

FOR INFORMATION

SIMON FRASER UNIVERSITY

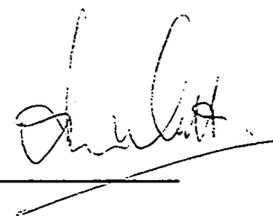
MEMORANDUM

TO: Senate

FROM: Alison Watt
Director, University Secretariat

DATE: September 28, 2006

SUBJECT: Annual Financial Statements

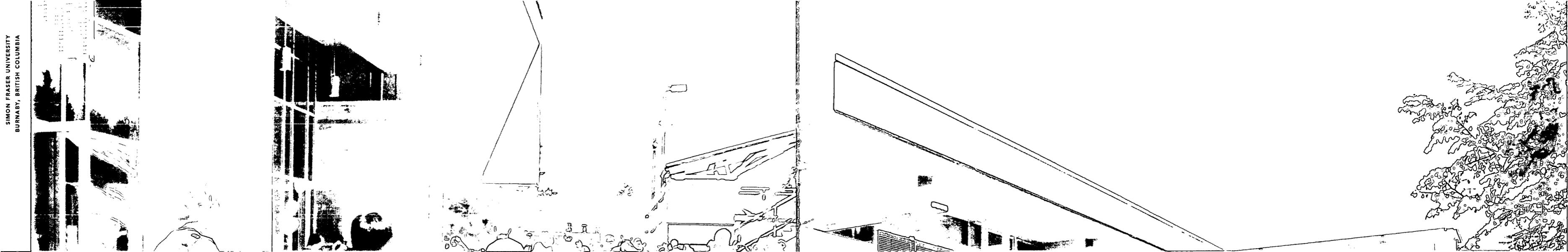


Section 32 of the University Act states: "The board must make an annual report of its transactions to the minister, in which it must set out a balance sheet and a statement of revenue and expenditure for the year ending on the preceding March 31, and other particulars the minister may require. A copy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

This document is forwarded to Senate for information.

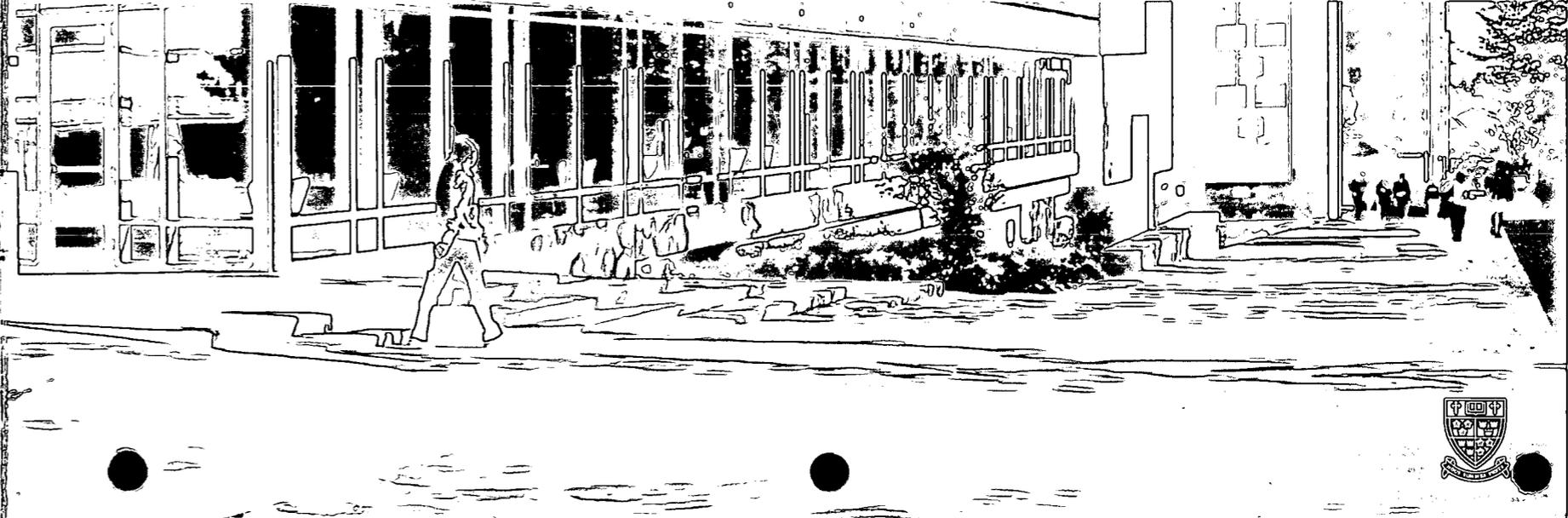
NOTE:

IF YOU DO NOT WISH TO KEEP A COPY OF THE ANNUAL FINANCIAL
STATEMENTS, PLEASE RETURN IT TO
BOBBIE GRANT, REGISTRAR'S OFFICE, STUDENT SERVICES



SFU FINANCIAL STATEMENTS

MARCH 31, 2006



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's operating grant to the Society was \$359,000 (2005: \$252,000) and is 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 2c. and 9.

SF UNIVENTURES CORPORATION

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

FINANCIAL STATEMENTS

Simon Fraser University | Fiscal year ended March 31, 2006

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STATEMENT OF MANAGEMENT RESPONSIBILITY

Simon Fraser University | Fiscal year ended March 31, 2006

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, 2006 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. The majority of the 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.

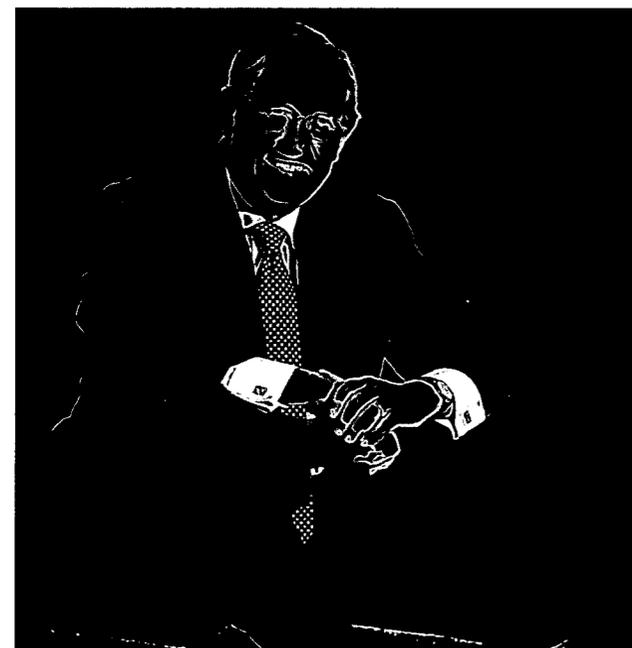
The financial statements for the year ended March 31, 2006 have been reported on by BDO Dunwoody LLP, Chartered Accountants. The Auditors' Report outlines the scope of their examination and provides their opinion on the fairness of presentation of the information in the statements.



Dr. Michael Stevenson
PRESIDENT



Pat Hibbitts
VICE-PRESIDENT, FINANCE & ADMINISTRATION
MAY 12, 2006



- 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 rate of employer contribution was also increased from 11.44% to 12.34%, effective January 1, 2005, as indicated by the 2004 actuarial valuation. Contributions by the employer for the calendar year 2005 were \$8,467,000 (2004: \$7,372,000).
- 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 of the faculty and staff for whom contributions were paid to the Teachers Insurance and Annuity Association and College Retirement Equities fund in 1971, and that have chosen to remain in the defined contribution plan. University contributions were \$37,400 in calendar year 2005 (\$61,500 in 2004).

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.

14. Pledges

Pledges made by donors to the University for donations to be received in future years are estimated at \$26,419,000 (2005: \$12,794,000). 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. Any 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 arrangement until December 31, 2007.

17. Related Entities that are not consolidated

TRIUMF

Simon Fraser University is a member along with five other universities in a joint venture called the Tri-Universities Meson Facility (TRIUMF) located on the University of British Columbia (UBC) campus. TRIUMF is Canada's National Laboratory for research in Particle Physics. TRIUMF is not incorporated and each University has an undivided 1/6 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.

Financial Position	2006	2005
(Dollars in thousands)		
Total assets	6,059	7,071
Total Liabilities	3,766	4,619
Fund Balances, restricted	2,169	3,047
other	124	(595)
	6,059	7,071

Results of Operation	2006	2005
Revenue	58,197	53,628
Expenses	58,356	54,846
Excess (deficiency) of Revenue over Expenses	(159)	(1,218)

General Operating is composed of carryover funds for faculties and departments under a policy that enables them to carry over unspent budget. It includes unspent balances on specific projects, internally funded research already in progress, funds set aside for specific provisions and one-time non-recurring expenditures approved by the Board of Governors.

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.

Capital 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 set aside for 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 expenses. 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 self-insured property and liability losses.

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

<i>(Dollars in thousands)</i>	2006	2005
Balance, beginning of year	116,050	102,201
Donations	7,767	1,383
Capitalized income and other transfers		
Capitalized investment income	3,747	2,977
Equity income for the year, SFU Community Trust	189	175
Other transfers	5,226	5,625
Equity recognized when SFU Community Trust was deemed to be a controlled entity in 2005	-	3,689
Balance, end of year	132,979	116,050

endowments must be protected by limiting the amount of income that may be expended, and reinvesting unexpended income.

Income from the University's beneficial interest in SFU Community Trust was recognized as a direct increase in net assets held as endowment principal. Described in Note 9, the Trust's sale of 99 year leases results in the recognition of "deferred lease proceeds" which will be amortized to income over the remaining terms of the respective 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 2005 were \$8,148,000 (2004: \$7,478,000).

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%. The next valuation will be at December 31, 2006.

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. Employees do not contribute to the Plan.

Celebrating its 40th anniversary, SFU has earned an international reputation for innovative teaching, research, athletics, and community outreach. With three distinctive campuses, more than 700 accomplished tenure-track faculty, 2,500 staff members and nearly 22,000 talented students, SFU consistently ranks as one of Canada's leading comprehensive universities.

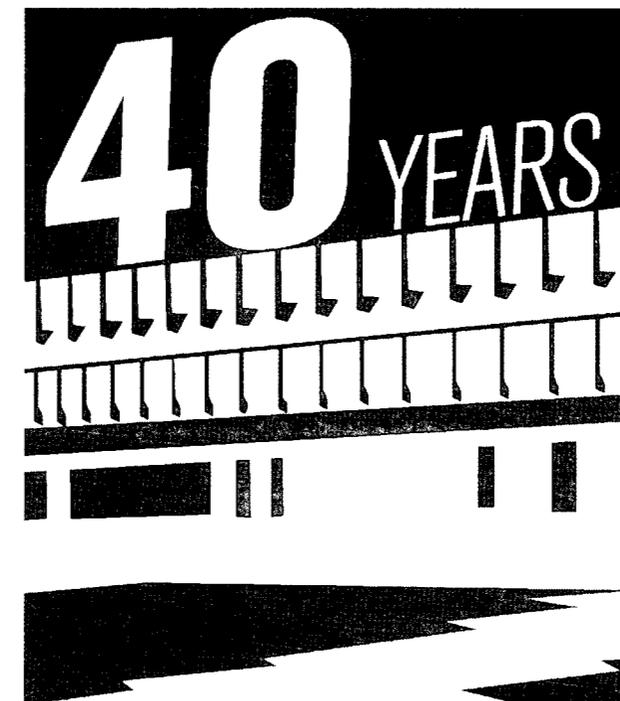
In order to maintain and enhance our reputation and grow our enrollment we have invested heavily in new buildings, new faculty and staff for academic programs and we continue to be very successful at applying and receiving funds for research.

Revenue for the year was \$479 million and expenses were \$455 million leaving a net revenue of which \$18 million represents the increase in investment capital assets. The remaining \$6 million has been allocated to fund activities for the coming year; details are outlined in this document.

Of particular interest is the use of our Bond issue and our successful Reaching New Heights campaign which has allowed us to increase our capital assets by \$105 million. The completion of the Segal Graduate School of Business at our Vancouver downtown campus and phase one of the Technology and Applied Sciences Complex are examples.

SFU has hired new faculty and staff to deliver and support academic programs. We are pleased that the Provincial Government provided financial resources that allowed us to secure four year collective agreements with all our employee groups and associations. The lump sum components of these agreements are largely responsible for higher Government funding and higher salary expenses for the year ending 2006.

Our research activities continue to outpace all areas of growth with an increase of \$7 million this year and an increase of 66% over the last five years. This allows SFU to attract the best professors and graduate students which contribute to the continuing success of this institution.



Pat Hibbitts

Pat Hibbitts
VICE-PRESIDENT, FINANCE & ADMINISTRATION

FINANCIAL HIGHLIGHTS

Simon Fraser University | Fiscal year ended March 31, 2006

CAPITAL ASSETS

Building is at a record level of \$105 million this year with an additional \$31 million in capital equipment (figure 1).

Capital projects completed in the year include the Segal Graduate School of Business and Phase 1 of the Technology and Applied Sciences Complex. Projects in process as of now include the Surrey Campus, Phase 2 of the Technology and Applied Sciences Complex, an extension on the gymnasium, the Arts and Social Sciences Complex and the Health Sciences building.

This year's construction was financed from Province of BC Deferred Capital Contribution (\$34M), proceeds of a previous debenture issue (\$51M), allocations from research, and donated funds. Ongoing campus development is highly

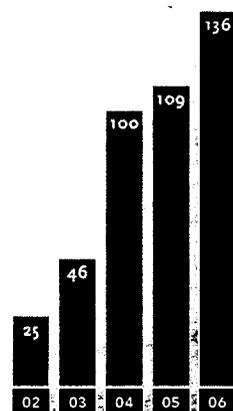
dependent on the provision of provincial funding, provincial authorization to borrow, and community donations.

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 2).

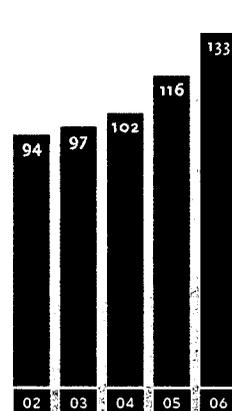
1 / CAPITAL ASSET ACQUISITIONS

(IN MILLIONS OF DOLLARS)

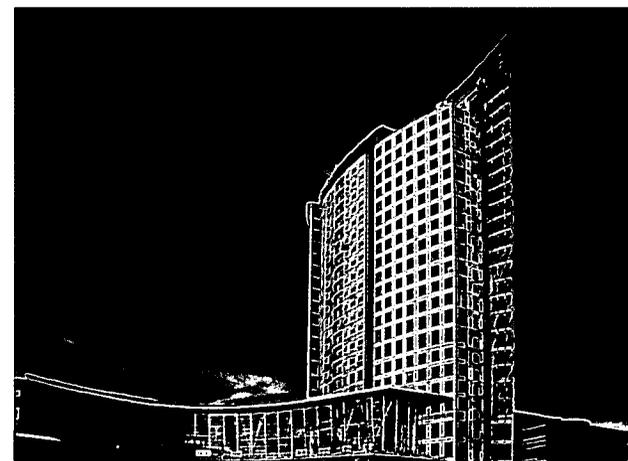


2 / ENDOWMENT FUND BALANCE

(IN MILLIONS OF DOLLARS)



SFU SURREY CAMPUS, SURREY CENTRAL CITY



SFU Community Trust has two beneficiaries, the University and Simon Fraser University Foundation, whose beneficiary is 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 purpose of being Trustee of the Trust and has no business operations.

Audited financial statements as at December 31 are separately prepared. Information on the equity accounting in the University and a financial summary of the Trust's activities are 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 \$189,000 (2005: \$175,000).

Net Income from Trust

(Dollars in thousands)	2006	2005
Net income as reported by the Trust	1,103	15,498
Adjustment of land value on transfer to Trust realized through sales of leases	224	1,863
	1,327	17,361
Deferred to be amortized over terms of leases	1,138	17,186
Net income to University from Trust, recorded as increase in net assets held as endowment principal	189	175

DEFERRED LEASE PROCEEDS / EQUITY IN TRUST

The University's interest in the net assets of the Trust and allocations the University has received in advance of income recognition (in relation to the terms of underlying leases) represents the University's interest

Deferred lease proceeds

(Dollars in thousands)	2006	2005
Trust Balance, beginning of year		
As reported by the Trust	7,314	9,517
Adjustment of land value on transfer to Trust not realized through sales of leases	(3,882)	(5,746)
Deferred revenue on leases	(17,186)	-
University's equity interest in Trust	(13,754)	3,771
Net income to University from Trust, per above	189	175
Trust Allocations to beneficiaries:		
Foundation	(1,100)	-
University	-	(17,700)
Deferred Lease Proceeds / University equity interest in Trust, end of year	(14,665)	(13,754)

in the Trust operations and is described as "Deferred lease proceeds" on the Statement of Financial Position. It amounts to \$14,665,000 (2005: \$13,754,000).

SFU COMMUNITY TRUST, FINANCIAL SUMMARY

Financial Position

(Dollars in thousands)	2006	2005
Total assets	15,635	11,646
Total liabilities	8,318	4,332
Trust balance, end of year	7,317	7,314

Results of Operations & Trust Balance

Revenue	4,722	39,413
Expenses	3,619	23,915
Net income for the year	1,103	15,498
Trust balance, beginning of year	7,314	9,516
Allocation to beneficiaries during year	(1,100)	(17,700)
Trust balance, end of year	7,317	7,314

Cash Flows

Operating activities	(907)	19,840
Investing activities	(3,982)	(14,370)
Financing activities	4,740	(5,788)
Decrease in cash during the year	(149)	(318)

10. Internally Restricted for Specific Commitments

(Dollars in thousands)	2006	2005
General Operating		
Carryovers — faculties and departments	15,367	32,274
Auxiliaries and special projects	11,349	1,778
Research and other grants	17,000	16,364
Specific provisions	3,134	2,535
Non-recurring expenditures	6,889	4,518
Total General Operating	53,739	57,469
Ancillary enterprises	1,636	4,253
Capital	9,147	(4,031)
Specific Purpose	14,342	14,334
Long-term commitments, Lease commitment	16,433	16,505
Self insurance	86	247
Total Restricted for Specific Commitments	95,383	88,777

7. Employee Future Benefits

<i>(Dollars in thousands)</i>	GROUP INSURANCE	EARLY RETIREMENT	NON-PENSION BENEFITS	2006 TOTAL	2005 TOTAL
Opening Balance	5,209	4,862	20,422	30,493	27,481
Current Costs	-	-	993	993	1,212
Interest on benefit obligation	311	291	1,844	2,446	2,177
Adjustment and Amortization of Net Actuarial Loss	-	-	211	211	567
	5,520	5,153	23,470	34,143	31,437
Disbursements	-	406	615	1,021	944
Balance, end of year	5,520	4,747	22,855	33,122	30,493

GROUP INSURANCE

Group insurance is designated for potential requirements related to self-insured long-term disability plans. Annual premiums are funded from the general operating funds on a cost of claim plus fee for services basis. According to Manulife, the insurer, the reserve required at March 31, 2006 to pay disability pension payments is \$6,557,000 (2005: \$5,492,000). Some of these employees will be returning to work during the year, so the reserve of \$5,520,000 (2005: \$5,209,000) that has been internally designated to fund this liability is considered adequate.

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. The actuarial liability at December 31, 2003 was determined by a March 21, 2003 actuarial valuation based on the 1994 Uninsured Pensioners Mortality table. The actuarial assumptions used in this valuation are a discount rate of 6.25% and an inflation rate of 2.5% per annum. The next valuation will be at December 31, 2006. Assets have been 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 \$22,855,000 (2005: \$20,422,000) and at March 31, 2006 an amount of \$7,524,000 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, 2006 is 9 years.

The March 31, 2006 valuation is based on the RP-2000 Mortality table. The actuarial assumptions used in this valuation are a discount rate of 5%, price inflation at 2.5% per annum, an extended Health benefit trend rate of inflation plus 6.0% trending down by 0.5% per annum to 3.5%, a Dental trend rate of inflation plus 2% and an MSP Premium trend rate of 2.5%. There are no contributions by the employees to fund this benefit. The next valuation will be March 31, 2009.

8. Deferred Contributions

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

Changes in deferred contributions

<i>(Dollars in thousands)</i>	SPONSORED RESEARCH	SPECIFIC PURPOSE	CAPITAL	2006 TOTAL	2005 TOTAL
Balance, beginning of the year	27,129	12,319	250,290	289,738	268,130
Add: Contributions received during the year	59,836	33,581	35,284	128,701	114,570
Less: Transferred to revenue	53,671	32,530	9,208	95,409	92,962
Balance, end of year	33,294	13,370	276,366	323,030	289,738

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 \$276,366,000 of deferred capital contribution represents the unamortized portion of restricted capital advances relating to assets which were purchased with restricted contributions.

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.

SPONSORED RESEARCH

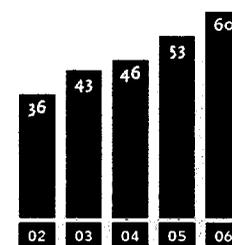
As a comprehensive university, research is a major component of SFU's mandate. In addition to internally sponsored research, there is sponsored research funded by external organizations, including government, Canadian and international not-for-profit, and industry (figures 3, 4).

ANCILLARY ENTERPRISES

The six ancillary Enterprises provide goods and services to the University community. Revenues cover operating expenses, debt service payments and reinvestment for long term financial viability. Net Assets are designated as Internally Restricted for Specific Commitments (figures 5, 6).

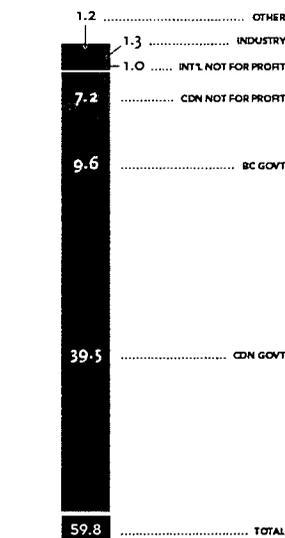
3 / EXTERNAL RESEARCH REVENUE

(IN MILLIONS OF DOLLARS)



4 / SPONSORED RESEARCH REVENUE

(IN MILLIONS OF DOLLARS)



RESEARCH IN APPLIED SCIENCE



ANCILLARY ENTERPRISES (continued)

- SFU Bookstores in Burnaby, Harbour Centre and Surrey. A renovation to the Harbour Centre store was completed in May 2005.
- The third tower of a three tower student residences construction program was completed in September 2005, increasing our accommodation capacity to 1850 students and providing 14 hotel rooms.
- Food services are provided through a contractor at seven locations on the Burnaby campus. Renovations to the Diamond Alumni Centre were completed in June 2005.
- Parking supports all parking lot operations and repays debt on the parkade. The U-Pass program is a key initiative to control the demand generated by limited parking space.
- Document Solutions, formerly called Reprographics, provides services beyond traditional printing services. New large-scale digital printing equipment has created new capacities for one-on-one marketing and technically sophisticated document production.
- The Microcomputer Store has moved to a new location in the Cornerstone building in order to provide better service to the Burnaby Campus.

TOTAL REVENUE, ALL FUNDS

Total revenue of \$479 million was an increase of \$54 million from the previous year (figure 7).

TOTAL EXPENSES, ALL FUNDS

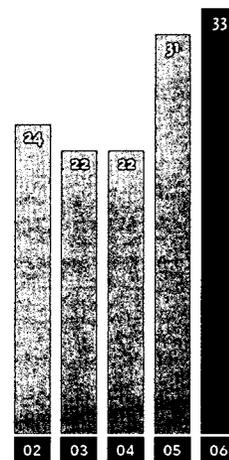
Total expenses for the year 2006 increased by \$56 million to \$455 million (figure 8).

Salaries and employee benefits expenses represent 60% of total annual expenses. The increase in salaries from \$203 million in 2005 to \$233 million in 2006 is mainly due to increased numbers of staff to serve increased number of students and increased research activity, and to salary increases agreed to with employee groups.

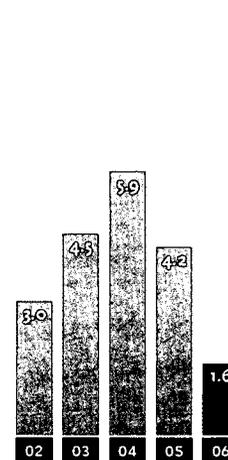
Revenue (Dollars in millions)		
FOR THE YEAR ENDED MARCH 31:	2006	2005
Sources		
Govt. Grants & Contracts	259	225
Student Fees	130	120
Gifts, Grants & Contracts	23	22
Sales of Goods & Services	37	32
Investment Income	17	14
Miscellaneous Revenue	4	4
Amortization of Deferred Capital Contributions	9	8
Total	479	425

5 / ANCILLARIES GROSS REVENUE

(IN MILLIONS OF DOLLARS)

**6 / ANCILLARIES NET ASSETS**

(IN MILLIONS OF DOLLARS)



The Vancouver Foundation holds a number of endowment funds for the benefit of the University. These funds totalled \$7,338,000 at March 31, 2006 and the portion of \$5,305,000 belonging to the University is included in the University's financial statements. In the fiscal year 2005/06 these funds generated income of \$421,593 (2005: \$369,194) for the University to be used for specific purposes.

5. Capital Assets**CAPITAL ASSET BALANCES**

(Dollars in thousands)	COST	ACCUMULATED AMORTIZATION	2006	2005
			NET	NET
Buildings				
concrete	535,366	120,251	415,115	330,445
wood	23,294	10,668	12,626	11,686
Site services	33,011	9,323	23,688	17,051
Leasehold improvements	11,902	5,835	6,067	6,405
Computing equipment	29,953	10,644	19,309	21,694
Equipment & furnishings	82,402	23,932	58,470	45,522
Library books	68,493	27,392	41,101	39,917
Special collections	6,549	-	6,549	6,417
Land	17,768	-	17,768	16,143
Total Capital Assets	808,738	208,045	600,693	494,560

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.

CAPITAL EXPENDITURE COMMITMENTS

As at March 31, 2006, the University had committed to contracts for the construction of buildings that involve future expenditures of \$77M.

6. Long Term Debt

(Dollars in thousands)	2006	2005
Demand Loans	4,002	\$712
Term Loan	4,509	4,905
Mortgages	3,186	4,803
Debentures		
Senior unsecured	150,000	150,000
Province of BC unsecured (less Sinking Funds)	14,155	16,828
	(7,646)	(9,190)
	168,206	168,058
Current Portion	(8,796)	(6,323)
Total Long Term Debt	159,410	161,735

The demand loans are the University's ¼ share of the Great Northern Way Campus Trust (GNWCT) demand loan, revolving loan, and promissory note. These loans bear interest rates at prime plus 0.65%, prime plus 0.75%, and the 3 month Canadian Dollar Offered Rate plus 0.45% per annum. They are secured by the assets of the GNWCT.

The term loan, secured by a bankers acceptance agreement, bears interest at 4.06% and is due on August 27, 2006.

Mortgages include CMHC Mortgages and a ¼ share of a mortgage on property held in the GNWCT. The CMHC mortgages are secured by student residence buildings, 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 including principal and interest until maturity. The GNWCT mortgage bears interest at prime plus 1.0% per annum with interest only payments until maturity on December 15, 2014.

The University issued \$150M of 5.613% Senior Unsecured Debentures in June 2003, which have semi-annual interest payments and mature June 10, 2043. Net proceeds of the issue are being used primarily to finance capital projects. As at March 31, about \$16M (2005: \$68M) of the net funds realized remain to be expended on approved 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 6.0% to 9.5%, and mature between 2008 and 2022.

Annual payments for the next five years

(Dollars in thousands, including principal and interest due)

	2007	2008	2009	2010	2011
	18,858	10,048	9,954	9,859	9,859

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 capital assets, 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

	2006		2005	
	COST	MARKET	COST	MARKET
Cash	(9,034)	(9,034)	4,475	4,475
Short term notes	69,809	69,809	113,736	113,736
Bonds maturing under one year	12,530	12,530	4,888	4,888
Total Cash and Short Term	73,305	73,305	123,099	123,099

4. Investments

Long Term Investments

	2006		2005	
	COST	MARKET	COST	MARKET
Bonds and debentures	125,100	126,905	125,963	128,673
Canadian equities	78,562	109,664	58,637	77,105
Foreign equities	42,310	45,569	37,356	37,763
Long term annuity	11,919	11,919	11,827	11,827
Vancouver Foundation	5,305	7,432	5,305	6,892
Donated hedge fund	2,000	2,003	2,000	2,014
Loans to SFU related entities	-	-	2,292	2,292
Total Long Term Investments	265,196	303,492	243,380	266,566

Bonds and Debentures Analysis

	2006		2005	
	COST	MARKET	COST	MARKET
Segregated Assets:				
Government bonds				
■ Federal + guaranteed	26,833	26,921	25,209	25,722
■ Provincial + municipal	19,432	20,196	26,639	27,586
	46,265	47,117	51,848	53,308
Corporate debentures	17,913	18,017	15,848	15,838
Sub-total segregated	64,178	65,134	67,696	69,146
Indexed Bond Fund	57,680	58,161	54,281	55,491
Sub-total externally managed	121,858	123,295	121,977	124,637
Internally managed Bonds	3,242	3,610	3,986	4,036
Total Bonds and Debentures	125,100	126,905	125,963	128,673

Expenses

(Dollars in millions)

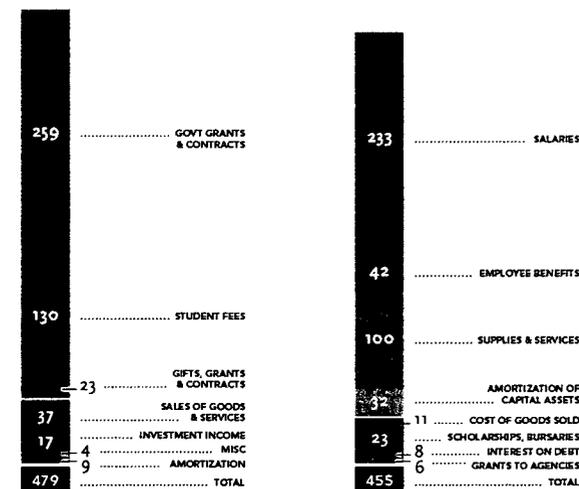
FOR THE YEAR ENDED MARCH 31:	2006	2005
Sources		
Salaries	233	203
Employee Benefits	42	37
Supplies & Services	100	85
Amortization of Capital Assets	32	29
Cost of Goods Sold	11	10
Scholarships, Bursaries	23	22
Interest on Long Term Debt	8	9
Grants to Other Agencies	6	5
Total	455	400

7 / TOTAL REVENUE 2006

(IN MILLIONS OF DOLLARS)

8 / TOTAL EXPENSES 2006

(IN MILLIONS OF DOLLARS)



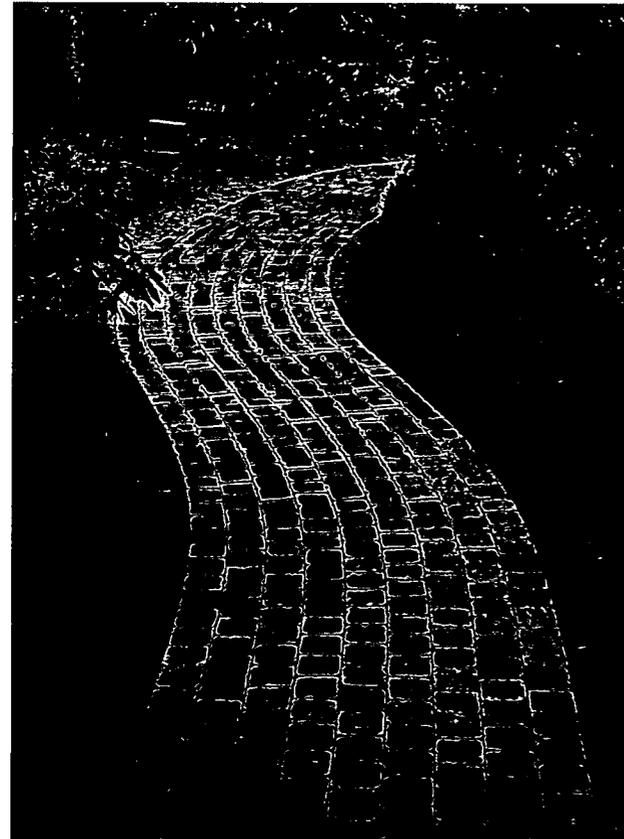
ACADEMIC QUADRANGLE, BURNABY CAMPUS



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, 2006 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, 2006 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, 2006

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 capital assets 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 capital assets.
 - If the capital asset acquired is land or a special collection item, the amount is recorded as a direct increase to net assets invested in capital assets.
 - If the capital asset 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 capital assets. Amortization of capital contributions 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.

CAPITAL ASSETS

Capital asset 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 capital assets 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 2005/06

(Dollars in thousands)

YEAR ENDED MARCH 31, 2006:	2006	2005
Operating Activities		
Net Revenue for the Year	23,522	25,035
Items not involving cash:		
Amortization of deferred capital contributions	(9,208)	(8,312)
Amortization of capital assets	31,758	29,122
Amortization of debt discount and issue costs	288	289
Employee future benefits	2,629	3,012
Changes in non-cash working capital balances	(189)	(175)
	48,800	48,971
Equity from SFU Community Trust		
Accounts receivable	(14,124)	(3,529)
Inventories	(300)	281
Prepaid expenses	(111)	341
Accounts Payable and accrued liabilities	15,160	19,232
Deferred contributions	7,216	(6,561)
Cash Provided by Operating Activities	56,641	58,735
Investing Activities		
Net increase in long term investments	(21,816)	(31,105)
Capital assets purchased	(137,891)	(109,133)
Endowment contributions	16,740	9,985
Distributions from SFU Community Trust	1,100	18,500
Cash Used in Investing Activities	(141,867)	(111,753)
Financing Activities		
Deferred capital contributions	35,284	36,481
Long term debt proceeds	3,290	712
Debt principal repaid	(3,142)	(1,397)
Cash Provided Used in Financing Activities	35,432	35,796
Net Increase (Decrease) in Cash and Short Term Investments	(49,794)	(17,222)
Cash and Short Term Investments, beginning of year	123,099	140,321
Cash and Short Term Investments, end of year	73,305	123,099

STATEMENT OF FINANCIAL POSITION

Simon Fraser University 2005/06

(Dollars in thousands)

AS AT MARCH 31, 2006:	Notes	2006	2005
Assets			
Current Assets:			
Cash and short-term investments	3	73,305	123,099
Accounts receivable		31,050	16,926
Inventories		1,973	1,673
Prepaid expenses		3,540	3,429
		109,868	145,127
Investments	4	265,196	243,380
Capital assets	5	600,693	494,560
Unamortized debt discount and issue costs		10,497	10,785
Total assets		986,254	893,852
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable and accrued liabilities		56,868	41,708
Current portion of long term debt	6	8,796	6,323
		65,664	48,031
Employee future benefits	7	33,122	30,493
Long-term debt	6	159,410	161,735
Deferred contributions	8	46,664	39,448
Deferred contributions related to capital assets	8	276,366	250,290
Deferred lease proceeds	9	14,665	13,754
		595,891	543,751
Net Assets:			
Operating		(20,331)	(18,892)
Internally Restricted for specific commitments	10	95,383	88,777
Invested in capital assets		182,332	164,166
		257,384	234,051
Endowment	11	132,979	116,050
		390,363	350,101
Total Liabilities and Net Assets		986,254	893,852

The accompanying notes on pages 13-20 are an integral part of these financial statements.

Approved:


S Rasul CHAIR, BOARD OF GOVERNORS


P Hibbitts VICE-PRESIDENT, FINANCE & ADMINISTRATION

STATEMENT OF OPERATIONS AND CHANGES IN OPERATING NET ASSETS

Simon Fraser University 2005/06

(Dollars in thousands)

FOR THE YEAR ENDED MARCH 31, 2006:	2006	2005
Revenue		
Government grants and contracts:		
Province of British Columbia	209,920	175,354
Government of Canada	46,916	48,208
Other governments	2,209	1,684
Student fees — Credit courses	113,604	103,741
Non-credit courses	7,984	8,312
Other	8,696	7,330
Gifts, grants and contracts	22,516	22,076
Sales of goods and services	36,949	31,835
Investment income	16,868	13,509
Miscellaneous income	4,138	4,260
Amortization of deferred capital contributions	9,208	8,312
	479,008	424,621
Expense		
Salaries — Academic	87,978	78,794
Other instruction and research	51,486	42,506
Support staff	93,972	81,921
Total salaries	233,436	203,221
Employee benefits	42,315	36,708
Travel and personnel expenses	15,745	12,855
Materials and supplies	17,030	14,320
Communications	1,468	1,441
Other operational expenses	22,785	19,213
Amortization of capital assets	31,758	29,122
Grants to other agencies	5,978	4,836
Utilities	7,130	5,307
Renovations and alterations	9,751	5,569
Scholarships, bursaries and prizes	22,896	21,672
Contract services	7,276	4,721
Professional fees	14,613	17,938
Cost of goods sold	11,092	10,177
Interest on long-term debt	7,933	8,749
Amortization of bond discount and issue costs	288	289
Equipment rental and maintenance	3,992	3,448
	455,486	399,586
Net Revenue for the Year	23,522	25,035
Changes in Net Assets		
Increase in net assets restricted for specific commitments	(6,606)	(13,131)
Increase in investment in capital assets	(18,166)	(13,501)
Equity earnings transferred to endowment	(189)	(175)
Net change in operating net assets	(1,439)	(1,772)
Operating net assets, beginning of year	(18,892)	(17,120)
Operating net assets, end of year	(20,331)	(18,892)

STATEMENT OF CHANGES IN NET ASSETS

Simon Fraser University 2005/06

(Dollars in thousands)

FOR THE YEAR ENDED MARCH 31, 2006:	General Operating	Internally Restricted for Specific Commitments	Invested in Capital Assets	Restricted for Endowment Principal	Total
Net Assets, beginning of year	(18,892)	88,777	164,166	116,050	350,101
Changes for the Year					
Net Revenue for the Year	23,522	-	-	-	23,522
Transfers					
Increase in restricted for specific commitments	(6,606)	6,606	-	-	-
Increase in investment in capital assets	(18,166)	-	18,166	-	-
Equity earnings transferred to endowment	(189)	-	-	189	-
	(24,961)	6,606	18,166	189	-
Endowment transactions					
Contributions	-	-	-	7,767	7,767
Capitalized income and other transfers	-	-	-	8,973	8,973
	-	-	-	16,740	16,740
Net Assets, end of year	(20,331)	95,383	182,332	132,979	390,363
Represented by:					
Employee Future benefits (Note 7)					
Funded liability	17,791				
Accrued liability	(33,122)				
Unfunded portion	(15,331)				
Vacation Pay, accrued but not funded	(5,000)				
Operating Net Assets (deficit)	(20,331)				

AUDITED STATEMENTS

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AUDITED STATEMENTS

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