

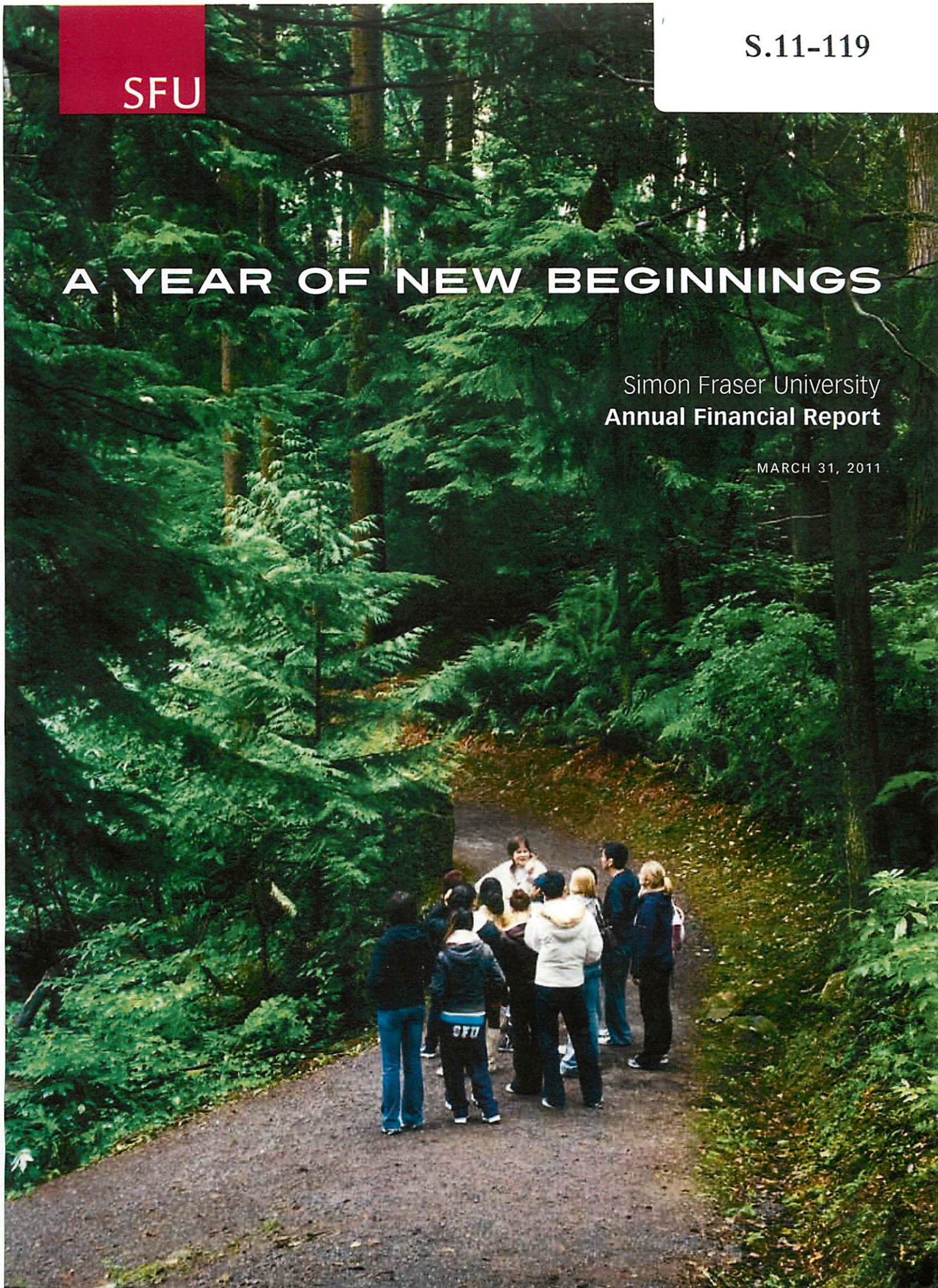
The SFU logo consists of the letters "SFU" in a white, sans-serif font, centered within a solid red rectangular background.

S.11-119

A YEAR OF NEW BEGINNINGS

Simon Fraser University
Annual Financial Report

MARCH 31, 2011



OUR VALUES AND COMMITMENTS

Our mission is to advance knowledge through teaching, research, and engagement with the community. 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 can 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.

2	Message from the Chair, Board of Governors
4	Message from the President
6	Message from the Vice President, Finance and Administration
8	2010/11 in Review
8	Our People
9	Growth and Accomplishments
10	Getting to Know Simon Fraser University
10	Student-Centred
13	Research-Driven
16	Community-Engaged
19	Our Faculties
21	Management Discussion and Analysis (Unaudited)
21	Forward Looking Statements
21	Planning and Management
23	Financial Highlights
24	Financial Information
28	Operating Environment
29	Risks and Uncertainties
30	Information on Related Organizations
31	Statement of Management Responsibility
32	Report of the Auditor
33	Financial Statements
34	Financial Position
35	Operations
36	Changes in Net Assets
37	Cash Flows
38	Notes to the Financial Statements
58	Board of Governors

ROBERT G ELTON CHAIR, BOARD OF GOVERNORS



This year (2010/11) was a year of transition with the retirement of President Emeritus Michael Stevenson. As President of SFU from 2000 to 2010, Dr. Stevenson transformed SFU, leading one of the most ambitious and successful programs of organizational change, growth and development in any Canadian university.

The Board of Governors would like to recognize the contributions of Michael Stevenson and thank him for laying the foundation for future development and growth at Simon Fraser University.

Concurrently, we welcome Professor Andrew Petter as our new leader and look forward to working together to build on SFU's strengths.

The Board would also like to thank the University Community and the Finance staff for their efforts in making this a sound financial year.

I have the privilege of serving with a very dedicated group of community-oriented volunteers. It is an honour to represent the University Community as Chair of SFU's Board of Governors.

A handwritten signature in black ink that reads "Bob Elton". The signature is written in a cursive, slightly slanted style. A long, thin horizontal line extends from the end of the signature to the right.

ROBERT G ELTON
CHAIR, BOARD OF GOVERNORS



PROF. ANDREW PETTER
PRESIDENT AND VICE-CHANCELLOR

The year ended March 31, 2011 was a period of new beginnings for Simon Fraser University. Having taken up my appointment on September 1, 2010 as SFU's ninth president and vice-chancellor, I am delighted to have been given the opportunity to lead a university with strong commitments to undergraduate learning, advanced research, graduate studies and community enrichment.

2010/11 brought announcements of a new chancellor, and the completion of a new downtown facility for the School for the Contemporary Arts in the dynamic Woodward's redevelopment.

Significant research activity combined with a wide range of innovative programming contributed to SFU's recognition in the *Maclean's* ratings for the third year in a row as Canada's leading comprehensive university.

This was also a year of great achievements on the fundraising front with donations to the University reaching over \$52 million, a new milestone.

SFU remains committed to delivering an outstanding undergraduate student experience through exposure to high caliber teaching, ground-breaking research, co-op and other experiential learning programs, and international opportunities such as exchanges and field schools.

We can also be proud that SFU has been recognized as a research leader amongst Canadian comprehensive universities, and a national model for business incubation, entrepreneurship and technology transfer.

In 2010 we were pleased to announce the Surrey campus will develop 5,000 square metres of new classrooms and science and research labs. Given the needs and aspirations of the South Fraser region, we are hoping to see this capacity continue to grow.

Environmental considerations are an important part of planning for our future. For example, the Surrey campus has developed numerous programs and projects to solidify SFU's status as a leader in sustainability. We are also proud that SFU earned the only four-

star rating given to a higher-education institution for its energy-management business practices.

SFU can take pride in its record and reputation as a major contributor to social, cultural and economic well-being of the communities it serves. A recent economic impact assessment calculates that the University adds over \$3.6 billion annually to the local economy.

In early 2011, we launched **envision>SFU**—a broadly-based consultation process to develop a strategic vision that will help to define and guide the University over the next five years. By engaging both internal and external communities in its development, we hope to strengthen our identity and cultivate a shared sense of mission.

Through these and other developments of 2010/11, SFU remained united in its common purpose: to advance knowledge through teaching, research, and engagement with the community.



PROF. ANDREW PETTER
PRESIDENT AND VICE-CHANCELLOR



DR. PAT HIBBITTS VICE PRESIDENT, FINANCE AND ADMINISTRATION



The University had a healthy financial year and finished fiscal year 2010/11 in a strong financial position with assets over \$1 billion and consolidated revenues increasing by 4.3%. The University's endowment fund has a growing balance over \$200 million which generates resources to support student financial aid, professorships, research, athletics, and library collections.

Our positive financial results are primarily attributable to international enrolment, which was higher than anticipated and greater than planned; a strong recovery of investment portfolios caused by the rebound in financial markets; and diligent financial management which resulted in controlled expenses.

The 2010/11 year also benefited from generous philanthropic pledges to support SFU's programs: \$10 million pledge from Goldcorp Inc.; and a record \$22 million pledge from alumnus Ryan Beedie and his father, Keith.

Going forward, a projected actuarial valuation of the Administrative/Union Pension Plan poses a substantial financial risk. In addition, deferred maintenance of the capital buildings on the Burnaby campus poses a funding challenge. Funding for pensions and deferred maintenance comprise SFU's top financial challenges.

Although we have experienced a rebound in financial markets, early in 2010 the economic recovery began to lose momentum with the impact of several significant global economic events. Concerns over sustainability of the improved growth have triggered instability in investment markets.

As we enter 2011/12, we will continue to be diligent in our investment portfolio management as we are cognizant of the ever-changing economic landscape.

Beginning the new year in a strong financial position allows us to be both confident in our fiscal achievements and to endure the risks associated with economic instability and our current financial challenges. In 2011/12 we will continue to work towards mitigating the University's risks and preserving a financially sustainable future at SFU.

A handwritten signature in black ink that reads "Pat Hibbitts". The signature is written in a cursive, flowing style.

DR. PAT HIBBITTS
VICE PRESIDENT, FINANCE AND ADMINISTRATION

Not even a full year after its historic recovery as SFU's GoldCorp Centre for the Arts, this airy studio in the newly-revitalized Woodward's building represents our passionate engagement with Vancouver's urban centre. The University is as committed to the social and cultural facets of sustainability as it is to renewable energy and species conservation. In this report we present SFU's ongoing work toward sustainability; by students, researchers, and in collaboration with community members and industry partners.





Parminder Parhar
Community Builder

Parminder Parhar's Renaissance Cafés are the heart of our community. Inspired by the exemplary work at SFU, his endowment funds the Renaissance Community Service Award for academic excellence and community leadership.



Robyn Buna
Most Valuable Player

Kinesiology major and guard on the SFU women's basketball team, Robyn Buna was named MVP at the 2010 CIS National Championships and SFU's top student-athlete. Buna also coaches inner city youth and Special Olympics athletes.



Adam Oberman
Rising Mathematics Star

Adam Oberman won the coveted Monroe H. Martin prize for solving the Infinity Laplace equation, that has stumped researchers for more than 40 years. His solution could affect digital mapping, 3D image compression, and brain imaging.



Sophie Lavieri
Acclaimed Teacher

Sophie Lavieri has been recognized with three awards over the last five years for excellence in teaching. She has spent 25 years inspiring students and making chemistry fun, taking her portable lab into schools, doing workshops at no cost to the schools.

Numbers and stories.

Our people

Behind every list of numbers is a story; a community leader, a successful student, an inspired researcher, a dedicated teacher.

Students, Faculty and Staff Headcount

Undergrads
including International

2007	25,009
2008	26,332
2009	27,479
2010	28,477
2011	29,697

Graduate

2007	5,044
2008	5,241
2009	5,461
2010	5,685
2011	5,507

International students

2007	2,524
2008	2,802
2009	2,991
2010	3,790
2011	4,602

Faculty and Staff

2007	2,471
2008	2,618
2009	2,566
2010	2,585
2011	2,620

Resources Gross square metres

Burnaby Campus Space

2007	297,075
2008	321,270
2009	324,280
2010	339,270
2011	338,042

Surrey Campus Space

2007	10,842
2008	23,684
2009	27,531
2010	29,071
2011	34,061

Vancouver Academic Campus Space

2007	28,750
2008	27,760
2009	29,071
2010	27,723
2011	27,953

Financials Dollars in millions

Sponsored Research Funding

2007	67
2008	67
2009	64
2010	62
2011	66

Government Funding

2007	267
2008	274
2009	271
2010	297
2011	300

Endowment Fund

2007	148
2008	177
2009	149
2010	186
2011	209

Total Revenues

2007	502
2008	519
2009	483
2010	591
2011	616

Growth and Accomplishments

SFU is a public university serving the student population both locally and globally. The University is a research intensive, comprehensive learning institution with over 34,000 students and 110,000 alumni. We offer 100 undergraduate major and joint major programs and 45 graduate programs. Over 10 years, SFU has seen growth of 45.6% in undergraduate students and 68.8% in graduate students.

SFU meets the needs of a widely diverse community of students with its tri-semester system, flexible curriculum including night and weekend courses, and new programs in areas such as public health, environment and applied sciences.

Committed to advancing knowledge through teaching, research, and community engagement, the University is recognized worldwide for its faculty, students, academic programs, and research activities. The 2010 *Maclean's* University Rankings identified SFU as #1 among comprehensive institutions. We have placed first in the comprehensive category eight times in the 20 years since the rankings began—more than any other university. This is the third year in a row that SFU has placed first.

SFU was ranked in the top 200 in the Times Higher Education Index World University Rankings (out of 17,000 institutions). We have achieved a 272% increase in research income over the past 10 years and have been identified as a leader in research impact and publication growth.

Since its inception in 1965, our Clan Athletics program has excelled in the National Association of Intercollegiate Athletics and in the Canadian Interuniversity Sport. Beginning with the 2011/12 season, SFU's varsity teams will become the first Canadian teams to compete in the Great Northwest Athletic Conference of the National Collegiate Athletic Association (NCAA)'s Division II. NCAA is the world's largest college sports organization. SFU is the only university outside of the United States to be admitted to NCAA.

We are proud of our accomplishments as a comprehensive university and have a strong commitment to providing an outstanding undergraduate program, advanced research, and community enrichment.

GETTING TO KNOW SIMON FRASER UNIVERSITY



In Fall 2010
SFU had

4,602

international
students.

The largest proportion of international students came from China, where Canadian curriculum courses prepare students for study in Canada. SFU International promotes international learning and supports international students. SFU has 290 partnership agreements in over 64 countries. Exchanges, field schools, work abroad and other study abroad options are available in over 50 countries.

48%	21%	6.5%	7%	9%	2%	6.5%
China	Korea Taiwan Japan other Asia	North America	Europe Russia UK	Middle East	Africa	Other



Ming Hua
China

Ming Hua came to SFU in 2006 from Fudan University in Shanghai. While earning her PhD in computer science, she mentored other female students, and was awarded a Google scholarship in 2008. She now works as a research scientist at Facebook.



Clement Abas Apaak
Ghana

Originally an international student from Ghana, archaeology instructor Clement Apaak is a tireless advocate for human rights and social justice. In 2005, he launched Canadian Students for Darfur. He was given the YMCA Power of Peace medal in 2007.



Mahboubeh Asgari
Iran

Education PhD Mahboubeh Asgari earned an honourable mention in the '05 Elizabeth Paterson international student of the year competition. She won the silver medal for best paper at the '09 Asian Association of Open Universities Conference in Tehran.



Aurosish Mishra
India

As part of a 2010 internship program for India's top undergrads, Aurosish Mishra spent the summer working on a complex computer-science problem at SFU's Burnaby campus. He would like to pursue graduate work in BC, "a great place to lead a balanced life."

Student-Centred

ACCESS AND DIVERSITY

At SFU, our student body mirrors the diversity embedded within the larger communities where our three campuses are located. Our international students are warmly welcomed by informal student groups as well as specialized student services, advising and mentoring programs, and services provided to all students.

The first Director of the Office for Aboriginal Peoples began the position in January 2010. As part of the mandate to implement the First Nations University-wide Strategic Plan, two Lifelong Learning programs that prepare Aboriginal students for post-secondary education received credit status in 2010: the Aboriginal University Prep program and Preparing for Health Careers: Aboriginal pre-Health Program.

QUALITY

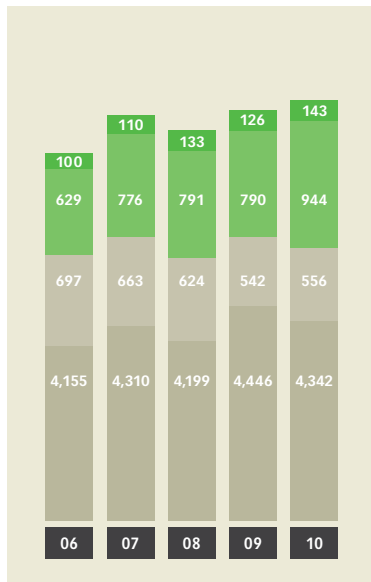
SFU is committed to providing an outstanding student experience and continued institutional evolution. By creating multiple opportunities for students to engage in and out of the classroom, we provide students with opportunities to develop as individuals and citizens.

Approximately 20% of eligible students participate in co-op or international courses/opportunities. Currently, 2,400 students are placed in co-op jobs each year with another 2,500 preparing to enter or actively seeking a position.

One of the core mandates of the University is to educate students and provide them with the knowledge and skills needed to enter the workforce and make immediate contributions to society.

CREDENTIALS EARNED

■ BACHELOR ■ OTHER GRAD ■ MASTER ■ PHD



One measure of success in achieving this goal is the number of credentials annually awarded by the University. Total credentials awarded has grown 17% from 2004–2010, with Bachelors increasing by 22%, Masters by 48%, and Doctorate degrees by 64%.

Recruitment and retention of students is a core strategic focus. The University has implemented initiatives to enrich student engagement and provide students with a rewarding experience while at SFU and after graduation. These initiatives continue to not only provide students with greater academic success but to promote a quality of life that makes the university journey at SFU a memorable and enjoyable one.

By providing students with opportunities to extend their learning through engagement with both local communities and global partners, the University enriches the student experience.

CAPACITY

Enrolment growth is one of the most significant indicators of effective engagement with communities and provides a direct link to revenues through government funding, tuition and student fees. International student enrolment and enrolment in professional programs provides an important source of additional revenue.

SFU's total student headcount for 2010/11 was 35,155 students, including 29,697 undergraduates and 5,507 graduates (49 students were both undergraduate and graduate students in the same year). With 50% of undergraduate students attending the University on a part-time basis, this equates to 25,492 total full-time equivalent (FTE) students (graduate, undergraduate and international), an increase of 5% over the previous year. The 2010 fall intake of new domestic students was 4,275 students, slightly more than the University's goal of 4,265.

The majority of students enter SFU's undergraduate programs either directly from BC Grade 12 or through college transfer. In 2010/11, 41% of SFU's new undergraduates came from BC Grade 12 with average entry grades of 85%. BC College transfer students made up another 28% of new students.

The Faculty of Arts and Social Sciences accepted 69% of incoming undergraduate students followed by the Beedie School of Business 9%, Faculties of Applied Sciences 7%, Science 5%, and Communication, Art and Technology 5%.

Graduate student enrolment directly impacts the research mission of the University and SFU's long-term goal to increase the graduate student population to 25% of total enrolment. The Faculty of Education has the highest FTE enrolment of graduate students at 30%, followed by Arts and Social Sciences 20%, Sciences 16%, Applied Sciences 11%, Beedie School of Business 11%, Communication, Art and Technology 6%, Environment 4%, and Health Sciences 4%.

The student to faculty ratio refers to the number of faculty in a university with respect to the number of students who attend the institution. SFU's student to faculty ratio increased slightly to 26.6 in 2010/11.



World-renowned ecologist and 2010 President's award winner John Reynolds is considered the go-to scientist for Pacific salmon-related issues for national and international media as well as the community, public policy and Aboriginal groups. His team focuses on the conservation and ecology of Pacific salmon, particularly their ecosystems, and connections between marine, freshwater and terrestrial habitats. "You're never talking just about salmon—you're talking about ecosystems, the sea, rivers, watersheds, and all the impacts we're having on the environment."

Research-Driven

GROWING FINANCIAL SUPPORT

With a spectacular 272% increase in research income over the past decade, SFU now ranks among the top 20 Canadian post-secondary institutions in this measure and within the top five comprehensive universities.

We have been successful in identifying new funding opportunities and bringing together the necessary teams to capitalize on these opportunities, in expanding and optimizing our physical and personnel infrastructure, in developing collaborative networks, and in promoting our faculty for prestigious awards.

Approximately 68% of our total research funding comes from the federal government (through the Tri-Councils, Canadian Foundation for Innovation, and other sources), with 8% from provincial funds and 24% from other sectors.

We have been active at the federal and provincial government levels to influence policy changes and to ensure continued investment in SFU's research enterprise.

Currently we are one of the top five universities in Canada with respect to research intensity in the natural and health sciences, as defined by average Natural Sciences and Engineering Research Council of Canada (NSERC) and Canadian Institutes of Health Research, funding per eligible faculty member. Our researchers have consistently exceeded the national success rates in the NSERC and the Social Sciences and Humanities Research Council (SSHRC) competitions for funding.

INTEGRATION OF TEACHING AND LEARNING

SFU's objective is to incorporate research into the curriculum and provide an opportunity for undergraduate and graduate students to perform research. Research is embedded in many of our undergraduate courses through statistics and research methods courses, research papers, and experiential learning.

In addition to formal courses, undergraduates are employed as research assistants through an externally funded national undergraduate student research award program which provides a full semester of research experience.

It is apparent that the impact of our research is further improving as indicated by the citations and research publication data as well as the increase in our industry partnerships and industrial innovations.

Undergraduates are gaining research experience at an increasing rate and, as an institution, the number of graduate students pursuing a research degree is increasing relative to the rate of increase in overall graduate student numbers.

RESEARCH OUTPUT

The Canada Research Chairs program (CRC) is part of a national strategy to make Canada one of the world's top countries in research and development. The CRC invests \$300M per year in researchers across Canada. Each eligible degree-granting institution receives an allocation of Chairs and the University nominates a researcher whose work complements its strategic research plan.

Chairholders aim to achieve research excellence in a variety of fields including engineering and the natural sciences, health sciences, humanities, and social sciences. The Chairholders improve Canada's depth of knowledge and quality of life, strengthen Canada's international competitiveness, and help train the next generation of highly skilled people through student supervision, teaching, and the coordination of other researchers' work. SFU currently has 39 Chairs.

FROM RESEARCH TO MARKET

Our researchers are embedded in local, national, and international communities, investigating issues relevant to today's societal and economic needs. We are preparing students for tomorrow's challenges and career opportunities, and mobilizing next-generation models to transfer knowledge through the pipeline of ideas, to innovation, to commercialization.

In support of student entrepreneurs, SFU's Venture Connection student business mentorship program added three new Mentors-in-Residence this year. These Vancouver entrepreneurs offer their expertise to promising student entrepreneurs by setting milestones and monitoring business start-up individuals and teams. They provide advice on market research, business planning, business models, sales and organizational development.

More than 1,000 students have taken advantage of Venture Connection since its launch in the fall of 2008, with 20 student teams currently receiving additional support through the early-stage business incubator, SFU VentureLabs.

Awards and Accomplishments

Robert N. Young, SFU's Merck Frosst-BC Leadership Chair in Pharmaceutical Genomics, Bioinformatics and Drug Discovery received a 2011 **Distinguished Alumni Award** from the University of Victoria in honour of his eminent career and contributions to pharmaceutical chemistry.

SFU Chemistry professor and glycobiologist, David Vocadlo, was awarded an **NSERC E.W.R. Steacie Memorial Fellowship** for his research in the field of glycobiology.

Four Faculty of Science researchers were honoured with 2010 LifeSciences British Columbia Awards. Andy Hoffer received the **Innovation and Achievement Award** for devising and developing implantable medical devices. Robt Holt, Marco Marra, and Steve Jones were awarded the **Genome BC Award for Scientific Excellence**.

Danny Leznoff from the Department of Chemistry received the **Strem Chemicals Award for Pure or Applied Inorganic Chemistry** from the Canadian Society for Chemistry.

An *International Business Review* study ranked the Beedie School of Business as **one of the world's most prolific institutions in the study of international business**. The prestigious journal ranked SFU 38th out of more than 1,200 institutions worldwide, based on the total amount of academic articles published in a ten-year period. SFU was one of only two Canadian universities in the top 40.

2010 was the third year in a row that researchers won the **Pearson Education Prize** for best case study at the Academy of Marketing Conference, the largest of its kind in the United Kingdom. Professors Leyland Pitt and Michael Pitt, and PHD students Anjali Bal and Wade Halvorson (Lulea University of Technology, Sweden) won for their in-depth investigation of business and marketing practices on Second Life, titled *Cashing in on the Green Dots: Marketing Ireland*.



The SFU Pocket Farmers Market is in Cornerstone Town Square every Wednesday during the summer.

Sustainability

Sustainable Community Development (SCD) aims to integrate economic, social, and environmental objectives in community development. SCD is based on a consideration of the relationship between economic factors and other community elements such as housing, education, the natural environment, health, accessibility and the arts.

The SFU Centre for SCD (the Centre) is committed to the sustainable development of communities through research, education, and community mobilization. The Centre provides research, training, and advisory services locally and internationally. There are a range of educational opportunities for students: an undergraduate certificate and post-baccalaureate diploma, graduate support, and a non-credit professional program.

SCD has emerged as a compelling alternative to conventional approaches to development: a participatory, holistic and inclusive process that leads to positive, concrete changes in communities by creating employment, reducing poverty, restoring the health of the natural environment, stabilizing local economies, and increasing community control.

SFU's Pocket Farmers Market is a community space with a wide range of delicious food options: local/organic fruits and vegetables, freshly baked bread, delicious jams, honey, salsa, eggs and more. Live music and educational activities make the market the perfect place to get to know your local community and learn more about your role as a consumer in sustainable food systems.

Pocket markets are different from farmers market in that staff and volunteers sell directly on behalf of local vendors, so the farmers don't have to leave the field. This lessens the burden on farmers to attend multiple markets thereby increasing the economic viability of local food production, creating new avenues for distribution, and broadening access to fresh, local food within the community.



The Surrey campus has a new, secure indoor bike locker for commuters, and the Burnaby campus has new WaterFillz stations that dispense free filtered, chilled water.

Community-Engaged

DIVERSE, DISTINCT CAMPUSES

SFU serves local, national, and international communities. Each of SFU's three campuses is a distinctive model for community engagement.

SFU's connection to community enables it to deliver different programs in different ways, and provide exciting experiential learning and applied research opportunities. It also gives rise to important new challenges. In the South Fraser region, SFU is committed to addressing the post-secondary education needs of a diverse and rapidly growing population; in Vancouver, the University is reaching out to residents of the Downtown Eastside through community programming associated with its newly relocated Goldcorp Centre for the Arts.

More generally, the ethnic and cultural diversity of the Lower Mainland represents a critical strength that can assist SFU to attract international students and to promote other forms of internationalization.

BURNABY

SFU's original campus atop Burnaby Mountain offers a panoramic, mountain-framed view of the Vancouver region, a stunning spot to contemplate our dedication to fostering educational diversity and global thinking.

The Burnaby campus provides academic and research space for all Faculties as well as residences for 1,766 students. It also includes UniverCity, a sustainable urban community that supports and enhances the University environment.

University Highlands Elementary School opened at UniverCity in September 2010, with 165 students registered. The \$8M school is a LEED (Leadership in Energy and Environmental Design) Gold building, the first of its kind in BC, and features reclaimed building materials, natural lighting and green products. Skylights, solar panels and a living roof all contribute to the building's energy management.

Ringed by a network of hiking trails and forests that overlook Vancouver's island-dotted Burrard Inlet, the Burnaby campus offers an inviting walk to nearby shops and services. UniverCity's residences on the east side and campus housing on the west side reduce or eliminate the University community's daily commute, making Burnaby Mountain an environmentally friendly place to live.



Sustainable SFU is a student-funded organization, responsible for the SFU Local Food Project, SFU's Sustainability Festival, and its Sustainability Advisory Committee.

SURREY

SFU Surrey, with the support of the City of Surrey, is forming the nucleus of a vibrant new Surrey City Centre. SFU Surrey is uniquely situated in the middle of BC's next great metropolitan core. Anchored by a new Civic Centre, Surrey's new City Centre plan includes a flagship library, community plaza, city hall, performing arts centre and new commercial and residential developments within walking distance of SkyTrain and bus access, recreation facilities and a large-scale urban park.

The Surrey campus offers a modern learning environment with courses from all Faculties and with progressive programs in science, technology, communication, and engineering.

The Surrey campus will expand in 2011 with the addition of new teaching and specialized science and research labs. The new space will be used for a variety of programs including biology, chemistry, health sciences, mechatronics and criminology, and will have new labs for visual analytics, mechatronics and cybercrime.

Professors encourage over 6,000 students in their pursuit of academic excellence through supportive first-year programs and unique programming. The breadth of first-year programs offered at SFU Surrey allows students to begin most SFU degrees at the Surrey campus.

VANCOUVER

The Vancouver campus comprises four primary locations: the Wosk Centre for Dialogue, SFU Harbour Centre, the Beedie School of Business at the Segal Graduate School, and the Goldcorp Centre for the Arts.

This campus has been steadily growing and now serves over 70,000 people annually. Approximately 10,000 are students enrolled in credit and non-credit courses. In addition to leading edge research programs, a wide and varying range of undergraduate courses are offered each semester. Professional graduate degrees are available in business, gerontology, international studies, liberal studies, public policy, publishing and urban studies. A unique program in liberal and business studies offers the opportunity for degree completion for those already in the work force. Thousands of other individuals, groups and companies attend SFU conferences, lectures, performances and exhibitions or are involved in courses, seminars and meetings organized externally, but held at SFU Vancouver.

Continuing Studies, a major part of the Vancouver campus, was renamed the Office of Lifelong Learning. The new title reflects the changing nature of university education and the increasing demand for access to education throughout one's life.



Historian John Craig is the new dean of the Faculty of Arts and Social Sciences. He was selected from a field of internal and external candidates after serving as dean pro tem since last July. Craig joined SFU in 1994 as an assistant professor after completing his PhD at Cambridge. Craig, who received an SFU Excellence in Teaching Award in 1997, refers to himself as a 'very happy teacher and historian'. He views his term as dean as an opportunity to help his faculty develop a shared sense of what connects their work as scholars and teachers.

Our Faculties

Ryan and Keith Beedie pledged \$22 million to Ryan's alma mater — SFU Business in early 2011, which has now been renamed the Beedie School of Business. This pledge was the largest since SFU's opening in 1965. The pledge will help make the business faculty a global leader in several areas including Asia-Pacific business and sustainability.

The Faculty of Environment, new as of April 2009, has expanded to include the Departments of Geography and Archeology. The transition into the Faculty of Environment provides for synergies between programs, an opportunity to develop new programs, collaborations and interdisciplinary research.

The Faculty of Health Sciences has been growing steadily since its establishment in 2004. Recently, international accreditation was received from the Council on Education for Public Health (CePH) for the BA, BSc and Master of Public Health. CePH is the world's premier accreditation organization for schools and programs in Public Health. SFU is the only Anglophone Canadian university to receive internationally recognized accreditation.

The Mechatronic Systems Engineering (MSE) program, within the Faculty of Applied Sciences, received \$925,000 from the federal government to invest in new leading-edge equipment. In 2011/12, the Faculty will seek accreditation of the MSE program.

The Faculty of Arts and Social Sciences appointed a new dean, Dr. John Craig, effective April 1, 2011. Dr. Craig has been a faculty member of SFU's history department since 1994 (see opposite).

Maclean's 2010 rankings show that SFU had the highest number of full-time professors, per 1,000, who have won national awards in the five-year period 2005-2009.

The Faculty of Arts and Social Sciences' Liz Elliott received the Ron Wiebe Restorative Justice Award in 2010 for her passion and dedication to restorative justice.

Established in April 2009, the Faculty of Communication, Art, and Technology includes the Schools of Communication, Interactive Arts and Technology, Contemporary Arts, as well as the Master of Publishing Program, and TechOne. In 2010/11, three SFU filmmakers took major awards in the student film category in Vancouver's Short Film Festival. David McDonald's *Empire City* won best director, best cinematography, best editing, and audience choice awards; Jun-Sun Song's *The Letters* won best screenplay and best actress; and Julia Hutching's *Irradiate* won for best sound.

In 2010/11, Senate approved the Centre for Research in International Education (CRIE) within the Faculty of Education. CRIE will bring together faculty and graduate students across SFU who are dedicated to engaging global communities in the internationalization of education.

The Faculty of Science is expanding at SFU's Surrey campus. Construction commenced in 2010/11 for the new undergraduate science teaching labs: Physics Studio Lab, Biology Lab, Chemistry Lab, Biomedical Physiology and Kinesiology Lab.



Stephanie Bertels, Assistant Professor in the Beedie School of Business, teaches her students to go the extra mile when it comes to integrating sustainability into business practices. "I try to help students move beyond establishing the business case for sustainability. We focus on how to embed sustainability into organizational culture to support what organizations are already doing in the areas of innovation and operational excellence. Sustainability does not need to be an add-on. In leading companies, it's becoming a core part of business strategy."

Forward Looking Statements

The objective of this Management Discussion and Analysis (MD&A) is to assist readers of SFU's financial statements better understand the financial position of the University and operating activities for the fiscal year ended March 31, 2011. It provides a look at the internal and external factors that influenced the year's financial results and a basis for future performance. Although the MD&A is unaudited, this discussion should be read in conjunction with the annual audited financial statements and accompanying notes.

The MD&A provides an overview of the University's:

- | Planning and Management
- | Financial Highlights
- | Financial Information
- | Operating Environment
- | Risks and Uncertainties
- | Information on Related Organizations

Cautionary Note on Forward Looking Statements

Some statements in this MD&A are forward looking statements, based on assumptions and addressing future events and conditions, and by their nature involve risks and uncertainties. Actual results could differ materially from those anticipated in forward looking statements. Readers should not place undue reliance on any forward looking statements. Factors that could cause results to differ materially from expectations include, but are not limited to, the performance of financial markets, interest rate fluctuations, changes in legislation and regulations, the impact of competition, and business continuity risks. SFU does not undertake any obligation to update or revise these forward looking statements to reflect events or circumstances after the date of this report, or to reflect the occurrence of unanticipated events, except as required by law.

Planning and Management

SFU has a dynamic planning process which is currently guided by the Academic Plan, the Strategic Research Plan, and will be enhanced by the creation of a University strategic vision in 2011. The University will build upon the core commitments of being student-centred, research-driven, and community-engaged.

Combined strengths in undergraduate education, advanced research, graduate studies, and community betterment reflect the deep commitment to a comprehensive model of university education.

SFU remains dedicated to fostering a university environment in which there is a positive and productive interplay amongst these strengths. In such an environment, intellectual engagement and academic enquiry are energized by motivated undergraduate students who, in turn, benefit from their exposure to accomplished scholars, talented graduate student mentors, and advanced research practices.

The current mechanism for communicating priorities is the University Planning Framework which encompasses strategic goals from the University's key plans and groups them under four core themes:

Teaching and Learning

Offer quality programs from a diverse set of disciplines across all faculties, with growth in areas of strategic importance. Support and promote teaching excellence.

Research

Increase the level and quality of research and promote our profile as a research intensive university.

Student Experience and Success

Provide an outstanding student experience.

Community and Citizenship

Engage and involve our many communities. Mobilize University resources and expertise to reflect the distinctive contribution we can make to regional, national and global concerns.

FOCUS HUMAN-CENTRED SYSTEMS FOR SUSTAINABLE LIVING



WEST HOUSE: LIVING LAB

This energy-efficient laneway house was showcased during the 2010 Winter Olympics and is now located at the Cedar Cottage Community Garden, where it will serve as a technology showcase, research and development test bed, and living lab. Built by Smallworks, the two-level home, with 610 square feet of living space plus a 226-square-foot garage, is the first of its kind to be constructed in Vancouver since the City of Vancouver passed zoning for laneway housing.

West House welcomed its first tenants in 2011; a year-long experience that will encourage effective use of fewer resources. The Adaptive Living Interface System (ALIS) integrates energy consciousness and device control into daily routines using touch screens throughout the house. ALIS was designed and built by the Human-Centred Systems for Sustainable Living at SFU, led by professors Lyn Bartram and Robert Woodbury.

Built with local BC materials, West House offers all the amenities and technologies that people look for in a new home while being highly passively efficient: insulation exceeds Canadian standards at R-26, and proprietary building methods ensure a continuous thermal envelope with no thermal breaks. In addition, an efficient heat recovery ventilation system reduces heat loss and improves air quality.

West House uses two types of solar energy systems. A thermal system designed by Canadian Solar Technologies preheats water for in-floor radiant heating and domestic hot water use. Day4 Energy Solar Photovoltaic panels provide electricity in a grid-tie installation: the house is fully connected to the grid with a bidirectional net meter that allows it to feed power back into the grid when surplus is produced and use power as it is needed. (Photograph by Keith Henderson)

Financial Highlights

FINANCIAL HEALTH

Continuing last year's economic recovery, increased revenues and the diligent management of costs has allowed internally restricted net operating assets to grow to \$45.0M. This brings the University back to 2003/04 and 2004/05 levels which means that net assets have now fully recovered to normal levels required to sustain University operations.

The Endowment Fund which supports academic programs, professorships, student financial aid, athletics, library collections, and research chairs has reached an all-time high of \$208.6M which is a 40% increase since the market crash in 2008/09.

Debt levels have been contained and reduced slightly by refinancing external loans with non-endowed cash resources. In November 2010, Moody's Investor Service graded the University's credit rating at Aa1, with a stable outlook. DBRS also confirmed their highly rated and stable ranking. These very high ratings reflect the University's declining debt burden and its track record of consistent, stable operating performance.

INVESTMENTS

Investment balances grew by \$71M reaching a total of \$429M market value at year end. Continued strength in the equity markets, both domestic and foreign, plus solid performance of fixed income investments contributed to higher than forecasted investment income returns.

OPERATIONS AND FISCAL RESTRAINT

The University's academic operations are funded primarily by government grants and tuition fees. The provincial operating grants remained steady at \$222M, and funded 18,119 undergraduate and 2,084 graduate full-time equivalent student spaces. Total student enrolment exceeded plans particularly with international students, and resulted in tuition and student fee revenues of \$190.2M. Research revenues benefited from increased activity, with \$65.6M reported, while Ancillaries revenues remained steady at \$36.7M.

While SFU continues to actively manage costs, increased student enrolments have led to increased sessions to meet student demand. The University's expenses largely comprise salary and benefit costs, reflecting an increase of 7.2% to \$350.7M. The proportion between salaries & benefits and non-salary expenditures remains stable year over year, with compensation related expenses accounting for 62% of the total.

GOVERNMENT GRANTS

The provincial operating grants are \$222M which is consistent with prior year funding. There was no increase for student growth. Support for the Electronic Library Network has remained stable and the grant to support French language programs has decreased slightly to \$1.5M.

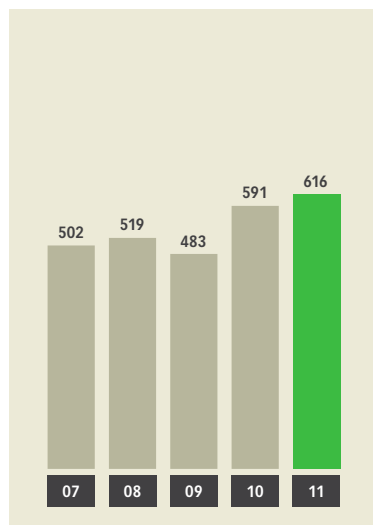
CAPITAL

Capital investment in property and equipment was \$85.1M for the year. Most of the expenditures were on the \$49.4M renovation of Chemistry facilities on Burnaby campus and the \$10M expansion of SFU Surrey, both geared for completion by the summer of 2011. The \$71.5M Woodward's redevelopment for the Goldcorp Centre for the Arts was completed and is occupied.

Financial Information

REVENUE

DOLLARS IN MILLIONS



REVENUES

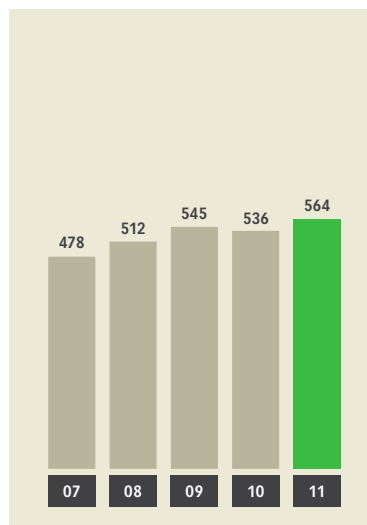
Revenues increased 4.3% to \$616M.

Dollars in thousands	2011	2010	%
Govt grants & contracts	300,336	296,919	1.2
Tuition & student fees	190,160	171,099	11.1
Sales of goods & services	44,463	43,183	3.0
Gifts, grants & contracts	35,435	31,853	11.2
Investment income	20,735	24,194	(14.3)
Amortization of deferred capital contributions	14,126	13,689	3.2
Other revenues	10,864	10,058	8.0
Total revenues	616,119	590,995	4.3

- Government grants & contracts** including sponsored research revenues, increased by 1.2% over the year. The provincial operating grant funding increased 3% to \$222M, comprising 35% of total revenues.
- Tuition & student fees** rose 11.1% due to increased enrolment and a 2% increase in fees.
- Gifts, grants & contracts** increased due to successful fundraising for capital projects such as Goldcorp's contributions towards the Woodward's project.
- Investment income** was down slightly from very buoyant returns of 19% in 2009/10 to 11% in 2010/11.
- Other revenue** includes fees for facility rentals and other services, and increased due to contributions from SFU Community Trust.

EXPENSES

DOLLARS IN MILLIONS



EXPENSES

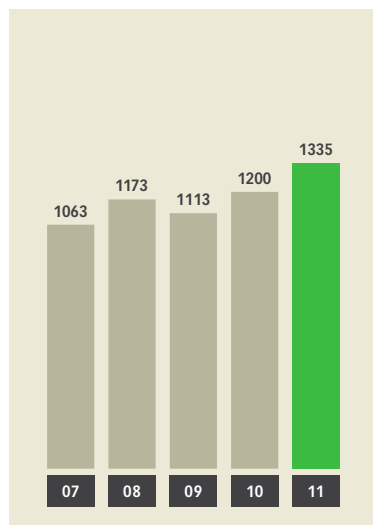
Expenses increased 5.2% to \$564M.

Dollars in thousands	2011	2010	%
Salaries & benefits	350,736	327,167	7.2
Supplies & op. expenses	54,197	55,259	(1.9)
Amortization cap. assets	51,687	50,706	1.9
Professional services	31,830	31,418	1.3
Scholarships & bursaries	28,606	27,161	5.3
Travel & personnel exp.	14,776	14,732	0.3
Cost of goods sold	13,596	12,128	12.1
Interest on long term debt	10,090	9,926	1.7
Utilities	8,281	7,500	10.4
Total expenses	563,799	535,997	5.2

- Salaries & benefits** represent 62% of expenses; approximately the same proportion as the prior year. Compensation costs increased based on progression through ranks and step increases, and growth in faculty and staff to support increased student enrolment. Benefits represent 17% of total compensation expenses.
- Scholarships & bursaries** were funded 63% from operating and 37% from endowments. \$1.3M of the \$1.4M increase was funded from endowments.
- Cost of goods sold** increased by 12% largely related to hardware and software product sales achieved with the availability of technical products in the Bookstore.
- Utilities** increased due to carbon tax and power usage over last year's savings from warmer weather.

ASSETS

DOLLARS IN MILLIONS



ASSETS

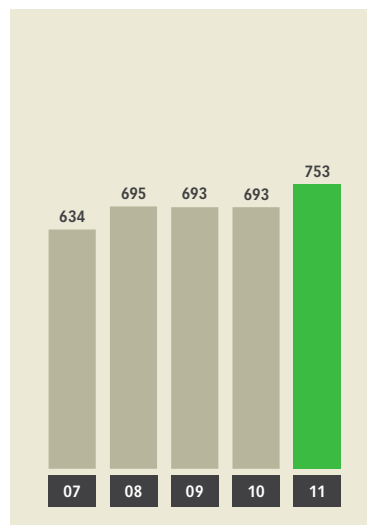
Assets increased 11.2% to \$1,335M.

Dollars in thousands	2011	2010
Current assets	51,310	26,285
Due from a related party	9,663	5,033
Investments	429,270	357,783
Investments in related entity	11,438	11,227
Property & equipment	831,142	797,675
Prepaid lease	2,122	2,437
Total assets	1,334,945	1,200,440

- Current assets** are significantly higher than in 2010 due to increases in cash, short term investments and accounts receivable. In 2011, additional cash was on hand due to capital funding and increased liability accruals.
- Due from a related party** has increased due to the increase in SFU Community Trust receivables from the displacement of a parking lot.
- Investments** increased by \$71M to a market value of \$429M which includes unrealized gains of \$49M.
- Property & equipment** includes capital projects for buildings, leasehold improvements, library acquisitions, computers, and furniture and equipment. The increase was due mainly to the renovation of the Chemistry building and retrofit of Surrey Podium.

LIABILITIES

DOLLARS IN MILLIONS



LIABILITIES

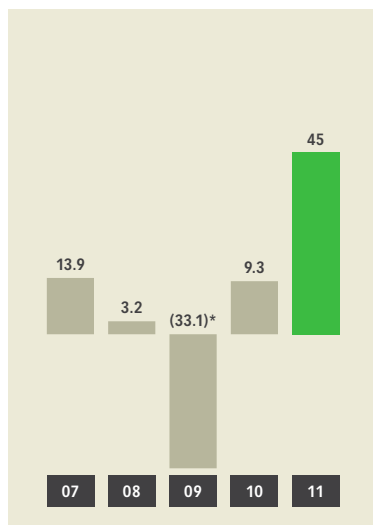
Liabilities increased 8.6% to \$753M.

Dollars in thousands	2011	2010
Current liabilities	46,460	32,882
Employee future benefits	54,970	48,630
Long term debt	157,202	160,347
Deferred contributions	68,117	54,301
Deferred capital contrib.	402,873	375,475
Deferred lease proceeds	22,980	21,533
Total liabilities	752,602	693,168

- Current liabilities** are higher due to increases in capital construction activity and related liabilities, tuition deferrals and accounts payable and liability accruals.
- Employee future benefits** liability increased by \$6.3M as accruals were made based upon actuarial recommendations including an actuarial loss of \$4M.
- Long term debt** decreased by refinancing CMHC loans on student residences with internal loans, and a partial paydown of the mortgage from sale of four faculty/staff housing units in Verdant.
- Deferred contributions** are externally restricted resources not recognized as revenue until related expenses are incurred. The increase is primarily due to an increase in deferred income of endowment accounts.
- Deferred capital contributions** are the unamortized portion of restricted capital advances, and increased due to provincial and federal contributions for the Chemistry renewal and Surrey campus expansion.

NET ASSETS

DOLLARS IN MILLIONS



NET ASSETS

Net assets increased 14.8% to \$582M.

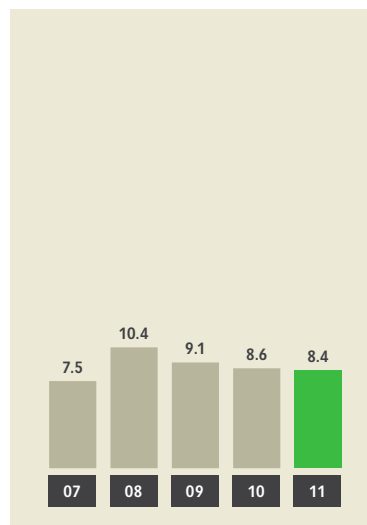
<i>Dollars in thousands</i>	2011	2010
Internally restricted, operating	45,026	9,318
Internally restricted, lease & other	33,380	30,372
Invested in property & equipment	295,344	281,740
Endowment fund balance	208,593	185,842
Total net assets	582,343	507,272

- Internally restricted, operating** include balances derived from operating budget carryforward amounts at the department level as well as internally restricted funds for research and other projects. These funds increased due to positive net revenue for the year.
- Internally restricted, lease and other** are for non-operating commitments which relate to long term lease commitments for SFU Harbour Centre, and reserves designated for contracts for specific purpose activities.
- Endowment fund balance** increased as a result of positive investment returns that enabled catch-up capitalization of investment income from inflation protection of \$8.6M and recovery of principal of \$1.9M; together with a restored, post-recession level of new contributions.

* The 2009 total was restated from \$(19.5)M to \$(33.1)M.

ENDOWMENT EXPENDITURES

DOLLARS IN MILLIONS



ENDOWMENT EXPENDITURES

SFU's endowment funds are a key source of financial support for academic programs, professorships, student financial aid, athletics, library collections and research chairs. Endowments are donations that are restricted by the contributor to have the capital held in perpetuity and investment income to be spent for a defined purpose.

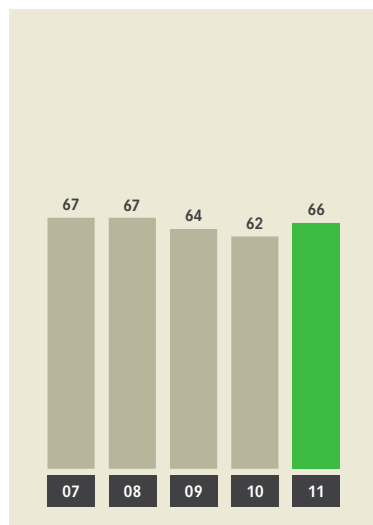
<i>Dollars in thousands</i>	2011	2010
Athletics	108	108
Research chairs	2,230	2,193
Faculty & academic support	3,153	3,565
Financial aid	2,297	2,201
Library	180	178
Professorships	478	380
Total endowment expenditures	8,446	8,625

The endowment fund investment strategy aims to maintain the purchasing power of the original capital value for future generations, while also ensuring spending income allocations remain stable each year.

Donations of \$9.3M, capitalization of earnings of \$8.6M and University matching of \$2.6M, all contributed to growing the endowment fund balance to \$208.6M. The endowment income stabilization reserve protects endowment spending from fluctuating market returns. Positive results enabled the account to recover to a balance of \$12.1M.

SPONSORED RESEARCH REVENUES

DOLLARS IN MILLIONS



SPONSORED RESEARCH REVENUES

Research is primarily funded by three federal granting agencies: Natural Sciences and Engineering Research Council, Social Sciences and Humanities Research Council, and Canadian Institutes of Health Research.

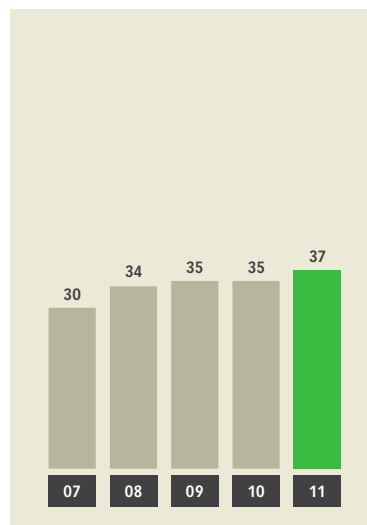
<i>Dollars in thousands</i>	2011	2010
Federal government	44,378	39,376
Canadian not for profit	8,807	10,208
BC government	5,687	5,815
Foreign not for profit	1,628	930
Industry	3,131	2,659
Other	1,985	3,227
Total sponsored research	65,616	62,215

Sponsored research funding, as it has an externally restricted purpose, is recorded as deferred contributions and is recognized as revenue in the year related expenditures are incurred. Thus sponsored research revenue and expenditures are equal.

Revenue recognition of sponsored research increased from \$62.2M to \$65.6M and deferred contributions for sponsored research at the end of the year increased from \$38.1M to \$40.2M. The facts demonstrate an increase in research intensity at SFU.

ANCILLARIES REVENUES

DOLLARS IN MILLIONS



ANCILLARIES REVENUES

Revenues are generated to cover operating expenses, debt service payments, and to provide reinvestment necessary to ensure long term financial viability. Revenues remain stable in 2010/11 at \$36.7M.

<i>Dollars in thousands</i>	2011	2010
Bookstore	17,483	16,628
Residences	14,354	13,553
Parking	4,171	4,430
Food Services	508	515
Document Solutions	172	119
Total ancillaries revenues	36,688	35,245

- Bookstores** are located at the Burnaby, Harbour Centre and Surrey campuses, with the Tech Shop located within the Burnaby Bookstore providing hardware, software and technology supplies for the University community.
- Residences** has accommodation capacity for 1,766 students and provides 14 hotel rooms.
- Parking** revenues declined due to a combination of an increase in parking taxes that drove a shift in demand to less expensive lots, and UniverCity development which eliminated 322 parking spaces.
- Document Solutions** experienced a decrease in business from the campus community but was able to increase their business to external customers.

Operating Environment

Many factors contribute to SFU's operating environment including BC's changing student demographic, government funding and priorities, and the economy.

STUDENT DEMOGRAPHIC

According to Statistics Canada, Vancouver's population had one of the highest growth rates at 22.9 per thousand for the period July 1, 2009 to July 1, 2010. The province grew at 1.2% during 2010 with approximately 26.8% of BC's population comprising the age range 15–34.

Between 2009 and 2036, BC Statistics forecasts the population will increase by approximately 36% with international migration accounting for 75.8%; the median age will increase from 40.7 to 45.6 years.

The changing demographic of BC's population creates a shift in demand for education. Starting in 2013, a decline in post-secondary school age population (18–24 years) is expected for ten years. Despite the population decline of our key student demographic, the Association of Universities and Colleges of Canada expects enrolment to increase as the participation rate rises (based on their historical trend data).

Our total planned enrolment for 2011/12 is 25,337 FTEs, a 3% decrease from 2010/11 projections but still well in excess of government funded targets.

SFU has high international demand and our challenge is to manage international enrolment to ensure excellent education for all students. This year SFU will be developing a strategic management process to better manage enrolment.

GOVERNMENT FUNDING AND PRIORITIES

In March 2011, BC's new premier re-united responsibility for advanced education, including SFU, into one ministry: The Ministry for Advanced Education. The mandate of the Ministry is to ensure BC's university system aligns with and supports the future needs of the workforce.

It is forecast that three-quarters of all job openings up to 2017 will require a university degree, college credential or trade certificate. Provincial funding for education is therefore focused on educational needs to align graduates with employers' demands for workers. The 2009/10 Annual Service Plan Report produced by the Ministry of Advanced Education and Labour Market Development highlighted that funding for student spaces will be targeted to graduate students, skilled trades, and to health care and medical education.

There is clear demand for post-secondary education; however, due to the financial realities of the current economy, there is no growth planned for SFU's operating grant. With the reduction of the Annual Capital Allowance to \$0.5M, government support for cyclical and preventative building maintenance has been further reduced (refer to Risks and Uncertainties, Maintenance Funding).

ECONOMY

The local economy experienced a large housing boom together with large infrastructure improvement projects undertaken in preparation for the 2010 Winter Olympics held in Vancouver. This contributed to strong growth in the local economy and created many job opportunities; however, the economic slowdown has negatively affected the growth and continuation of this job creation.

The 2010 Towers Watson survey of economists, strategists, market analysts, and investment managers, provides an economic outlook for the coming year. GDP growth of 2–2.5% combined with a modest inflation expectation of 1–2% reflects the continuation of a slow economic recovery. A full economic recovery may take several years but will continue to trend upwards. Investment returns are anticipated to be marginal albeit positive. Similarly, interest rates will remain relatively low and are not expected to climb higher than approximately 3.5%. Despite the positive predictions, the majority of survey respondents expect the economic recovery to continue to experience some volatility.

Overall, the economic forecast allows SFU to have an optimistic outlook both fiscally and with regard to our ability to continue successfully serving our communities.

Risks and Uncertainties

SFU manages risk through a framework of risk identification, measurement, and monitoring. The following is an overview of the most significant financial risks currently facing the University.

AFFORDABILITY OF PENSIONS

SFU has two pension plans:

- Pension Plan for Administrative/Union Staff (Administrative/Union Plan); and
- Pension Plan for Members of the Academic Staff (Academic Plan).

The Administrative/Union Plan is a defined benefit pension plan requiring an actuarial valuation at least every three years. A valuation will be completed in the summer 2011 by an independent actuary for the calendar year ended December 31, 2010. A projected actuarial valuation indicated actuarial funding deficiencies.

The Academic Plan is primarily a defined contribution plan, not requiring an actuarial valuation. The plan changed to defined contribution in 1973 and the members remaining in the closed plan (Formula Retirement Benefit (FRB) pension plan) can choose a defined benefit which is subject to an actuarial valuation at least every three years. The most recent valuation of the FRB fund was completed for the calendar year ending December 31, 2009.

DEFERRED MAINTENANCE FUNDING

The provincial government funding for cyclical maintenance, renovations and upgrades to buildings has been progressively reduced over the last several years from the baseline funding of \$6.6M to \$0.5M in 2010/11. As a result, deferred maintenance on our Burnaby campus buildings has been growing. The renewal of existing facilities is an identified priority of government and is of particular concern for the Burnaby campus which is now over 45 years old. These aging facilities are experiencing increasing deficiencies, lack of functionality, and unreliable and inefficient building systems.

FUNDRAISING

Despite this year's fundraising success, the decline in grants and increasing costs to provide services, will cause SFU to become increasingly reliant on fundraising efforts to support students, scholarly activity and provide funding for infrastructure.

In 2011/12, SFU will continue to shift away from capital project fundraising since the campaign for the Goldcorp Centre for the Arts is nearly complete. We will concentrate fundraising efforts on attracting donations and endowed funds to support students and faculty.

ECONOMIC ENVIRONMENT AND INVESTMENT RETURNS

The recession and decline of markets in 2008 caused SFU to experience significant market value losses in its investment portfolios. Fiscal 2009/10, and most recently in 2010/11, provided investment returns higher than expected.

However, the ongoing instability in the market exposes SFU to volatility in investment returns with respect to our endowment fund market values, spending allocation and income stabilization.

RESERVES ADEQUACY

A contingency fund was established in 2009/10 to cover unavoidable costs that arise during the course of the year. In 2009/10 the reserve level was established at 1% of the University's operating revenues; this was increased to 2% in 2010/11 and currently remains at 2% or \$8.5M for 2011/12. Reserves have improved, but we continue to monitor with a watchful eye.

Information on Related Organizations

As explained in notes 2 and 14 of the University's financial statements, financial information is included for the following related entities:

SFU COMMUNITY TRUST

SFU Community Trust's mandate is to oversee the development of UniverCity, a compact, mixed-use residential neighbourhood founded on the Four Cornerstones of Sustainability: Equity, Economy, Education and Environment. The Official Community Plan (OCP) allows for up to 4,536 residential units in two distinct neighbourhoods to the south and east of SFU's campus, each with its own elementary school and neighbourhood park. The OCP includes provisions for a commercial core, community facilities, and an extensive network of pedestrian paths and bike trails. The Trust oversees the development of UniverCity through the provision of zoned, serviced, subdivided sites to private sector developers on a prepaid, long-term (99-year) leasehold basis.

The Trust is presided over by a 17-member Board of Directors comprising key SFU stakeholders, faculty and student representatives as well as a number of prominent real estate and development professionals from in and around Vancouver and the Lower Mainland. The Board of Directors establishes policy for SFU Community Trust and plays a very active role in shaping the planning and development of UniverCity.

The University's interest in the Trust is accounted for using the equity method.

SIMON FRASER UNIVERSITY FOUNDATION

The purpose of Simon Fraser University Foundation (Foundation) is to encourage public awareness of, and support for, SFU and its benefits to the people of British Columbia. The Foundation is an Agent of the Crown and is therefore exempt from income taxes under section 149 of the *Income Tax Act*. The majority of the Foundation's revenue is rental income from the 10 rental units in the Verdant housing complex which are owned by the Foundation for the purposes of leasing to SFU's faculty and staff. The Foundation is consolidated in the University's financial statements.

GREAT NORTHERN WAY CAMPUS TRUST

The Great Northern Way Campus Trust (GNWCT) collaborative university campus combines the strengths of four academic institutions: Simon Fraser University; University of British Columbia; Emily Carr University of Art + Design; and the British Columbia Institute of Technology. GNWCT has the mandate to intersect arts, technology and the environment in a manner that bridges academia with industry, artists with technology, and innovation with development. It is an integrative environment that builds community and celebrates innovation.

SFU has a 25% interest in GNWCT and it is accounted for using the equity method.

TRIUMF AND WCUMSS

SFU participates with other universities in two research joint venture entities which are accounted for in the University's financial statements by proportionate consolidation of its interest.

Tri-University Meson Facility (TRIUMF) is a joint operation of eleven Canadian universities that comprise Canada's national laboratory for particle and nuclear physics.

Western Canadian Universities Marine Sciences Society (WCUMSS) is a society in which the University is one of five members. WCUMSS provides a permanent base for marine and coastal-oriented field operations from its location in Bamfield, BC.

Statement of Management Responsibility

The University is responsible for the preparation of the financial statements and has prepared them in accordance with Canadian Generally Accepted Accounting Principles. The financial statements present fairly the financial position of the University as at March 31, 2011 and the results of its operations and its cash flows 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 controls 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 and oversight of management's performance of its financial reporting responsibilities principally through its Audit Committee. Members of the Audit Committee are not officers or employees of the University.

The Committee meets with Management, the internal auditor 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, 2011 have been reported on by the Auditor General of British Columbia. The Auditors' Report outlines the scope of their examination and provides their opinion on the fairness of presentation of the information in the statements.



PROF. ANDREW PETER
PRESIDENT AND VICE-CHANCELLOR



DR. PAT HIBBITTS
VICE PRESIDENT, FINANCE AND ADMINISTRATION
MAY 26, 2011



INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Governors of Simon Fraser University, and
To the Minister of Advanced Education, Province of British Columbia

Report on the Financial Statements

I have audited the accompanying financial statements of Simon Fraser University, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Simon Fraser University as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia
May 26, 2011*

John Doyle, MAcc, CA
Auditor General

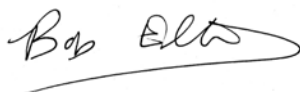
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2011

<i>Dollars in thousands</i>	2011	2010*
ASSETS		
Current Assets		
Cash and cash equivalents (notes 3, 4)	27,597	3,248
Accounts receivable (note 3)	19,262	18,737
Inventories	2,443	2,204
Prepaid expenses	2,008	2,096
	51,310	26,285
Due from related party (note 5)	9,663	5,033
Investments (notes 3, 6)	429,270	357,783
Investment in related entity (note 7)	11,438	11,227
Property and equipment (note 8)	831,142	797,675
Prepaid lease (note 9)	2,122	2,437
Total Assets	1,334,945	1,200,440
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	45,587	32,179
Current portion of long term debt (note 10)	873	703
	46,460	32,882
Employee future benefits (note 11)	54,970	48,630
Long term debt (note 10)	157,202	160,347
Deferred contributions (note 13)	68,117	54,301
Deferred contributions for property and equipment (note 13)	402,873	375,475
Deferred lease proceeds (note 14)	22,980	21,533
	752,602	693,168
Net Assets (note 15)		
Internally restricted for commitments		
Operating (note 16)	45,026	9,317
Lease and other (note 17)	33,380	30,373
	78,406	39,690
Invested in property and equipment	295,344	281,740
Endowment (note 18)	208,593	185,842
	582,343	507,272
Total Liabilities and Net Assets	1,334,945	1,200,440

*Restated: Note 25.
The accompanying notes are an integral part of these financial statements.

Approved:



ROBERT G ELTON
CHAIR, BOARD OF GOVERNORS



DR PAT HIBBITTS
VICE PRESIDENT, FINANCE AND ADMINISTRATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2011

<i>Dollars in thousands</i>	2011	2010*
REVENUE		
Government grants and contracts (note 19)		
Province of British Columbia	232,918	231,321
Government of Canada	65,985	63,791
Other governments	1,433	1,807
Tuition		
Credit courses	167,060	150,326
Non-credit courses and other student fees	23,100	20,773
Sales of goods and services	44,463	43,183
Donations, non-government grants and contracts	35,435	31,853
Investment income (notes 20, 25)	20,735	24,194
Amortization of deferred contributions: property and equipment	14,126	13,689
Other revenue	10,864	10,058
	616,119	590,995
EXPENSE		
Salaries	290,717	281,095
Employee benefits (note 11)	60,019	46,072
	350,736	327,167
Supplies and other operational expenses	54,197	55,259
Amortization of property and equipment	51,687	50,706
Professional and contracted services	31,830	31,418
Scholarships, bursaries and prizes	28,606	27,161
Travel and personnel expenses	14,776	14,732
Cost of goods sold	13,596	12,128
Interest on long term debt	10,090	9,926
Utilities	8,281	7,500
	563,799	535,997
Net revenue from continuing operations	52,320	54,998
Gain on disposal of properties	-	6,962
Net revenue for the year	52,320	61,960
Net revenue for the year was applied to increase net assets internally restricted for:		
Operating commitments	35,708	42,393
Invested in property and equipment	13,604	17,114
Lease and other commitments	3,008	2,453

*Restated: Note 25.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2011

<i>Dollars in thousands</i>	INTERNALLY RESTRICTED COMMITMENTS				RESTRICTED FOR ENDOWMENT PRINCIPAL
	GENERAL OPERATING	OPERATING	LEASE & OTHER	INVESTED IN PROPERTY & EQUIPMENT	
NET ASSETS, beginning of year					
As previously stated		13,150	30,373	280,013	185,842
Prior period adjustments (note 25)					
Changes in accounting treatment for Great Northern Way Campus Trust				187	
Consolidate TRIUMF and WCUMSS				1,226	
Employee future benefits		(3,833)			
Gain on disposal of properties				314	
As restated	-	9,317	30,373	281,740	185,842
CHANGES FOR THE YEAR					
Net revenue for the year	52,320				
Transfers					
Increase in investment in property and equipment	(13,604)			13,604	
Change in restricted for specific commitments	(38,716)	35,709	3,007		
Endowment transactions (note 18)					22,751
Net assets, end of year	-	45,026	33,380	295,344	208,593
		<i>note 16</i>	<i>note 17</i>	<i>below</i>	<i>note 18</i>
Invested in Property and Equipment is represented by					
Property and equipment				831,143	
Sinking fund investment				7,144	
Long term debt, before current portion				(158,075)	
Deferred contributions for property and equipment				(402,873)	
Net current assets and current liabilities invested in Capital Fund				10,283	
Due from a related party, parking displacement				4,632	
Due from a related party, sale proceeds				3,090	
Invested in Property and Equipment				295,344	

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2011

<i>Dollars in thousands</i>	2011	2010*
OPERATING ACTIVITIES		
Net revenue for the year	52,320	61,960
Items not involving cash		
Amortization of property and equipment	51,687	50,706
Gain on sale of properties		(6,962)
Unrealized portion of investment gains in net revenue (note 20)	(12,113)	(53,078)
Amortization of deferred contributions, property and equipment	(14,126)	(13,689)
Employee future benefits	6,340	(5,184)
	84,108	33,753
Changes in non-cash operating balances		
Accounts receivable	(525)	(5,518)
Due from related party	(4,630)	(5,033)
Inventories	(239)	250
Prepaid expenses	88	(116)
Prepaid lease	315	314
Accounts payable and accrued liabilities	13,408	(15,124)
Deferred contributions, less unrealized gains (note 13)	6,230	(1,339)
Cash provided by operating activities	98,755	7,187
INVESTING ACTIVITIES		
Net increase in long term investments, net of market adjustment	(51,788)	(965)
Proceeds from sale of properties		6,728
Property and equipment acquisitions	(85,154)	(80,855)
Endowment contributions	24,198	39,073
Re-investment in to Great Northern Way Campus Trust	(211)	(679)
Cash used in investing activities	(112,955)	(36,698)
FINANCING ACTIVITIES		
Deferred contributions for property and equipment	41,524	31,140
Long term debt proceeds		159
Debt principal repaid	(2,975)	(1,627)
Cash provided by financing activities	38,549	29,672
Net increase in cash and cash equivalents	24,349	161
Cash and cash equivalents, beginning of year	3,248	3,087
Cash and cash equivalents, end of year	27,597	3,248

SUPPLEMENTAL CASH FLOW INFORMATION

Cash interest paid during the year was \$9,821,000 (2010: \$9,988,000).

*Restated: Note 25.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SIMON FRASER UNIVERSITY 2010/11

1. AUTHORITY AND PURPOSE

Simon Fraser University operates under the authority of the *University Act of British Columbia*. It is a comprehensive research university engaged in research and delivering a full range of undergraduate, graduate and Lifelong Learning programs from campuses in Burnaby, Vancouver and Surrey, BC. 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*.

2. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

Accounting Method

The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles using the not-for-profit organization reporting standards as recommended by the Canadian Institute of Chartered Accountants (CICA). These principles are consistent with those used in prior years, except for the changes to accounting policies described in note 25.

The deferral method of accounting for contributions is used. Net assets are reported in relation to general operating, internally restricted, invested in property & equipment and endowments. Revenues and expenses are recorded on a gross and accrual basis.

Related Entities

Changes in accounting policy, note 25

The financial statements include related entities that have been accounted for by the following methods:

- Consolidation — SFU Foundation (100% interest)
- Proportionate Consolidation — Tri Universities Meson Facility (TRIUMF) (9% interest) and Western Canada Universities Marine Sciences Society (WCUMSS) (20% interest)
- Equity Method — SFU Community Trust (SFUCT) (100% interest) and Great Northern Way Campus Trust (GNWCT) (25% interest)

Two entities are 100% controlled; but not consolidated as they are not material to these financial statements:

- SFU Community Corporation has no business operations and its sole purpose is to act as the trustee of SFU Community Trust; and
- SF Univentures Corporation promotes technology transfer to the private sector and has very limited business operations and assets.

Revenue Recognition

Operating government grants not restricted in use are recognized when received or receivable. Such grants, if contributed for a future period, are deferred and reported as deferred contributions until that future period. Other unrestricted revenue, including student tuition and sales of goods and services, are reported as revenue at the time the services or products are provided. Unrestricted contributions and pledges are recognized as revenue when received.

Externally restricted contributions (grants and donations) are reported as revenue depending on the nature of restrictions on the use of the funds by the contributors.

- Contributions for specific purposes other than endowment or the acquisition of property and equipment are recorded as deferred contributions and recognized as revenue in the year related expenses are incurred.
- Contributions restricted for capital purposes are recorded as deferred contributions until the amount is invested in property and equipment.
 - » If the property and equipment acquired is land, property rights or a special collection item, the amount is recorded as a direct increase to net assets invested in property and equipment.
 - » If the property and equipment has a limited life, the amount invested is recorded as a deferred capital contribution and amortized over the useful life of the asset to net assets invested in property and equipment. Amortization of deferred capital contributions for property and equipment is recorded on a straight-line basis over the estimated life of the related assets.
- Endowment contributions, matching contributions and investment income allocated for endowment capital preservation are recognized as direct increases in net assets held for endowments in the period in which they are received or earned.

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.

Financial Instruments

The University has elected to apply CICA Handbook section 3861 in relation to reporting on financial instruments with some additional disclosures in relation to risk. The University's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and long term debt. These financial instruments are accounted for as follows:

Held for trading

The University has designated cash and cash equivalents and investments, except for long term annuity and long term promissory note, as held for trading. These instruments are recognized at their fair value, determined by published price quotations in an active market. Transaction costs to buy or sell these items are recognized in income on the settlement date. Net gains and losses arising from changes in fair value are recognized immediately in income unless funds are externally restricted.

Loans and receivables and other financial liabilities

The University has classified accounts receivable and receivable due from a related party as loans and receivables. Accounts payable and accrued liabilities and long term debt are classified as other financial liabilities for financial reporting purposes.

These instruments are initially recognized at their fair value and are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment. Given the short term nature of accounts receivable, accounts payable and accrued liabilities, their carrying value equates to their fair value.

Held to maturity

The University has classified investments in long term annuity and long term promissory note as held to maturity for financial reporting purposes.

These financial instruments are initially recognized at their fair value and subsequently measured at their amortized cost, using the effective interest method.

Inventories

Inventories of merchandise held for resale in the bookstore are recorded at the lower of acquisition cost and net realizable value.

Property and Equipment

Property and equipment acquisitions are recorded on the statement of financial position at cost. Donated assets are recorded at fair market value at the date of acquisition. Amortization of property and equipment is recorded on a straight line basis over the estimated life of the asset.

2a / Estimated useful life

<i>Time in years</i>	
Site services	50
Buildings	
Concrete	50
Wood	30
Library books	10
Equipment and furnishings	8
Computing equipment	3
Leasehold improvements	Term of Lease

No amortization is taken on land, property rights, works of art and collections, which include that portion of library assets considered to have permanent value, as they are considered to have an unlimited useful life.

Impairment of Long Lived Assets

Long lived assets are tested for impairment whenever circumstances indicate that the service potential has declined. When events or circumstance indicate that the service potential has declined, the long lived assets are written down based upon the relative loss of service potential and a related expense recognized in the statement of operations. A long lived asset taken completely out of use is written down to its residual value. There was no write down of long lived assets in 2011.

Prepaid Lease

Prepaid lease expense is capitalized and amortized over the term of the related lease.

Pension Plans

The University contributes to two pension plans whose boards of trustees, represent the members and the employer, manage the plans including the investment of assets and administration of benefits. Accordingly, the pension plans have separate financial statements. The University's contributions to these plans are expensed as incurred. Contributions are determined using the projected benefit method prorated on employment services with actuarial gains and losses amortized over the estimated average remaining service lifetime of eligible employees.

Employee Future Benefits

Changes in accounting policy, note 25

The University operates three employee future benefit plans providing post retirement medical and dental benefits, early retirement benefits and a long term disability plan. The cost of employee future benefits is determined using the projected benefit method prorated on employment services and is expensed to employee benefits expense as employees provide services. Adjustments arising from changes in assumptions and experience gains and losses are recognized immediately in the year in which they occur.

Use of Estimates

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the impairment of assets, provision for doubtful accounts, amortization period for property and equipment, and actuarial assumptions for employee future benefits and pension plans. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting & Regulatory Pronouncements

The University's financial reporting is currently based on the CICA Handbook's private enterprise standards which include the section 4400 series on not-for-profit accounting standards.

For the fiscal year commencing April 1, 2012, the University, as a government not-for-profit organization (GNPO), will be required to prepare financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS) established by the Canadian Public Sector Accounting Board (PSAB) with restatement of comparative figures. The change to public sector accounting standards will result in different financial measurement, format of financial statements, and financial disclosure as they are based on different principles and concepts.

PSAB enables GNPOs to apply or not apply the PSAS section 4200 series which are similar to the section 4400 series of the private enterprise standards. Pursuant to the *Budget Transparency and Accountability Act*, the British Columbia Treasury Board has directed that the University adopt PSAS without the not-for-profit provisions contained in the PSAS section 4200 series and that elections or choices available under the PSAS be made after consultation with or direction of the Comptroller General.

The areas that may be most impacted by the change in the reporting framework includes accounting for: government transfers, endowment funds, employee future benefit and pension obligations, and related entities. The application of PSAS standards for GNPOs in these areas is continuing to be developed by PSAB. The University is working with peer organizations and provincial authorities to coordinate consistent application of the PSAS standards. For these reasons, the impact of these future changes has not been determined at this time.

3. FINANCIAL INSTRUMENT RISKS

The fair value of a financial instrument is the estimated amount that the University would receive or pay to settle a financial asset or liability at the reporting date.

The financial instruments of the University and the nature of risks that they may be subject to are as follows:

3a / Fair value of financial instruments

<i>Financial instrument</i>	CREDIT RISK	LIQUIDITY RISK	MARKET RISKS		
			CURRENCY	INTEREST RATE	OTHER PRICE
Cash and cash equivalents	X				
Accounts receivable	X				
Investments	X	X	X	X	X
Accounts payable and accrued liabilities		X	X		
Long term debt		X		X	X

Credit Risk

The University is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The University does not directly hold any collateral as security for financial obligations.

Cash and cash equivalents

Credit risk associated with cash and cash equivalents investments is minimized substantially by ensuring that these assets are invested in Schedule A Canadian chartered banks.

Accounts receivable

Management believes concentrations of risk with respect to accounts receivable is limited due to:

- I Student accounts receivable being a large population of limited amounts, the leverage to stop further enrollment and the granting of transcripts until payment is made and pro-active collections management.
- I Other receivables, advances and tax recoveries are generally with governments, major institutions other credit-worthy institutions.

The University maintains allowances for potential credit losses, and such losses to date have been within the University's expectations. In making estimates in respect of the allowance for doubtful accounts, current economic conditions, historical information, reasons for the accounts being past due and line of business from which the receivable arose are all considered in the determination of when to allow for past due accounts. The same factors are considered when determining whether to write off amounts charged to the allowance account against the amounts receivable.

Due from a related party

The University believes its receivable from SFU Community Trust is collectible based on its understanding of the business plans of the Trust.

Investments

The University has investment policies to ensure investments are managed appropriately in order to balance preserving of capital, meeting liquidity requirements and achieving attractive returns. The University retains several external investment firms to invest funds in accordance with its investment policies utilizing diverse agreed upon investment strategies primarily in active trading markets. Applying the CICA fair value hierarchy for fair value measurements provides an indication of the overall types of investments held at March 31, 2011 being: 97% quoted prices in active markets for identical investments (level 1); 3% direct or indirect observable prices that are not quoted prices (level 2); and 0% inputs that are not observable market data (level 3).

Liquidity risk

Liquidity risk is the risk that the University will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the University not being able to liquidate assets in a timely manner at a reasonable price.

The University meets its liquidity requirements by holding assets that can be readily converted into cash and preparing annual operating and capital expenditure budgets, which are monitored and are updated as required. In addition, the University requires authorizations of expenditures on projects to assist with the management of capital.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument, or factors affecting financial instruments traded in the market. The significant market risks to which the University is exposed are currency risk, interest rate risk and other price risk.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate in Canadian dollar value due to changes in foreign exchange rates.

The functional currency of the University is the Canadian dollar. The University transacts some revenue expenditure activity in US dollars and other currencies due to certain operating costs being denominated in US dollars and other currencies.

The University uses foreign exchange forward contracts only as a defensive strategy for known future obligations to manage foreign exchange transaction exposures.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of the University arises from its interest bearing assets and its fixed income investments including bonds and mortgages.

The University's cash includes amounts on deposit with financial institutions that earn interest at market rates. The University manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the University's results of operations.

The primary objective of the University with respect to its investments in fixed income investments is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory investment return.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk). The University is exposed to price risk through its investment in equities. The price risk associated with bonds is considered as part of interest rate risk for these purposes.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are demand deposits in Canadian financial institutions; primarily in Canadian currency; and presented net of outstanding items including cheques written but not cleared by the bank as at the date of the statement of financial position.

5. DUE FROM A RELATED PARTY

The due from a related party is receivable from SFU Community Trust and is without interest or fixed repayment terms except for \$4,630,000 that bears interest at the bank prime rate and is repayable on an event-driven basis. The University is a beneficiary of SFU Community Trust and accounts for it by the equity method as discussed in note 14.

6. INVESTMENTS

6a / Long term investments

<i>Dollars in thousands</i>	2011 MARKET	2010 MARKET
Actively managed bond fund	67,995	74,939
Indexed bond fund	97,005	71,433
Total bonds	165,000	146,372
Canadian equities	127,981	105,437
Foreign equities	86,371	52,575
Private equities	13,347	12,155
Long term annuity	11,925	12,004
Student investment advisory fund	10,793	9,706
Sinking fund	7,145	6,678
Vancouver Foundation	6,708	6,540
Long term promissory note	-	6,316
Total	429,270	357,783

6b / Actively managed bond fund

<i>Dollars in thousands</i>	2011 MARKET	2010 MARKET
Government bonds		
Federal	21,493	18,478
Provincial and municipal	24,338	31,327
	45,831	49,805
Corporate debentures	22,164	25,134
Total	67,995	74,939

Bonds in the actively managed bond fund mature between 2011 and 2041; and have coupon rates between 1.0% and 10.65%.

The indexed bond fund is based on the DEX Universe Bond index which references 1,049 bonds that are 47% federal government, 25% provincial and municipal, and 28% corporate. As at March 31, 2011, the portfolio's one year return was 5.18% and the duration was 6.08 years.

Canadian equities are managed by two investment management firms, each with a separate investment style. One manager uses a growth based stock selection process, while the other uses a combination of value and growth in a core selection process.

Foreign equity investments are invested approximately 47% in United States markets and 53% outside of Canada and the United States.

Private equities consist of five pooled private equity funds in which the University participates.

The long term annuity is receivable in installments of \$1,457,000 from 2011 to 2013, \$2,257,000 from 2014 to 2017 and \$8,257,000 in 2018.

The Student Investment Advisory Fund manages a portfolio with a balanced mandate. The portfolio follows the same asset allocation proportions as the overall endowment fund, investing in fixed incomes, Canadian equities and foreign equities.

Sinking fund investments are held and invested by the Province of British Columbia. These funds totaled \$7,145,000 (2010: \$6,678,000) and will provide for the retirement of debentures issued to the Province at maturity. Annual sinking fund payments due within the next five years are included in the debt repayment schedule in note 10.

The Vancouver Foundation investment is in its Consolidated Trust Fund pool which invests in several investment pools of equities, fixed income and real estate.

6c / Market adjustment analysis

<i>Dollars in thousands</i>	2011 MARKET	2010 MARKET
Market adjustment		
Operating investments		
Balance, beginning of year	8,553	(1,730)
Change in the year	4,979	10,283
Balance, end of year	13,532	8,553
Endowment investments		
Balance, beginning of year	21,068	(21,727)
Change in the year	14,720	42,795
Balance, end of year	35,788	21,068
Total, end of year	49,320	29,621
Investments, cost, year end	379,950	328,162
Investments, market, year end	429,270	357,783

6d / Impact of market adjustment of investments

<i>Dollars in thousands</i>	2011	2010
Balance, beginning of year		
Net assets: Internally restricted for commitments: Operating (note 16)	29,621	5,427
Net assets: Endowments	-	(28,884)
	29,621	(23,457)
Change in the year		
Net revenue for the year (note 16)	12,113	24,194
Deferred contributions: Endowment income stabilization account (note 13)	7,586	-
Net assets: Endowments (note 20)	-	28,884
	19,699	53,078
Balance, end of year		
Net assets: Internally restricted for commitments: Operating (note 16)	41,734	29,621
Deferred contributions: Endowment income stabilization account (note 13)	7,586	-
	49,320	29,621

7. INVESTMENT IN RELATED ENTITY

The investment in related entity is the University's 25% interest in Great Northern Way Campus Trust. This interest has been retroactively restated from the proportionate consolidation basis to the equity basis and has been accounted for as follows:

7a / Investment in related entity

<i>Dollars in thousands</i>	2011	2010
Balance, beginning of year		
As previously stated	-	-
Prior period adjustment to account on equity basis (note 25)	11,227	11,228
As restated	11,227	11,228
Change for the year		
Net revenue (loss) for the year	211	(1)
Balance, end of year	11,438	11,227

8. PROPERTY AND EQUIPMENT

8a / Property and equipment

<i>Dollars in thousands</i>	COST	ACCUMULATED DEPRECIATION	2011 NET BOOK VALUE	2010 NET BOOK VALUE
Buildings				
Concrete	727,786	179,847	547,939	489,170
Wood	27,075	11,511	15,564	10,869
Site services	37,448	12,619	24,829	23,958
Leasehold improvements	12,384	8,500	3,884	4,334
Computing equipment	19,573	9,595	9,978	15,171
Equipment and furnishings	115,350	54,828	60,522	72,612
Library books	85,421	38,063	47,358	47,080
Special collections	8,712	-	8,712	8,614
Land	19,974	-	19,974	19,299
Buildings under construction	92,382	-	92,382	106,568
Total	1,146,105	314,963	831,142	797,675

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

As at March 31, 2011, the University had committed to contracts for the construction and acquisition of buildings with future expenditures of approximately \$13,500,000.

Special collections include the University's art collection. The art collection, managed by a curator, primarily consists of donated art and is insured at a replacement value of \$15,000,000.

9. PREPAID LEASE

The University prepaid a liability due on the expiry of the Harbour Centre lease in December 2017. The prepaid lease amount is being amortized over the remainder of the lease. Commitments in relation to the Harbour Centre lease are \$4,739,000 per year until the end of the lease in December 2017.

10. LONG TERM DEBT

10a / Long term debt

<i>Dollars in thousands</i>	2011	2010
Debentures, senior unsecured	140,958	140,669
Debentures, Province of BC	11,000	11,000
Term loan	4,327	4,537
Mortgages, Verdant	1,790	3,186
Mortgages, student residences	-	1,658
	158,075	161,050
Current portion	(873)	(703)
Total long term debt	157,202	160,347

Debentures—Senior Unsecured issued by the University for \$150,000,000 bear interest at 5.613%; interest paid semi annually; due June 10, 2043; and are recorded using the effective interest method. Net proceeds of the issue were used to finance capital projects. The debentures are neither obligations of, nor guaranteed by, the Province of British Columbia.

Debentures obtained from the Province of British Columbia are unsecured, bear interest at rates between 8.75% and 9.5%; and are due between 2012 and 2022.

Term loan bears interest at 4.26%, with annual payments of \$400,000 including principal and interest, due September 30, 2014.

Mortgage collateralized by the Verdant rental units bears interest at 5.20%; has quarterly payments of \$84,165, including principal and interest and is due June 1, 2017.

Mortgages collateralized by student residences bore interest rates between 5.375% and 6.875% and had annual payments of \$248,000 (principal and interest).

Annual payments of principal, sinking fund installments and interest due within the next five years are as follows:

10b / Annual payments

<i>Dollars in thousands</i>	PRINCIPAL	SINKING FUND	INTEREST
2012	468	405	9,695
2013	490	493	9,245
2014	514	44	9,080
2015	3,931	44	8,981
2016	305	44	8,888

11. EMPLOYEE FUTURE BENEFITS

Some benefit plans for employees involve payments to be made after the provision of service and are described as employee future benefits. The immediate attribution method is utilized to recognize the expense and determine the accrued benefit obligation/liability. Estimating the expense for the current fiscal period of these future benefits involves an actuarial valuation to determine the accrued benefit obligation. As the immediate attribution method is utilized, there is no unamortized net actuarial gain or loss. The University does not segregate assets to specifically offset this liability.

Description of Benefit Plans

The University has three defined benefit plans that provide retirement and post-employment benefits to employees.

Non-Pension Benefits

Non pension benefits represents the obligation/liability for portions of future premiums payable to eligible current employees and retirees for Medical Services Plan, Extended Health Benefits and Dental Benefits. Only employees hired before dates between July 1, 2001 and May 1, 2003, depending on employee group, are eligible for this benefit.

11a / Accrued benefit obligation

<i>Dollars in thousands</i>	NON-PENSION BENEFITS	EARLY RETIREMENT	LONG-TERM DISABILITY	2011 TOTAL	2010 TOTAL
Current service cost	516	35	2,292	2,843	3,250
Interest cost	2,109	181	449	2,739	2,873
Actuarial loss (gains)	6,817	(299)	(2,486)	4,032	(8,271)
Expense for the year	9,442	(83)	255	9,614	(2,148)
Balance, beginning of year	34,032	3,590	11,008	48,630	53,814
Benefits paid	(1,090)	(304)	(1,880)	(3,274)	(3,036)
Balance, end of year	42,384	3,203	9,383	54,970	48,630

11b / Significant actuarial assumptions

<i>Discount rate</i>	NON-PENSION BENEFITS	EARLY RETIREMENT	LONG TERM DISABILITY
Beginning of year	6.25%	5.25%	4.00%
End of year	5.25%	5.25%	5.25%

Early Retirement

Early Retirement represents the obligation/liability to employees that took early retirement in the mid 1990's and other employees that receive supplementary pensions.

Long Term Disability

Long Term Disability represents the obligation/liability to employees who are being paid or have made claims pursuant to the University's self insured long term disability plans. An insurance company administers the plans and is reimbursed for disability claims payments plus service fees.

Defined employee future benefit plans

The University measures the accrued benefit obligations for accounting purposes through actuarial valuations. The most recent actuarial valuations of all three plans were as of March 31, 2011 and reported an actuarial loss of \$4,032,000 which has been immediately recognized as expense.

11c / Health care cost trend rates

<i>Non-pension benefits</i>	EXTENDED HEALTH BENEFITS	DENTAL	MEDICAL SERVICES PLAN
Initial trend rate	8.25%	4.25%	5.25%
Cost trend rate declines to	5.00%	4.25%	2.25%
Year rate reaches rate assumed to remain at	2024	2011	2014

Sensitivity Analysis

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change has the following effects for the fiscal year:

11d / Non-pension benefits sensitivity analysis

1 percent increase

Total of service and interest cost	485
Accrued benefit obligation, year end	7,569

1 percent decrease

Total of service and interest cost	(385)
Accrued benefit obligation, year end	(6,016)

11e / Accrued benefit obligation/liability

Dollars in thousands	2011	2010
Balance, beginning of year, as previously stated	44,797	40,244
Prior period adjustment for immediate recognition policy (note 25)	3,833	13,570
	48,630	53,814
Expense for the year, as previously stated	9,614	7,589
Prior period adjustment for immediate recognition policy (note 25)	-	(9,737)
	9,614	(2,148)
Benefits paid	(3,274)	(3,036)
Balance, end of year	54,970	48,630

11f / Employee benefits expense

Dollars in thousands	2011	2010
Employee Benefits Expense, as previously stated	60,019	55,809
Prior period adjustment for immediate recognition of Employee Future Benefits (note 25)	-	(9,737)
	60,019	46,072

12. PENSION PLANS

SFU has two pension plans providing pension benefits to its employees. The assets and liabilities of these pension plans are not included in the University's financial statements.

The boards of trustees for each of these plans represent plan members and the University. The trustees are responsible for the management of the plans including the investment of assets and administration of benefits. The University is responsible for funding the pension plans.

The BC *Pension Benefits Standards Act* (the Act) requires an actuarial valuation of each defined benefit pension plan at three year intervals. The actuarial valuations provide two measurements, a going concern valuation and a solvency valuation:

- The going concern valuation considers liabilities for benefits earned up to the valuation date assuming the plan continues indefinitely; and
- The solvency valuation assesses whether all future liabilities would be fully funded if the plan was wound up immediately.

Going concern valuation actuarial gains and losses are amortized to employee benefits expense over the estimated average remaining service lifetime of eligible employees.

Solvency valuation deficits, under the Act, may be addressed by either contributions over a maximum of five years or by the provision of increasing letters of credit over the same period. The University has chosen to address solvency valuation deficits with letters of credit.

Pension Plan for Members of the Academic Staff (Academic Plan)

The Academic Plan provides pension benefits primarily on a money purchase basis as a defined contribution plan. The Academic Plan also includes a grandfathered formula retirement benefit plan (FRB). The FRB is a defined benefit pension plan which provides benefits based on final earnings and years of service at SFU, indexed relative to the increase in the Consumer Price Index (CPI) up to a maximum of 3% per annum.

All contributions are made by the University and, for the calendar year 2010 were \$11,107,000 (2009: \$11,409,000) and for the FRB were \$8,497 (2009: \$8,600). (There were 26 biweekly pay periods in calendar 2010 as compared to 27 in 2009.)

The most recent actuarial valuation for the FRB was completed as at December 31, 2009. Significant actuarial assumptions include investment return of 6.00%, salary increases of 2.30%, and price inflation of 2.30%. An actuarial valuation is not required for the money purchase plan. The next actuarial valuation of the FRB plan will be completed as at December 31, 2012.

12a / Academic plan

<i>Dollars in thousands</i>	ACTUARIAL VALUATION AS AT DECEMBER 31, 2009
Going Concern Financial Position	
Actuarial value of assets (smoothed value)	26,763
Actuarial value of liabilities	27,526
Actuarial surplus (unfunded liability)	(763)

Solvency Financial Position	
Solvency assets	24,230
Solvency liabilities	32,868
Solvency excess (deficit)	(8,638)

Pursuant to the Act, instead of making solvency deficiency payments of \$1,575,000 for five years commencing in 2010, the University chose to arrange letters of credit in the cumulative amount of \$1,340,000 (2009–\$0) to satisfy the solvency contribution requirement. In the calendar years 2011 to 2014, contributions or further letters of credit of \$1,575,000 per year will be required to satisfy solvency contribution requirements.

Pension Plan for Administrative/Union Staff (Administrative/Union Plan)

The Administrative/Union Plan provides a defined pension benefit based on years of service and the average of the highest sixty consecutive months' salary. Pensions are indexed to CPI up to a maximum of 3% per annum.

All contributions are made by the University and, for the calendar year 2010, were \$11,706,000 (2009: \$11,794,000). (There were 26 biweekly pay periods in calendar 2010 as compared to 27 in 2009.)

The most recent actuarial valuation for the Administrative/Union Plan was completed as at December 31, 2007. Significant actuarial assumptions include investment return of 6.00%, salary increases of 3.75%, and price inflation of 2.25%. The next actuarial valuation will be completed as at December 31, 2010 and is expected mid 2011.

12b / Administrative/Union plan

<i>Dollars in thousands</i>	ACTUARIAL VALUATION AS AT DECEMBER 31, 2007
Going Concern Financial Position	
Actuarial value of assets (smoothed value)	185,079
Actuarial value of liabilities	184,975
Actuarial surplus (unfunded liability)	104
Solvency Financial position	
Solvency assets	188,656
Solvency liabilities	210,378
Solvency excess (deficit)	(21,722)

Pursuant to the Act, instead of making solvency deficiency payments of \$4,856,000 for five years commencing in 2008, the University chose to arrange letters of credit in the cumulative amount of \$15,580,000 (2009: \$10,000,000) to satisfy the solvency contribution requirements. In the calendar years 2011 and 2012, contributions or further letters of credit of \$5,000,000 per year will be required to satisfy solvency contribution requirements.

Pursuant to an agreement between the University and the employee organizations, in certain circumstances, a portion of assets in excess of liabilities may be payable to plan members.

13. DEFERRED CONTRIBUTIONS

Under the deferral 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 \$402,873,000 of deferred contributions for property and equipment represents the unamortized portion of restricted capital advances relating to assets which were purchased with restricted contributions.

13a / Changes in deferred contributions

<i>Dollars in thousands</i>	SPONSORED RESEARCH	SPECIFIC PURPOSE	SUBTOTAL	PROPERTY & EQUIPMENT	2011 TOTAL	2010 TOTAL
Balance, beginning of year	38,092	16,209	54,301	379,915	434,216	415,520
Restatement of gain on disposal of properties (note 25)				756	756	
Restatement for GNWCT accounting policy change (note 25)				(5,196)	(5,196)	
	38,092	16,209	54,301	375,475	429,776	415,520
Contributions in the year	65,617	27,222	92,839	41,524	134,363	119,231
Transferred to revenue	(63,517)	(27,571)	(91,088)	(14,126)	(105,214)	(103,875)
Terminated in relation to disposal of building					-	(1,100)
Increase in deferred endowment income in the year		13,940	13,940		13,940	30,994
Gain on endowment investments allocated to endowment principal (below)		(1,875)	(1,875)		(1,875)	(30,994)
Balance, end of year	40,192	27,925	68,117	402,873	470,990	429,776

13b / Source of deferred contributions, end of year

Province of British Columbia	4,422	3,756	8,178	313,309	321,487	321,179
Government of Canada	35,770	3,139	38,909	43,824	82,733	53,182
Other		21,030	21,030	45,740	66,770	55,415
Balance, end of year	40,192	27,925	68,117	402,873	470,990	429,776

13c / Deferred contributions for specific purposes

<i>Dollars in thousands</i>	2011	2010
External non-research contracts	7,194	7,439
Endowment & other externally restricted spending accounts	8,666	8,770
Endowment income stabilization account (next page)	12,065	-
Balance, end of year	27,925	16,209

The endowment income stabilization account is externally restricted by donors and represents the cumulative difference between endowment investment income and the funding applied to: (a) individual endowment spending accounts and (b) the amounts applied to endowment principal to preserve the spending power of the capital.

13d / Endowment income stabilization account

<i>Dollars in thousands</i>	2011 TOTAL	2010 TOTAL
Endowment investment income (loss) for the year		
Realized (note 20)	14,844	(3,106)
Unrealized (notes 6, 20)	14,720	42,795
	29,564	39,689
Endowment income allocated to		
Individual endowment spending accounts	(8,446)	(8,625)
Endowment principal to preserve purchasing power	(7,178)	(70)
Increase in endowment income stabilization account during the year	13,940	30,994
Balance, beginning of year (note 20)	-	-
Gain on endowment investments allocated to endowment principal (note 18)	(1,875)	(30,994)
Balance, end of year	12,065	-
Balance, end of year endowment income stabilization account losses applied to reduce endowment principal (note 18)	-	(1,875)

13e / Unrealized portion of endowment income stabilization component of deferred contributions

<i>Dollars in thousands</i>	2011	2010
Balance, beginning of year	-	-
Change in the year (notes 5, 6, 20)	7,586	-
Balance, year end (notes 6, 20)	7,586	-

14. DEFERRED LEASE PROCEEDS / RELATED ENTITY ACCOUNTED FOR BY THE EQUITY METHOD

SFU Community Trust is developing land on Burnaby Mountain known as UniverCity. The land was provided to the Trust by the University. The Trust is a taxable business trust and must pay income taxes on any taxable income that is not allocated to beneficiaries. The majority of the development is being accomplished by the sale of 99 year leases to developers who develop residential housing.

SFU Community Trust has two beneficiaries, the University and Simon Fraser University Foundation, whose beneficiary is also the University. The Trust is not consolidated but is accounted for by the equity method with the income amortized over the 99 year terms of the related leases.

Since its inception, the Trust has distributed earnings of \$22,244,000 (2010: \$19,800,000), accrued \$1,095,000 (2010: \$401,000) of base rent to the University and distributed

earnings of \$2,060,000 (2010: \$2,060,000) to the Foundation. Cumulatively, the University has, on an equity accounting basis, recognized \$2,162,000 (2010: \$1,891,000) as income capitalized to the endowment.

However, the entire actual funds received, \$22,244,000, is invested for the benefit of the endowment. In the coming year, SFU Community Trust has committed to distribute \$1,317,000 to the University.

SFU Community Corporation, a company wholly owned by the University, has the sole purpose of being Trustee of the Trust and has no business operations.

Audited financial statements of the Trust as at December 31st are separately prepared. Information on the equity accounting in the University and a financial summary of the Trust's activities are provided below.

Equity in SFU Community Trust

The University records its equity accounted interest in the income of the Trust as a direct increase in net assets held as endowment principal as described in note 18. This amounted to an income of \$271,000 (2010: \$242,000) and was determined as follows:

14a / Net income from trust

<i>Dollars in thousands</i>	2011 TOTAL	2010 TOTAL
Net income as reported by the Trust	1,287	2,539
Adjustment of land value on transfer to Trust realized through sales of leases	921	-
Adjustment of base rent expense in the Trust due to SFU	694	-
Deferred current net income from SFUCT	(2,873)	(2,513)
Income of current year recognized this year	29	26
Portion of Trust income of prior years recognized this year	242	216
Net income to University from Trust, recorded as increase in net assets held as endowment principal (note 18)	271	242

14b / Trust's equity reconciled to University's deferred lease proceeds / equity in trust

<i>Dollars in thousands</i>	TRUST EQUITY	CONSOLIDATION ADJUSTMENTS	2011 DEFERRED LEASE PROCEEDS	2010 DEFERRED LEASE PROCEEDS
Balance, beginning of year	11,876	(33,409)	(21,533)	(19,331)
Changes in the year				
Net income reported by Trust	1,287	-	1,287	2,539
Adjustment of land value on transfer to Trust realized through sales of leases		921	921	-
Base rent elimination		694	694	-
Deferred current year's net income		(2,902)	(2,902)	(2,539)
Income of current year recognized in the year		29	29	26
Income of prior years recognized in the year		242	242	216
Prior year base rent receivable		(401)	(401)	-
Allocation to beneficiaries	(1,317)	-	(1,317)	(2,444)
Subtotal, changes in year	(30)	(1,417)	(1,447)	(2,202)
Balance, end of year	11,846	(34,826)	(22,980)	(21,533)

14c / SFU Community Trust: Financial summary

<i>Dollars in thousands</i>	2011 TOTAL	2010 TOTAL
Financial Position		
Total assets	67,459	63,057
Total liabilities	55,613	51,181
Trust balance, end of year	11,846	11,876
Operations & Trust Balance		
Revenue	11,677	5,900
Expenses	10,390	3,361
Net income for the year	1,287	2,539
Trust balance, beginning of year	11,876	11,781
Allocations to beneficiaries	(1,317)	(2,444)
Trust balance, end of year	11,846	11,876
Cash Flows		
Operating activities	5,041	2,566
Investing activities	(6,122)	(14,094)
Financing activities	1,692	13,115
Increase in cash during the year	611	1,587

Consolidation adjustments relate to two factors: land was transferred to the Trust that was recorded at fair market value, but is retained in the University's records at cost until realized by third party transactions; and, income from the sale of leases by the Trust is recognized in the Trust at the same time of the lease sale, but is recognized in the University over the 99 year terms of the related leases.

15. CAPITAL DISCLOSURES

The University considers its capital to be its net assets excluding endowments. The University's objective when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide services to its students and research funding agencies. Annual budgets are developed and monitored to ensure the University's capital is maintained at an appropriate level. The University has no external restrictions imposed on its capital.

16. INTERNALLY RESTRICTED FOR COMMITMENTS : OPERATING

Internally restricted amounts are subject to funds being available.

16a / Internally restricted for commitments: operating

<i>Dollars in thousands</i>	2011	2010
Balance, beginning of year	9,317	(33,078)
Increase in the year	35,709	42,395
Balance, end of year	45,026	9,317

16b / Components of internally restricted for commitments: operating

<i>Dollars in thousands</i>	2011	2010
Operating budget carryover	20,255	9,700
Auxiliaries and special projects	8,317	2,666
Research and other grants	16,454	13,795
Accrued but not funded employee future benefits and vacation pay	-	(16,844)
Balance, end of year	45,026	9,317

16c / Unrealized portion of internally restricted for commitments: operating

<i>Dollars in thousands</i>	2011	2010
Balance, beginning of year		
Operating (note 6)	8,553	(1,730)
Endowment operating (note 6)	21,068	(21,727)
	29,621	(23,457)
Changes in the year		
Operating (notes 6, 20)	4,979	10,283
Endowment operating (notes 6, 20)	7,134	42,795
	12,113	53,078
Balance, end of year		
Operating (note 6)	13,532	8,553
Endowment operating	28,202	21,068
	41,734	29,621

17. INTERNALLY RESTRICTED FOR COMMITMENTS : LEASE & OTHER

17a / Internally restricted for commitments: lease & other

<i>Dollars in thousands</i>	2011	2010
Ancillary enterprises	5,803	2,961
Specific purpose	13,567	12,682
Long term lease commitment	13,227	14,263
Self insurance	783	467
Balance, end of year	33,380	30,373

The Ancillary enterprises represent accumulated funds held for the ongoing operations of the Bookstore, Food Services, Residences, Parking and Document Solutions.

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

Long term lease commitment funds provide for obligations entered into for the occupancy of the University's Harbour Centre facility, which include lease payments, tenant loan payments, a contribution towards operating costs, and to fund amortization of the prepaid lease that is reported as an asset on the University's statement of financial position (note 9).

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

18. ENDOWMENT

Endowment consists of restricted donations to the University. The investment income generated from endowments must be used in accordance with purposes established by donors. 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 capitalizing a portion of investment income in order to maintain purchasing power.

18a / Endowment

<i>Dollars in thousands</i>	2011	2010
Donations	9,254	4,351
Capitalized investment income	8,602	2,463
Equity income for the year from SFU Community Trust (note 14)	271	242
Base rent SFU Community Trust	694	-
Removed from endowment per donor request	-	(1,500)
Matching & other funds capitalized	2,644	2,287
Capital reduction from loss on specific related investment	(589)	(1,966)
Recovery of endowment investments allocated to endowment principal (notes 13, 25)	1,875	30,994
Change in the year	22,751	36,871
Balance, beginning of year	185,842	148,971
Balance, end of year	208,593	185,842

Income from the University's beneficial interest in SFU Community Trust is recognized as a direct increase in net assets held as endowment principal. Note 14 describes the Trust's sale of 99 year leases that result in recognition of "deferred lease proceeds" which are amortized to income over the remaining terms of the leases. Funds from the Trust are invested to generate income for the benefit of the endowment.

18b / Endowment principal

<i>Dollars in thousands</i>	2011	2010
Individual endowment principal balances, end of year	208,593	187,717
Income stabilization account loss not applied to endowment principal balances (note 13)		
Balance, beginning of year	(1,875)	(32,869)
Change in the year	1,875	30,994
Balance, end of year	-	(1,875)
Net assets, endowments, end of year	208,593	185,842

19. GOVERNMENT GRANTS AND CONTRACTS

19a / Government grants and contracts

<i>Dollars in thousands</i>	2011	2010
Province of British Columbia		
Operating	221,945	215,612
Sponsored research	5,687	5,815
Specific purpose	7,035	4,819
Property and equipment	501	4,488
Recorded as net deferred contributions	(2,250)	587
	232,918	231,321
Government of Canada		
Operating	6,571	6,498
Sponsored research	49,623	44,340
Specific purpose	11,646	12,477
Property and equipment	-	900
Recorded as net deferred contributions	(1,855)	(424)
	65,985	63,791
Other governments		
Operating	-	236
Sponsored research	637	1,038
Specific purpose	631	533
Property and equipment	165	-
Recorded as net deferred contributions	-	-
	1,433	1,807
Total	300,336	296,919

During the year, the University recorded the following government grants and contracts as they became receivable in accordance with the deferral method of accounting for contributions.

20. INVESTMENT INCOME

Investment markets have been volatile and this is reflected in changing values of investments and investment income.

20a / Investment Income

<i>Dollars in thousands</i>	GENERAL OPERATING	OPERATING OTHER	ENDOWMENT	2011 TOTAL	2010 TOTAL
Realized income from portfolio	6,829	1,793	14,844	23,466	4,669
Change in deferred contributions for endowment specific purpose accounts			112	112	491
Income capitalization to endowment equity			(8,602)	(8,602)	(2,463)
Portion of income deferred for endowment income stabilization account from realized income (note 13)			(4,479)	(4,479)	-
Portion of recovery of endowment income stabilization loss of prior years applied to endowment principal (note 25)			(1,875)	(1,875)	(2,697)
Realized investment income	6,829	1,793	-	8,622	-
Unrealized investment income (notes 6, 13)	4,979		14,720	19,699	53,078
Portion of income deferred for endowment income stabilization account from unrealized income (notes 6, 13)			(7,586)	(7,586)	-
Portion of recovery of endowment income stabilization loss of prior years applied to endowment principal (note 6)				-	(28,884)
Unrealized investment income	4,979	-	7,134	12,113	24,194
Total investment income	11,808	1,793	7,134	20,735	24,194

21. PLEDGES

Pledges made by donors to the University for donations to be received in future years are estimated at: cash donations \$57,400,000 (2010: \$22,400,000) and gifts-in-kind \$780,000 (2010: \$12,600,000). Pledges are not recorded in the financial statements until the related donations are received by the University.

22. CONTINGENCIES

From time to time, the University is involved in litigation or proceedings relating to claims arising out of its operations in the ordinary course of business. It is expected that the ultimate outcome of these claims will not have a material effect on the financial position of the University. The majority of these claims are covered by the University's insurance coverage. Any University payouts that may result from these claims will be recorded in the period when it becomes likely and determinable.

The University is a member in a self insurance cooperative in association with other Canadian universities to provide property and general liability insurance coverage. Under this arrangement, referred to as the Canadian University Reciprocal Insurance Exchange (CURIE), the University is required to share in any net losses experienced by CURIE, beyond the reserves that CURIE has accumulated from member premiums. Subscribers to CURIE have exposure to premium retro assessments should the premiums be insufficient to cover losses and expenses. The University is committed to this insurance arrangement until December 31, 2012.

The University is liable for letters of credit in the amount of \$16,920,000 in relation to its pension plans as further described in note 12.

23. ASSET RETIREMENT OBLIGATION

In accordance with Canadian Generally Accepted Accounting Principles, the University recognizes asset retirement obligations when a reasonable estimate of the fair market value of the obligation and the future settlement date of the retirement of the asset can be determined. The University has identified potential asset retirement obligations relating to removal and disposal of environmentally hazardous building materials in some facilities that may be incurred upon major upgrades or demolition in the future. At this time, the University has not recognized these asset retirement obligations as there is an indeterminate settlement date of any potential future demolition or renovation of the facilities and therefore the fair value cannot be reasonably estimated.

24. COMPARATIVE AMOUNTS

Certain amounts on the financial statements for the year ended March 31, 2010 have been reclassified in order to conform to the presentation adopted in the current year.

25. RESTATEMENT OF PRIOR YEAR

Change of Accounting Policy, Related Entities

The University changed its accounting policies regarding related entities and has done so on a retrospective basis with restatement of the comparative period presented to:

- Equity account for its interest in Great Northern Way Campus Trust rather than utilize the proportionate consolidation method (note 7); and
- Proportionately consolidate its interest in TRIUMF and WCUMSS rather than only provide note disclosure in the University's financial statements.

The University believes these changes in accounting policy are preferable to the prior methods used, results in more reliable and relevant financial presentation and aligns accounting practices with associated universities involved in these operations.

The summary net impact of this accounting policy is to retroactively restate the 2010 comparative figures to increase net assets at the beginning of the year \$1,715,000; decrease net revenue for the year \$302,000; and increase net assets at the end of the year \$1,413,000.

Change of Accounting Policy, Employee Future Benefits

The University changed its accounting policies regarding employee future benefit plans with respect to actuarial gains and losses from amortizing such costs over the expected remaining service lifetime of eligible employees to immediately recognize gains and losses and has done so on a retrospective basis with restatement of the comparative period presented. This is considered to provide a more relevant, reliable and readily understood presentation (note 11).

This change of accounting policy restated 2010 to: decrease beginning net assets by \$13,570,000; decrease in employee benefits expense and increase net revenue by \$9,737,000; decrease net assets ending and increase employee future benefits liability by \$3,833,000.

Restatement of Prior Year Gain on Disposal Properties

The comparative figures for 2010 have been retroactively restated to correct an accounting error thereby: increasing the gain on disposal of properties, net revenue for the year investment in property and equipment by \$314,000; decreasing the net book value of wood frame buildings by \$1,100,000; increasing concrete buildings by \$2,170,000; and increasing deferred contributions on property and equipment by \$756,000.

Restatement of Prior Year Investment Income

The comparative figures for 2010 have been retroactively restated to correct the presentation of endowment income. \$30,994,000 of investment income is now presented as a direct increase in net assets held for endowments rather than record it as operating revenue and a transfer of net assets from operating to endowment. The balance of net assets related to endowments was not affected by this change.

25a / Impact of restatement on comparative figures

<i>Dollars in thousands</i>	AS PREVIOUSLY REPORTED	RELATED ENTITIES	EMPLOYEE FUTURE BENEFITS	DISPOSAL OF PROPERTIES	INVESTMENT INCOME	AS RESTATED
Statement of Financial Position as at March 31, 2010						
Cash and cash equivalents	1,936	1,312				3,248
Accounts receivable	18,301	436				18,737
Inventories	2,198	6				2,204
Investments	365,835	(8,052)				357,783
Investment in related entity	-	11,227				11,227
Property and equipment	807,679	(11,074)		1,070		797,675
Accounts payable and accrued liabilities	(30,756)	(1,423)				(32,179)
Current portion of long term debt	(4,488)	3,785				(703)
Employee future benefits	(44,797)	-	(3,833)			(48,630)
Deferred contributions for property and equipment	(379,915)	5,196		(756)		(375,475)
Net assets internally restricted, operating	(13,150)	-	3,833			(9,317)
Net assets, invested in property and equipment	(280,013)	(1,413)		(314)		(281,740)
	-	-	-	-	-	-
2010 Statement of Operations						
Revenue, Government of Canada	(58,827)	(4,964)				(63,791)
Donations, non-government grants and contracts	(31,016)	(1,328)			491	(31,853)
Investment income	(55,284)	587			30,503	(24,194)
Amortization of deferred contributions: property and equipment	(13,755)	66				(13,689)
Other revenue	(10,843)	785				(10,058)
Salaries	277,566	3,529				281,095
Employee benefits	55,809	-	(9,737)			46,072
Supplies and other operational expenses	53,780	1,479				55,259
Amortization of property and equipment	50,920	(214)				50,706
Professional and contracted services	31,385	33				31,418
Scholarships, bursaries and prizes	27,155	6				27,161
Travel and personnel expenses	14,560	172				14,732
Interest on long term debt	10,043	(117)				9,926
Utilities	7,232	268				7,500
Gain on disposal of properties	(6,648)	-		(314)		(6,962)
Net revenue for the year	83,205	302	(9,737)	(314)	30,994	61,960

25a / Impact of restatement on comparative figures, continued

<i>Dollars in thousands</i>	AS PREVIOUSLY REPORTED	RELATED ENTITIES	EMPLOYEE FUTURE BENEFITS	DISPOSAL OF PROPERTIES	INVESTMENT INCOME	AS RESTATED
2010 Statement of Cash Flows						
Net revenue for the year	83,205	(302)	9,737	314	(30,994)	61,960
Amortization of property and equipment	50,920	(214)				50,706
Gain on sale of properties	(6,648)			(314)		(6,962)
Amortization of deferred contributions, property and equipment	(13,755)	66				(13,689)
Employee future benefits	4,553		(9,737)			(5,184)
Accounts receivable	(5,691)	173				(5,518)
Inventories	248	2				250
Prepaid expenses	(108)	(8)				(116)
Accounts payable and accrued liabilities	(15,132)	8				(15,124)
Net decrease (increase) in long term investments, net of market adjustment	(1,017)	52				(965)
Property and equipment acquisitions	(81,072)	1,287		(1,070)		(80,855)
Endowment contributions	8,079	-			30,994	39,073
Reinvestment into Great Northern Way Campus Trust	-	(679)				(679)
Deferred contributions for property and equipment	30,384			756		31,140
Debt principal repaid	(1,592)	(35)				(1,627)
Net increase (decrease) in cash and cash equivalents	125	350		(314)		161
Cash and cash equivalents, beginning of year	1,811	1,276				3,087
Cash and cash equivalents, end of year	1,936	1,626	-	(314)	-	3,248



BOARD OF GOVERNORS

Standing (Left to Right)

Paul Percival

Gordon Myers

Andrew Barton

Brian Taylor, Deputy Board Chair

Andrew Petter, President and Vice-Chancellor

Seated (Left to Right)

Arry Dhillon

Lynda Brown-Ganzert

Bob Elton, Board Chair

Nancy MacKay

Ravi Patel

Anne Giardini

Members not appearing in the photograph

Brandt Louie, Chancellor

Michael Francis

Jeanette McPhee



STUDYING CELLS TO SAVE FORESTS

Originally from Amman, Jordan, Dua'a Riyal came to SFU in 2004 to study science. By applying genetic molecular techniques, she worked to develop new ways to breed trees to replenish and preserve the world's rapidly depleting forests, ecosystems, and wildlife. In collaboration with scientists at SFU and UBC, her goal was to be the first laboratory in the world to successfully use TILLING technology (Targeting Induced Local Lesions in Genomes) to breed a forest tree.

Riyal defended her Masters thesis in Plant Molecular Biology in early 2011. A member of the Golden Key International Honours Society, an honour roll student, and a recipient of SFU's Open Scholarship and Biological Sciences Merit Award, Riyal supports her community as an Arabic language teacher and by volunteering with charitable programs at the Dar Al-Madinah Islamic Society in Vancouver.



www.sfu.ca/finance

The Design Group, External Relations
Document Solutions
Teaching and Learning Centre

SFU

THINKING OF THE WORLD