

FOR INFORMATION

S.00-70

SIMON FRASER UNIVERSITY

MEMORANDUM

TO: Senate

FROM: Alison Watt
Director, University Secretariat

DATE: August 14, 2000

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."

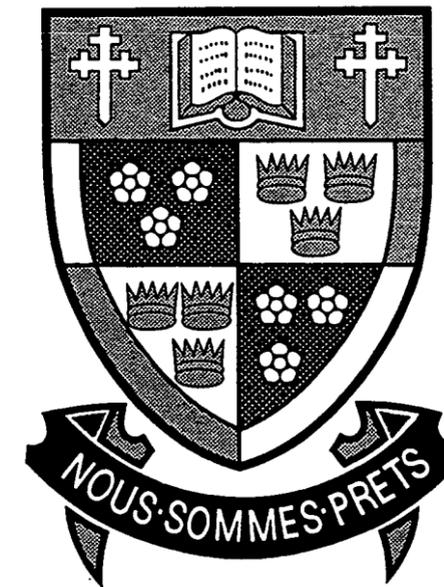
A copy of the report is attached.



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, 2000**

13. Pledges

Pledges made by donors to the university for donations to be received in future years are estimated at \$5,753,000 (1999 - \$3,006,000). 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. Comparatives

Certain comparative figures have been restated to conform with the current year's presentation.

The change in accounting for non-pension retirement benefits, as per note 7, has been applied retroactively except that 1999 comparative figures have not been adjusted as it was not practical to do so.

**SIMON FRASER UNIVERSITY
FINANCIAL STATEMENTS
MARCH 31, 2000**

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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 January 1, 1999 shows an actuarial liability of \$5,694,000 against the actuarial value of assets of \$5,984,000 resulting in a surplus of \$290,000 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.
- 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.

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.

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.

10. Endowment Principal

	2000 (000)	1999 (000)
Balance, beginning of year	\$81,288	\$74,884
Donations	1,334	3,766
Capitalized income and other transfers	<u>1,465</u>	<u>2,638</u>
Balance, end of year	<u>\$84,087</u>	<u>\$81,288</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 \$84,087,000 are the following receivables:

SFU Foundation	\$6,754,000	Future proceeds from sale of 20 lots
City of Burnaby	\$2,000,000	\$1 million was received in April 2000 and the remaining \$1 million due in 2000/2001

STATEMENT OF MANAGEMENT RESPONSIBILITY

The university is responsible for the preparation of the financial statements and has prepared them in accordance with generally accepted accounting principles for not-for-profit organizations. The financial statements present fairly the financial position of the university as at March 31, 2000 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, 2000 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.


 Jack P. Blaney
 President


 R.W. Ward
 Vice President
 Finance & Administration

REPORT OF THE VICE-PRESIDENT FINANCE AND ADMINISTRATION

General comment

The university prepares its annual financial statements according to generally accepted accounting principles for non-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 additional information for the different funds

Operating fund (000's)	Budget 1999/00	Actual 1999/00	Actual 1998/99
Revenue			
Government Grants	122,811	122,826	120,609
Student fees	41,702	42,534	42,288
Investment income	4,319	5,094	5,005
Other income	3,376	3,795	4,281
Total revenue	172,208	174,249	172,183
Expenses			
Salaries & benefits	129,842	128,757	126,430
Library acquisitions	5,421	5,586	5,369
Student financial assistance	4,924	5,499	5,103
Utilities and janitorials	4,614	4,781	4,279
Other non-salary	27,407	32,711	28,591
Total	172,208	177,334	169,772
Net change in fund balance		(3,085)	2,411
Appropriations opening balance		21,140	18,729
Total Appropriations		18,055	21,140

Summary of Appropriations		
Carryovers: Departmental	4,941	4,910
Auxillaries and Special projects	3,771	3,756
Research and other contracts	5,978	5,632
Specific Provisions	1,424	2,224
Non-recurring expenditures	1,941	4,618
Total	18,055	21,140

This statement reflects the format of the 1999-00 operating budget, approved by the Board of Governors in June 1999. It groups expenses in a different format than the audited statements. The summary of the appropriations of \$18,055 at March 31, 2000 has been extracted from note 9 to the financial statements.

8. Deferred Contributions

In the prior year, the Province of British Columbia enacted legislation that released educational and other institutions from debt obligations where principal and interest payments were funded by the Province. As such \$152,506,000 of debt formally recorded as a liability of the university is now the responsibility of the Province. The assumption of debt is treated as a deferred contribution and is amortized to income over the remaining useful life of the assets.

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)	2000 (000)	1999 (000)
Balance beginning of the year	\$ 8,445	\$ 4,006	\$192,248	\$204,699	\$ 54,967
Add: Contributions received during the year	29,072	36,591	5,322	70,985	44,759
Debt assumed by the Province of B.C.					152,506
Less: Transferred to revenue	<u>24,677</u>	<u>27,847</u>	<u>7,780</u>	<u>60,304</u>	<u>47,533</u>
Balance end of year	<u>\$12,840</u>	<u>\$12,750</u>	<u>\$189,790</u>	<u>\$215,380</u>	<u>\$204,699</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 \$189,790,000 of deferred capital contribution represents the "unamortized" portion of restricted capital advances relating to assets which were purchased with restricted contributions, but which still have an undepreciated book value.

9. Restricted for Specific Commitments

	2000 (000)	1999 (000)
General Operating		
Carryovers - faculties & departments	\$ 4,941	\$ 4,910
Auxillaries and special projects	3,771	3,756
Research and other grants	5,978	5,632
Specific provisions	1,424	2,224
Non-recurring expenditures	1,941	4,618
Total General Operating	18,055	21,140
Ancillary enterprises	3,313	3,383
Capital	9,228	8,508
Specific purpose	11,984	10,117
Long-term commitments		
Group insurance	3,795	3,399
Lease commitment	16,679	16,563
Self insurance	507	475
Total restricted for specific commitments	\$63,561	\$63,585

...Long Term Debt

	Total (000)
2001	\$3,294
2002	\$3,294
2003	\$2,622
2004	\$2,447
2005	\$2,210

7. **Employees Future Benefits**

Retirement Benefits - Change in Accounting Policy

New 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. This is a significant change from the previous practice of accounting for these costs on a "pay-as-you-go" basis. This change has been applied retroactively except that 1999 comparative figures have not been adjusted as it was not practical to do so. 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.

The actuarial valuation provides the present value of benefit obligations as well as the current costs and the interest cost on the benefit obligation. The benefit obligation at March 31, 1999 was \$10,961,000. This retroactive adjustment is reflected in our financial statements as a decrease in opening Operating Net Assets. For the year 1999/2000 the current costs of \$547,000 and the interest cost of \$698,000 on the benefit obligation are included in benefits expense for the year.

The following shows the effect of these changes to the Financial Statements

	2000 (000)
Opening balance	\$ -
Retroactive adjustment for benefit obligation	10,961
Opening balance, as restated	10,961
Current costs	547
Interest cost on benefit obligation	698
Less actual payments to retirees during the year	(118)
Increase in employee future benefits	1,127
Balance end of year	<u>\$12,088</u>

An actuarial valuation at March 31, 2000 shows a benefit obligation of \$10,217,000. The difference from the above balance is due to an unamortized actuarial gain of \$1,871,000 based on a revised interest discount assumption of 7.25% at March 31, 2000 as opposed to 6.25% used at March 31, 1999. A portion of this gain over and above a threshold amount is to be amortized at \$77,000 per year over the next eleven years starting April 1, 2000. The net benefit expense for 2000/2001 is estimated to be \$1,136,000.

Operating Fund

In 1999/2000, tuition fees and related mandatory course fees remained frozen for the fourth year, through the provincial Tuition Fee Freeze Act. The Province did provide \$222,000 in recognition of this fact. Funding was also provided at \$1,792,000 for 256 new undergraduate spaces. No reductions were necessary in order to balance the operating budget, although few additions were accommodated in the budget. Non-discretionary items such as merit and progress related salary increases and benefit rate increases were covered. The university was then able to increase the library acquisitions budget and fund several new positions. No general inflationary increases were made to operating budgets; this continues to be a problem in 2000/2001 as the university attempts to fund new ventures and directions with limited resources while still maintaining core operations.

The past several years have seen a fine-tuning of the operating budgets as departments juggle priorities and focus on essential services. Central budgets have been stretched to yield the maximum dedicated source of funding. The university completed the final move towards decentralization this year by transferring staff support carryovers and management to the departments. Instructional and non-salary budgets had been decentralized in prior years. We had anticipated and did observe a reduction in the funds available at year-end to fund the central non-recurring budget. In 1998/1999 approximately \$4,618,000 was generated to fund these one-time requests. This year that amount fell to \$1,941,000. Several other one-time sources were accessed to bolster the funding somewhat, but at \$2,756,000, the non-recurring budget for 2000/2001 sits at approximately half of that of 1999/2000.

Revenues exceeded both 1998/1999 actual and the 1999/2000 budget. The Provincial operating grant growth over 1998/1999 reflects the addition of funding to support new undergraduate spaces, some compensation for the tuition freeze and the final year of CUPE Pay Equity funding. The increase in student fees versus 1998/99 is related to increases in enrolment; the increase relative to the budget is a result of non-credit activity. Investment income remains strong due to a solid investment base and capital gains. The budget, although increased slightly in 2000/2001, remains conservative in recognition of the capital gains element and the fluctuating market environment. Other income is declining as the CIDA Eastern Indonesia project and associated overhead, winds down. This budget does vary however as it includes overheads from ancillaries and research projects, centrally assessed student fees and miscellaneous revenue.

For the past several years, total expenditures, including those supported by funds carried over from previous years, have been below budget and appropriations have grown. This year appropriations fell by \$3,085,000. There was no significant change to the carryovers for departments, special projects and internally funded research contracts and overhead. The balance available for

centrally funded specific provisions and the non-recurring budget was reduced by \$3,500,000. A major factor in this reduction to central funds was the transfer of support staff carryover to the departments. However, unanticipated increases in recruiting and utilities expense, less investment income and tuition fees above budgetary requirements have additionally eroded the traditional non-recurring budget funding sources. It should also be noted that the transfer of approximately \$1,000,000 in support staff carryovers to the departments has allowed them to simply maintain their balance of last year; instructional carryovers are being used for a variety of expenditures. Instructional carryovers have decreased by \$1,088,000 this year versus last.

The increase in the operating grant may alleviate some of the problems in the departments, where targeted funding has been provided for enrolment growth costs and new initiatives. The availability of central funding to support the non-recurring budget in 2000/2001 remains a concern.

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. The decrease of \$70,000 shown in note 9 in the Ancillary Fund in the current year is due mainly to the purchase of a Point Of Sale system for the bookstore's main campus and downtown locations.

The Parking Operation supports all lot and parkade construction, as well as repair and maintenance. This unit continues to promote improved personal security. Currently a closed circuit television network is being developed, extending from perimeter parking lots through to a higher security pedestrian corridor and further to the residence areas of campus. This will be monitored centrally by Campus Security. In addition, all landscaping around parking lots has been altered to provide sight lines in a further effort to provide greater personal safety.

Residences maintained full occupancy during the fall and winter semesters and 50% in the summer semester. In the summer semester there were 420 rooms available for conferences. Eighty-six groups were accommodated for a total of 16,500 bednights.

Food Services on the Burnaby campus is operated by Beaver Foods Ltd. who also operates the Diamond University Centre.

5. Capital Assets

	2000 Cost (000)	2000 Accumulated Depreciation (000)	2000 Net (000)	1999 Net (000)
Buildings - concrete	\$284,204	\$84,804	\$199,400	\$194,817
- wood	22,922	8,165	14,757	15,512
Site services	21,778	6,564	15,214	15,628
Leasehold improvements	10,333	3,420	6,913	7,265
Computing equipment	13,028	3,942	9,086	8,122
Equipment & furnishings	50,720	24,758	25,962	26,279
Library books	42,906	15,996	26,910	24,803
Special collections	4,019	-	4,019	1,081
Land	1,720	-	1,720	1,720
Total capital assets	<u>\$451,630</u>	<u>\$147,649</u>	<u>\$303,981</u>	<u>\$295,227</u>

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 has been earmarked for development by the Burnaby Mountain Community Corporation. The downtown land for the Centre for Dialogue was assessed at \$1,148,000 in July 1998.

6. Long-Term Debt

	2000 (000)	1999 (000)
Demand Loans	\$ 1,969	\$ 1,722
Term Loans	6,300	-
CMHC Mortgages	2,671	2,741
Debentures	27,348	27,348
Less: Sinking Funds	(5,734)	(4,413)
	<u>32,554</u>	<u>27,398</u>
Current Portion	3,395	(2,805)
Total Long-term Debt	<u>\$29,159</u>	<u>\$24,593</u>

Term loans, used to complete the Centre for Dialogue, are secured by promissory notes. They bear interest rates between 6.07% and 6.80%, have an amortization period of 15 years and are due between January 30, 2001 and December 30, 2004.

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 2002 and 2020. The debentures are secured by student residence buildings. Annual payments including principal and interest due within the next five years are as follows:

4. Long-Term Investments

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

	2000		1999	
	Cost (000)	Market (000)	Cost (000)	Market (000)
Bonds and Debentures	\$93,776	\$94,689	\$ 83,610	\$ 90,798
Canadian equities	25,080	30,357	22,739	23,768
Foreign equities	18,503	18,010	12,183	14,821
Sun Life Term Certain Annuity	11,487	11,487	11,439	11,439
Pooled balanced fund	3,400	3,732		
Not publicly traded	2,559	2,559	2,567	2,567
Sub Total	154,805	160,834	132,538	143,393
Vancouver Foundation	5,305	9,200	5,305	8,288
Total	\$160,110	\$170,034	\$137,843	\$151,681

The Vancouver Foundation holds a number of endowment funds for the benefit of the university. These funds total \$7,338,000 at March 31, 2000 and the portion of \$5,305,000 belonging to the university is included in the university's financial statements.

In the fiscal year 1999/00 these funds generated \$618,000 of income for Simon Fraser University (1999 - \$575,000) to be used for specific purposes.

Bonds and Debentures Analysis

	2000		Modified Duration	Effective Yield	1999 Cost	Effective Yield
	Cost (000)	Market (000)				
Government bonds						
Federal	\$18,520	\$18,653	5.1	5.93%		
Provincial	9,854	9,853	6.2	6.32%		
US Pay/Yankee	6,220	6,266	11.4	7.56%		
	34,594	34,772	6.5	6.32%	\$38,067	6.78%
Corporate debentures	6,568	6,957	5.9	6.64%	43,844	7.16%
Sub-total active bonds	41,162	41,729	6.4	6.37%	81,911	
Pooled indexed bonds	41,767	41,225	5.5	6.05%		
Sub-total external*	82,929	82,954				
Internal/variable rate**	10,847	11,735			1,699	
Total Bonds and Debentures	\$93,776	\$94,689			\$83,610	

Notes:

* During the fiscal year approximately \$81.5 million of the University's bond portfolio, which was internally managed, was transferred to two different external investment managers. Half of the portfolio was converted to an indexed passive mandate while the other half remained as an active mandate.

** \$8.7 million of these holdings were sold May 1, 2000 to fund a portion of the university's \$10 million participation in the new Commonfund Canada bond pool.

Research

University research is mainly funded by Federal agencies such as NSERC and SSHRC and the provincial government, although over \$6 million comes from corporations and other non-profit organizations. As an example, the Juvenile Diabetics Foundation is funding a \$2.7 million research project over three years. The National Centre of Excellence for Telelearning continues to bring in \$3.6 million per year of which \$3 million is distributed to other universities. SSHRC initiated a new program this year, the Strategic Theme Grants program, to fund research networks. SFU will be receiving \$2 million over four years under this program. There are over 1200 active research accounts with total activity of \$25 million compared to \$21 million in 1998/99.

The new Canada Research Chair program administered by the three granting councils in partnership with the Canada Foundation for Innovation and Industry Canada will provide funding for 48 chairs at SFU. Funding is provided over a five-year period and may be used for research and infrastructure support as well as recruitment costs, salaries and benefits.

Endowment

The university's endowment fund 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 \$1,334,000 in new donations during the year and \$1,465,000 of interest income was capitalized in order to protect the economic value of the endowments. The fund stands at \$84,087,000 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 scholarships. There are many international activities; the Canadian International Development Agency funds projects in Indonesia, the Philippines, China and Ghana. Field Schools funded by participants were held in China, Fiji, Prague and Ghana. The Faculty of Education also has a number of smaller international initiatives in Jamaica and Japan, as examples.

A grant of \$3.4 million was received this year from Forest Renewal B.C. and the interest earned on the grant is used to establish, within the SFU Earth Sciences Program, a provincial centre of excellence in teaching and research. This centre is focused on the geoscience challenges facing the forest industry of B.C.

Activity in the fund this year was \$22 million compared to \$20 million in 1998/99.

Capital

No new capital construction has been undertaken for approximately four years and is a concern as enrolment targets are increased each year and space becomes increasingly constrained.

Construction continued on the International Centre for Dialogue with expenditures amounting to \$6.8 million for the year. Funding sources for this project include a \$4.0 million Federal government grant, private donations of \$7.0 million and a bank loan of \$6.3 million.

Provincially funded minor capital cyclical maintenance on campus buildings amounted to \$2.7 million, with an additional \$1.9 million expended on renovations and upgrades.

New Initiatives

Simon Fraser University will receive funding for forty-eight **Canada Research Chairs** over a five-year period. The funding may be used for salaries and benefits as well as recruitment and relocation costs and research and infrastructure support.

The **Morris J. Wosk Centre for Dialogue**, a world class conference facility, located in a heritage building across from the downtown Harbour Centre campus will be officially opened in September. Of the \$18 million needed to build the Centre, the university has now raised \$17.3 million, including a \$6.3 million loan.

An architectural firm has been chosen to lead the first phase of development for the **Burnaby Mountain Community** project. Hotson Bakker Architects was selected to begin the process of preparing planning options and a preferred planning framework for development which will take place in the east end of campus.

A **Values and Commitments** document was prepared following consultation with over 200 students, faculty, staff, alumni and friends of the university. Although the original intent was to create a mission statement for the university, what evolved were the following values held by our community:

- ii. The university is one of four parties to a joint venture agreement under which research is conducted by university faculty members at the Tri-Universities Meson Facility (TRIUMF) on the University of British Columbia campus and elsewhere. The facility and its operations are funded by federal government grants and the university makes no direct financial contribution. The accounts of TRIUMF are not included in these statements. There is no expectation of monetary gain to the university from this venture.
- iii. 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.
- iv. 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. At March 31, 2000 the Foundation is holding residential lots valued at \$7,033,000 (1999 - \$6,986,000) and the proceeds from the sale of those lots will be transferred to the University. Assets and liabilities of the Simon Fraser University Foundation amounting to \$7,148,000 (1999 - \$7,583,000) and \$6,867,000 (1999 - \$7,270,000) respectively are not included in the financial statements of the university.
- v. 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 paid \$1,349,000 (1999- \$851,000) 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 but are included as a receivable from the Corporation to be repaid when the Corporation becomes profitable. In the event that this receivable became uncollectible, the university would have to write off this amount.

3. Cash and Short Term Investments

	2000		1999	
	Cost (000)	Market (000)	Cost (000)	Market (000)
Cash	\$ (439)	\$(439)	\$ (165)	\$ (165)
Short term notes	7,742	7,742	4,866	4,866
Bonds maturing under one year	6,227	6,254	8,733	8,719
Total	<u>\$13,530</u>	<u>\$13,557</u>	<u>\$13,434</u>	<u>\$13,420</u>

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, where donated, at their fair market value at the date of the ownership transfer of these assets to the university. Where 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 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. University Interests in WCUMBS, TRIUMF, SFUV, SFU Foundation and Burnaby Mountain Community Corporation

i. 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 (1999 - \$176,000) and is recorded as an expenditure by the university. There is no expectation of monetary gain to the university from this venture.

**SIMON FRASER UNIVERSITY
VALUES AND COMMITMENTS**

We are an open, inclusive university whose foundation is intellectual and academic freedom.

Our scholarship unites teaching and research: we celebrate discovery, diversity and dialogue.

Our students and communities expect teaching that is personal and learning opportunities that are lifelong.

We champion the liberal arts and sciences and pioneering interdisciplinary and professional programs.

We are a university where risks can be taken and bold initiatives embraced.

UPON THESE FOUNDATIONS,
we will engage all our communities in building a robust and ethical society.

THE SPIRIT OF COMMUNITY



Report of the Auditor General
of British Columbia

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

I have audited the statement of financial position of *Simon Fraser University* as at March 31, 2000 and the statements of operations and changes in operating net assets, changes in net assets and cash flows. 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 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, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelieff, CA
Auditor General

Victoria, British Columbia
May 26, 2000

SIMON FRASER UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000

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 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.

SIMON FRASER UNIVERSITY
STATEMENT OF OPERATIONS and
CHANGES IN OPERATING NET ASSETS
 FOR THE YEAR ENDED MARCH 31, 2000
 (thousands of dollars)

Statement 2

	2000	1999
REVENUE		
Government grants and contracts		
Province of British Columbia	\$ 134,335	\$ 128,406
Government of Canada	19,739	24,394
Other governments	1,103	1,210
Student fees - credit courses	41,390	40,938
- non-credit courses	6,330	5,520
- other	3,741	3,782
Gifts, grants and contracts	14,042	9,913
Sale of goods and services	22,559	22,388
Investment income	10,289	7,271
Miscellaneous income	3,032	2,690
Amortization of deferred capital contributions	7,780	8,083
	<u>264,340</u>	<u>254,595</u>
EXPENSE		
Salaries - academic	58,620	58,074
- other instruction and research	25,385	25,020
- support staff	54,125	52,888
Total salaries	<u>138,130</u>	<u>135,982</u>
Employee benefits (Note 7)	25,153	22,444
Travel and personnel costs	8,999	8,092
Supplies and expenses	19,064	18,782
Depreciation	21,562	22,185
Grants to other agencies	3,593	3,028
Equipment and facility rentals	4,630	4,243
Utilities	3,856	3,451
Scholarships, fellowships and bursaries	9,874	8,513
Contract services	3,202	3,248
Professional fees	6,546	5,097
Renovations and alterations	3,378	2,861
Debt servicing - interest	2,634	2,635
Cost of goods sold	7,982	7,654
	<u>258,603</u>	<u>248,215</u>
EXCESS OF REVENUE OVER EXPENSE	5,737	6,380
CHANGES IN NET ASSETS		
Decrease (increase) in specific commitments	24	(6,515)
(Increase) decrease in investment in capital assets	<u>(6,988)</u>	<u>35</u>
NET CHANGE IN OPERATING EQUITY	(1,227)	(100)
OPERATING NET ASSETS, beginning of year, as previously stated	(2,850)	(2,750)
Prior period adjustment (Note 7)	<u>(10,961)</u>	<u>-</u>
Opening balance, as restated	<u>(13,811)</u>	<u>(2,750)</u>
OPERATING NET ASSETS, end of year	<u>\$ (15,038)</u>	<u>\$ (2,850)</u>

Statement 3

SIMON FRASER UNIVERSITY
STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED MARCH 31, 2000
 (thousands of dollars)

	General Operating	Restricted for Specific Commitments	Invested in Capital Assets	Restricted for Endowment Principal	2000	1999
NET ASSETS, beginning of year, as previously stated	\$ (2,850)	\$ 63,585	\$ 78,440	\$ 81,288	\$ 220,463	\$ 199,038
Prior period adjustment (Note 7)	(10,961)	-	-	-	(10,961)	8,641
NET ASSETS, beginning of year, adjusted	(13,811)	63,585	78,440	81,288	209,502	207,679
Net change in operating equity	(1,227)	-	-	-	(1,227)	(100)
Endowment contributions	-	-	-	1,334	1,334	3,766
Capital preservation of endowment	-	-	-	1,465	1,465	2,638
Change in investment in capital assets						
Amortization of deferred capital contribution	-	-	7,780	-	7,780	8,083
Capital asset acquisitions	-	-	30,316	-	30,316	23,989
Debt repayment	-	-	(2,395)	-	(2,395)	1,478
Deferred contributions	-	-	(7,151)	-	(7,151)	(11,400)
Depreciation	-	-	(21,562)	-	(21,562)	(22,185)
Internally imposed restrictions	-	(24)	-	-	(24)	6,515
CHANGE IN NET ASSETS	(1,227)	(24)	6,988	2,799	8,536	12,784
NET ASSETS, end of year	<u>(15,038)</u>	<u>\$ 63,561</u>	<u>\$ 85,428</u>	<u>\$ 84,087</u>	<u>\$ 218,038</u>	<u>\$ 220,463</u>

SIMON FRASER UNIVERSITY
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MARCH 31, 2000
 (thousands of dollars)

	2000	1999
OPERATING ACTIVITIES		
Excess of revenue over expense	\$ 5,737	\$ 6,380
Add (deduct)		
Depreciation	21,562	22,185
Net decrease in non-cash current assets	260	7,070
Net increase (decrease) in accounts payable and accrued liabilities	5,324	(5,294)
Amortization of deferred capital contributions	(7,780)	(8,083)
Increase in deferred contributions	18,461	5,309
Endowment contributions	2,799	6,404
Increase in employees future benefits (Note 7)	1,127	-
CASH PROVIDED BY OPERATING ACTIVITIES	47,490	33,971
INVESTING ACTIVITIES		
Net increase in long term investments	(22,268)	(13,088)
Capital asset acquisitions	(30,316)	(23,989)
CASH USED IN INVESTING ACTIVITIES	(52,584)	(37,077)
FINANCING ACTIVITIES		
Net debt principal incurred (repayments)	5,190	(1,478)
CASH PROVIDED USED IN FINANCING ACTIVITIES	5,190	(1,478)
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	96	(4,584)
CASH AND SHORT TERM INVESTMENTS, beginning of year	13,434	18,018
CASH AND SHORT TERM INVESTMENTS, end of year	\$ 13,530	\$ 13,434

SIMON FRASER UNIVERSITY
STATEMENT OF FINANCIAL POSITION
 AS AT MARCH 31, 2000
 (thousands of dollars)

	2000	1999
ASSETS		
CURRENT ASSETS		
Cash and short-term investments (Note 3)	\$ 13,530	\$ 13,434
Accounts receivable	18,368	18,285
Inventories	2,771	2,980
Prepaid expenses	715	849
	<u>35,384</u>	<u>35,548</u>
Investments (Note 4)	160,111	137,843
Capital assets (Note 5)	303,981	295,227
Unamortized debt discount	275	309
	<u>\$ 499,751</u>	<u>\$ 468,927</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 21,691	\$ 16,367
Current portion of long term debt (Note 6)	3,395	2,805
	<u>25,086</u>	<u>19,172</u>
Employees future benefits (Note 7)	12,088	-
Long-term debt (Note 6)	29,159	24,593
Deferred contributions (Note 8)	25,590	12,451
Deferred contributions related to capital assets (Note 8)	189,790	192,248
	<u>281,713</u>	<u>248,464</u>
NET ASSETS		
Operating	(15,038)	(2,850)
Restricted for specific commitments (Note 9)	63,561	63,585
Invested in capital assets	85,428	78,440
Endowment (Note 10)	84,087	81,288
	<u>218,038</u>	<u>220,463</u>
	<u>\$ 499,751</u>	<u>\$ 468,927</u>

The accompanying notes are an integral part of these financial statements

Approved:


 E. Jaeger Roy
 Chair
 Board of Governors


 R.W. Ward, Ph.D.
 Vice President
 Finance and Administration