

FOR INFORMATION

S.97-60

SIMON FRASER UNIVERSITY

MEMORANDUM

TO: Senate

FROM: Alison Watt
Director, Secretariat Services

DATE: August 28, 1997

SUBJECT: Annual Financial Statement

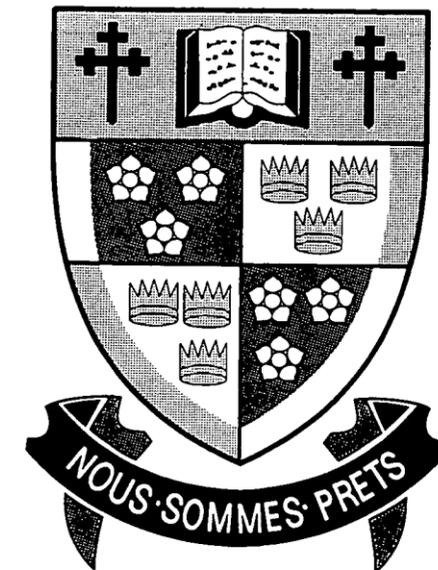
Section 31 of the University Act states: "The board shall make an annual report of its transactions to the Minister, in which shall be set out a balance sheet and a statement of revenue and expenditure for the year ending on the preceding March 31, and other particulars the Minister may require. A copy 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, 1997**

**SIMON FRASER UNIVERSITY
FINANCIAL STATEMENTS
MARCH 31, 1997**

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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, 1997 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, 1997 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.



David P. Gagan,
Acting President



R.W. Ward
Vice President, Finance &
Administration

REPORT OF THE VICE-PRESIDENT FINANCE AND ADMINISTRATION

In prior years the financial statements were prepared in accordance with the principles of fund accounting. Beginning in 1996/97 the financial statements, including comparative figures, have been prepared in accordance with the new standards of the Canadian Institute of Chartered Accountants. Since we are internally managing on a fund accounting basis, the following additional data is provided.

OPERATING FUND (000's)	<u>Budget 1996-97</u>	<u>Actual 1996-97</u>	<u>Actual 1995-96</u>
Revenue			
Government Grants	119,443	119,104	119,635
Student fees	39,756	40,743	39,361
Investment income	3,543	4,442	4,114
Other income	<u>3,012</u>	<u>3,003</u>	<u>3,275</u>
Total Revenue	<u>165,754</u>	<u>167,292</u>	<u>166,385</u>
Expenses			
Salaries & benefits	125,361	123,648	123,663
Library acquisitions	4,540	4,593	4,360
Student financial assistance	4,777	5,106	4,951
Utilities and janitorials	4,732	4,029	3,992
Other non-salary	<u>26,344</u>	<u>29,351</u>	<u>28,195</u>
Total Expenses	<u>165,754</u>	<u>166,727</u>	<u>165,161</u>
Net change in fund balance		565	1,224
Appropriations opening balance		<u>15,763</u>	<u>14,539</u>
Appropriations at March 31st, 1997		<u>16,328</u>	<u>15,763</u>

Summary of Appropriations			
Carryovers:	Departmental	4,489	3,396
	Auxiliaries and special projects	2,441	2,064
	Research and other contracts	4,442	4,430
Specific Provisions		1,377	2,132
Non-recurring expenditures		<u>3,579</u>	<u>3,741</u>
Total		16,328	15,763

This statement reflects the format of the 1996/97 Operating Budget, approved by the Board of Governors in June of 1996. The summary of appropriations of \$16,328 has been extracted from Note 10 to the Financial Statements.

Operating Fund

In comparison to budget, operating revenues have increased by .93%. A cash reduction of \$548,000 was made to the operating grant mid-year by the Province, while an addition of \$209,000 for Pay Equity, applicable for increases processed in 1995/96, was made to the base. Student fees are increased due to increased undergraduate and graduate enrollment, and as a result of continued growth in the non-credit areas of Executive Business and Professional, Writing and Applied Science programs. Investment income is improved following a rally in the bond market that has allowed for favourable capital gains. The University continues to provide additional support from the operating budget for library acquisitions and student financial assistance, and this is reflected in the increase in expenditures over that of 1995/96. For a more complete analysis and commentary on revenues and for detail on expenditure line items, the 1996/97 Year-end Results and the 1997/98 Operating Budget are available at www.sfu.ca/finance under 1997/98 Approved Operating Budget.

Ancillary Enterprises

Included in Ancillary Enterprises are the Bookstore, Food Services, Residences, Parking Operations and the Microcomputer Store. The Bookstore and the Microcomputer Store were relocated to the new Maggie Benston Building during the year. Parking Operations installed a Parking Operation Management System which allows for daily update and tracking of all lot activity. The Ancillary Fund surplus of \$484,000 is used by individual ancillaries for future upgrades to facilities, equipment replacement and for new service initiatives, such as the installation of security cameras in the parking lots.

Research

Grants for the National Centre of Excellence for Telelearning increased by \$1.6 million. The Telelearning project involves approximately 130 researchers from Canadian universities who are involved in 56 research projects across 7 themes. There was \$23 million of externally funded research activity during the year, an increase of \$1 million over 1995/96.

Endowment

This fund increased by \$20 million; \$15 million is related to the Burnaby Land Endowment.

The latest actuarial valuation as at December 31, 1993 showed an actuarial liability of \$64,440,000 and assets on hand of \$70,770,000 resulting in a surplus of \$6,330,000. As recommended by the Actuary, the rate of employer contribution was changed from 9.42% to 9.56% of annual earnings effective January 1, 1995. The next actuarial valuation will be completed prior to December 31, 1997. The assets and liabilities of both pension plans are not reflected in the financial statements.

14. Contingent Liabilities

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.

amount of income that may be expended, and reinvesting unexpended income. Included in the \$71,851 are the following receivables:

SFU Foundation	\$9,985,000	Proceeds from future sale of 29 lots
City of Burnaby	4,000,000	\$1 million a year over the next 4 years
Government of B.C.	850,000	Matching Fund Program

13. Pension Plans

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 of this account as at January 1, 1995 estimates an unfunded liability of \$1,112,000 to be funded over the next 7 ½ years. The University is making annual contributions of \$195,000 per year as of 1995 until the liability for past service is fully funded. The new current service contribution, estimated to be \$142,000 for 1995, is 1.2% of members' earnings. As of January 1996 the 1.2% is paid bi-weekly to the pension 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. A revised plan dated January 1, 1993 is still under review by Revenue Canada. Under the revised 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 retirements benefits and other plan benefits.
- b. The University shall not suspend or reduce its contribution to the pension fund without the prior approval of the employee organizations.
- c. Any surplus in excess of a contingency reserve equal to 15% of the liabilities is to be distributed to members via separate money-purchase accounts maintained with the fund.

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 \$21 million, similar to that of 1995/96.

Capital

The Maggie Benston Student Services Centre, funded by both the university and the Simon Fraser Student Society, was completed this year. Following the move to this building, limited renovations have been made to the Academic Quadrangle and Strand Hall. A mid-year adjustment by the Province resulted in a reduction in funding for renovations by \$2.1 million. Funding for cyclical renewal and maintenance was reduced by \$1.1 million. A recent Memorandum of Understanding with the City of Burnaby will allow Simon Fraser University to develop market housing; in exchange for a transfer of 771 acres to the City of Burnaby, Simon Fraser University received approval for the development, residential lots valued at \$10 million, and \$5 million to be paid over five years. The \$15 million Burnaby Land Endowment will be established using these funds.



Report of the Auditor General
of British Columbia

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

I have audited the balance sheet of *Simon Fraser University* as at March 31, 1997 and the statements of revenue, expenses and changes in operating equity and of changes in financial position. 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 the *Simon Fraser University* as at March 31, 1997 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Victoria, British Columbia
June 6, 1997

The capital reserve represents funds that are committed to capital projects.

The funds committed for specific purpose 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 \$1,140,00, 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.

11. Equity in Capital Assets

	1997 (000)	1996 (000)
Opening equity in capital assets	71,411	\$68,551
Net investment in capital assets	5,729	2,860
Land disposal	(987)	-
Equity in capital assets	<u>\$76,153</u>	<u>\$71,411</u>

12. Endowment Principal

	1997 (000)	1996 (000)
Balance, beginning of year	\$51,112	\$44,888
Donations	18,390	3,615
Capitalized income and other transfers	<u>2,349</u>	<u>2,609</u>
Balance, end of year as per financial statements	<u>\$71,851</u>	<u>\$51,112</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

SIMON FRASER UNIVERSITY
BALANCE SHEET
AS AT MARCH 31, 1997
(thousands of dollars)

Statement 1

9. Changes in Equity

	Equity in				1997	1996
	Operating	Reserves	Capital Assets	Endowment Principal	Total	Total
	(000)	(000)	(000)	(000)	(000)	(000)
Balance, beginning of year	\$(2,400)	\$44,493	\$71,411	\$51,112	\$164,616	\$151,978
Excess of revenue over expenses	(200)	-	-	-	(200)	(200)
Endowment contributions	-	-	-	18,390	18,390	3,615
Capitalized income and other transfers	-	-	-	2,349	2,349	2,609
Internally imposed restrictions	-	697	4,742	-	5,349	6,614
Balance, end of year	<u>\$(2,600)</u>	<u>\$45,190</u>	<u>\$76,153</u>	<u>\$71,851</u>	<u>\$190,594</u>	<u>\$164,616</u>

10. Reserves

	1997	1996
	(000)	(000)
General Operating		
Carryovers - faculties & departments	\$ 4,489	\$ 3,396
Auxiliaries and special projects	2,441	2,064
Research and other grants	4,442	4,430
Specific provisions	1,377	2,132
Non-recurring expenditures	3,579	3,741
Total General Operating	<u>16,328</u>	<u>15,763</u>
Ancillary enterprises	1,887	1,198
Capital	7,245	8,323
Funds committed for specific purposes		
-Group insurance	2,924	2,700
-Lease commitment	16,323	16,015
-Self insurance	483	494
TOTAL RESERVES	<u>\$45,190</u>	<u>\$44,493</u>

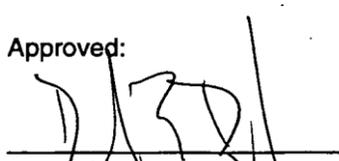
The general operating reserves are composed of carryover funds for faculties and departments under a policy that allows faculties to carryover unspent instructional salaries and also allows departments to carry over up to \$25,000 of unspent non-salary budget. These reserves also include unspent balances 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 reserve represents accumulated funds held for the ongoing operations of auxiliaries such as the Bookstore, Food Services, Microcomputer Store, Residences and Parking.

	1997	1996
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	\$ 33,826	\$ 19
Accounts receivable	31,262	18,263
Prepaid expenses	827	1,093
Inventories	3,074	2,584
	<u>68,989</u>	<u>21,959</u>
INVESTMENTS		
Long-term investments (Note 4)	95,517	115,329
Deferred charges	2,144	2,472
	<u>97,661</u>	<u>117,801</u>
CAPITAL ASSETS (Note 5)		
	<u>298,003</u>	<u>296,995</u>
	<u>\$ 464,653</u>	<u>\$ 436,755</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 24,471	\$ 23,374
Current portion of long term debt (Note 6)	8,367	7,990
	<u>32,838</u>	<u>31,364</u>
LONG TERM LIABILITIES		
Long-term debt (Note 6)	175,808	181,222
Loans payable (Note 7)	6,540	6,227
Deferred contributions (Note 8)	58,873	53,326
	<u>241,221</u>	<u>240,775</u>
EQUITY (Note 9)		
Operating	(2,600)	(2,400)
Reserves (Note 10)	45,190	44,493
Capital assets (Note 11)	76,153	71,411
Endowment (Note 12)	71,851	51,112
	<u>190,594</u>	<u>164,616</u>
	<u>\$ 464,653</u>	<u>\$ 436,755</u>

The accompanying notes are an integral part of these financial statements

Approved:


D.E. Bond, Ph.D.
Chair
Board of Governors


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

SIMON FRASER UNIVERSITY
**STATEMENT OF REVENUE, EXPENSES and
 CHANGES IN OPERATING EQUITY**

Statement 2

FOR THE YEAR ENDED MARCH 31, 1997
 (thousands of dollars)

	1997	1996
REVENUE		
Government grants and contracts	\$ 167,884	\$ 170,847
Tuition and related fees	46,828	44,561
Gifts, grants and contracts	11,693	9,264
Sale of goods and services	20,488	20,128
Investment income	9,025	7,707
Miscellaneous income	6,630	5,962
Amortization of deferred capital contributions	8,279	7,723
	<u>270,827</u>	<u>266,192</u>
EXPENSE		
Salaries - academic	56,695	57,079
- other instruction and research	24,819	23,662
- support staff	52,319	51,935
Total salaries	<u>133,833</u>	<u>132,676</u>
Employee benefits	22,280	21,423
Travel and personnel costs	8,453	7,984
Supplies and expenses	18,276	18,750
Depreciation	21,310	19,381
Grants to other agencies	2,727	1,519
Equipment and facility rentals	4,627	4,647
Utilities	3,303	3,474
Scholarships, fellowships and bursaries	8,196	7,794
Contract services	3,014	3,004
Professional fees	4,411	4,106
Renovations and alterations	2,581	2,538
Debt servicing - interest	22,739	22,421
Cost of goods sold	9,838	10,061
	<u>265,588</u>	<u>259,778</u>
NET INCOME	5,239	6,414
CHANGES IN EQUITY		
Increase in reserves	(697)	(3,754)
Investment in capital assets	(4,742)	(2,860)
NET (DECREASE) INCREASE DURING YEAR	(200)	(200)
OPERATING EQUITY, beginning of year	(2,400)	(2,200)
OPERATING EQUITY, end of year	<u>\$ (2,600)</u>	<u>\$ (2,400)</u>

7. Loans Payable

Loans payable consist of:

	1997 (000)	1996 (000)
Interim financing	\$2,140	\$5,227
Revolving loans	<u>4,400</u>	<u>1,000</u>
Total	<u>\$6,540</u>	<u>\$6,227</u>

The interim financing is for capital projects, as authorized by the provisions of the Educational Institution Capital Finance Act and the Financial Administration Act, and will be replaced by long-term debt. The revolving loans are authorized under Section 55 of the University Act.

8. Deferred Contributions

	1997 (000)	1996 (000)
Balance, beginning of year	\$ 53,326	\$ 50,769
Contributions received during the year	276,374	268,749
Transferred to revenue	<u>270,827</u>	<u>266,192</u>
Balance, end of year	<u>\$ 58,873</u>	<u>\$ 53,326</u>
The balance is made up of the following:		
Sponsored Research	\$ 8,259	\$ 8,288
Specific Purpose	17,408	14,520
Capital	<u>33,206</u>	<u>30,518</u>
TOTAL DEFERRED CONTRIBUTIONS	<u>\$ 58,873</u>	<u>\$ 53,326</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 \$33,206,000 of deferred capital contribution represents the "unamortized" portion of restricted capital grants and repayment of debt relating to assets which were purchased with restricted contributions, but which still have an undepreciated book value.

present values required to fund repayment of the debentures at maturity. The debentures can be recalled by the Authority upon notice of not less than five months. Sinking fund and interest payments are made with funds received from the Province of British Columbia for that purpose. Annual sinking fund and interest payments due within the next five fiscal years are as follows:

	(000)
1998	\$27,441
1999	\$26,280
2000	\$25,674
2001	\$24,658
2002	\$22,937

SIMON FRASER UNIVERSITY
STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE YEAR ENDED MARCH 31, 1997
 (thousands of dollars)

Statement 3

b. Canada Mortgage and Housing Corporation

Maturity Date	Interest Rate	Balance Outstanding		Annual Payments (incl. interest) Until Maturity (000)
		1997 (000)	1996 (000)	
Jan. 1, 2017	5.375%	\$ 151	\$ 155	\$ 12
Jan. 1, 2018	5.875%	778	796	65
Jul. 1, 2019	6.875%	<u>1,940</u>	<u>1,976</u>	<u>171</u>
		<u>\$2,869</u>	<u>\$2,927</u>	<u>\$248</u>

The debentures are secured by a floating charge on the Madge Hogarth, Shell House and Louis Riel student residences respectively. The residences are recorded on the balance sheet at a cost of \$6,361,000.

c. The Province of British Columbia (Minister of Finance and Corporate Relations)

Maturity Date	Interest Rate	Balance Outstanding		Annual Payments (incl. interest) Until Maturity (000)
		1997 (000)	1996 (000)	
Jan. 18, 1999	5.40%	\$ 2,120	2,120	269
Jan. 9, 2002	9.00%	3,000	3,000	336
Jan. 9, 2002	9.00%	3,000	3,000	336
Jun. 16, 2003	7.75%	4,520	4,520	420
Sep 21 2005	7.25%	2,673	2,804	404
Jan. 9, 2012	9.50%	3,000	3,000	350
Jun. 10, 2012	9.45%	3,000	3,000	349
Aug. 19, 2022	8.75%	<u>5,000</u>	<u>5,000</u>	<u>482</u>
		<u>\$26,313</u>	<u>\$26,444</u>	<u>\$2,946</u>

The debenture maturing in 2005 is secured by a floating charge on the McTaggart Cowan student residence. The residence is recorded on the balance sheet at a cost of \$3,685,000.

The remainder are bonds which were issued to finance capital expenditures on a parkade and student residences.

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	1997	1996
Excess of revenue over expense	\$ 5,239	\$ 6,414
Depreciation	21,310	19,381
Net decrease (increase) in non-cash current assets	(13,223)	(2,185)
Net increase (decrease) in current liabilities	1,474	(2,859)
Amortization of deferred capital contributions	(8,279)	(7,723)
	<u>6,521</u>	<u>13,028</u>

CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net decrease (increase) in long term investments	19,812	(29,382)
Capital asset acquisitions	(22,318)	(34,732)
	<u>(2,506)</u>	<u>(64,114)</u>

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

Net increase (decrease) in long term debt and loans payable	(4,773)	10,959
Increase in deferred contributions	13,826	7,886
Endowment contributions	20,739	6,224
	<u>29,792</u>	<u>25,069</u>

INCREASE IN CASH AND SHORT TERM INVESTMENTS

	33,807	(26,017)
CASH AND SHORT TERM INVESTMENTS, beginning of year	19	26,036
CASH AND SHORT TERM INVESTMENTS, end of year	<u>\$ 33,826</u>	<u>\$ 19</u>

SIMON FRASER UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1997

1. Authority and Purpose

Simon Fraser University (SFU) operates under the authority of the University Act of British Columbia. We are a comprehensive research university offering a full range of undergraduate, graduate and continuing studies programs. The academic governance of the University is vested in the Senate. We are a not-for-profit entity, governed by a Board of Governors, the majority of which are appointed by the provincial government of British Columbia. We are a registered charity and are therefore exempt from income taxes under Section 149 of the Income Tax Act.

2. Summary of Significant Accounting Policies and Reporting Practices

a. General

In prior years the financial statements were prepared in accordance with the principles of fund accounting. Starting in 1996/97 the financial statements, including comparative figures, have been prepared in accordance with the new standards of the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board. These new standards for "not for profit organizations" result in significant changes for financial statements prepared by universities and SFU has adjusted its accounting policies accordingly. The impact of the changes are contained in Note 3.

b. Accounting Method

Starting in fiscal 1996/97, the financial statements are prepared on a non-fund basis as the operations for the entire entity 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.

c. 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

5. Capital Assets

	1997 Cost (000)	1997 Accumulated Depreciation (000)	1997 Net (000)	1996 (000)
Buildings	284,735	75,469	209,266	208,094
Site Services	21,818	5,269	16,549	16,775
Leasehold Improvements	10,302	2,281	8,021	8,360
Equipment & Furnishings	79,145	36,427	42,718	43,790
Library Acquisitions	32,533	11,656	20,877	18,417
Land	<u>572</u>	<u>-</u>	<u>572</u>	<u>1,559</u>
Total Capital Assets	<u>\$429,105</u>	<u>\$131,102</u>	<u>\$298,003</u>	<u>\$296,995</u>

The original 1,200 acres of campus land were granted or donated to the University in 1965. As at March 31st, 1996 it was recorded on the balance sheet at \$1,559,000 based on the Municipality of Burnaby assessment at the date of donation. During the fiscal year a net total of 771 acres was given back to the City of Burnaby in exchange for \$5,015,000 in cash and land, in the form of residential lots, valued at \$9,985,000. An amount of \$1,015,000 was received in 1996/97 with the remaining balance to be received at the rate of \$1,000,000 per year over the next four years. The land valued at \$9,985,000 was transferred by the City of Burnaby to the SFU Foundation and the cash will be transferred to the University as the Foundation sells the lots. This \$15,000,000 will become an endowment fund. The remaining 429 acres is recorded in the financial statements at its 1965 assessed value of \$572,000.

6. Long-Term Debt

Long-term debt consists of the following:

	1997 (000)	1996 (000)
British Columbia Educational Institutions Capital Financing Authority	\$206,968	\$206,779
Less: sinking fund	<u>49,564</u>	<u>45,201</u>
	157,404	161,578
Canada Mortgage and Housing Corporation	2,869	2,927
Province of British Columbia	26,313	26,444
Less: Sinking fund	<u>2,411</u>	<u>1,737</u>
	26,771	27,634
	184,175	189,212
Less: Current portion	<u>8,367</u>	<u>7,990</u>
Total	<u>\$175,808</u>	<u>\$181,222</u>

a. British Columbia Educational Institutions Capital Financing Authority

These debentures are issued to the British Columbia Educational Institutions Capital Financing Authority under the Educational Institution Capital Finance Act, bearing interest at rates from 5.40% to 17.00% and maturing from 1998 to 2024. Payments to the sinking fund, which is held by the Authority, are based on the discounted

direct increase to endowment principal. As a result of this change, reported revenues have decreased by \$2.3 million for 1996/97 (1995/96 - \$2.6 million).

In prior years, cost recoveries received from external sources were netted against reported expenses. Beginning in fiscal 1996/97, they are included as revenue in sales and services. As result of this change, reported revenues and expenses have increased by \$3.5 million (1995/96 - \$3.4 million).

4. Long-Term Investments

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

	1997 (000)	1996 (000)
Vancouver Foundation	\$5,305	\$ 5,305
Other	90,212	110,024
Total	\$95,517	\$115,329

Market value of the investments at March 31, 1997 was \$109,055,000 (1996 - \$121,461,000).

The Vancouver Foundation holds a number of endowment funds for the benefit of the University. These funds total \$7,338,000 at March 31, 1997 and the portion of \$5,305,000 belonging to the University is included in the University's financial statements.

	1997 (000)	1996 (000)
Centre for North American Studies	\$ 310	\$ 310
Gordon M. Shrum Chair in Science Fund	790	790
SFU Scholarship and Bursary Endowment Fund	1,235	1,235
Simon Fraser University Bridge Endowment Fund	4,010	4,010
Women's Studies Endowment Trust Fund	735	735
Tri-University's Paul and Helen Trussell Science Student Endowment Fund	258	250
	<u>\$7,338</u>	<u>\$7,330</u>

In the fiscal year 1996/97 these funds generated \$517,000 of income for Simon Fraser University (1996 - \$471,000) to be used for specific purposes.

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. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related depreciation expense of the funded capital asset is recorded.

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. Pledges made by donors to the University for donations to be received in future years are estimated at \$2,483,000 (1996 - \$2,649,000). Pledges are not recorded in the financial statements.

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.

d. Capital assets

Capital costs of buildings, furnishings, equipment and library acquisitions are capitalized and depreciated on a straight line basis over their estimated useful lives as per the schedule below. Works of art and collections are not amortized and include that portion of library assets considered to have permanent value.

Buildings	Concrete	50 years
	Wood frame	30 years
Site Services		50 years
Furnishings		8 years
Library books		10 years
Equipment	Computing	3 years
	Other	8 years
Leasehold improvements		Term of Lease

e. Investments

Short term and long term investments are recorded at cost or, where donated, at fair market value on the date of donation. Gains and losses on sales of investments are recognized in the year of disposal and are included in investment income.

f. Financial Instruments

The estimated fair value of cash, cash equivalents, accounts receivables and accounts payables approximates carrying value due to the relatively short-term nature of the instruments.

At the date of these financial statements, it is not practicable within constraints of timeliness and cost to determine the fair value of sinking funds and debt. The majority of sinking funds and debt is held by British Columbia Educational Institutions Capital Financing Authority (a crown corporation). The Province of British Columbia guarantees the debt and provides annual appropriations to pay interest and sinking fund provisions on the debt.

g. Inventories

Inventories of supplies kept at Central Stores are recorded at cost. Inventories of merchandise held for resale in the Bookstore and the Microcomputer Store are recorded at the lower of cost and net realizable value.

h. University Interests in WCUMBS, TRIUMF, SFUV and SFU Foundation

- 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 annual operating grant to the Society remains the same as last year at \$158,000 and is recorded as an expenditure by the university. The accounts of WCUMBS are not included in these statements other than that initial contributions in the amount of \$347,000 for capital acquisitions, are recorded as capital assets on the Balance Sheet. 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, 1997 the Foundation is holding residential lots valued at \$9,985,000 and the proceeds from the sale of those lots will be transferred to the University. It also received a building valued at \$2,250,000 whose ownership will be transferred to the University in the coming year. Assets and liabilities of the Simon Fraser University Foundation amounting to \$12,694,249 and \$10,349,050 respectively are not included in the financial statements of the University.

3. CHANGES IN ACCOUNTING POLICY, PRESENTATION PRACTICE AND PRIOR PERIOD ADJUSTMENTS

a. Presentation Practice

In prior years, the financial statements were prepared in accordance with the principles of fund accounting. Commencing in fiscal 1996/97 and applied retroactively to 1995/96, the financial statements are prepared on a non-fund basis as the operations for the entire entity have been combined for reporting purposes.

b. Depreciation of Capital Assets

In prior years, purchases of capital assets were initially recorded as an expense against the fund in the year of acquisition. The value of capital assets capitalized, net of any outstanding debt related to those assets, was credited to equity in capital assets. No depreciation was recorded. Equipment was written off in full after 8 years, while buildings would have been written off only upon demolition.

In fiscal 1996/97, the University changed its policy of capitalizing assets. Capital costs of buildings, furnishings, equipment, library acquisitions and debt repayment are no longer recorded as expenses in the year of acquisition or payment. They are now capitalized and depreciated over their estimated useful lives as detailed in Note 2(d).

This change has the effect of decreasing reported expenses by \$13.7 million (1995/96 - \$26.0 million) and decreasing the reported Capital Assets and Equity in capital assets by \$163.1 million (1995/96 - \$147.9 million).

c. Revenue Recognition

In prior years, contributions were recognized as revenue when received. During the year, the University changed to the accounting policy described in Note 2(c). This change has had the effect of decreasing reported revenues by \$11.8 million (1995/96 - decreasing by \$21.1 million). On the balance sheet it has had the effect of increasing deferred contributions and reducing equity by \$58.8 million (1995/96 - \$53.3 million).

In prior years, the portion of endowment income which is capitalized was recorded as revenue and subsequently transferred to endowment principal as an interfund transfer. Beginning in fiscal 1996/97 the investment income which is capitalized is recognized as a