

**SIMON FRASER UNIVERSITY**  
**Senate Committee on University Priorities**  
**Memorandum**

**TO:** Senate

**FROM:** Bill Krane  
Acting Chair, SCUP  
Acting Vice President,  
Academic



**RE:** Financial Statements for the  
Year Ended March 31, 2005  
(SCUP 05-052)

**DATE:** July 28, 2005

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**For Information:**

Please find attached a copy of Financial Statements for the year ended March 31, 2005. The statements were reviewed by the Senate Committee on University Priorities (SCUP) at its July 27, 2005 meeting. This document is forwarded to Senate for information.

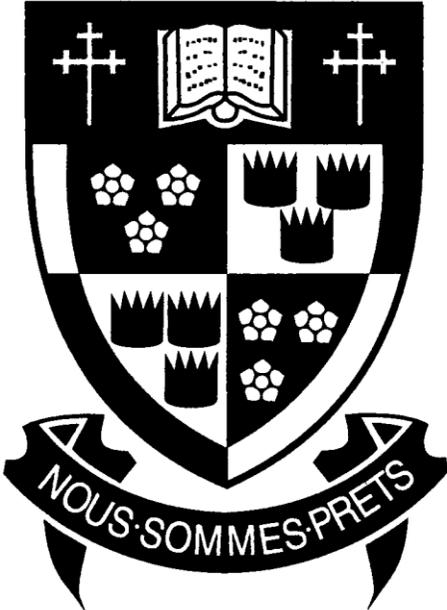
encl.

c. P. Hibbitts  
S. Dench

**NOTE**

**IF YOU DO NOT WISH TO KEEP A COPY OF THE ANNUAL FINANCIAL STATEMENT,  
PLEASE RETURN IT TO BOBBIE GRANT, STUDENT SERVICES**

SIMON FRASER UNIVERSITY



FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

**SIMON FRASER UNIVERSITY  
FINANCIAL STATEMENTS  
MARCH 31, 2005**

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## STATEMENT OF MANAGEMENT RESPONSIBILITY

The University is responsible for the preparation of the financial statements and has prepared them in accordance with Canadian generally accepted accounting principles for not-for profit organizations. The financial statements present fairly the financial position of the University as at March 31, 2005 and the results of its operations 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 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 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, 2005 have been reported on by the Auditor General of the Province of British Columbia. The Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation of the information in the financial statements.



Michael Stevenson  
President



Pat Hibbitts  
Vice President  
Finance & Administration

16. Related Entities that are not consolidated

a. TRIUMF

Simon Fraser University is a member along with the University of Alberta, the University of British Columbia, the University of Victoria and Carleton University in a joint venture called the Tri-Universities Meson Facility (TRIUMF) located on the UBC campus. TRIUMF is Canada's National Laboratory for research in Particle Physics. TRIUMF is not incorporated and each University appoints three members to a Management Board. The facility and its operations are funded by federal government grants and the University makes no direct financial contribution. The land and buildings are owned by UBC.

TRIUMF		
	2005 (000)	2004 (000)
<b>Financial Position</b>		
Total Assets	<u>\$7,071</u>	<u>\$5,913</u>
Total Liabilities	4,619	2,243
Fund Balances - restricted	3,047	2,701
- other	(595)	969
	<u>\$7,071</u>	<u>\$5,913</u>
<b>Results of Operation</b>		
Revenue	53,628	53,488
Expenses	<u>54,846</u>	<u>52,359</u>
Excess (deficiency) of Revenue over Expenses	<u>\$(1,218)</u>	<u>\$ 1,129</u>

b. WCUMBS

The University is one of five University members of the Western Canadian Universities Marine Biological Society (WCUMBS), which operates a research station at Bamfield, British Columbia. The Society is a not-for-profit organization incorporated under the Society Act of British Columbia. The University's operating grant to the Society was \$252,000 (2004 - \$190,000) and is recorded as an expenditure by the University. There is no expectation of monetary gain to the University from this venture.

c. 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 note 2c.

d. 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.

REPORT OF THE VICE-PRESIDENT FINANCE AND ADMINISTRATION

The University prepares its annual financial statements according to generally accepted accounting principles for not-for-profit organizations. The operations for the entire entity have been combined for reporting purposes. However, we continue to manage internally on a fund basis and I am pleased to provide this financial information for the operating fund and additional information on the other funds in the following pages.

Operating fund (000's)	Original Budget 2004/05	Restated Budget 2004/05	Actual 2004/05	Actual 2003/04
<b>Revenue</b>				
Government Grants	\$ 158,616	\$ 163,972	\$ 166,893	\$ 167,416
Student fees	102,650	109,412	117,247	96,388
Investment income	5,674	5,674	6,081	5,323
Other income	3,998	4,839	8,000	6,940
<b>Total Revenue</b>	<u>270,938</u>	<u>283,897</u>	<u>298,221</u>	<u>276,067</u>
<b>Expenses</b>				
Salaries & benefits	180,312	212,276	203,131	193,140
Library acquisitions	7,806	8,182	8,166	7,323
Student financial assistance	13,984	15,618	16,975	11,805
Utilities and janitorials	5,795	5,839	5,344	5,495
Other non-salary	56,374	41,982	55,578	47,254
<b>Total Expenses</b>	<u>270,938</u>	<u>283,897</u>	<u>288,194</u>	<u>265,017</u>
<b>Change in Fund Balance</b>			<u>\$ 10,027</u>	<u>\$ 11,050</u>

The original budget of \$270,938 was approved by the Board of Governors in March 2004 for the fiscal year 2004/05. The restated government grant budget includes the Federal grant of \$5,300,000 for the Indirect costs of research. Other restated amounts are due to additional sources of revenues not known at the time of the budget and expense categories net of recoveries in the original budget but shown in the proper revenue and expense categories for accounting purposes in the restated column.

Although the budget only reflects the Operating fund, the actual revenue and expenses include activities contained in the special projects fund, internal research and capital equipment fund. Comparative figures have been restated to conform with the current year's presentation.

## Operating Fund

Government grants from the Province of British Columbia for 2004/05 were \$800,000 lower than the previous year due to a \$6,000,000 one time inflow the previous year. The Government of Canada contributed \$5,300,000 towards the infrastructure that supports research activities. Tuition fees revenue increased by \$20,500,000 as a result of the 15% increase in tuition rate, increase in rates for visa students and increase in enrollment. Non-credit fees decreased by \$500,000 from the previous year. The 15% increase also applied to other student fees and generated an additional \$800,000 of revenue. Investment income was higher than last year by \$700,000 due to an increase in fund balances.

Salaries and benefits increased by 5% in total. Salary increases, merit increases, market adjustments and additional new positions to cope with the growth of the organization, account for the increase. A portion of the tuition increase was allocated to scholarships, bursaries and awards. As a result, student financial assistance increased by \$5,100,000. In the non-salary category the largest increases were in professional fees as a result of consultants hired to assist in the implementation of new computer systems for finance, budget and human resources/payroll.

## Ancillary Enterprises

Included in Ancillary Enterprises are the Bookstore, Food Services, Residences, Parking Operations, the Microcomputer Store and Reprographics. Ancillary Enterprises are mandated to break even but are allowed to retain their surpluses for future upgrades to facilities, equipment replacement and for new service initiatives. Total reserves are \$4,200,000.

The SFU Bookstores in Burnaby, Harbour Centre, and Surrey provided over \$11 million worth of books, products, academic supplies and services to the university community. The stores also sponsored numerous campus events and provided donations to student groups. Each month an SFU faculty author is featured in the bookstore. Renovations to the downtown store should be completed by the end of May, 2005.

Food Services on the Burnaby campus, completed a \$1,200,000 renovation to the McKenzie Cafeteria and started a \$1,200,000 renovation to the fine dining facility at the Diamond University Centre. A new residence dining hall opened in September 2004 with a mandatory meal plan for the 500 students living in the new residences.

Residences opened two new residence towers with 464 student rooms and 14 hotel rooms and a new 300 seat dining hall in September 2004. A third residence tower, scheduled for completion in Summer 2005, will complete the \$41.5 million residence construction project begun in 2003. In total SFU will offer an additional 727 undergraduate residence spaces to bring the total residence spaces available at SFU to 1,831.

The Parking Operation supports all parking lot expenses and repays the debt on the parkade. There were no increases in parking rates during the year. The students voted to continue with the U-Pass program which has reduced the pressure to increase the number of parking spaces.

- d. The valuation is based on the 1983 Group Annuity Mortality Table using an investment rate of return of 6.75% and an inflation rate of 2.5%.

## Pension Plan for Certain Members

This plan covers six 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 \$61,500 in calendar year 2004 (\$95,900 in 2003).

## **12. 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.

## **13. Pledges**

Pledges made by donors to the University for donations to be received in future years are estimated at \$12,794,000 (2004 - \$12,300,000). Pledges are not recorded in the financial statements until the related donations are received by the University.

## **14. Contingencies**

Simon Fraser University is the defendant to several unresolved statements of claims. It is not expected that the ultimate outcome of these claims will 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.

## **15. Canadian University Reciprocal Insurance Exchange**

The University is a member in a self-insurance co-operative in association with other Canadian universities to provide property and general liability insurance coverage. Under this arrangement referred to as the Canadian University Reciprocal Insurance Exchange (C.U.R.I.E.), the University is required to share in any net losses experienced by C.U.R.I.E. The commitment was recently renewed to December 31, 2008.

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

## 11. 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. It is fully funded by the employer. Contributions by the University for the calendar year 2004 were \$7,478,000 (2003 - \$6,911,000).

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 will contribute \$56,400 per year starting 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:

- a. 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.
- b. The latest actuarial valuation as at December 31, 2001 showed an actuarial liability of \$112,725,000 against market value assets of \$127,409,000, resulting in a surplus of \$14,684,000. 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 valuation at December 31, 2004 has not yet been completed.
- c. The rate of employer contribution was also increased from 11.43% to 11.44%, effective January 1, 2002, as indicated by the 2001 actuarial valuation. Contributions by the employer for the calendar year 2004 were \$7,372,000 (2003 - \$6,829,000).

The Microcomputer Store continues to offer an increased level of customer service to SFU by offering on-site consultation, loaning equipment, and providing a more interactive environment for the campus community. The Microcomputer Store relocated to a larger store located in the new Cornerstone building and has opened a Canada Post outlet to serve the new community.

Reprographics, made significant investment in new state of the art printing technology in the last two years year and has done very innovative and very high quality work. All student course packs are produced by Reprographics for the Bookstore.

### Research

University research is mainly funded by the Federal agencies (National Science and Engineering Research Council and Social Services and Humanities Research Council) and the provincial government. In addition, over \$12 million comes from private sector corporations and foundations and non-profit organizations. There are over 1,500 active research accounts with total activity of over \$50 million compared to \$46 million the previous year. The Canada Foundation for Innovation awarded \$4.2 million for infrastructure under several categories and \$3.8 million was received from the Province of BC's Knowledge Development Fund as matching funds. The Federal government's Canada Research Chair program continues to grow and awarded \$3.6 million for salaries and research purposes.

### Endowment

The University's endowment consists of restricted donations to the University and internal allocations, the principal of which is required to be maintained in perpetuity. The investment income generated from endowments can be spent only in accordance with the various purposes established by the donors or the University's Board of Governors.

The Endowment Fund investment strategy aims to maintain the purchasing power of the original capital value of endowments for future generations. It also ensures that spending allocations remain stable each year through the use of an income stabilization fund. The Endowment Fund is invested in bonds and equity markets to meet this strategy over the long term.

This fund received \$18,500,000 from the SFU Community Trust during the year pursuant to 99 year property leasing arrangements. The fund stands at \$116,000,000 at the end of the fiscal year.

### Specific Purpose

The sources of specific purpose funds include government and corporate grants, conference fees, private donations and interest income from endowments for programs and scholarships.

There are many international activities coordinated through the office of SFU International and the Canadian International Development Agency funds projects in Ghana, China, Mongolia and Mexico. Field Schools funded by participants were held in Fiji, Prague, France and Greece. The Asian Development Bank, is funding a Distance Education program in Sri Lanka.

**Capital**

Major approved projects under construction or being designed include:

The Arts and Social Sciences Complex (\$30 million); the Technology and Science Complex Module 1 (\$25.7 million); the Technology and Science Complex Module 2 (\$50.6 million); the Health Sciences Building (\$41.5 million); Segal Graduate School of Business (\$17.8 million); the New Surrey Campus (\$70 million; two office floors completed in September 2004); the Gymnasium Expansion and New Fitness Centre (\$16 million); Student Residences and Dining Hall (\$38.5 million; two buildings and dining hall completed in September 2004); the Interdisciplinary Research in the Mathematical and Computational Sciences (IRMACS) facility (\$6.8 million; completed in September 2004).

Minor activities include \$2 million on energy efficient projects, \$1.6 million on a turf field and other projects such as the renovation to the Diamond University Centre, the Maggie Benston Centre and the third floor of Harbour Centre building.

The University spent \$12 million on computer equipment, \$12 million on furniture and \$8 million on library acquisitions.

SFU's share of 25% of the Great Northern Way Campus Trust valued at \$12 million, is consolidated in the University's financial statements.

The 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, internally funded research already in progress, funds set aside for specific provisions and one-time non-recurring expenditures as approved by the Board of Governors.

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

Capital represents funds that are committed to capital projects. The current year deficit reflects financing to be recovered from future years' operations.

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

The funds committed for long term commitments are set aside to meet the cost of future obligations.

a. Lease commitment funds provide for commitments 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 \$8,000,000 upon the expiry of the lease in December 2017 or a discounted equivalent of that amount at an earlier date.

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

**10. Endowment**

	2005 (000)	2004 (000)
Balance, beginning of year	\$102,201	\$ 97,102
Donations	1,383	2,665
Capitalized income and other transfers		
Equity recognized when SFU Community Trust was deemed to be a controlled entity in the current year	3,689	-
Equity income for the year from SFU Community Trust	175	-
Other	8,602	2,434
Balance, end of year	<u>\$116,050</u>	<u>\$102,201</u>

During the year ended March 31, 2005, the endowment fund received \$18,500,000 via SFU Community Trust pursuant to property leasing arrangement; of which \$4,746,000 was recognized as a direct increase to net assets held as endowment principal and the balance of \$13,754,000 was accounted for as deferred lease proceeds to be amortized to net assets held as endowment principal over the remaining 98 years of the related lease arrangements that gave rise to the funds. All of the related funds are invested and the income there from is allocated to the endowment fund.



2003. The increase of \$7,978,000 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, 2004 is 9 years.

The March 31, 2003 valuation is based on the 1994 Uninsured Pensioners Mortality table. The actuarial assumptions used in this valuation are a discount rate of 6.75%, price inflation at 2.5% per annum, a medical trend rate of price inflation plus 3.5% and a dental trend rate of price inflation plus 2.9%. There are no contributions by the employees to fund this benefit. The next valuation will be March 31, 2006.

**8. Deferred Contributions**

Deferred contributions represent unspent resources externally restricted for a particular use relating to a subsequent period. Changes in the deferred contributions are as follows:

	Sponsored Research (000)	Specific Purpose (000)	Capital (000)	2005 Total (000)	2004 Total (000)
Balance beginning of the year	\$27,561	\$18,448	\$222,121	268,130	\$225,033
Add: Contributions received during the year	52,494	25,595	36,481	114,570	127,200
Less: Transferred to revenue	52,926	31,724	8,312	92,962	84,103
Balance end of year	<u>\$27,129</u>	<u>\$12,319</u>	<u>\$250,290</u>	<u>\$289,738</u>	<u>\$268,130</u>

Under the deferred 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 \$250,290 of deferred capital contribution represents the unamortized portion of restricted capital advances relating to assets which were purchased with restricted contributions.

**9. Restricted for Specific Commitments**

	2005 (000)	2004 (000)
General Operating		
Carryovers - faculties & departments	30,237	\$18,228
Auxiliaries and special projects	1,778	1,351
Research and other grants	16,364	12,294
Capital equipment	2,037	2,124
Specific provisions	2,535	1,610
Non-recurring expenditures	4,518	11,835
Total General Operating	57,469	47,442
Ancillary enterprises	4,253	5,955
Capital	(4,031)	(3,144)
Specific Purpose	14,334	8,445
Long-term commitments		
Lease commitment	16,505	16,592
Self insurance	247	356
Total Restricted for Specific Commitments	<u>\$88,777</u>	<u>\$75,646</u>

**Auditors' Report**

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

We have audited the Statement of Financial Position of Simon Fraser University as at March 31, 2005 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 respects, the financial position of the University as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2004 and for the year then ended were audited by the Auditor General of British Columbia who expressed an opinion without reservation on those statements in his report dated May 20, 2004.

  
Chartered Accountants

Vancouver, British Columbia  
May 13, 2005

SIMON FRASER UNIVERSITY  
**STATEMENT OF FINANCIAL POSITION**

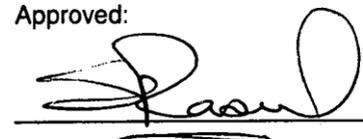
AS AT MARCH 31, 2005  
(thousands of dollars)

Statement 1

<b>ASSETS</b>	2005	2004
<b>CURRENT ASSETS</b>		
Cash and short-term investments (Note 3)	\$ 123,099	\$ 140,321
Accounts receivable	16,926	14,279
Inventories	1,673	1,954
Prepaid expenses	3,429	3,770
	<u>145,127</u>	<u>160,324</u>
Investments (Note 4)	243,380	212,275
Capital assets (Note 5)	494,560	414,549
Unamortized debt discount and issue costs	10,785	11,074
	<u>\$ 893,852</u>	<u>\$ 798,222</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 41,708	\$ 22,476
Current portion of long term debt (Note 6)	6,323	6,176
	<u>48,031</u>	<u>28,652</u>
Employee future benefits (Note 7)	30,493	27,481
Long-term debt (Note 6)	161,735	162,567
Deferred contributions (Note 8)	39,448	46,009
Deferred contributions related to capital assets (Note 8)	250,290	222,121
Deferred lease proceeds (Note 10)	13,754	-
	<u>543,751</u>	<u>486,830</u>
<b>NET ASSETS</b>		
Operating	(18,892)	(17,120)
Restricted for specific commitments (Note 9)	88,777	75,646
Invested in capital assets	164,166	150,665
	<u>234,051</u>	<u>209,191</u>
Endowment (Note 10)	116,050	102,201
	<u>350,101</u>	<u>311,392</u>
	<u>\$ 893,852</u>	<u>\$ 798,222</u>

The accompanying notes are an integral part of these financial statements

Approved:



S. Rasul  
Acting Chair  
Board of Governors



P. Hibbitts  
Vice President  
Finance and Administration

**7. Employee Future Benefits**

	Group Insurance (000)	Early Retirement (000)	Non-Pension Benefits (000)	Total 2005 (000)	Total 2004 (000)
Opening Balance	\$4,908	\$4,964	\$17,609	\$27,481	\$24,614
Current Costs	-	-	1,212	1,212	871
Interest on benefit obligation	301	304	1,572	2,177	2,317
Amortization of Net Actuarial Loss	-	-	567	567	567
	5,209	5,268	20,960	31,437	28,369
Disbursements	-	406	538	944	888
	<u>\$5,209</u>	<u>\$4,862</u>	<u>\$20,422</u>	<u>\$30,493</u>	<u>\$27,481</u>

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, 2005 to pay disability pension payments is \$5,492,000. Some of these employees have returned to work since March 31, so the reserve of \$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 March 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 \$20,422,000 (2004 - \$17,609,000). At March 31, 2005 an amount of \$6,130,000 has been internally designated to fund this liability.

An actuarial valuation was done at March 31, 2003 to reflect the changes in staff and faculty and increase in premiums since the previous valuation at March 31, 2000. The actuarial valuation shows an increase of \$7,978,000, which brings the total obligation to \$23,080,000 at March 31,

SIMON FRASER UNIVERSITY  
**STATEMENT OF OPERATIONS and  
 CHANGES IN OPERATING NET ASSETS**

FOR THE YEAR ENDED MARCH 31, 2005  
 (thousands of dollars)

**6. Long Term Debt**

	2005 (000)	2004 (000)
Demand Loan	\$ 712	\$ -
Term Loans	4,905	5,276
Mortgages	4,803	4,931
Debentures – Senior unsecured	150,000	150,000
Debentures – Province of BC unsecured (less: Sinking Funds)	16,828 (9,190)	16,828 (8,292)
	168,058	168,743
Current Portion	(6,323)	(6,176)
<b>Total Long Term Debt</b>	<b>\$161,735</b>	<b>\$162,567</b>

The demand loan is the University's 25% share of the Great Northern Way Campus Trust non-revolving loan that bears interest at prime plus 0.65% per annum. It is secured by the assets of the trust.

Term loans, secured by promissory notes, bear interest rates between 2.88% and 2.95%, and are due for renewal in December 2005 and January 2006.

Mortgages include CMHC Mortgages and a mortgage on property held in the Great Northern Way Campus Trust. CMHC Mortgages issued by the Canadian 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 including principal and interest until maturity amount to \$248,000. The GNWCT mortgage bears interest at 5.1% per annum with interest only payments of \$131,000 annually until maturity on October 1, 2007.

The University issued \$150,000,000 of 5.613% Senior Unsecured Debentures in June 2004. The debentures 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, 2005, approximately \$68,000,000 (2004 - \$116,000,000) 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 2005 and 2022.

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

	Total (000)
2006	\$11,475
2007	\$13,342
2008	\$10,717
2009	\$10,622
2010	\$10,527

**REVENUE**

	2005	2004
Government grants and contracts		
Province of British Columbia	\$ 175,354	\$ 177,578
Government of Canada	48,208	32,224
Other governments	1,684	1,553
Student fees - credit courses	103,741	83,513
- non-credit courses	8,312	8,595
- other	7,330	6,190
Gifts, grants and contracts	22,076	25,872
Sale of goods and services	31,835	27,156
Investment income	13,509	14,583
Miscellaneous income	4,260	4,042
Amortization of deferred capital contributions	8,312	8,453
	<u>424,621</u>	<u>389,759</u>

**EXPENSE**

Salaries - academic	78,794	75,249
- other instruction and research	42,506	38,854
- support staff	81,921	75,596
Total salaries	<u>203,221</u>	<u>189,699</u>
Employee benefits (Note 7)	36,708	36,341
Travel and personnel costs	12,855	11,311
Materials and supplies	14,320	13,513
Communications	1,441	1,331
Other operational expenses	19,213	18,032
Amortization of Capital assets	29,122	26,438
Grants to other agencies	4,836	3,099
Utilities	5,307	5,058
Renovations and alterations	5,569	5,120
Scholarships, bursaries and prizes	21,672	16,794
Contract services	4,721	3,965
Professional fees	17,938	14,268
Cost of goods sold	10,177	8,835
Interest on long-term debt	9,038	8,383
Equipment rental and maintenance	3,448	3,240
	<u>399,586</u>	<u>365,427</u>

**NET REVENUE FOR THE YEAR**

25,035                      24,332

**CHANGES IN NET ASSETS**

Increase in restricted for specific commitments	(13,131)	(1,100)
Increase in investment in capital assets	(13,501)	(23,424)
Equity earnings transferred to endowment	(175)	-
	<u>(17,772)</u>	<u>(192)</u>

**NET CHANGE IN OPERATING NET ASSETS**

(1,772)                      (192)

**OPERATING NET ASSETS, beginning of year**

(17,120)                      (16,928)

**OPERATING NET ASSETS, end of year**

\$ (18,892)                      \$ (17,120)

SIMON FRASER UNIVERSITY  
**STATEMENT OF CHANGES IN NET ASSETS**  
 FOR THE YEAR ENDED MARCH 31, 2005  
 (thousands of dollars)

	General Operating	Internally Restricted for Specific Commitments	Invested in Capital Assets	Restricted for Endowment Principal	TOTAL
<b>NET ASSETS, beginning of year</b>	\$ (17,120)	\$ 75,646	\$ 150,665	\$ 102,201	\$ 311,392
<b>CHANGES FOR THE YEAR</b>					
Net Revenue for the Year	25,035	-	-	-	25,035
Transfers					
Increase in restricted for specific commitments	(13,131)	13,131			
Increase in investment in capital assets	(13,501)		13,501		
Equity earnings transferred to endowment	(175)	-	-	175	-
	<u>(26,807)</u>	<u>13,131</u>	<u>13,501</u>	<u>175</u>	<u>-</u>
Endowment Transactions					
Contributions				1,383	1,383
Capitalized income and other transfers				12,291	12,291
				<u>13,674</u>	<u>13,674</u>
<b>NET ASSETS, end of year</b>	<u>\$ (18,892)</u>	<u>\$ 88,777</u>	<u>\$ 164,166</u>	<u>\$ 116,050</u>	<u>\$ 350,101</u>
Represented By:					
Employee Future Benefits (Note 7)					
Funded Liability	16,201				
Accrued Liability	<u>(30,493)</u>				
Unfunded Portion	(14,292)				
Vacation Pay, accrued but not funded	<u>(4,600)</u>				
Operating Net Assets (Deficit)	<u>\$ (18,892)</u>				

The Vancouver Foundation holds a number of endowment funds for the benefit of the University. These funds totalled \$7,338,000 at March 31, 2005 and the portion of \$5,305,000 belonging to the University is included in the University's financial statements. In the fiscal year 2004/05 these funds generated income of \$369,194 (2004 - \$422,418) for the University to be used for specific purposes.

**Bonds and Debentures Analysis**

	2005		2004	
	Cost (000)	Market (000)	Cost (000)	Market (000)
Segregated Assets				
Government bonds				
Federal & guaranteed	\$ 25,209	\$ 25,722	\$ 22,866	\$23,618
Provincial & municipal	26,639	27,586	18,180	18,887
	51,848	53,308	41,046	42,505
Corporate debentures	15,848	15,838	12,413	12,552
Sub-total segregated	67,696	69,146	53,459	55,057
Indexed Bond Fund	54,281	55,491	53,930	56,955
Sub-total externally managed	121,977	124,637	107,389	112,012
Internally managed Bonds	3,986	4,036	3,897	3,874
<b>Total Bonds and Debentures</b>	<b>\$125,963</b>	<b>\$128,673</b>	<b>\$111,286</b>	<b>\$115,866</b>

**5. Capital Assets**

	Cost (000)	Accumulated Amortization (000)	2005 Net (000)	2004 Net (000)
Buildings - concrete	\$ 443,775	\$113,330	\$330,445	\$267,674
- wood	21,644	9,958	11,686	12,069
Site services	25,857	8,806	17,051	15,417
Leasehold improvements	11,803	5,398	6,405	6,702
Computing equipment	30,633	8,939	21,694	17,548
Equipment & furnishings	66,781	21,259	45,522	38,418
Library books	64,786	25,589	39,197	36,610
Special collections	6,417	-	6,417	6,275
Land	16,143	-	16,143	13,836
<b>Total Capital Assets</b>	<b>\$ 687,839</b>	<b>\$ 193,279</b>	<b>\$494,560</b>	<b>\$414,549</b>

Space in the Central City complex for the Surrey campus, is included in buildings. The 429 acres of land in Burnaby is recorded in the financial statements at its 1965 assessed value of \$572,000. 78 acres of this land is set aside for development by the SFU Community Trust.

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.

**g. 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.

**h. 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. Actual results could differ from management's best estimates as additional information becomes available in the future.

**3. Cash and Short Term Investments**

	2005		2004	
	Cost (000)	Market (000)	Cost (000)	Market (000)
Cash	\$ 4,475	\$ 4,475	\$(14,300)	\$(14,300)
Short term notes	113,736	113,736	147,920	147,920
Bonds maturing under one year	4,888	4,888	6,701	6,701
Total Cash and Short Term	<u>\$123,099</u>	<u>\$123,099</u>	<u>\$140,321</u>	<u>\$140,321</u>

**4. Long Term Investments**

Long term investments at fiscal year end are comprised of the following:

	2005		2004	
	Cost (000)	Market (000)	Cost (000)	Market (000)
Bonds and debentures	\$125,963	\$128,673	\$111,286	\$115,886
Canadian equities	58,637	77,105	42,072	56,268
Foreign equities	37,356	37,763	31,931	25,503
Long term annuity	11,827	11,827	11,730	11,730
Vancouver Foundation	5,305	6,892	5,305	6,871
Loans to SFU related entities	2,292	2,292	3,765	3,765
Donated hedge fund	2,000	2,014	2,555	2,098
Pooled balanced fund	-	-	3,631	3,934
Total Long Term	<u>\$243,380</u>	<u>\$266,566</u>	<u>\$212,275</u>	<u>\$226,055</u>

SIMON FRASER UNIVERSITY  
**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED MARCH 31, 2005  
(thousands of dollars)

**OPERATING ACTIVITIES**

Net Revenue for the Year	\$ 25,035	\$ 24,332
Items not involving cash		
Amortization of deferred capital contributions	(8,312)	(8,453)
Amortization of capital assets	29,122	26,438
Amortization of debt discount and issue costs	289	-
Employee future benefits	3,012	2,867
Equity from SFU Community Trust	(175)	-
	<u>48,971</u>	<u>45,184</u>
Changes in non-cash operating balances		
Accounts receivable	(3,529)	(1,747)
Inventories	281	(167)
Prepaid expenses	341	(2,501)
Accounts Payable and accrued liabilities	19,232	4,358
Deferred contributions	(6,561)	11,547
	<u>58,735</u>	<u>56,674</u>
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>58,735</u>	<u>56,674</u>

**INVESTING ACTIVITIES**

Distributions from SFU Community Trust	18,500	-
Net increase in long term investments	(31,105)	(12,609)
Capital assets purchased	(109,133)	(100,219)
Endowment contributions	9,985	5,099
	<u>(111,753)</u>	<u>(107,729)</u>
<b>CASH USED IN INVESTING ACTIVITIES</b>	<u>(111,753)</u>	<u>(107,729)</u>

**FINANCING ACTIVITIES**

Deferred capital contributions	36,481	40,003
Demand loan proceeds	712	-
Bond issue net proceeds	-	139,274
Debt principal repaid	(1,397)	(6,496)
	<u>35,796</u>	<u>172,781</u>
<b>CASH PROVIDED USED IN FINANCING ACTIVITIES</b>	<u>35,796</u>	<u>172,781</u>

**NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS**

	(17,222)	121,726
<b>CASH AND SHORT TERM INVESTMENTS, beginning of year</b>	<u>140,321</u>	<u>18,595</u>
<b>CASH AND SHORT TERM INVESTMENTS, end of year</b>	<u>123,099</u>	<u>140,321</u>

**SIMON FRASER UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2005**

**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**

**a. 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.

**b. 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 the future period.

Externally restricted contributions received for:

- Purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred.
- The acquisition of capital assets having limited life are initially recorded as deferred contributions in the period in which they are received. They are recognized as revenue over the useful life of the related assets.

Endowment contributions and related investment income allocated for endowment capital preservation and growth are recognized as direct increases in net assets in the period in which they are received or earned.

Unrestricted contributions are recognized as revenue when received.

Revenues received for the provision of goods and services are recognized in the period in which the goods or services are provided by the University. Revenues received for a future period are deferred until the goods or services are provided.

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

**c. Related Entities**

The University's 25% interest in the Great Northern Way Joint Venture is recorded on a proportionate consolidation basis. The SFU Community Trust and SFU Foundation are recorded based on the equity method beginning in the current fiscal year when these entities were deemed to be controlled.

SFU Community Trust is developing 78 acres of land on the Burnaby campus into a residential area. The SFU Community Trust was established as a Trust under the laws of British Columbia on July 29, 2002 and the beneficiaries of the Trust are the University and the Simon Fraser University Foundation.

Details of other corporations and consortiums, in which Simon Fraser University may have a significant interest, are contained in Note 16. These other 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.

**d. 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. Estimated useful life is as follows:

Site services	50 years
Buildings - concrete	50 years
- wood frame	30 years
Library books	10 years
Equipment and furnishings	8 years
Computing equipment	3 years
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.

**e. Debt Discount and Issue Costs**

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

**f. Investments**

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