

FOR INFORMATION

SIMON FRASER UNIVERSITY

MEMORANDUM

TO: Senate

FROM: Alison Watt
Director, Secretariat Services

DATE: August 18, 1999

SUBJECT: Annual Financial Statement

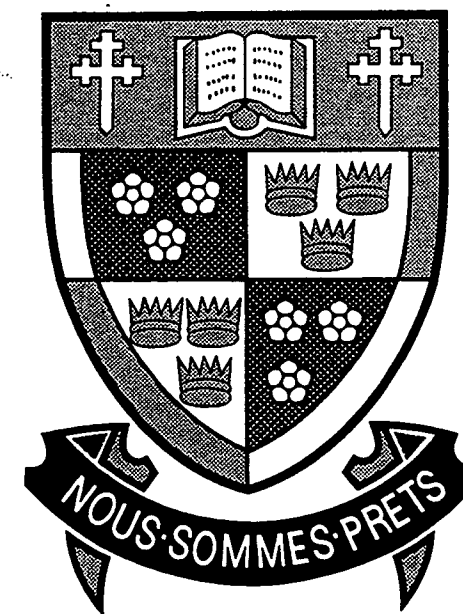
Section 32 of the University Act states: "The board shall make an annual report of its transactions to the Minister, in which shall be set out a balance sheet and a statement of revenue and expenditure for the year ending on the preceding March 31, and other particulars the Minister may require. A copy 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, 1999

**SIMON FRASER UNIVERSITY
FINANCIAL STATEMENTS
MARCH 31, 1999**

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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 generally accepted accounting principles for not-for-profit organizations. The financial statements present fairly the financial position of the university as at March 31, 1999 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, 1999 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

As of March 31, 1999 the closure costs voluntarily absorbed by the university on behalf of the Diamond University Club were:

Mortgage payable to Simon Fraser University	\$257,000
Accounts Payable to Simon Fraser University	79,000
Diamond University Club liabilities	397,000
Purchase of equipment and furniture	<u>89,000</u>
Total	<u>\$822,000</u>

On December 1, 1998, the Lease Agreement between the Club and the university was surrendered and leasehold improvements to the building, financed by the operation of the Society, were relinquished to the university. The leasehold improvements, at a net book value of \$268,000 in the financial statements of the Diamond University Club, were not independently appraised or recorded 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. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the university's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the university, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

16. Comparatives

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

Unspent balances that are allocated internally to specific future projects are set up in the restricted for specific commitments balance. The current year financial statement figures and comparatives reflect internally restricted amounts within the specific purpose fund as part of the restricted for specific commitments balance. In prior years, the total fund balance in the specific purpose fund was recorded as deferred contributions. The effect in the financial statements is to increase the restricted for specific commitments balance by \$10,117,000 (1998 - \$8,641,000) and to reduce the deferred contributions by the same amount.

REPORT OF THE VICE-PRESIDENT FINANCE AND ADMINISTRATION

General comment

The university prepares its annual financial statement 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 1998-99	Actual 1998-99	Actual 1997-98
Revenue			
Government Grants	120,607	120,609	119,081
Student fees	41,052	42,288	41,314
Investment income	4,206	5,005	4,057
Other income	<u>3,588</u>	<u>4,281</u>	<u>3,536</u>
Total revenue	<u>169,453</u>	<u>172,183</u>	<u>167,988</u>
Expenses			
Salaries & benefits	128,087	126,430	123,758
Library acquisitions	5,010	5,369	4,767
Student financial assistance	4,924	5,103	5,277
Utilities and janitorials	4,597	4,279	4,208
Other non-salary	<u>26,835</u>	<u>28,591</u>	<u>27,577</u>
Total	<u>169,453</u>	<u>169,772</u>	<u>165,587</u>
Net change in fund balance		2,411	2,401
Appropriations opening balance		<u>18,729</u>	<u>16,328</u>
Total Appropriations		<u>21,140</u>	<u>18,729</u>

Summary of Appropriations		
Carryovers: Departmental	4,910	4,321
Auxillaries and Special projects	3,756	2,835
Research and other contracts	5,632	5,096
Specific Provisions	2,224	1,846
Non-recurring expenditures	<u>4,618</u>	<u>4,631</u>
Total	<u>21,140</u>	<u>18,729</u>

This statement reflects the format of the 1998-99 operating budget, approved by the Board of Governors in June 1998. It groups expenses in a different format than the audited statements. The summary of the appropriations of \$21,140 at March 31, 1999 has been extracted from note 8 to the financial statements.

Operating Fund

In the past several years the Tuition Fee Freeze Act has frozen tuition fees and related mandatory fees in this province. Tuition fees at Simon Fraser University remain at 1995/96 levels; defined as 30 credit hours per year, annual tuition has been frozen since 1995/96 at \$2,310 and remains frozen in 1999/2000. Minor adjustments have been made to the operating grant in the past five years but the Province has provided increased enrolment targets to the university and some funding to support the increase. Since 1995/96 the targets given the university have increased by 1,293 undergraduate and graduate FTE's and \$4,123,000 has been provided as assistance. Special inflationary pressures affect the goods and services purchased by universities; as examples, books and periodicals, scientific equipment and chemicals. The cost of items purchased has been negatively impacted by foreign exchange, particularly in the area of library acquisitions.

In 1998/99 a reduction of \$228,000 was made to the operating grant and the Tuition Fee Freeze Act froze tuition fees for the third year in a row. Offsetting these effects was \$177,981 received as Tuition Fee Freeze Compensation and \$1,386,000 to fund 198 new full-time equivalent spaces. In addition, the university received the first year of a two year commitment to fund the final phase of the CUPE Pay Equity program, at \$205,000.

Revenues were above budget by \$2,730,000 or 1.6%. Credit course fees were above budget due to increased enrolment in both domestic and Visa undergraduate full-time equivalents. Non-credit course fees were above budget due to increased demand in the Executive and International Travel Programs as well as the introduction of the new Object Oriented Software Technology Program. Investment income increased as the operating base continued to grow. Other income increased in all areas; overheads assessed against ancillary enterprises and contracts, miscellaneous income such as film revenue and administrative fees.

Expenses were above budget by \$319,000 or 0.2%. Salary and benefit expenditures were below budget due to timing issues related to vacant positions, the budgetary practice of funding all budget items on a full year, rather than cash basis, and the segregation of funds over time to recover early retirement payments. Increased expenditures in library acquisitions and student financial assistance were financed through funds carried forward for this purpose from the previous year. Other non-salary was above budget following a one-time cost related to closure of the Diamond University Club and due to increased early retirement payments. The Society which operated a food and beverage operation

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 and other plan benefits.
- b. The latest actuarial valuation as at December 31, 1997 showed an actuarial liability of \$87,844,000 against adjusted actuarial assets of \$95,164,000, resulting in a surplus of \$7,320,000. 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 a contingency reserve equal to 8% of the defined-benefit portion of the above liabilities was distributed to members. \$648,000 of the above surplus, plus investment earnings thereon, was distributed to the members in November 1998; 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 9.89% to 10.82%, effective January 1, 1998, as indicated by the 1997 actuarial valuation.

11. 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.

12. Pledges

Pledges made by donors to the university for donations to be received in future years are estimated at \$3,006,000 (1998 - \$2,215,000). Pledges are not recorded in the financial statements until the related donations are received by the university.

13. Diamond University Club

On November 2, 1998 the Society operating a food and beverage operation in the university-owned Diamond University Club resolved to cease operations effective December 20, 1998. At its November meeting, the university's Board of Governors approved the forgiveness of the debt owing to the university and assumed ownership of all assets and liabilities upon closure of the Club December 20, 1998.

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.

9. Endowment Principal

	1999 (000)	1998 (000)
Balance, beginning of year	\$74,884	\$71,851
Donations	3,766	1,643
Capitalized income and other transfers	<u>2,638</u>	<u>1,390</u>
Balance, end of year as per financial statements	<u>\$81,288</u>	<u>\$74,884</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 \$81,288,000 are the following receivables:

SFU Foundation	\$7,102,000	Future proceeds from sale of 20 lots
City of Burnaby	\$2,000,000	\$1 million a year over the next 2 years

10. 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, 1998 shows an actuarial liability of \$6,134,000 against the actuarial value of assets of \$9,015,000 resulting in a surplus of \$2,881,000 in the fund.

in the university-owned Diamond University Club voted to cease operations in December of 1998. The university's Board of Governors approved a motion to forgive the debt owing to the university and to assume all liabilities of the Club upon its closure.

For a more complete analysis and commentary on revenues and for detail on expenditure items, the 1998/99 Year-end results and the 1999/2000 Operating Budget are available at www.sfu.ca/finance/budget/current/index.htm under the 1999/2000 Approved Operating Budget.

Ancillary Enterprises

Included in Ancillary Enterprises are the Bookstore, Food Services, Residences, Parking Operations and the Microcomputer Store. The increase of \$1,337,000 in the Ancillary Fund will be used by individual ancillaries for future upgrades to facilities, equipment replacement and for new service initiatives. The Parking Operation supports all lot and parkade construction, as well as repair and maintenance. New parking security measures are being undertaken by this ancillary unit 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 is being altered to provide sight lines in a further effort to provide greater personal safety. The Bookstore is in the process of replacing its point of sale equipment with an integrated system which will serve both the main campus and downtown locations.

Research

Most of the university research is funded by Federal agencies such as NSERC and SSHRC and the provincial government. There are also a number of other grants and contracts. Activity in the fund this year was \$21 million compared to \$24 million in 1997/98.

Early in 1999, Dr. Kathleen Akins, a philosopher of science whose research spans both philosophy and neuroscience, was awarded a \$1,000,000 US fellowship from the McDonnell Foundation. This is the largest award of its kind given to this area of research.

The Canadian Foundation for Innovation (CFI) was established in 1997 to fund research infrastructure in the areas of health, environment, science and engineering. Simon Fraser University received a commitment of approximately \$1,600,000 from CFI in the first round of competition. In the New Opportunity

category, Simon Fraser University submitted five applications and was awarded all five. In the category of Institutional Innovation (under \$350,000), this university submitted nine proposals and was awarded six. In the categories of Institutional Innovation (over \$350,000) and Regional/National Facilities, Simon Fraser University was awarded two of five proposals submitted.

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 \$3,766,000 in new donations during the year and \$2,638,000 of interest income was capitalized in order to protect the economic value of the endowments. The fund stands at \$81,288,000 at the end of the fiscal year.

Specific Purpose

Consisting of specific projects such as those funded by the Canadian International Development Agency, the sources of specific purpose funds include government grants, conference fees and interest income from endowments. This fund also includes scholarships funded through endowment income. Activity in the fund this year was \$20 million, similar to that of 1997/98.

Capital

No new capital construction has been undertaken for approximately three 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 \$5.3 million for the year. Funding for this project include a \$4.0 million government grant and other donations. Provincially funded minor capital cyclical maintenance on campus buildings amounted to \$1.9 million, with an additional \$2.4 million expended on renovations and upgrades.

8. Restricted for Specific Commitments

	1999 (000)	1998 (000)
General Operating		
Carryovers - faculties & departments	\$ 4,910	\$ 4,321
Auxiliaries and special projects	3,756	2,835
Research and other grants	5,632	5,096
Specific provisions	2,224	1,846
Non-recurring expenditures	4,618	4,631
Total General Operating	<u>21,140</u>	<u>18,729</u>
Ancillary enterprises	3,383	2,046
Capital	8,508	7,537
Specific purpose	10,117	8,641
Long-term commitments		
Group insurance	3,399	3,121
Lease commitment	16,563	16,512
Self insurance	475	484
Balance end of the year	<u>\$63,585</u>	<u>\$57,070</u>

The General Operating is composed of carryover funds for faculties and departments under a policy that allows faculties to carry over unspent instructional salaries and all departments to carry over all of unspent non-salary budget. It also includes unspent balances on specific projects and internally funded research already in progress and 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 funds are designated for potential requirements related to self-insured group life and 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

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:

	Total (000)
2000	\$3,294
2001	\$3,294
2002	\$3,294
2003	\$2,622
2004	\$1,596

7. 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)	1999 (000)	1998 (000)
Balance beginning of the year	\$ 9,182	\$ 6,568	\$ 39,217	\$ 54,967	\$50,018
Add: Contributions received during the year	22,191	13,960	8,608	44,759	75,683
Debt assumed by the Province of B.C.			152,506	152,506	
Less: Transferred to revenue	<u>22,928</u>	<u>16,522</u>	<u>8,083</u>	<u>47,533</u>	<u>70,734</u>
Balance end of year	<u>\$ 8,445</u>	<u>\$ 4,006</u>	<u>\$192,248</u>	<u>\$204,699</u>	<u>\$54,967</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 \$192,248,000 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.

New Ventures

The Burnaby Mountain Community Corporation has been incorporated, and a Board of Directors constituted, setting the stage for the development of a residential community on Burnaby Mountain.

Simon Fraser University is expanding its presence in the downtown Harbour Centre Campus. The new TIME Centre (Technology, Innovation, Management and Entrepreneurship) will house several new programs, including the Management of Technology MBA degree and the Object Oriented Software Technology program.

The Centre for Dialogue is being constructed in a heritage bank building donated by Allied Holdings Ltd. Located across Hastings Street from the Harbour Centre Campus, the Centre will house world-class conference facilities. A fundraising campaign has been underway for some time to complete the funding of the \$17 million project. The federal government contributed \$4 million to the project to mark the Year of the Asia Pacific in 1997. The Centre will be opened in the fall of 2000.



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, 1999 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, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Victoria, British Columbia
May 28, 1999

5. Capital Assets

	1999 Cost (000)	1999 Accumulated Depreciation (000)	1999 Net (000)	1998 Net (000)
Buildings - concrete	\$274,431	\$ 79,614	\$194,817	\$191,078
- wood	22,922	7,410	15,512	16,267
Site services	21,756	6,128	15,628	16,441
Leasehold improvements	10,302	3,037	7,265	7,626
Computing equipment	12,517	4,395	8,122	8,480
Equipment & furnishings	53,730	27,451	26,279	29,436
Library books	39,098	14,295	24,803	22,698
Special collections	1,081	-	1,081	825
Land	1,720	-	1,720	572
Total capital assets	<u>\$437,557</u>	<u>\$142,330</u>	<u>\$295,227</u>	<u>\$293,423</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 building donated for the Centre for Dialogue was valued at \$1,102,000 and the land was valued at \$1,148,000.

6. Long-Term Debt

In the current 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 formerly 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 related capital assets.

The university continues to be responsible for certain debt for which it did not previously receive debt servicing grants.

	1999 (000)	1998 (000)
Demand Loans	\$ 1,722	\$ 6,040
CMHC Mortgages	2,741	2,807
Debentures	27,348	229,962
Less: Sinking Funds	(4,413)	(55,727)
	27,398	183,082
Current Portion	(2,805)	(14,190)
Total Long-term Debt	<u>\$24,593</u>	<u>\$168,892</u>

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.

SIMON FRASER UNIVERSITY
STATEMENT OF FINANCIAL POSITION

Statement 1

AS AT MARCH 31, 1999
(thousands of dollars)

3. Cash and Short Term Investments (in 000's)

	1999		1998	
	Cost	Market	Cost	Market
Cash	\$ (165)	\$ (165)	\$ 1,124	\$ 1,124
Short term notes	4,866	4,866	10,954	10,954
Effective yield - 4.94%				
Bonds maturing under one year	8,733	8,719	5,940	5,975
Effective yield - 5.98%				
Total	\$13,434	\$13,420	\$18,018	\$18,053

4. Long-Term Investments (in 000's)

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

	1999		1998	
	Cost	Market	Cost	Market
Bonds and Debentures	\$83,610	\$90,798	\$ 77,915	\$ 86,531
Canadian equities	22,739	23,768	18,658	23,404
Foreign equities	12,183	14,821	11,177	12,738
Sun Life Term Certain Annuity	11,439	11,439	11,404	11,404
Not publicly traded	2,567	2,567	296	314
Sub Total	132,538	143,393	119,450	134,391
Vancouver Foundation	5,305	8,288	5,305	8,357
Total	\$137,843	\$151,681	\$124,755	\$142,748

**Bonds and Debentures
Term Analysis**

	1999			No Fixed Maturity	1998 Total
	Term to Maturity (in years) 1 to 5	5 to 10	Over 10		
Government bonds	\$11,704	\$18,527	\$7,836	\$38,067	\$41,053
effective yield	5.73%	6.84%	8.11%	6.78%	N/A
Corporate debentures	16,030	14,705	13,109	43,844	36,112
effective yield	6.80%	6.69%	8.13%	7.16%	N/A
Variable rate bonds				\$1,699	750
Total Bonds and Debentures	\$27,734	\$33,232	\$20,945	\$1,699	\$77,915


The Vancouver Foundation holds a number of endowment funds for the benefit of the university. These funds total \$7,338,000 at March 31, 1999 and the portion of \$5,305,000 belonging to the university is included in the university's financial statements.

In the fiscal year 1998/99 these funds generated \$575,000 of income for Simon Fraser University (1998 - \$406,000) to be used for specific purposes.

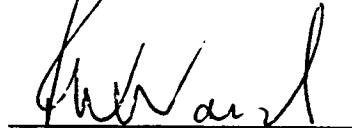
	1999	1998
ASSETS		
CURRENT ASSETS		
Cash and short-term investments (Note 3)	\$ 13,434	\$ 18,018
Accounts receivable	18,285	26,138
Inventories	2,980	2,320
Prepaid expenses	849	726
	<u>35,548</u>	<u>47,202</u>
Investments (Note 4)	137,843	124,755
Capital assets (Note 5)	295,227	293,423
Unamortized debt discount	309	2,009
	<u>\$ 468,927</u>	<u>\$ 467,389</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 16,367	\$ 21,661
Current portion of long term debt (Note 6)	2,805	14,190
	<u>19,172</u>	<u>35,851</u>
Long-term debt (Note 6)	24,593	168,892
Deferred contributions (Notes 7 and 16)	12,451	15,750
Deferred contributions related to capital assets (Note 7)	192,248	39,217
	<u>248,464</u>	<u>259,710</u>
NET ASSETS		
Operating	(2,850)	(2,750)
Restricted for specific commitments (Note 8)	63,585	57,070
Invested in capital assets	78,440	78,475
Endowment (Note 9)	81,288	74,884
	<u>220,463</u>	<u>207,679</u>
	<u>\$ 468,927</u>	<u>\$ 467,389</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

SIMON FRASER UNIVERSITY
**STATEMENT OF OPERATIONS and
 CHANGES IN OPERATING NET ASSETS**
 FOR THE YEAR ENDED MARCH 31, 1999
 (thousands of dollars)

Statement 2

	1999	1998
REVENUE		
Government grants and contracts		
Province of British Columbia	\$ 128,406	\$ 148,849
Government of Canada	24,394	21,265
Other governments	1,210	918
Student fees - credit courses	40,938	40,222
- non-credit courses	5,520	4,754
- other	3,782	3,937
Gifts, grants and contracts	9,913	10,589
Sale of goods and services	22,388	21,237
Investment income	7,271	9,489
Miscellaneous income	2,690	2,887
Amortization of deferred capital contributions	8,083	8,343
	<u>254,595</u>	<u>272,490</u>
EXPENSE		
Salaries - academic	58,074	56,367
- other instruction and research	25,020	24,896
- support staff	52,888	52,355
Total salaries	<u>135,982</u>	<u>133,618</u>
Employee benefits	22,444	22,464
Travel and personnel costs	8,092	8,596
Supplies and expenses	18,782	18,599
Depreciation	22,185	21,963
Grants to other agencies	3,028	3,279
Equipment and facility rentals	4,243	4,405
Utilities	3,451	3,258
Scholarships, fellowships and bursaries	8,513	8,194
Contract services	3,248	3,133
Professional fees	5,097	4,924
Renovations and alterations	2,861	4,180
Debt servicing - interest	2,635	22,693
Cost of goods sold	7,654	7,987
	<u>248,215</u>	<u>267,293</u>
EXCESS OF REVENUE OVER EXPENSE	6,380	5,197
CHANGES IN NET ASSETS		
Increase in specific commitments	(6,515)	(3,025)
Decrease (increase) in investment in capital assets	35	(2,322)
NET CHANGE IN OPERATING EQUITY	(100)	(150)
OPERATING NET ASSETS, beginning of year	(2,750)	(2,600)
OPERATING NET ASSETS, end of year	<u>\$ (2,850)</u>	<u>\$ (2,750)</u>

- f. **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 \$160,000 (1998 - \$158,000) and is recorded as an expenditure by the university. There is no expectation of monetary gain to the university from this venture.
 - 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, 1999 the Foundation is holding residential lots valued at \$6,986,000 (1998 - \$7,268,000) 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 \$7,581,000 (1998 - \$8,485,000) and \$7,268,000 (1998 - \$8,172,000) 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 \$714,000 for 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 disclosed as a receivable from the Corporation to be repaid when the Corporation becomes profitable.

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 balance sheet 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.

SIMON FRASER UNIVERSITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 1999
(thousands of dollars)

	General Operating	Restricted for Specific Commitments	Invested in Capital Assets	Restricted for Endowment Principal	1999	1998
NET ASSETS, beginning of year, as previously stated	\$ (2,750)	\$ 48,429	\$ 78,475	\$ 74,884	\$ 199,033	\$ 190,594
Prior period adjustment (Note 16)	-	8,641	-	-	8,641	8,855
NET ASSETS, beginning of year, adjusted	(2,750)	57,070	78,475	74,884	207,679	199,449
Net change in operating equity	(100)	-	-	-	(100)	(150)
Endowment contributions	-	-	-	3,766	3,766	1,643
Capital preservation of endowment	-	-	-	2,638	2,638	1,390
Change in investment in capital assets						
Amortization of deferred capital contribution	-	-	8,083	-	8,083	8,343
Capital asset acquisitions	-	-	23,989	-	23,989	17,383
Debt repayment	-	-	1,478	-	1,478	7,498
Deferred contributions	-	-	(11,400)	-	(11,400)	(8,939)
Depreciation	-	-	(22,185)	-	(22,185)	(21,963)
Internally imposed restrictions	-	6,515	-	-	6,515	3,025
CHANGE IN NET ASSETS	(100)	6,515	(35)	6,404	12,784	8,230
NET ASSETS, end of year	<u>(2,850)</u>	<u>63,585</u>	<u>78,440</u>	<u>81,288</u>	<u>\$ 220,463</u>	<u>\$ 207,679</u>

SIMON FRASER UNIVERSITY
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MARCH 31, 1999
 (thousands of dollars)

	1999	1998
OPERATING ACTIVITIES		
Excess of revenue over expense	\$ 6,380	\$ 5,197
Add (deduct)		
Depreciation	22,185	21,963
Net decrease in non-cash current assets	7,070	5,979
Net decrease in accounts payable and accrued liabilities	(5,294)	(2,810)
Amortization of deferred capital contributions	(8,083)	(8,343)
Increase in deferred contributions	5,309	13,292
Endowment contributions	6,404	3,033
CASH PROVIDED BY OPERATING ACTIVITIES	<u>33,971</u>	<u>38,311</u>
INVESTING ACTIVITIES		
Net increase in long term investments	(13,088)	(29,238)
Capital asset acquisitions	(23,989)	(17,383)
CASH USED IN INVESTING ACTIVITIES	<u>(37,077)</u>	<u>(46,621)</u>
FINANCING ACTIVITIES		
Debt principal repayments	(1,478)	(7,498)
CASH PROVIDED USED IN FINANCING ACTIVITIES	<u>(1,478)</u>	<u>(7,498)</u>
NET DECREASE IN CASH AND SHORT TERM INVESTMENTS	<u>(4,584)</u>	<u>(15,808)</u>
CASH AND SHORT TERM INVESTMENTS, beginning of year	18,018	33,826
CASH AND SHORT TERM INVESTMENTS, end of year	<u>\$ 13,434</u>	<u>\$ 18,018</u>

SIMON FRASER UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 1999

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.