

FOR INFORMATION

SIMON FRASER UNIVERSITY

MEMORANDUM

TO: Senate

FROM: Alison Watt
Director, University Secretariat

DATE: September 20, 2002

SUBJECT: Annual Financial Statements

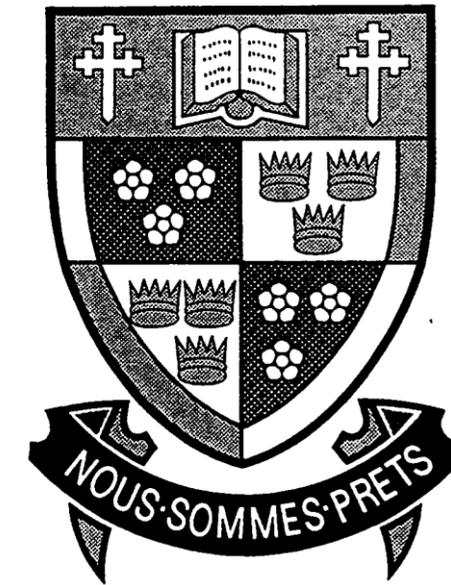
Section 32 of the University Act states: "The board shall make an annual report of its transactions to the Minister, in which shall be set out a balance sheet and a statement of revenue and expenditure for the year ending on the preceding March 31, and other particulars the Minister may require. A copy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

A copy of the report is attached.

NOTE:

IF YOU DO NOT WISH TO KEEP THE ANNUAL FINANCIAL STATEMENT, PLEASE
RETURN IT TO BOBBIE GRANT, OFFICE OF THE REGISTRAR

SIMON FRASER UNIVERSITY



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002**

**SIMON FRASER UNIVERSITY
FINANCIAL STATEMENTS
MARCH 31, 2002**

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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, 2002 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, 2002 have been reported on by the Auditor General of the Province of British Columbia, the auditor appointed under the University Act. 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

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 2001/02	Restated* Budget 2001/02	Actual 2001/02	Actual 2000/01
Revenue				
Government Grants	138,424	143,363	144,693	132,331
Student fees	44,380	44,167	45,931	45,818
Investment income	4,445	4,445	5,649	5,277
Other income	3,658	3,754	3,979	3,809
Prior year appropriations		24,517	24,517	18,055
Non recurring revenue				515
Total revenue	190,907	220,246	224,769	205,805
Expenses				
Salaries & benefits	142,560	148,516	142,615	130,148
Library acquisitions	5,891	6,494	6,751	6,131
Student financial assistance	5,166	5,711	5,673	5,054
Utilities and janitorials	5,661	6,139	4,839	5,291
Other non-salary	31,629	53,386	37,709	34,664
Total	190,907	220,246	197,587	181,288
Current year appropriations			27,182	24,517
Summary of Appropriations				
Carryovers: Departmental			6,098	6,783
Auxillaries and Special projects			3,395	2,783
Research and other contracts			7,900	6,929
Specific Provisions			3,226	2,960
Non-recurring expenditures			6,563	5,062
Total			27,182	24,517

This statement reflects the format of the 2001/2002 operating budget, approved by the Board of Governors in June 2001. It groups expenses in a different format than the audited statements. The summary of the appropriations of \$27,182 at March 31, 2002 has been extracted from note 9 to the financial statements.

* includes prior year appropriations, transfers to operating and transfers within operating.

...Related Entities that are not consolidated

d. BURNABY MOUNTAIN COMMUNITY CORPORATION

On February 10, 1999 the Burnaby Mountain Community Corporation was incorporated under the Company Act of the Province of British Columbia. It is a taxable Canadian corporation and is wholly owned by Simon Fraser University. The purpose of the corporation is to convert up to 100 acres of university land into a village of up to 10,000 residents. Since 1995 the university has provided advances to BMCC to pay for salaries, benefits, travel and supplies, surveying, rezoning, permits, engineering and environmental studies as well as preliminary architectural drawings on behalf of the corporation. These expenses are not included in the expenses of the university and at March 31, 2002 BMCC owes SFU \$4,612,000. An amount of \$3,103,000 is recorded as an investment in the endowment fund and \$1,509,000 is receivable to the capital fund. These amounts are to be repaid to SFU when the corporation becomes profitable.

STATEMENT OF EXPENDITURES

	2002 (000)	2001 (000)
Salaries & Benefits	\$ 400	\$ 336
Operating Expenses	150	62
Equipment & Furnishings	6	21
Legal Fees	68	88
Consulting & Professional	1,056	624
Interest Expenses	218	270*
	\$1,898	\$1,401

*For the period April 1, 1995 to March 31, 2001.

e. 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.

...Related Entities that are not consolidated

c. SFU FOUNDATION

The Simon Fraser University Foundation was established in 1987 under the provisions of the University Foundations Act. Its main purpose is to receive, manage and invest funds to further the purposes of the university. The Province of British Columbia through the Minister of Finance and Corporate Relations is the single shareholder. The Foundation is holding residential lots for sale valued at \$5,349,000 (2001 - \$5,709,000) and the proceeds from the sale of those lots will be transferred to the University. It is holding an undivided interest in 5% of the land on Great Northern Way.

SFU FOUNDATION

	2002 (000)	2001 (000)
Financial Position		
Total Assets	\$7,843	\$6,076
Total Liabilities	\$7,582	\$5,833
Fund Balance	261	243
	<u>\$7,843</u>	<u>\$6,076</u>
Results of Operation		
Total Revenue	\$ 288	\$ 118
Total Disbursements	270	156
Deficiency of Revenue over Expenses	<u>\$ 18</u>	<u>\$ (38)</u>

Operating Fund

Government grants for 2001/02 were \$12,362,000 higher than the previous year. For the year 2001/02 the government imposed a 5% reduction on tuition fees and gave the university \$1,565,000 in tuition reduction compensation. The core funding increased by \$6,381,000, of which \$2,498,000 was to cover salary increases. An additional \$1,493,000, not originally budgeted for, was provided to cover the cost of pay equity and salary market adjustments. SFU received a one-time grant of \$4,939,999 for building and equipment and library books to support the research infrastructure. Tuition revenue was only slightly ahead of last year since the increase in graduate and visa students enrollment was offset by the 5% tuition decrease. Non-credit revenue remained the same at \$5,300,000; English and language programs increased due to additional space being available at Harbour Center while technology programs decreased due to the downturn in the economy and more particularly the technology sector. Investment income increased by \$300,000 due to a larger base of capital to invest as a result of higher appropriations and an increase in externally funded research.

Expenses increased by \$16,300,000. Salary increases for the year were 2% for all groups as prescribed by the Public Sector Employers Council guidelines. There was also some remapping of the faculty salary grid, market adjustments for faculty and the administrative staff, retroactive pay equity adjustments to some clerical and support staff, 46 filled positions that were either new or vacant the year before and the normal progression through the ranks, altogether increasing our salary & benefits costs by 9.6%. The student financial aid increased by \$600,000 due partly to scholarships that were awarded in the current year instead of the previous year. Our utilities were approximately \$500,000 lower than the previous year when gas prices reached one of their highest levels.

For a more complete analysis and commentary on revenues and for detail on expenditure items, the 2001/02 year-end results and the 2002/2003 Operating Budget are available at www.sfu.ca/finance/budget/current/index.htm under the 2002/2003 Approved Operating Budget.

Ancillary Enterprises

Included in Ancillary Enterprises are the Bookstore, Food Services, Residences, Parking Operations and the Microcomputer Store. 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. \$1,000,000 of the residence reserve has been set aside for a major renovation of Shell house to take place during the summer of 2002.

The Parking Operation supports all parking lot expenses and pays down the debt on the parkade.

Food Services on the Burnaby campus, including the Diamond University Center, is operated by Chartwells College and University Dining Services who signed a ten year agreement effective April 1, 2002.

The Microcomputer Store has increased the level of customer service to the campus by offering on-site consultation, loaner equipment, and a more interactive environment for the campus community. The Store negotiated significant savings to SFU on Anti-Virus software for the next three 3 years, and is working on more software agreements to decrease campus costs on software. It is assisting the university in setting up broad 'standards' for both hardware & software to reduce the overall operating cost of computers to SFU.

Research

University research is mainly funded by Federal agencies such as NSERC and SSHRC and the provincial government, although over \$7 million comes from private sector corporations and from non-profit organizations. For example, the Juvenile Diabetes Foundation is providing SFU with \$2 million over a three-year period. There are over 1400 active research accounts with total activity of over \$36 million compared to \$26 million in 2000/2001. The Canada Foundation for Innovation (CFI) continues to award SFU with grants for infrastructure under several categories. \$1.9 million was received from CFI in 2001/02, matched by the same amount from the Province of BC's Knowledge Development Fund. The Federal government has begun to award grants under the Canada Research Chair Program. In 2001/02, SFU received \$1.1 for Canada Research Chair 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.

The actual cash received during the year was \$1,745,000 in new donations and \$1,465,000 of interest income was capitalized in order to protect the economic value of the endowments. Our pledges receivable increased by \$5 million over the previous year. The fund stands at \$93,873,000 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; the Canadian International Development Agency funds projects in Indonesia, China and Mexico. Field Schools

...Related Entities that are not consolidated

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 university's operating grant to the Society was \$176,000 (2001 - \$176,000) and is recorded as an expenditure by the University. There is no expectation of monetary gain to the University from this venture.

The Society is a not-for-profit organization incorporated under the Society Act of British Columbia. SFU's share of member's equity in capital assets is \$423,000 (2001 - \$420,000)..

WCUMBS		
	2002 (000)	2001 (000)
Financial Position		
Total Assets	<u>\$2,221</u>	<u>\$2,096</u>
Total Liabilities	207	\$ 294
Fund balance - unrestricted	(1)	18
- capital	1,664	1,652
- endowment	36	-
- restricted	<u>315</u>	<u>132</u>
	<u>\$2,221</u>	<u>\$2,096</u>
Results of Operation		
Total Revenue	2,599	\$2,407
Total Expenses	<u>2,387</u>	<u>2,333</u>
Excess of Revenue over Expenses	<u>\$ 212</u>	<u>\$ 74</u>

17. **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	
	2002 (000)	2001 (000)
Financial Position		
Total assets	<u>\$ 5,899</u>	<u>\$ 6,896</u>
Total Liabilities	4,324	\$ 3,083
Fund Balances - restricted	988	2,375
- other	587	1,438
	<u>\$ 5,899</u>	<u>\$ 6,896</u>
Results of Operation		
Revenue	51,627	\$50,959
Expenses	<u>53,865</u>	<u>51,886</u>
(Deficiency) Excess of Revenue over Expenses	<u>\$ (2,238)</u>	<u>\$ (927)</u>

funded by participants were held in China, Fiji, Prague and Ghana and the Faculty of Education also has a number of smaller international initiatives in Jamaica and Japan as examples. Activity in the fund this year was the same as last year at \$31 million.

The Canadian Institute of Health Research approved funding of \$3,461,000 for hosting the Institute of Nutrition, Metabolism and Diabetes. At March 31, 2002 a total of \$1,461,000 had been received.

Capital

In 2001/02 capital expenditures were limited to minor renovations and upgrade activity. Strand Hall was expanded for \$668,000, and an additional \$230,000 spent on heating upgrades. A further \$90,000 was spent on strengthening the building as part of the campus seismic upgrade program. The athletics running track was widened and resurfaced at a cost of \$837,000. Other minor capital expenditures included \$3.4M for minor capital additions, and a further \$2.0M for maintenance and renovations. An interest in land on Great Northern Way was acquired through a donation.

New Ventures

Simon Fraser University will be operating what was formerly Tech BC as of August 1, 2002 and SFU will be offering technology programs at "SFU Surrey" starting in September 2002 with an expected enrollment of 400 students.

Finning Ltd. made a gift of 20 acres of land on Great Northern Way in the False Creek area of Vancouver to be equally owned by Simon Fraser University, the University of British Columbia, the British Columbia Institute of Technology and Emily Carr College.

These four entities have signed a co-owners agreement - the Great Northern Way Joint Venture - in order to develop the site for future educational and commercial purposes.

Chancellor emeritus Joseph Segal is making the 1916 Bank of Montreal building on the corner of Pender and Granville available to the university to be dedicated as western Canada's first Centre for graduate management studies.

The Board of Governors has approved the first phase of the Burnaby Mountain Community Project and the East Neighbourhood Subdivision Plan has been submitted to the City of Burnaby for approval. An Order-in-Council approval will be required before the university is able to market development sites. Some clearing for roads and service installation has been completed. In the spring of 2002 BMCC is approaching developers and actual housing construction is anticipated in the spring of 2003.



Report of the Auditor General
of British Columbia

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

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

I have audited the statement of financial position of *Simon Fraser University* as at March 31, 2002 and the statements of operations and changes in operating net assets, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of *Simon Fraser University* as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelieff, CA
Auditor General

Victoria, British Columbia
May 24, 2002

...Administrative/Union Pension Plan

- b. The latest actuarial valuation as at December 31, 1998 showed an actuarial liability of \$96,243,000 against market value assets of \$111,730,000, resulting in a surplus of \$15,487,000. 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 was distributed to members. \$1,743,000 of the above surplus, plus investment earnings thereon, was distributed to the members in November 1999; the amounts distributed were, to the extent permitted under the Income Tax rules, allocated to individual money-purchase accounts for the members, within the Plan, and the balance was paid out in cash.
- c. The rate of employer contribution was also increased from 10.82% to 11.61%, effective January 1, 1999, as indicated by the 1998 actuarial valuation.

12. Financial Instruments

The 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.

13. Pledges

Pledges made by donors to the university for donations to be received in future years are estimated at \$11,349,000 (2001 - \$6,296,000). 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.

15. Commitments

In order to expand its downtown campus the university entered into a 25-year lease for additional property. The annual lease payments are \$370,000 until November 30, 2006, escalating every 5 years to \$541,717.

16. Subsequent Event - Technical University of British Columbia (TechBC)

In February, 2002 the government of British Columbia decided to cease the operation of TechBC, and requested Simon Fraser University (SFU) to take over the assets of TechBC by July 31, 2002 and continue to offer academic programming in Surrey. The yearly budget for SFU Surrey is expected to be approximately \$9,500,000.

SIMON FRASER UNIVERSITY
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2002
(thousands of dollars)

10. Endowment

	2002 (000)	2001 (000)
Balance, beginning of year	89,824	\$84,087
Donations	1,745	1,804
Capitalized income and other transfers	2,304	3,933
Balance, end of year	<u>\$93,873</u>	<u>\$89,824</u>

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. Included in the \$93,873,000 (2001 - \$89,824,000) is a receivable of \$5,135,000 (2001 - \$5,709,000) from the SFU Foundation for future proceeds from the sale of 16 remaining lots.

11. Pension Plans

The assets and liabilities of both 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.

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, 2000 shows an actuarial liability of \$8,712,000 against the actuarial value of assets of \$9,181,000 resulting in a surplus of \$469,000 in the fund.

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. 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.

ASSETS

CURRENT ASSETS

- Cash and short-term investments (Note 3)
- Accounts receivable
- Inventories
- Prepaid expenses

Investments (Note 4)

Capital assets (Note 5)

Unamortized debt discount

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

- Accounts payable and accrued liabilities
- Current portion of long term debt (Note 6)

Employees future benefits (Note 7)

Long-term debt (Note 6)

Deferred contributions (Note 8)

Deferred contributions related to capital assets (Note 8)

NET ASSETS

- Operating
- Restricted for specific commitments (Note 9)
- Invested in capital assets
- Endowment (Note 10)

	2002	2001
ASSETS		
CURRENT ASSETS		
Cash and short-term investments (Note 3)	\$ 15,724	\$ 15,239
Accounts receivable	17,200	16,176
Inventories	2,112	2,496
Prepaid expenses	1,254	965
	<u>36,290</u>	<u>34,876</u>
Investments (Note 4)	185,765	172,641
Capital assets (Note 5)	320,114	308,434
Unamortized debt discount	208	241
	<u>\$ 542,377</u>	<u>\$ 516,192</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 26,323	\$ 23,302
Current portion of long term debt (Note 6)	5,782	2,909
	<u>32,105</u>	<u>26,211</u>
Employees future benefits (Note 7)	13,978	12,978
Long-term debt (Note 6)	22,005	27,640
Deferred contributions (Note 8)	28,802	27,477
Deferred contributions related to capital assets (Note 8)	186,938	187,883
	<u>283,828</u>	<u>282,189</u>
NET ASSETS		
Operating	(16,378)	(16,178)
Restricted for specific commitments (Note 9)	74,868	70,053
Invested in capital assets	106,186	90,304
Endowment (Note 10)	93,873	89,824
	<u>258,549</u>	<u>234,003</u>
	<u>\$ 542,377</u>	<u>\$ 516,192</u>

The accompanying notes are an integral part of these financial statements

Approved:



B. Louie
Chair
Board of Governors



P. Hibbitts
Vice President
Finance and Administration

SIMON FRASER UNIVERSITY
STATEMENT OF OPERATIONS and
CHANGES IN OPERATING NET ASSETS
 FOR THE YEAR ENDED MARCH 31, 2002
 (thousands of dollars)

Statement 2

	2002	2001
REVENUE		
Government grants and contracts		
Province of British Columbia	\$ 151,760	\$ 139,109
Government of Canada	31,251	22,774
Other governments	1,947	1,165
Student fees - credit courses	45,569	44,103
- non-credit courses	7,061	7,041
- other	4,169	3,985
Gifts, grants and contracts	22,838	13,574
Sale of goods and services	25,551	24,883
Investment income	11,230	10,924
Miscellaneous income	4,273	3,574
Amortization of deferred capital contributions	8,072	8,055
	<u>313,721</u>	<u>279,187</u>
EXPENSE		
Salaries - academic	65,965	61,811
- other instruction and research	27,529	23,943
- support staff	62,063	55,874
Total salaries	<u>155,557</u>	<u>141,628</u>
Employee benefits (Note 7)	28,459	25,216
Travel and personnel costs	10,431	10,353
Materials and supplies	10,834	10,661
Communications	1,331	1,292
Other operational expenses	13,719	11,143
Depreciation	22,227	21,830
Grants to other agencies	6,913	4,296
Utilities	4,267	4,731
Renovations and alterations	3,846	3,159
Scholarships, bursaries and prizes	10,132	9,639
Contract services	3,843	3,609
Professional fees	7,831	6,754
Cost of goods sold	8,583	9,349
Interest	2,748	2,881
Equipment rental and maintenance	2,503	2,418
	<u>293,224</u>	<u>268,959</u>
EXCESS OF REVENUE OVER EXPENSE	20,497	10,228
CHANGES IN NET ASSETS		
Increase in specific commitments	(4,815)	(6,492)
Increase in investment in capital assets	(15,882)	(4,876)
NET CHANGE IN OPERATING EQUITY	(200)	(1,140)
OPERATING NET ASSETS, beginning of year,	<u>(16,178)</u>	<u>(15,038)</u>
OPERATING NET ASSETS, end of year	<u>\$ (16,378)</u>	<u>\$ (16,178)</u>

9. Restricted for Specific Commitments

	2002 (000)	2001 (000)
General Operating		
Carryovers - faculties & departments	6,098	6,783
Auxiliaries and special projects	3,395	2,783
Research and other grants	7,900	6,929
Specific provisions	3,426	2,960
Non-recurring expenditures	6,363	5,062
Total General Operating	<u>27,182</u>	<u>24,517</u>
Ancillary enterprises	3,056	3,708
Capital	13,042	11,581
Specific purpose	10,168	9,190
Long-term commitments		
Group insurance	4,233	3,953
Lease commitment	16,637	16,674
Self insurance	550	430
Total Restricted for Specific Commitments	<u>\$74,868</u>	<u>\$70,053</u>

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 auxiliaries such as the Bookstore, Food Services, Microcomputer Store, Residences and Parking.

Capital represents funds that are committed to capital projects.

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

...Employees' Future Benefits

The following shows the components of the changes to the balance of this liability.

	2002 (000)	2001 (000)
Opening balance	\$12,978	\$12,088
Current costs	557	463
Interest cost on benefit obligation	722	673
	1,279	1,136
Less actual payments to retirees during the year	(279)	(246)
Net Increase in employee future benefits	1,000	890
Balance end of year	<u>\$13,978</u>	<u>\$12,978</u>

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)	2002 Total (000)	2001 Total (000)
Balance beginning of the year	\$ 15,279	\$ 12,198	\$187,883	215,360	215,380
Add: Contributions received during the year	40,340	27,823	7,127	75,290	68,750
Less: Transferred to revenue	<u>36,015</u>	<u>30,823</u>	<u>8,072</u>	<u>74,910</u>	<u>68,770</u>
Balance end of year	<u>\$19,604</u>	<u>\$ 9,198</u>	<u>\$186,938</u>	<u>\$215,740</u>	<u>\$215,360</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 \$186,938,000 of deferred capital contribution represents the unamortized portion of restricted capital advances relating to assets which were purchased with restricted contributions.

SIMON FRASER UNIVERSITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2002
(thousands of dollars)

	General Operating	Internally Restricted for Specific Commitments	Invested in Capital Assets	Restricted for Endowment Principal	2002	2001
NET ASSETS, beginning of year	\$ (16,178)	\$ 70,053	\$ 90,304	\$ 89,824	\$ 234,003	\$ 218,038
Net change in operating equity	(200)	-	-	-	(200)	(1,140)
Endowment contributions	-	-	-	1,745	1,745	1,804
Capital preservation of endowment	-	-	-	2,304	2,304	3,933
Change in investment in capital assets						
Amortization of deferred capital contribution	-	-	8,072	-	8,072	8,055
Capital asset acquisitions	-	-	25,460	-	25,460	26,282
Donation of land	-	-	8,447	-	8,447	-
Debt	-	-	3,256	-	3,256	(1,482)
Deferred contributions	-	-	(7,126)	-	(7,126)	(6,149)
Depreciation	-	-	(22,227)	-	(22,227)	(21,830)
Internally imposed restrictions	-	4,815	-	-	4,815	6,492
CHANGE IN NET ASSETS	<u>(200)</u>	<u>4,815</u>	<u>15,882</u>	<u>4,049</u>	<u>24,546</u>	<u>15,965</u>
NET ASSETS, end of year	<u>\$ (16,378)</u>	<u>\$ 74,868</u>	<u>\$ 106,186</u>	<u>\$ 93,873</u>	<u>\$ 258,549</u>	<u>\$ 234,003</u>

SIMON FRASER UNIVERSITY
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MARCH 31, 2002
 (thousands of dollars)

	2002	2001
OPERATING ACTIVITIES		
Excess of revenue over expense	\$ 20,497	\$ 10,228
Add (deduct)		
Depreciation	22,227	21,830
Net decrease in non-cash current assets	(929)	2,217
Net increase in accounts payable and accrued liabilities	3,021	1,611
Amortization of deferred capital contributions	(8,072)	(8,055)
Increase in deferred contributions	8,452	8,035
Endowment contributions	4,049	5,737
Increase in employees future benefits	1,000	890
Donation of land	(8,447)	-
CASH PROVIDED BY OPERATING ACTIVITIES	41,798	42,493
INVESTING ACTIVITIES		
Net increase in long term investments	(13,124)	(12,530)
Capital asset acquisitions	(25,460)	(26,283)
CASH USED IN INVESTING ACTIVITIES	(38,584)	(38,813)
FINANCING ACTIVITIES		
Net debt principal (repaid) incurred	(2,729)	(1,971)
CASH PROVIDED USED IN FINANCING ACTIVITIES	(2,729)	(1,971)
NET INCREASE IN CASH AND SHORT TERM INVESTMENTS	485	1,709
CASH AND SHORT TERM INVESTMENTS, beginning of year	15,239	13,530
CASH AND SHORT TERM INVESTMENTS, end of year	\$ 15,724	\$ 15,239

ADDITIONAL INFORMATION:

During the year the University received a donation of land which has a fair market value of \$8,447,000.

6. Long Term Debt

	2002 (000)	2001 (000)
Demand Loans	\$ 4,500	\$ 1,500
Term Loans	5,920	6,235
CMHC Mortgages	2,518	2,596
Debentures	21,348	27,348
Less: Sinking Funds	(6,499)	(7,130)
	<u>27,787</u>	<u>30,549</u>
Current Portion	(5,782)	(2,909)
Total Long Term Debt	\$22,005	\$27,640

Term loans, used to complete the Centre for Dialogue, are secured by promissory notes. They bear interest rates between 2.55% and 6.54%, have an amortization period of 20 years and are due December 30, 2014.

Other long-term debt annual principal and interest payments are funded through a charge to Ancillary Enterprises operations and from contributions from the Simon Fraser Students Society for a portion of the Maggie Benston Student Services Building.

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. Annual payments including principal and interest until maturity amount to \$248,000.

Debentures are issued to the Province of British Columbia pursuant to the Financial Administrative Act. They bear interest at rates from 6.0% to 9.5%, and mature between 2003 and 2022. Annual payments including principal and interest due within the next five years are as follows:

	Total (000)
2003	\$2,622
2004	\$2,447
2005	\$2,210
2006	\$2,210
2007	\$1,801

7. Employees' Future Benefits

Accounting standards issued by the Canadian Institute of Chartered Accountants require the use of accrual accounting for costs related to employee future benefits including the cost of non-pension benefits that will be paid to existing and future retirees. The cost of these future benefits is determined by an actuary and the costs are recognized over the service life of the employees or the period to full eligibility of the employee group depending upon the type of cost.

...Long Term Investments

Bonds and Debentures Analysis

	2002				2001	
	Cost (000)	Market (000)	Modified Duration (years)	Effective Yield (%)	Cost (000)	Effective Yield (%)
Segregated Assets						
Government bonds						
Federal	\$ 22,211	\$ 21,628	9.1	5.9	\$ 18,247	5.1
Provincial	16,155	15,915	8.5	6.1	16,965	5.9
	38,366	37,543	8.8	5.9	35,212	5.5
Corporate debentures	9,776	10,043	5.5	6.9	7,661	5.6
Sub-total segregated	48,142	47,586	8.1	6.1	42,873	5.5
Pooled Bond Funds						
Active	11,266	11,041	5.4	6.5	10,569	6.2
Indexed	47,391	47,147	5.5	5.6	44,513	5.4
Sub-total externally held	106,799	105,774	6.7	5.9	97,955	5.5
Internally managed	5,179	5,033	5.1	6.5	3,640	6.1
Total Bonds and Debentures	\$111,978	\$110,807	6.6	5.9	\$101,595	5.6

5. Capital Assets

	Cost (000)	Accumulated Depreciation (000)	2002 Net (000)	2001 Net (000)
Buildings - concrete	\$295,086	\$ 95,484	\$199,602	\$201,951
- wood	21,465	8,061	13,404	14,117
Site services	23,226	7,436	15,790	14,932
Leasehold improvements	10,452	4,190	6,262	6,574
Computing equipment	16,039	4,986	11,053	9,430
Equipment & furnishings	48,143	21,292	26,851	25,904
Library books	51,800	19,460	32,340	29,319
Special collections	4,645	-	4,645	4,487
Land	10,167	-	10,167	1,720
Total Capital Assets	\$481,023	\$160,909	\$320,114	\$308,434

The 429 acres of land in Burnaby is recorded in the financial statements at its 1965 assessed value of \$572,000. Up to 100 acres of this land is set aside for development by the Burnaby Mountain Community Corporation. The Centre for Dialogue land was assessed at \$1,148,000 in July 1998. An undivided 20% interest in land held under an educational joint venture agreement on Great Northern Way in Vancouver is recorded at its assessed value of \$8,447,000. The SFU Foundation also holds a 5% undivided interest in that land.

SIMON FRASER UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002

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 following Canadian generally accepted accounting principles on a non-fund basis as the operations for the entire university have been combined for reporting purposes. The university follows the accrual basis of accounting. Unrestricted revenue is recorded when receivable and expenditures are recorded when goods or services are received.

b. Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period and are reflected as deferred contributions.

Amounts received for tuition fees and sales of goods and services are recognized as revenue at the time the goods are delivered or the services are provided. Otherwise, these amounts are classified as unearned revenue in accounts payable.

Externally restricted contributions 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. Externally restricted amounts can only be used for purposes designated by the contributors.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested to acquire capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Capital contributions are deferred and amortized to revenue over the life of the related asset.

Endowment donations are recognized as a direct increase in endowment principal. The university has a policy to protect the economic value of the endowments whereby a portion of the income earned on endowments is recorded as a direct increase in endowment principal.

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. Capital Assets

Capital asset acquisitions are recorded on the statement of financial position at cost, except donated assets which are recorded at fair market value at the date of acquisition. Depreciation is recorded on a straight line basis over the estimated life of the asset as per the schedule below.

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

Works of art and collections are not amortized and include that portion of library assets considered to have permanent value.

d. Investments

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

Long term investments, which consist of marketable securities and real estate, are carried at cost or, when donated, at their fair market value at the date of the ownership transfer of these assets 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 these investments are recognized in the year of disposal and are included in investment income.

e. 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 cost and net realizable value.

f. 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

g. Related Entities

Details of corporations and consortiums, in which Simon Fraser University may have a significant interest, are contained in Note 17. These entities are not consolidated in these financial statements.

3. Cash and Short Term Investments

	2002		2001	
	Cost (000)	Market (000)	Cost (000)	Market (000)
Cash	\$ 1,091	\$ 1,091	\$ 128	\$ 128
Short term notes	13,134	13,134	8,315	8,315
Bonds maturing under one year	1,499	1,499	6,796	6,796
Total Cash and Short Term	<u>\$15,724</u>	<u>\$15,724</u>	<u>\$15,239</u>	<u>\$15,239</u>

4. Long Term Investments

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

	2002		2001	
	Cost (000)	Market (000)	Cost (000)	Market (000)
Bonds and debentures	\$111,978	\$110,807	\$103,091	\$104,168
Canadian equities	29,344	39,023	26,410	30,734
Foreign equities	18,571	13,339	18,553	13,994
Long term annuity	11,600	11,600	11,543	11,543
Pooled balanced fund	3,474	3,856	3,926	3,992
Donated hedge fund	2,555	2,054	2,555	2,119
Sub Total	<u>177,522</u>	<u>180,679</u>	<u>166,078</u>	<u>166,550</u>
Vancouver Foundation	5,305	7,508	5,305	7,964
Burnaby Mountain Community Corp	2,938	2,938	1,258	1,258
Total Long Term	<u>\$185,765</u>	<u>\$191,125</u>	<u>\$172,641</u>	<u>\$175,772</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, 2002 and the portion of \$5,305,000 belonging to the University is included in the university's financial statements. In the fiscal year 2001/02 these funds generated \$645,608 of income (2001 - \$648,000) for the university to be used for specific purposes.