604
Non-credit courses	6,894	7,984
Other	8,774	8,696
Gifts, grants and contracts	27,395	19,555
Sales of goods and services	38,048	36,949
Investment income	20,492	19,829
Miscellaneous income	4,890	4,138
Amortization of deferred contributions for property and equipment	9,454	9,208
	501,732	479,008
Expense		
Salaries — Academic	92,721	87,978
Other instruction and research	55,432	51,486
Support staff	94,481	93,972
Total salaries	242,634	233,436
Employee benefits	45,195	42,315
Travel and personnel expenses	15,540	15,745
Materials and supplies	14,595	17,030
Communications	1,579	1,468
Other operational expenses	23,155	22,785
Amortization of property and equipment	39,873	31,758
Grants to other agencies	4,695	5,978
Utilities	6,797	7,130
Renovations and alterations	12,313	9,751
Scholarships, bursaries and prizes	23,802	22,896
Contract services	8,226	7,276
Professional fees	16,703	14,613
Cost of goods sold	11,218	11,092
Interest on long-term debt	6,888	7,933
Amortization of bond discount and issue costs	298	288
Equipment rental and maintenance	4,620	3,992
	478,130	455,486
Net Revenue for the Year	23,602	23,522
Changes in Net Assets		
Decrease (increase) in net assets restricted for specific commitments	19,148	(6,606)
Increase in investment in property and equipment	(42,832)	(18,166)
Net change in operating net assets	(82)	(1,439)
Operating net assets, beginning of year	(20,331)	(18,892)
Operating net assets, end of year	(20,413)	(20,331)

STATEMENT OF CHANGES IN NET ASSETS

Simon Fraser University 2006/07

(Dollars in thousands)

FOR THE YEAR ENDED MARCH 31, 2007:	General Operating	Internally Restricted for Specific Commitments	Invested in Property & Equipment	Restricted for Endowment Principal	Total
Net Assets, beginning of year	(20,331)	95,383	182,332	132,979	390,363
Changes for the Year					
Net Revenue for the Year	23,602				23,602
Transfers					
Decrease in restricted for specific commitments	19,148	(19,148)			
Increase in investment in property & equipment	(42,832)		42,832		
Endowment transactions					
Contributions and other transfers				9,729	9,729
Capitalized investment income				4,743	4,743
SFU Community Trust equity income				216	216
Net Assets, end of year	(20,413)	76,235	225,164	147,667	428,653

General operating is represented by:

Employee Future benefits (Note 7)

Funded liability	19,896
Accrued liability	(34,869)
Unfunded portion	(14,973)
Vacation Pay, accrued but not funded	(5,440)
Operating Net Assets (deficit)	(20,413)

Invested in property & equipment is represented by:

Property & equipment less net debt financing	219,955
Net current assets less current liabilities	
invested in capital fund	5,209
Invested in Property and Equipment	225,164