

SFU

SIMON FRASER UNIVERSITY
ENGAGING THE WORLD

ANNUAL FINANCIAL REPORT

March 31, 2014



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PRESIDENT'S MESSAGE



The Engaged University

SFU has embraced a vision for itself as Canada's "engaged university defined by its dynamic integration of innovative education, cutting-edge research, and far-reaching community engagement."

With campuses in each of British Columbia's three largest municipalities — Burnaby, Vancouver, and Surrey — we have more than 30,000 students, 6,000 faculty and staff, and 130,000 alumni. While almost 50 years old, the university exhibits the same spirit of adventure, openness, and willingness to embrace bold initiatives that characterized it from the very beginning.

Engaging Students

In addition to equipping students with knowledge, critical thinking abilities and research aptitudes, SFU offers a broad array of experiential learning opportunities that provide our students with practical understanding, civic literacy and workplace skills. These include co-op programs, internships, field schools, and community-based courses such as the Semester in Dialogue. This full-time, interdisciplinary course challenges students to work together — and with community thought leaders — to address pressing issues in areas such as healthcare, energy management, and food security.

Engaging Research

Rated one of Canada's top comprehensive universities, SFU excels in both research productivity and impact. Annual research income now exceeds \$100 million, and the university is known for its commitment to knowledge mobilization based on a strong foundation of fundamental research. SFU scholars frequently use their research skills to address pressing social, environmental and economic issues. In addition, we are a national leader in innovation and incubation, and have in the past decade spun-out, mentored or incubated over 200 companies, adding more than 2,400 new jobs to BC's economy.

Engaging Communities

SFU is committed to being Canada's most community-engaged research university. The university's community connections are an integral part of its educational and research missions, and our campuses have contributed in a substantial way to the development and enrichment of the communities they serve. Our passion for community engagement has produced a variety of exciting initiatives such as SFU Public Square, SFU Woodward's cultural programs, and the new SFU Surrey -TD Community Engagement Centre.

The Way Forward

Our vision of SFU as an engaged university is founded on the belief that creating a closer and more dynamic relationship between SFU and the communities we serve benefits both. The university gains by being able to offer its students new and meaningful learning experiences, and to provide its faculty members with diverse and relevant research opportunities. And communities gain from the value they derive from these activities, and from the benefits that an engaged university provides in facilities and programming.

As we approach our 50th anniversary, we look forward to taking further steps toward realizing our full potential — as an engaged university committed to enhancing the well-being of current and future generations.

Professor Andrew Petter
President and Vice-Chancellor

VICE-PRESIDENT'S MESSAGE



SFU has achieved satisfactory results in the face of significant fiscal challenges. The university achieved a modest consolidated surplus of \$24.6 million in 2013/14. In an environment of flat government funding, increased pension costs, and expanding capital renewal requirements, SFU has managed to meet these challenges while realizing its vision of being the engaged university.

Tuition revenue increased as compared to the prior year. There was no funding for additional student spaces in the year, yet enrolment continued to increase and SFU has again exceeded its funded enrolment target. The university enjoyed robust international student enrolment and the accompanying international tuition revenue helped to partially offset the funding gap in domestic student enrolment.

The university also produced strong investment returns in the year. The growth in investment income provides a valuable source of funds for student financial aid, research activities, athletics, and library materials.

The results may also be attributed to targeted cost savings driven by sound fiscal management. Excluding salary and benefits expenses, the university reduced total expenses by \$6.6 million or 3% compared to the prior year. SFU's strategic budget model seeks to minimize the adverse impacts of fiscal constraints while maintaining strategic flexibility, aligning resources with performance and driving funds to strategic priorities.

SFU also benefited from the extraordinary contributions of philanthropy. For five decades, donors have opened doors to education and opportunity for many of our most gifted and engaged students. With the 50th anniversary campaign, The Power of Engagement, SFU aims to raise \$250 million to help broaden and deepen community ties while strengthening support for the university and its programs.

The university continues to face significant challenges around pension costs and deferred maintenance costs. The university's defined benefit pension plan for staff employees continues to be a concern. The university is actively engaged with stakeholders to find a sustainable solution to the plan's funding and structural gaps.

Provincial funding for cyclical maintenance has been reduced from \$9.2 million in 2005/06 to \$2.4 million in 2013/14. Funding deferred maintenance and capital renewal requirements from internal sources places stress on core university programs. Addressing this issue is crucial to the realization of SFU's Strategic Vision, given the impact of deferred maintenance on research activities and the overall student experience.

SFU intends to grow to serve the community, particularly in the South Fraser region. The university is engaged in ongoing communication with government at all levels to advocate for adequate funding and financial flexibility in undertaking projects and initiatives designed to help realize the university's Strategic Vision.

As we enter 2014/15, SFU will continue to leverage the strengths in its core operations, control costs, manage risks, invest in strategic initiatives, and enhance the financial sustainability of the university.

Dr. Pat Hibbitts
Vice-President,
Finance and Administration

ENGAGING STUDENTS

Our vision: “To equip SFU students with the knowledge, skills, and experiences that prepare them for life in an ever-changing and challenging world.”

Being an engaged university means not only providing students with an education in the classroom, but also giving them the opportunity, through co-op and experiential learning, to engage in communities. Combining the best traditions of academic and teaching excellence, SFU is committed to providing our more than 30,000 students with diverse and transformative learning opportunities that enable them to gain the knowledge, critical capacities, research skills, and civic understanding required to become engaged global citizens.

In keeping with our goals of fostering interdisciplinary enquiry and supportive learning environments, the President’s Dream Colloquium encourages engagement among students, faculty and world-class thinkers and researchers. Previous colloquia at our Burnaby campus have drawn thousands of students, faculty and staff to explore the “Emergence and Complexity of Life” and “Justice Beyond National Boundaries”. The latest colloquium series on “Looking for Entrepreneurial Opportunities in All the Usual (and Some Unusual) Places” has continued to engage sizable audiences.

The SFU Semester in Dialogue, offered through our Vancouver campus, is a full-time program designed to inspire students with a sense of civic responsibility and encourage their passion for improving society. Each semester the program offers an original, interdisciplinary experience that bridges the classroom with the community and creates space for students to reflect on what they are doing and why it matters.

At our Surrey campus, we are engaging our students with innovative and in-demand courses in areas such as Mechatronics, World Literature, and Interactive Arts and Technology. This year, we have added Environment One, a part-time MBA program, and the very popular Science of Brewing. The Science of Brewing course is one of the inaugural products of the \$2 million INSPIRE initiative launched last year to stimulate change in the way science is taught at SFU.

SFU is blessed with a deep pool of talented and committed student volunteers who make a positive difference to SFU campus life every single day. By supporting their student peers, student volunteers help to make ours a university where students feel welcome and empowered. SFU provides students with a range of personal and professional development programming, including Passport to Leadership, DIRECTIONS, Emerging Graduate Leaders, Peer Education and Peer Mentorship. The opportunity to make a genuine contribution to the health and strength of our campus communities helps to equip students for life in an ever-changing and challenging world.

SFU also offers experiential learning opportunities beyond our three campus communities. For instance, students in the “Dig Greece” Semester Abroad program learn to excavate, survey, prepare, and catalogue archeological finds at an ancient Mycenaean site. Students spend a semester living on the island of Kefalonia, Greece, while gaining academic credit toward their degree.

SFU is also the first international member of the National Collegiate Athletic Association (NCAA), the world’s largest college sports association. SFU’s student-athletes help foster a vibrant campus environment and serve as role models to other students, encouraging them to do their personal best. Clan athletes’ self-discipline, team spirit and unwavering commitment to excellence make them exemplars of what it means to be “engaged students.”

January 2014 marked the full implementation of Canvas, the university’s new institutional learning management system. The story of Canvas at SFU is one of broad consultation, a community-driven initiative, bold decision-making, and experimentation with and openness to new ideas. The result has been a significant step forward for SFU in several areas: in the university’s infrastructure for teaching and learning, in the technical expertise of SFU support teams, and above all in the ability of instructors and students to participate in the ongoing expansion, elaboration, diversification, and reimagining of their educational experiences.

Jessica Kruger, an undergraduate student in the Department of English, won a national contest to become the face of Lise Watier’s “Something Sweet” perfume. As well as being a model and star athlete, she is a published author and a motivational speaker for the Rick Hansen Foundation and at many public schools. She is also a student tutor in SFU’s Friends of Simon (FoS) program, helping elementary and high school students build their English-as-a-second language skills.



Jessica Kruger
Undergraduate student
in the Department of English
and student tutor.

ENGAGING RESEARCH

Our vision: “To be a world leader in knowledge mobilization by building on a strong foundation of fundamental research.”

Discovery

The advancement of excellence in research is a defining feature of SFU. Our goal is to be the most research-intensive comprehensive university in Canada, competing effectively in defined areas with the top-tier institutions in the country and internationally renowned for the excellence of our scholarship.

SFU cultivates excellence through selective investment in emerging areas of research. In particular, our researchers work across the arts, humanities, and sciences to advance knowledge in seven integrative strategic research themes:

- Origins
- Communication, computation and technology
- Culture, society, and human behaviour
- Economic organization, public policy, and the global community
- Environment, resources, and conservation
- Health and biomedical sciences
- Pedagogy

SFU also strives to facilitate collaborations across disciplinary and institutional boundaries. For example, the Interdisciplinary Research in the Mathematical and Computational Sciences (IRMACS) Centre is a unique, interdisciplinary research facility that enables collaborative interaction – intellectually, physically, and virtually.

Innovation

SFU’s innovation programs foster an entrepreneurial culture that transforms ideas and discoveries into companies, products and services. We offer a variety of business acceleration programs that link researchers with supporting networks in the innovation ecosystem: entrepreneurs, industry, academic institutions, government, markets, customers, and investors. For example, RADIUS Ventures is a new social innovation lab and venture incubator based at SFU’s Beedie School of Business. RADIUS launched its first venture cohort in December 2013, focused specifically on “radical ventures” with a strong mandate to enhance social and environmental well-being.

We also helped launch VentureLabs, a world-class business accelerator program delivered by SFU, University of Victoria, BC Institute of Technology (BCIT), and Emily Carr University of Art + Design, in partnership with the BC Innovation Council (BCIC). The program provides participants with access to university research expertise and guidance from highly experienced executives-in-residence and expert mentors from the BCIC Mentor Program.

Impact

Our vision commits SFU to becoming a world leader in knowledge mobilization, disseminating knowledge and harnessing new ideas and innovations for the benefit of society. We engage students and communities to help solve research problems and deliver real-world results. SFU researchers participate in research panels, editorial boards of academic journals, and granting committees.

Our significant growth in research output has been made possible by a corresponding growth in research input. Total annual research funding exceeds \$100 million. The majority of SFU’s research funding comes from the Federal Government through the Tri-Council (NSERC, SSHRC, and CIHR), CFI, and other federal sources.

SFU’s reputation is catching up to the quality and impact of its research efforts. In 2013, SFU leapt up 38 spots in the QS World University ranking to place 244th in the world and 12th in Canada. In the latest Times Higher Education world ranking of universities under 50 years of age, SFU improved to 24th worldwide and 2nd in Canada. Since 2008, SFU has maintained its top position in ReSearch Infosource rankings of publication impact among Canada’s comprehensive universities and is ranked 6th overall in Canada. SFU researchers are also being increasingly recognized with prestigious individual awards and fellowships.

From the examples above, it is clear that SFU’s new models of knowledge mobilization, progressive intellectual property policy, and synergistic and collaborative Strategic Research Plan are successfully taking ideas from innovation to application.

Control Room

Ryan D’Arcy

Renowned neuroscientist and SFU professor Ryan D’Arcy is focused on providing solutions to critically important healthcare issues and improving the lives of patients through innovation.

NeuroTech Lab is the latest asset of Surrey’s Innovation Boulevard. The NeuroTech Lab provides a venue for SFU researchers to collaborate with technology experts and hospital clinicians to advance research in the areas of brain injury, concussion measurement, surgical simulation, rehabilitative devices, and spinal cord injury prevention. The lab embeds university research and development within the clinical environment of Surrey Memorial Hospital to accelerate health care innovation and improve patient care for British Columbians.

ENGAGING COMMUNITIES

Our vision: “To be Canada’s most community-engaged research university.”

SFU is committed to fostering a unique interplay between learning, discovery, and community outreach. We contribute all of our capacities, from people to properties, to develop healthier and more vibrant communities.

SFU’s Faculty of Science, for example, offers an array of programs that share the joys of scientific discovery with the community, advance science literacy and inspire curiosity and wonder in our next generation of scientists. Programs include Café Scientifique, which highlights the latest health research in its “Talks with Docs” series, the Science in Action Program, and the Starry Nights Program.

Our signature community engagement initiative is SFU Public Square, which assembles the hearts, minds, and talents of diverse communities to promote inclusive, intelligent, and inspiring dialogue. SFU Public Square hosts an annual Community Summit to investigate—and recommend practical solutions to—emerging and relevant issues of public concern. The Community Summit creates the space for residents to come together to jointly research, discuss, identify solutions and take action on emerging and relevant issues.

SFU Public Square also features a regular series of lectures, presentations, and dialogues that promote community engagement on issues of concern to our region. These include City Conversations, SFU Vancouver Speakers Series, and President’s Faculty Lecture Series.

SFU Philosophers’ Café is a series of informal public discussions focused on “Thinking the unthinkable, imagining the impossible, and discussing the improbable.” Since its inception in 1998, this award-winning program has engaged the interests of scholars, seniors, students, philosophers, and non-philosophers through stimulating dialogue and the passionate exchange of ideas.

SFU and the TD Bank Group recently launched the SFU Surrey – TD Community Engagement Centre (CEC), located at the Surrey City Centre Library adjacent to SFU’s Surrey campus. The CEC will foster connections between SFU and the ethnically diverse and growing South Fraser community, with an initial focus on supporting new immigrants and their families. It will connect children, adults and community members with SFU students, faculty and staff through a range of courses, workshops and experiences.

The SFU Woodward’s Cultural Unit brings art and culture to the Goldcorp Centre for the Arts by partnering with Vancouver’s artistic communities to host film screenings and theatrical and musical performances. In addition, the SFU Galleries in Burnaby and Vancouver house the university’s collection of regional and national artworks, and host public symposia, screenings, performances, and other community events.

Once the site of an isolated commuter campus, Burnaby Mountain is now home to UniverCity, a sustainable urban community of more than 3,500 residents. The community features access to care and schooling for their children, to entertainment and continuing education for themselves, and to one of the largest and most beautiful protected wilderness areas in the Metro Vancouver region.

These are just a few examples that illustrate how SFU is living up to its vision of being Canada’s most community-engaged research university.

Andrea Creamer

Relational aesthetics student at SFU’s School for the Contemporary Arts.

SFU Visual Art graduand Andrea Creamer’s passion for making art accessible to disadvantaged communities and creating art that incites public discussion is creating a big footprint for community engagement in Vancouver’s downtown eastside. Relational aesthetics is a field which marries the study of art history and art creation with meaningful social engagement to spark social and economic improvement at a community grassroots level. Her vinyl text installations, posters and other graphic work, strategically placed in Vancouver parks, seek to encourage passersby to contemplate the ironies and paradoxes underlying many municipal park regulations.

Underlying Principles

In addition to the core themes of engaging students, engaging research, and engaging communities, SFU is committed to the following principles which underpin all strategic activities at the university:

Academic and Intellectual Freedom

SFU will be an open and inclusive university whose foundation is intellectual and academic freedom.

We work to create a culture that celebrates robust and vigorous debate within an academic milieu characterized by reason, tolerance, and mutual respect. Freedom of speech is a precious right and, as such, we have a duty to do all we can to ensure that is exercised responsibly and with civility.

Diversity

SFU will foster a culture of inclusion and mutual respect, celebrating the diversity and multi-ethnic character reflected amongst its students, staff, faculty, and our society.

Our new International Engagement Strategy will ensure that we provide the richest and most diverse learning and research environments for our students, faculty and staff. It will enable us to build more meaningful connections with the multicultural communities of the Lower Mainland and will help foster engagement and understanding among people with diverse backgrounds.

Internationalization

SFU will value international knowledge, understanding and engagement, and will seek to engender an active global citizenship among its students, faculty and staff, and to ensure that SFU is an engaged partner and contributor on the international stage.

We have a rich history of international engagement and activity, including attracting international students and scholars, study abroad and international experiential education, exchanges and research collaborations, language learning, area studies, and international development. This integrated approach is the hallmark of SFU's teaching, research and community engagement, and helps us live up to our tagline of "Engaging the World".

Respect for Aboriginal Peoples and Cultures

SFU will honour the history, culture and presence of Aboriginal peoples. The university will welcome and nurture Aboriginal students and seek opportunities for greater representation of Aboriginal peoples amongst its faculty and staff.

SFU strives to help Aboriginal students gain access to post-secondary education. This fall we welcomed 125 new undergraduate Aboriginal students – the highest of any semester to date. In addition, the number of Aboriginal graduate students has almost doubled since 2008, with 127 students of Aboriginal heritage now working towards higher-level degrees. We are strengthening connections with Aboriginal communities through programming that encourages and nurtures Aboriginal student success.

Supportive and Healthy Work Environment

SFU will recognize, respect and value the essential contribution made by staff and faculty, and will seek to build and sustain a work environment that is equitable, supportive, rewarding and enjoyable.

SFU is one of the largest employers within the City of Burnaby and has a substantial employment presence in downtown Vancouver and the City of Surrey. For the seventh year running, SFU was named one of BC's top 60 employers, one of Canada's top 100 employers, and one of Canada's most family-friendly workplaces by Mediacorp Canada, the country's leading employment periodicals publisher.

Sustainability

SFU will pursue ecological, social and economic sustainability through its programs and operations. Through teaching and learning, research and community engagement, SFU will seek and share solutions. In its own operations it will develop and model best practices, from minimizing its ecological footprint, to maximizing its social health and economic strength.

Our new Sustainability Strategic Plan marks a major milestone in the university's commitment to advance the wide array of goals, outcomes, strategies and values subsumed under the term "sustainability". We integrate sustainability into the full range of our teaching and learning, research, community engagement, and day-to-day operations. The Sustainability Plan demonstrates SFU's assumption of its role as a leader in our progress to a sustainable way of living.

At SFU we recognize our responsibility and power as a community to reduce our environmental footprint in a big way. SFU's Zero Waste Initiative aims to double the amount of waste we divert from landfill by 2015 by recycling or composting it instead. All campus public spaces have been outfitted with standardized recycling and composting bins.

Local artist Dan Moxon (BA, SFU) Part-time staffer with SFU Creative Services and a member of local band Bend Sinister, composed the song, "It's Time for Zero Waste at SFU".



**MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)**

Forward-Looking Statements

The objective of this Management Discussion and Analysis (MD&A) is to assist readers of Simon Fraser University's financial statements to better understand the financial position of the university and operating activities for the fiscal year ended March 31, 2014. 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
- Financial Reporting Environment
- Risks and Uncertainties
- Related Entities

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 effects of competition, and business continuity risks. Simon Fraser University 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.



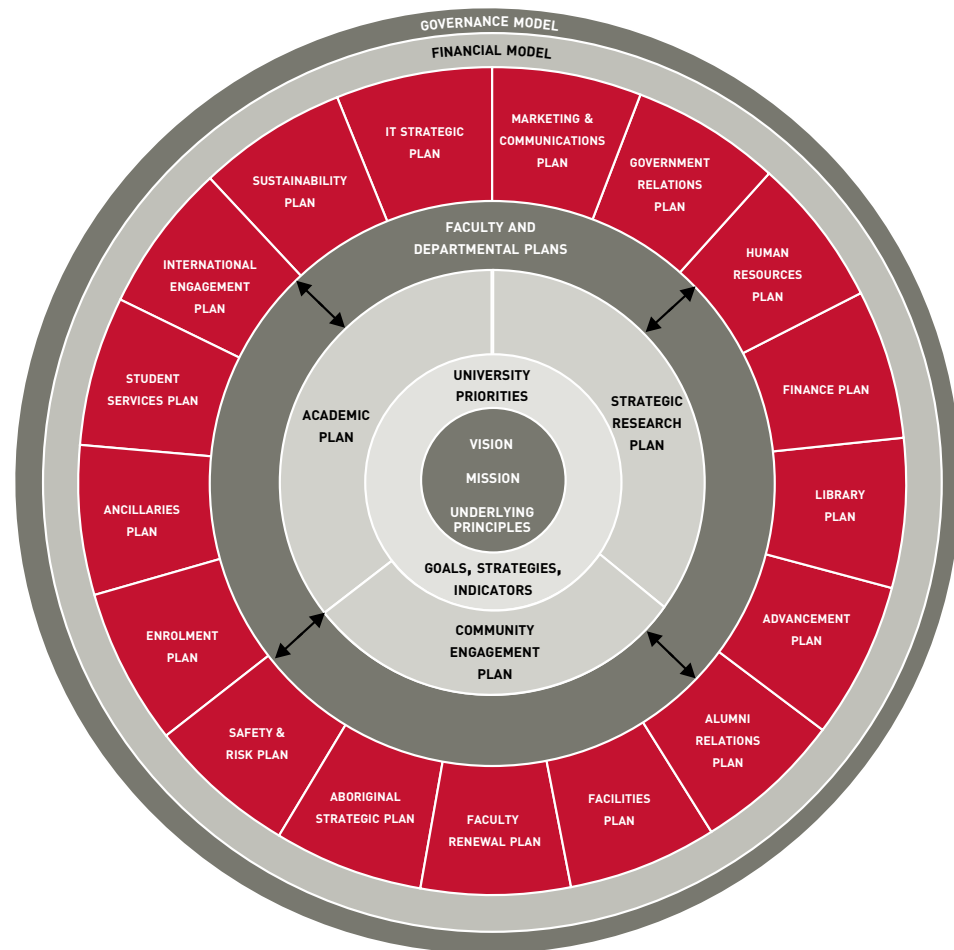
Planning and Management

Strategic Planning

SFU's dynamic planning process is centred around the university's Strategic Vision: To be the leading engaged university, defined by its dynamic integration of innovative education, cutting-edge research, and far-reaching community engagement. The Strategic Vision has three core themes: Engaging Students, Engaging Research, and Engaging Communities. To achieve its vision, SFU must also leverage the strength found in its infrastructure: human, financial, and capital. For each core theme, the university has identified a strategic goal and supporting activities which are intended to lead to the attainment of that goal.

The university's integrated planning framework illustrates how various institutional plans are integrated and aligned with the Strategic Vision. Each component of the planning framework supports the realization of the Strategic Vision in a manner consistent with a set of underlying principles. These principles represent values and priorities embraced by SFU and underpin all strategic activities. The university has also identified targeted outcomes for each of the strategic goals. The outcomes are observable and/or measurable results that are expected to be achieved by the end of the planning horizon. A series of indicators have been established to measure progress towards each outcome.

Integrated Planning Framework



Financial Governance Framework

The university's financial governance framework is designed to ensure that the university's financial resources are strategically directed, optimized, and protected to maximize program service benefits. These objectives are achieved through the application of financial management principles and control standards that deliver stakeholder value and enhance the university's reputation for financial integrity, ethical conduct and effective stewardship. The governance framework is set in the context of external factors such as legislative requirements and stakeholder expectations. It establishes a set of financial and operational governance principles that build accountability into the financial management of the university and support the achievement of SFU's Strategic Vision.

Financial Highlights

Financial Health

SFU ended the year with \$469 million of financial assets and \$1,075 million of non-financial assets for total assets of \$1,544 million (2013: \$1,450 million). The university enjoyed continued strength in domestic and international enrolments which grew consolidated revenue to \$635 million (2013: \$623 million), complemented by continued success in actively managing controllable costs.

Operating commitments provide the university with resources to fund one-time commitments and strategic initiatives in order to sustain operations and advance the university's strategic goals. The balance of net operating accumulated surplus at March 31, 2014 is \$26.6 million (2013: \$24.4 million), of which \$8.6 million was allocated to the University Priority Fund to fund strategic initiatives.

Investments

SFU's endowment fund of \$263.2 million (2013: \$253.4 million) provides a source of funds for student financial aid, research, athletics, and library materials. The increase from the prior year resulted from donations of \$6.9 million and endowment investment returns of \$2.8 million.

Portfolio investment balances increased to \$381.8 million (2013: \$296.3 million), mainly due to strong performance in both Canadian equity and foreign equity investments. Operating investment revenue exceeded established benchmarks, increasing \$10.3 million to \$34.0 million (including realized gains of \$21.5 million and unrealized gains of \$12.5 million).

Operations and Fiscal Restraint

The university's academic operations are funded primarily by government grants and tuition fees. In 2014 the provincial operating grant funded 17,682 undergraduate and 2,521 graduate program-based full-time equivalent student seats. Since 2010, there has been no funding for additional domestic student seats. Growth in enrolment since that time is attributed to increases in international student enrolment.

Tuition and student fees generated revenue of \$215.3 million in 2014 (2013: \$207.0 million). Since 2005, government policy has limited tuition fee increases to 2% annually, but this policy is not applicable to international student tuition and mandatory fees.

While SFU continues to actively manage costs, increased salary and benefits expenses associated with progress through the ranks and step increases are not funded by the government. Salary and benefits expense represents 64.7% of total expense. Excluding salary and benefits expenses, the university reduced total expenses by \$6.6 million or 3% compared to the prior year.

Government Grants

Provincial funding decreased from \$233.5 million in 2013 to \$227.3 million in 2014 due to elimination of funding for one-time initiatives, and our share of a \$5 million sector-wide reduction in the provincial operating grant. This decrease was partially offset by a \$4.2 million increase in federal funding, primarily related to research funding. Additional sector-wide reductions of \$20 million and \$25 million are expected in 2015 and 2016 respectively.

Provincial capital and maintenance funding has been reduced from \$9.2 million in 2006 under the former Annual Capital Allowance (ACA) to \$2.4 million in 2014 under the Routine Capital Fund. The pressures associated with failing capital infrastructure are alleviated in small part by efforts to optimize working cash for maintenance and capital renewal projects. For instance, the university has established a deferred maintenance fund to help address the most critical requirements. The fund was budgeted at \$3 million for 2014.

Capital

Tangible capital asset additions in 2014 totaled \$51.9 million (2013: \$44.1 million). The most significant additions relate to renovations of campus buildings (\$23.8 million), including the refurbishment of classrooms and student spaces. Other additions include purchases of computers and other equipment (\$19.5 million), and library acquisitions (\$8.6 million).

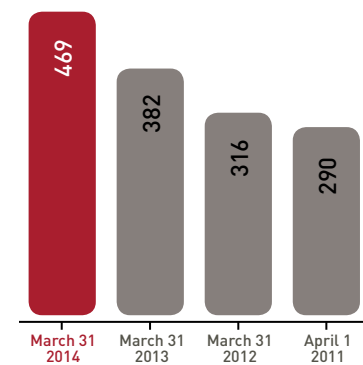
The university's Five Year Capital Plan guides decision-making related to the construction and renewal of campus facilities. The Capital Plan is based on four strategic programs that will significantly contribute to the university's goals by fostering supportive campus environments for students, research and the community:

- SFU Surrey Expansion
- SFU Burnaby Renewal and Rehabilitation
- Community Engagement
- Sustainability and Climate Action.

Financial Information

Financial assets

Dollars in Millions



Financial assets increased 22.8% to \$469M.

Dollars in Thousands	2014	2013
Cash and cash equivalents	34,301	36,769
Accounts receivable	7,757	12,600
Inventories for resale	1,479	1,762
Due from related parties	20,227	15,765
Investment portfolio	381,785	296,336
Investment in Great Northern Way Campus Trust	15,397	13,704
Investment in SFU Community Trust	8,077	4,927
Total Financial Assets	469,023	381,863

Cash and cash equivalents fluctuates seasonally and is within the normal range at this time of year.

Accounts receivable has decreased due to improved collection processes, and the reduction of research receivables.

Due from related parties increased as a result of a \$5.6M declared distribution from SFU Community Trust, partially offset by the collection and reinvestment of \$1.3M of prior year receivables from Great Northern Way Campus Trust.

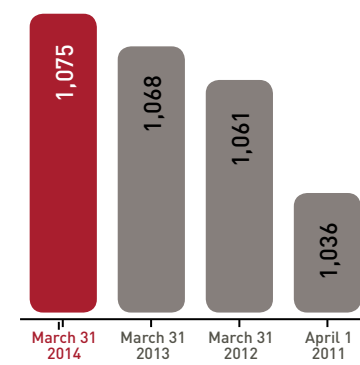
Investment portfolio is primarily attributable to the investment of cash generated from operations.

Investment in Great Northern Way Campus Trust increased in the year due to \$1.3M of prior-year receivables that were reinvested in the Great Northern Way Campus Trust, as well as the university's 25% share of the Trust's net income.

Investment in SFU Community Trust represents the university's 100% share in the SFU Community Trust. The increase reflects SFUCT's net income of \$8.8M less the declared distribution of \$5.6M.

Non-Financial assets

Dollars in Millions



Non-financial assets increased 0.7% to \$1,075M.

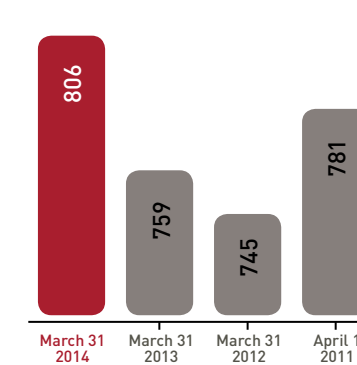
Dollars in Thousands	2014	2013
Tangible capital assets	809,226	810,740
Restricted investments	263,191	253,441
Prepaid expense	1,197	1,840
Prepaid lease	1,179	1,494
Inventories held for use	486	481
Total Non-Financial Assets	1,075,279	1,067,996

Tangible capital assets include land, buildings, leasehold improvements, library acquisitions, computers, and furniture and equipment. The decrease of \$1.5M from the prior year is primarily due to amortization exceeding capital additions.

Restricted investments consist of permanently restricted donations in relation to endowment capital. The increase from the prior year results from endowment restricted donations of \$6.9M and endowed investment income of \$2.8M.

Liabilities

Dollars in Millions



Liabilities increased 6.2% to \$806M.

Dollars in Thousands	2014	2013
Accounts payable and accrued liabilities	41,707	45,991
Pensions	32,063	28,958
Employee future benefits	59,629	55,051
Long-term debt	151,463	151,692
Deferred revenue	102,310	55,996
Deferred capital contributions	382,416	393,223
Deferred lease proceeds	36,389	27,978
Total Liabilities	805,977	758,889

Account payable and accrued liabilities are lower than the prior year due to the timing of payments of trade and payroll liabilities.

Pensions represent the net pension liabilities determined by actuarial valuations that are extrapolated for accounting purposes.

Employee future benefits represent future obligations resulting from employee post-retirement and compensated absence benefit plans. The \$4.6M increase relates to a \$2.1M increase in post-retirement non-pension retiree benefit obligations and a \$2.5M increase in long-term disability obligations.

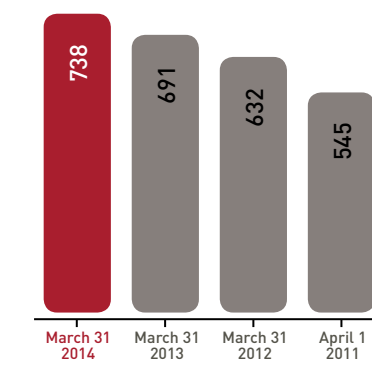
Deferred revenue is externally restricted revenue that is not recognized until related expenses are incurred. The balance increased as a result of growth in endowment investment income from very strong investment performance and increased research and specific purpose project revenue.

Deferred capital contributions are the unamortized portion of restricted capital advances. The balance decreased from the prior year due to amortization exceeding the receipt of contributions in the year.

Deferred lease proceeds offset the Investment in SFU Community Trust balance as income from the trust is deferred over 99 years.

Accumulated Surplus

Dollars in Millions



Accumulated surplus increased 6.9% to \$738M.

Dollars in Thousands	2014	2013
Internally restricted for operating commitments	66,470	61,817
Investment in tangible capital assets	385,318	365,340
Endowment	263,191	253,441
Total accumulated operating surplus	714,979	680,598
Accumulated remeasurement gains	23,346	10,372
Accumulated Surplus	738,325	690,970

Internally restricted for operating commitments consists of departmental carryovers of \$38.4M, down from \$39.9M in 2013, and \$28.1M of university project commitments.

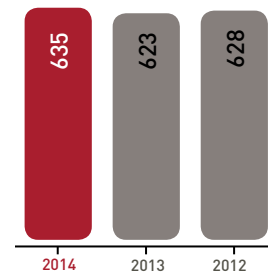
Investment in tangible capital assets represents the value of net assets invested in capital assets and therefore unavailable for other purposes.

Endowment fund balance increased as a result of \$6.9M of donations and \$2.8M of capitalized investment income.

Accumulated remeasurement gains primarily relates to the unrealized portion of portfolio investment gains since conversion to the Financial Reporting Framework.

Revenue

Dollars in Millions



Revenue increased 1.9% to \$635M.

Dollars in Thousands	2014	2013
Government grants and contracts	294,179	298,464
Tuition	215,291	207,012
Sale of goods and services	41,514	42,746
Donations, non-government grants and contracts	38,561	37,689
Investment income	21,533	13,265
Investment income - GNWCT	28	1,564
Amortization of deferred capital contributions	16,744	16,146
Other revenue	6,975	5,928
Total Revenue	634,825	622,814

Government grants and contracts revenue is received from the Province of British Columbia (77%), the Government of Canada (23%), and other governments (less than 1%). Although the provincial operating grant remained flat, one-time initiatives were eliminated, which reduced overall provincial funding by 2.6%. This was partially offset by a 6.8% increase in federal revenue.

Tuition increased by 4.1% in the year due to a 2% increase in domestic tuition fees and 10% increase in international student tuition fees.

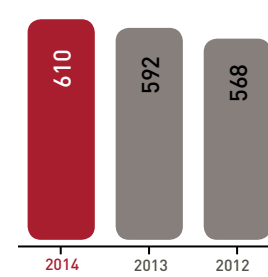
Sale of goods and services include sales from the bookstore, residences, parking, food services, printing, and meeting and event services. An overall 4% increase in revenues from these ancillary services was offset by the elimination of the Tech Shop from the Bookstore.

Investment income is the realized portion of investment income. The increase in investment income is mainly due to the strong performance of Canadian and foreign equity investments. The tactical asset allocation decisions to maintain a heavier weight in equities than fixed income and alternative investments also contributed to the positive returns.

Amortization of deferred capital contributions is the transfer to revenue of deferred contributions for capital purposes.

Expense

Dollars in Millions



Expense increased 3.2% to \$610M.

Dollars in Thousands	2014	2013
Salaries and employee benefits	394,988	369,726
Supplies and other operational expense	59,076	64,977
Amortization of tangible capital assets	53,300	52,811
Professional and contracted services	30,852	31,791
Scholarships and bursaries	29,664	28,983
Training and travel	15,882	15,232
Cost of goods sold	8,086	10,386
Interest on long-term debt	9,364	9,444
Utilities	8,967	8,183
Total Expense	610,179	591,533

Salaries and employee benefits represent 64.7% of total expenses, up from 62.5% in the prior year. The increase reflects a 2% general wage increase for most employee groups and increases in employee benefits expense rates.

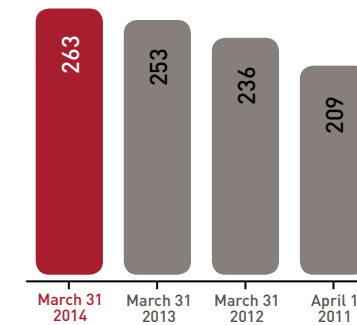
Supplies and other operational expense decreased as a result of reduced government discretionary funding for routine capital and research infrastructure.

Scholarships and bursaries increased by 2.3% to \$29.7M as portion of the international tuition increase has funded additional international student support. In addition, there has been increased support for grad scholarships, bursaries and awards.

Cost of goods sold decreased by 22% primarily as a result of the elimination of Tech Shop sales from the Bookstore.

Accumulated Surplus – Endowment

Dollars in Millions



Accumulated surplus – endowment increased 3.8% to \$263M.

Dollars in Thousands	2014	2013
Faculty, academic and other programs	92,140	88,756
Student financial aid	74,120	71,091
Research chairs	75,848	72,761
Professorships	13,163	13,013
Library collections	5,072	4,987
Athletics	2,848	2,833
Total Accumulated Surplus - Endowment	263,191	253,441

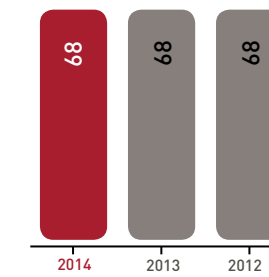
Endowments consist of externally restricted donations received by the university, the principal of which is required to be maintained intact in perpetuity to support the activities of the university. The investment income generated from endowments must be used in accordance with the various purposes stipulated by the donors. There are 790 individual endowment funds that provide \$11.0M (2013: \$10.9M) in funding support.

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 preserve purchasing power. Donations of \$6.9M and a reinvestment of \$2.3M of earnings helped the endowment principal grow to \$263.2M.

The income stabilization account, which is a component of deferred contributions, protects endowment spending against market fluctuations in the endowment investment fund, and has a surplus of \$52.1M (2013: \$9.9M).

Sponsored Research Contributions

Dollars in Millions



Sponsored research contributions decreased 0.2% to \$68M.

Dollars in Thousands	2014	2013
Government of Canada	46,779	43,895
Province of British Columbia	3,966	4,413
Canadian not-for-profit	9,711	10,849
Foreign not-for-profit	1,630	1,110
Industry	3,252	2,669
Other governments and institutions	1,409	3,374
Contributions Recorded to Deferred Revenue	66,747	66,310
Contributions for tangible capital assets	1,166	1,744
Total Sponsored Research Contributions	67,913	68,054

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

Sponsored research contributions have an externally restricted purpose. The funds received are recorded as deferred contributions and recognized as revenue in the period in which the related expenditures are incurred. As such, sponsored research revenue and expenditures are equal.

In addition to research that is funded on an externally restricted basis, as described above, research is also funded from other external sources and from internal sources.

Operating Environment

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

Student Demographics

The changing demographic of BC's population creates a shift in demand for education. At the provincial level, the BC Ministry of Education projects grade 12 public school enrolments to decrease each year to 2017 and then increase into the future. BC Stats projects the post-secondary school age population (18-24 years) in BC to decline each year to 2021 and then increase annually to 2036.

From a local perspective, SFU's three campus communities of Burnaby, Vancouver and Surrey have all experienced positive population growth in recent years and labour markets are creating significant demand for university graduates in these communities.

The provincial government's BC Labour Market Outlook anticipates that from 2010 to 2020, demand for workers in the Mainland/Southwest region is expected to increase by 1.6% each year and approximately 78% of job openings will require some post-secondary education and training, or a university degree. The number of jobs requiring university, college or trades credentials is expected to exceed the supply of BC graduates by 2016 and this skills deficit will continue to grow through to 2020.

There is clear demand in these communities to increase post-secondary capacity, but the university has not received funding to support any growth in domestic student seats over the past four years. Enrolment at SFU has consistently exceeded its funded targets. The additional costs and support associated with this over-enrolment place financial pressures on the university.

Government Priorities

The key goals of the Ministry of Advanced Education's new strategic framework are focused on support for students, maintaining a quality post-secondary education system, and developing an innovative approach to education and training that supports BC's diverse communities.

SFU's own objectives are aligned with those of the Ministry. The university's focus on providing students with experiential learning opportunities helps to align education and training with labour market demand. SFU has also developed an International Engagement Strategy to embed internationalization across the full spectrum of academic activities and university life, which is aligned with the Ministry's systemic goals. SFU delivers further benefits to society through its deep commitment to community engagement, leveraging the capacities of its three campuses to enhance the social, economic, environmental and cultural well-being of local and global communities.

Another Ministry priority is the development of opportunities for Aboriginal students in post-secondary education. SFU's second five-year Aboriginal Strategic Plan is making significant headway in developing new programs and initiatives, helping improve access, and nurturing Aboriginal student success.

Economic Environment

The Economic Forecast Council estimates that BC's real (inflation-adjusted) GDP growth was just 1.4% in 2013. With subdued domestic activity and ongoing uncertainty in the global economy, the Council forecasts provincial real GDP growth to be 2.3% in 2014, 2.7% in 2015 and 2.7% annually from 2016 to 2018.

The Council notes that strong economic growth and high wages in Alberta have been attracting skilled workers away from BC. Other risks to the province's economic outlook include the potential for further slowing of domestic activity, weakness in the US economy, and reduced demand from Asia. Additional risks include the ongoing sovereign debt situation in Europe, recent financial turmoil in emerging markets, a fluctuating Canadian dollar and weak inflation. In light of the modest economic forecast for the province, SFU has adopted a conservatively optimistic fiscal outlook.

Financial Reporting Environment

The university is deemed to be within the Government Reporting Entity (GRE) of the Province of British Columbia and, as such, is required to present its financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS) issued by the Public Sector Accounting Board of Canada (PSAB). The provincial government has directed that PSAS be applied without the optional section 4400 not-for-profit provisions within PSAS.

The provincial government has also directed that all restricted contributions for the purpose of acquiring tangible capital assets be accounted for as Deferred Capital Contributions (DCCs). Under PSAS, DCCs are only recorded when they meet the definition of a liability and are recognized as revenue when those liabilities are satisfied. This requirement is implicitly aligned with the PSAS not-for-profit option within PSAS. Essentially, the Restricted Contributions Regulation has enabled utilization of this one component of the not-for-profit optional provisions of PSAS. This variation from PSAS without the not-for-profit provisions results in the financial statements being presented on a compliance basis, rather than a regular PSAS basis. This compliance basis is referred to in these financial statements as the Financial Reporting Framework (FRF) and this approach is reflected in the audit opinion.

The notes to the financial statements provide more detailed information on the differences in reported financial results between the PSAS and FRF methods of financial reporting.

Risks and Uncertainties

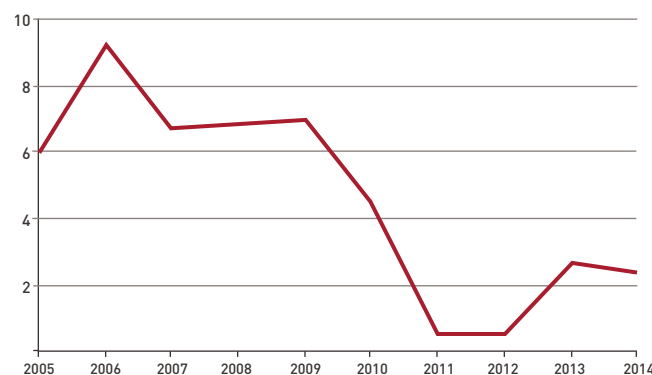
The university operates in an increasingly complex environment and must assume certain risks in order to meet its objectives and realize its Strategic Vision. To successfully manage strategic risks, the university has implemented a framework for the identification, measurement, and monitoring of risks. The following is an overview of the most significant financial risks currently facing the university.

Deferred Maintenance

As SFU's Burnaby campus approaches its 50th anniversary, the aging campus infrastructure requires significant rehabilitation and renewal to extend the useful life of facilities and to improve the sustainability and functionality of these facilities. According to the Facilities Condition Index (FCI), 39% of Burnaby campus buildings are in 'poor' condition, up from 34% in the prior year. This is in addition to the deferred maintenance needs of campus infrastructure such as roads and utilities, residences and other ancillary buildings.

Provincial capital and maintenance funding has decreased from \$9.2 million in 2006 to \$2.4 million in 2014. The challenge of funding deferred maintenance costs from internal sources places significant stress on core university programs. A comprehensive, multi-partner solution is required to address deferred maintenance needs, improve the overall condition of the campus, and ensure the reliability of facilities and infrastructure in support of SFU's long-term Strategic Vision.

ACA (Annual Capital Allowance) Grants



Pensions

Another significant challenge relates to rising costs and actuarial funding deficiencies of the university's pension plans. All contributions to the plans are made by the university.

The Academic Plan is primarily a defined contribution plan with comparatively lower risks and uncertainties to the university than the Administrative/Union Plan, which is a defined benefit plan. In common with all defined benefit plans, variation in plan investment returns can significantly impact the actuarial liability.

The risk associated with adequately funding the Pension Plans rests solely upon the university. Stakeholders are actively engaged in seeking an appropriate, balanced and sustainable way forward in addressing the plan's funding and structural gaps.

International Students

SFU has been successful in attracting international students, in part due to the contractual arrangement with Fraser International College (FIC), a private college adjacent to the Burnaby campus that provides transition programs for international students. The university places considerable reliance upon international student revenues to help alleviate budgetary constraints and with large numbers of international students arising from a limited number of geographic regions, there is significant exposure to global economic markets.

Government Funding

The provincial government has not funded any increase in enrolment for four consecutive years and has decreased operating funds. The provincial government has also issued a moratorium on new long-term financial liabilities, including capital leases, and prohibited universities from offering financial guarantees.

The lack of government funding for growth and restrictions on financing options creates significant challenges in meeting budgetary requirements and a lack of financial flexibility in undertaking projects and initiatives designed to help realize the university's Strategic Vision. To mitigate this risk, the university is engaged in ongoing communication with governments at all levels to advocate for adequate funding and to resolve the accounting issues around capital projects.

Related Entities

The university's consolidated financial statements include the following related entities.

Simon Fraser University Foundation

The Simon Fraser University Foundation encourages 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 10 rental units in the Verdant housing complex that 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.

TRIUMF and WCUMSS

SFU participates with other universities in two research joint venture entities. Tri-University Meson Facility (TRIUMF) is Canada's national laboratory for particle and nuclear physics. TRIUMF is owned and operated by a consortium of 11 Canadian universities.

Western Canadian Universities Marine Sciences Society (WCUMSS) is a non-profit society that provides a permanent base for marine and coastal-oriented field operations from its location in Bamfield, British Columbia. SFU is one of five university members in WCUMSS.

SFU's interest in these two joint ventures is reported in the university's financial statements by proportionate consolidation.

SFU Community Trust

SFU Community Trust's mandate is to oversee the development of UniverCity, a compact, mixed-use residential neighbourhood founded on four pillars of sustainability: environment, equity, education and economy. UniverCity's Official Community Plan (OCP) allows for up to 4,536 residential units in two distinct neighbourhoods to the south and east of SFU's Burnaby 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.

SFU Community 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 governed by a Board of Directors composed of key SFU stakeholders, faculty and student representatives, and a number of prominent real estate and development professionals from around 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.

Great Northern Way Campus Trust

The Great Northern Way Campus Trust (GNWCT) is a collaborative university campus with a mandate to intersect arts, technology and the environment in a manner that bridges academia with industry, artists with technology, and innovation with development. GNWCT is jointly owned by four academic institutions: Simon Fraser University, University of British Columbia, Emily Carr University of Art + Design, and the British Columbia Institute of Technology. The University's interest in GNWCT is accounted for using the equity method.

Statement of Management Responsibility

The university is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it. The regulations require the consolidated financial statements to be prepared in accordance with the standards of the Canadian Public Sector Accounting Board except that the contributions received or receivable by the university for the purpose of acquisition of tangible capital assets are accounted for as deferred capital contributions as described in note 2c(v) of the consolidated financial statements. The consolidated financial statements present the financial position of the university as at March 31, 2014 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 the consolidated financial statements.

The Board of Governors carries out its responsibility for review of the consolidated financial statements and oversight of management's performance of its financial reporting responsibilities principally through the Board's Audit Committee. Members of the Audit Committee are neither officers nor employees of the university.

The committee meets with management, the internal auditor and the external auditors to discuss the results of audit examinations and other financial reporting matters. The external auditors have full access to the Audit Committee, with and without the presence of management.

The audited consolidated financial statements for the year ended March 31, 2014 have been reported on by the Auditor General of British Columbia. The Independent Auditor's Report outlines the scope of his examination and provides his opinion on the presentation of the information in the statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.



Professor Andrew Petter
President and Vice-Chancellor



Dr. Pat Hibbitts
Vice-President, Finance and Administration



INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying consolidated financial statements of Simon Fraser University ("the University"), which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, remeasurement gains and losses, changes in net debt and cash flows for the year ended March 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, 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 consolidated 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 University'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 University'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 consolidated financial statements of Simon Fraser University for the year ended March 31, 2014 are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of Matter

Without modifying my opinion, I draw attention to Note 2a of the consolidated financial statements, which describes the basis of accounting used in the preparation of these financial statements. Note 15c of the consolidated financial statements discloses the impact of these differences between such basis of accounting and Canadian public sector accounting standards.



Russ Jones, MBA, CPA, CA
Auditor General

Victoria, British Columbia
May 29, 2014

Consolidated Statement of Financial Position

As at March 31, 2014

<i>Dollars in Thousands</i>	Note	2014	2013
Financial Assets			
Cash and cash equivalents	4	34,301	36,769
Accounts receivable	5	7,757	12,600
Inventories for resale		1,479	1,762
Due from related parties	6	20,227	15,765
Portfolio investments	7	381,785	296,336
Investment in Great Northern Way Campus Trust	8	15,397	13,704
Investment in SFU Community Trust	9, 28	8,077	4,927
Total Financial Assets		469,023	381,863
Liabilities			
Accounts payable and accrued liabilities	10	41,707	45,991
Pensions	11	32,063	28,958
Employee future benefits	12	59,629	55,051
Long-term debt	13	151,463	151,692
Deferred revenue	14	102,310	55,996
Deferred capital contributions	15	382,416	393,223
Deferred lease proceeds	16, 28	36,389	27,978
Total Liabilities		805,977	758,889
Net Debt		(336,954)	(377,026)
Non-Financial Assets			
Tangible capital assets	17	809,226	810,740
Restricted investments	7	263,191	253,441
Prepaid expense		1,197	1,840
Prepaid lease	18	1,179	1,494
Inventories held for use		486	481
Total Non-Financial Assets		1,075,279	1,067,996
Accumulated Surplus	19	738,325	690,970
Accumulated Surplus is comprised of			
Internally restricted for operating commitments		66,470	61,817
Investment in tangible capital assets		385,318	365,340
Endowment		263,191	253,441
Accumulated Operating Surplus		714,979	680,598
Accumulated Remeasurement Gains		23,346	10,372
Accumulated Surplus		738,325	690,970

The accompanying notes are an integral part of these financial statements

Approved:



Ms. Lynda Brown-Ganzert
Chair, Board of Governors



Dr. Pat Hibbitts
Vice-President, Finance and Administration

Consolidated Statement of Operations

For the year ended March 31, 2014

<i>Dollars in Thousands</i>	Note	Budget	2014	2013
Revenue				
Government grants and contracts				
Province of British Columbia	20	226,072	227,373	233,468
Government of Canada	20	67,808	66,357	62,116
Other governments	20	2,054	449	2,880
Tuition				
Credit courses		187,366	189,072	181,906
Non-credit courses and other student fees		24,752	26,219	25,106
Sales of goods and services		45,433	41,514	42,746
Donations, non-government grants and contracts		36,472	38,561	37,689
Investment income	21	14,691	21,533	13,265
Investment income - Great Northern Way Campus Trust	8		28	1,564
Amortization of deferred capital contributions	15	17,403	16,744	16,146
Other revenue		6,011	6,975	5,928
		628,062	634,825	622,814
Expense	22			
Instruction		488,615	490,350	469,926
Research		117,994	100,273	101,832
Community engagement		20,876	19,556	19,775
		627,485	610,179	591,533
Gain (loss) on sale of tangible capital assets			(15)	5
Annual Operating Surplus Before Restricted Contributions		577	24,631	31,286
Net restricted endowment contributions	23	15,106	9,750	17,327
Annual Operating Surplus		15,683	34,381	48,613
Accumulated Operating Surplus, Beginning of Year		680,598	680,598	631,985
Accumulated Operating Surplus, End of Year		696,281	714,979	680,598
Annual Operating Surplus was allocated to increase Accumulated Surplus for				
Internally restricted for operating commitments			4,653	(13,138)
Investment in tangible capital assets			19,978	44,424
Endowment			9,750	17,327
			34,381	48,613

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31, 2014

<i>Dollars in Thousands</i>	Note	2014	2013
Accumulated Remeasurement Gains, Beginning of Year		10,372	6
Unrealized Gains (Losses) Attributable to			
Portfolio investments		18,912	10,019
Designated fair value financial instruments		(3,733)	192
Foreign currency translation		41	(6)
Amounts Reclassified to Consolidated Statement of Operations			
Portfolio investments		(2,607)	
Designated fair value financial instruments		(34)	
Foreign currency translation		(10)	
Other Comprehensive Income - Great Northern Way Campus Trust	8	405	161
Net Remeasurement Gains for the Year		12,974	10,366
Accumulated Remeasurement Gains, End of Year		23,346	10,372

Consolidated Statement of Changes in Net Debt

For the year ended March 31, 2014

<i>Dollars in Thousands</i>	Note	Budget	2014	2013
Annual Operating Surplus		15,683	34,381	48,613
Net restricted endowment contributions	23	(15,106)	(9,750)	(17,327)
Net effect of remeasurement gains		3,000	12,974	10,366
		(12,106)	3,224	(6,961)
Acquisition of tangible capital assets	17	(48,095)	(51,853)	(44,072)
Proceeds from sale of tangible capital assets			52	680
Amortization of tangible capital assets	17, 22	53,291	53,300	52,811
(Gain) loss on sale of tangible capital assets			15	(5)
		5,196	1,514	9,414
Net effect of prepaid expense			643	320
Net effect of prepaid lease		314	315	314
Net effect of inventories held for use			(5)	36
		352	953	670
Decrease in Net Debt in the Year		9,125	40,072	51,736
Net Debt, Beginning of Year		(377,026)	(377,026)	(428,762)
Net Debt, End of Year		(367,901)	(336,954)	(377,026)

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Cash Flows

For the year ended March 31, 2014

<i>Dollars in Thousands</i>	2014	2013
Operating Transactions		
Annual operating surplus	34,381	48,613
Items not involving cash		
Amortization of tangible capital assets	53,300	52,811
(Gain) loss on disposal of tangible capital assets	15	(5)
Amortization of deferred capital contributions	(16,744)	(16,146)
Pensions	3,105	2,154
Employee future benefits	4,578	(1,460)
	78,635	85,967
Changes in non-cash operating balances		
Accounts receivable	4,843	1,243
Due from related parties	(4,462)	(1,210)
Inventories for resale and held for use	278	14
Prepaid expense	643	320
Prepaid lease	315	314
Accounts payable and accrued liabilities	(4,284)	10,422
Deferred revenue	46,314	13,134
Deferred lease proceeds	8,411	3,772
Cash Provided by Operating Transactions	130,693	113,976
Investing Transactions		
Increase in investments, net of remeasurement gains	(82,630)	(40,834)
Investment in Great Northern Way Campus Trust, net of remeasurement gains	(1,288)	(304)
Investment in SFU Community Trust	(3,150)	(4,083)
Cash Used in Investing Transactions	(87,068)	(45,221)
Financing Transactions		
Deferred capital contributions	5,937	5,660
Long-term debt principal repaid	(229)	(3,204)
Cash Provided by Financing Transactions	5,708	2,456
Capital Transactions		
Acquisition of tangible capital assets	(51,853)	(44,072)
Proceeds from sale of tangible capital assets	52	680
Cash Used in Capital Transactions	(51,801)	(43,392)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,468)	27,819
Cash and Cash Equivalents, Beginning of Year	36,769	8,950
Cash and Cash Equivalents, End of Year	34,301	36,769

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

For the year ended March 31, 2014

1. Authority and purpose

Simon Fraser University (the 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 whom are appointed by the Province of British Columbia. The academic governance of the university is vested in its Senate. The university is a registered charity and is therefore exempt from income taxes under section 149 of the Income Tax Act.

2. Summary of significant accounting policies

a. Basis of accounting

Financial Reporting Framework

The consolidated financial statements have been prepared in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it.

Revenue recognized in the Consolidated Statement of Operations and certain related deferred capital contributions are recorded differently under the Financial Reporting Framework (FRF) described herein than under the Canadian Public Sector Accounting Standards (PSAS).

The Budget Transparency and Accountability Act requires that the consolidated financial statements be prepared in accordance with PSAS except as modified by regulation 198/2011. The regulation requires that contributions received or receivable by the university for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are to be accounted for as deferred capital contributions as described in note 2c(v). Note 15c summarizes the impact of FRF versus PSAS on the consolidated financial statements.

b. Basis of consolidation

Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by the university. Controlled organizations are consolidated or proportionately consolidated, except for government business enterprises which are accounted for by the modified equity method. Inter-organizational transactions, balances, and activities have been eliminated on consolidation.

The following organizations are consolidated in the financial statements to the degree of interest in each:

- Consolidation: SFU Foundation (100%); SFU Community Corporation (100%); and SFU Initiatives Corporation (100%).
- Proportionate consolidation: TRIUMF (9% interest); Western Canadian Universities Marine Sciences Society (20% interest); and Great Northern Way Campus Ltd. (25% interest).

SFU Univentures Corporation is 100% controlled, but is not consolidated as it has very limited business operations and assets.

Investment in government business enterprises

Government business enterprises are accounted for by the modified equity method. Under this method, the university's investment in the business enterprise and its net income and other changes in equity are recorded. No adjustment is made to conform the accounting policies of the government business enterprise to those of the university, with the exception that if other comprehensive income exists, it is accounted for as an adjustment to accumulated surplus of the university. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions involving assets that continue to be controlled by the university.

The following organizations are controlled government business enterprises and are accounted for by the modified equity method. These entities have fiscal years ending December 31 and adjustments are made to recognize significant transactions between their fiscal year end and the university's March 31 fiscal year end.

- SFU Community Trust (SFUCT) (100% interest).
- Great Northern Way Campus Trust (GNWCT) (25% interest).

c. Revenue recognition

(i) 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 revenue until that future period.

(ii) Other unrestricted revenue, including tuition and sales of goods and services, is reported as revenue at the time the services or products are provided, or, in the case of tuition, the refund period has lapsed.

(iii) Unrestricted contributions and donations are recognized as revenue when received.

(iv) Gifts-in-kind are recorded at fair market value on the date of their donation or at nominal value if the fair market value cannot be reasonably determined.

(v) Externally restricted contributions (grants and donations) are recorded as deferred revenue and then recognized as revenue when restrictions specified by the contributors are satisfied.

- Contributions for specific purposes other than endowment or the acquisition of tangible capital assets are recorded as deferred revenue and recognized as revenue in the year in which the related expenses are incurred.
- Contributions restricted for capital purposes by external restrictions and/or the Restricted Contribution Regulation described in note 2a are recorded as deferred revenue until the amount is spent:
 - ▮ If the tangible capital asset acquired is land or property rights, the amount is recorded as revenue in the period of acquisition and as an increase to tangible capital assets.
 - ▮ If the tangible capital asset has a limited life, the amount invested is recorded as a deferred capital contribution and amortized on a straight-line basis over the useful life of the asset to investment in tangible capital assets. Amortization commences once the asset is put into use.
- Endowment contributions, matching contributions and investment income allocated for preservation of endowment capital purchasing power are recognized in the Consolidated Statement of Operations in the period in which they are received or earned.

(vi) Investment income includes interest recorded on an accrual basis and declared dividends, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other than temporary. For operating investments recorded at fair value, unrealized gains and losses are recorded in the Consolidated Statement of Remeasurement Gains and Losses.

(vii) Income on externally restricted investments is deferred and recognized when the related expenditure is made or stipulations are met.

d. Financial instruments

Financial instruments are classified into two categories: fair value and cost/amortized cost.

(i) Fair value category: Portfolio instruments that are quoted in an active market are reflected at fair value as at the reporting date. Other investments held by the university are managed on a fair value basis and have been designated to be recorded at fair value, with the exception of the long-term annuity. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are immediately recorded as an expense. Unrealized gains and losses on unrestricted financial assets are recognized in the Consolidated Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to sale or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Consolidated Statement of Operations and related balances are reversed from the Consolidated Statement of Remeasurement Gains and Losses.

Financial instruments are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category, as described below:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

(ii) Cost/amortized cost category: The long-term annuity is initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the Consolidated Statement of Operations upon derecognition or impairment.

e. Inventories for resale

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

f. Non financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets are initially recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Contributed tangible capital assets are recorded at fair market value at the date of contribution. Amortization is recorded on a straight-line basis over the estimated useful life of the asset.

2/ Estimated useful life of tangible capital assets

<i>Life in Years</i>	
Site services	50
Buildings - concrete	50
Buildings - wood	30
Library books	10
Equipment and furnishings	8
Computer equipment	3
Leasehold improvements	Term of lease

Land is not amortized as it is considered to have an unlimited useful life. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the university's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. There were no write-downs of tangible capital assets in 2014 (2013: \$nil).

(ii) Works of art and cultural assets are not recorded as assets. Information on these special collections is included in note 17.

(iii) Inventories held for use are recorded at the lower of cost and replacement cost.

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

g. Pensions

The university contributes to two pension plans whose Boards of Trustees, representing 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 cost of pension and post-retirement benefits earned by employees is actuarially determined using the projected unit cost method pro-rated on service and management's best estimate of expected plan investment performance, compensation levels and retirement ages of employees.

The expected return on plan assets is calculated using the expected long-term rate of return on plan assets and the fair value of the assets.

h. Employee future benefits

The university operates three employee future benefit plans providing non-pension retiree medical, extended health and dental benefits, early retirement benefits and provisions for long-term disability. For accounting purposes, the university measures the accrued benefit obligations and determines the expense of the fiscal period through actuarial valuations and extrapolations. Adjustments arising from changes in actuarial assumptions and actuarial gains and losses are amortized over the Expected Average Remaining Service Lifetime (EARSL) of active employees, except for long-term disability which, as an event-driven compensated absence benefit, is recognized immediately.

i. Deferred capital contributions

Funding received for the acquisition of depreciable tangible capital assets or contributed tangible capital assets is recorded as deferred capital contributions and is amortized to income at the same rate that the related tangible capital assets are amortized to expense. This is not consistent with the requirements of Canadian Public Sector Accounting Standards which require that government transfers be recognized when approved and eligibility criteria have been met, unless the transfer contains a stipulation that creates a liability, in which case the transfer is recognized over the period that the liability is extinguished. Note 15c quantifies the impact of this difference.

However, this accounting for deferred capital contributions is in compliance with the requirements of the Budget Transparency and Accountability Act of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it.

j. Pledges

Pledges from donors (cash donations and gifts-in-kind) are not recognized as revenue in the consolidated financial statements until the donations are received but are disclosed for information purposes in note 24.

k. Asset retirement obligations

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations.

l. Foreign currency translation

The university's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the consolidated financial statements in equivalent Canadian dollars at the exchange rate in effect on the date of the consolidated financial statements. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or consolidated financial statement date is recognized in the

3. Financial instruments 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:

Financial Instrument	Credit Risk	Liquidity Risk	Market Risks		
			Foreign Exchange	Interest Rate	Other Price
Cash and cash equivalents	X				
Accounts receivable	X				
Due from related parties	X	X			
Investments - portfolio and restricted	X	X	X	X	X
Accounts payable and accrued liabilities		X	X		
Long-term debt		X		X	X

Consolidated Statement of Remeasurement Gains and Losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the Consolidated Statement of Remeasurement Gains and Losses, and the exchange gain/loss in relation to the exchange rate at the date of the item's initial recognition is recognized in the Consolidated Statement of Operations.

m. Budget figures

Budget figures have been provided for comparative purposes and are derived from approvals by the Board of Governors as further described in note 29.

n. Measurement uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include: the useful life of tangible capital assets, estimated pension and employee benefits, rates for amortization, and impairment of assets.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available.

Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

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 receivable.

Cash and cash equivalents

Credit risk associated with cash and cash equivalents 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.

- Student accounts receivable is a large population of limited amounts. The university has leverage to stop further enrolment and the granting of transcripts until payment is made. Additionally, the university is proactive in its management of collections.
- Other receivables, advances and tax recoveries are generally with governments, major institutions and 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 to 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 related parties

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

Investments-portfolio and restricted

The university has investment policies to ensure investments are managed appropriately in order to balance preservation of capital, liquidity requirements and achieving returns. The university retains several external investment management firms to invest funds in accordance with its investment policies utilizing diverse agreed upon investment strategies primarily in active trading markets. The Canadian Institute of Chartered Professional Accountants fair value hierarchy for fair value measurements provides an indication of the overall types of investments held at March 31, 2014: 97% quoted prices in active markets for identical investments (level 1), 0% direct or indirect observable prices that are not quoted prices (level 2), and 3% 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 updated as required. In addition, to assist with the management of capital the university requires authorizations of expenditures on projects.

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 foreign exchange risk, interest rate risk and other price risk.

Foreign exchange risk

Foreign exchange 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 and 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 significant 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 debentures.

The university's cash includes amounts on deposit that earn interest at market rates. The university manages its exposure to the interest rate risk of its cash in order to maximize the interest income earned on funds available for investment 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.

4. Cash and cash equivalents

Cash and cash equivalents are demand deposits in Schedule A Canadian chartered banks, held primarily in Canadian currency, and are presented net of outstanding

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 foreign exchange 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.

5. Accounts receivable

<i>Dollars in Thousands</i>	2014	2013
Revenue receivable	5,231	6,645
Other receivables	3,265	6,580
Provision for doubtful accounts	(739)	(625)
Accounts Receivable	7,757	12,600

6. Due from related parties

<i>Dollars in Thousands</i>	2014	2013
SFU Community Trust receivable		
Parking agreement receivable, interest at prime, due June 17, 2015	4,474	4,474
Accrued interest receivable on parking agreement	103	27
Promissory note, interest at 2.5% per annum, due June 15, 2016	3,760	3,760
Non-interest bearing receivables with no fixed repayment terms		
Distribution to beneficiary	5,646	
East academic annex	3,090	3,090
University Crescent building	2,059	2,059
Base rent	1,095	1,095
Due from SFU Community Trust	20,227	14,505
GNWCT receivable without interest on fixed repayment terms		1,260
Due from Related Parties	20,227	15,765

Pursuant to a parking agreement, the university and SFUCT have agreed to the total amount of the obligation to be \$15,000,000; of which \$526,000 (2013: \$526,000) has been

paid. Recognition of the receivable from SFUCT occurs in relation to phases of development; \$10,000,000 remains to be recognized in relation to future phases of development.

7. Investments**7a/ Consolidated Statement of Financial Position presentation of investments**

<i>Dollars in Thousands</i>	Reported Value	
	2014	2013
Financial assets presentation category		
Portfolio investments	381,785	296,336
Non-financial assets presentation category		
Restricted investments	263,191	253,441
Total Investments	644,976	549,777

7b/ Investments

<i>Dollars in Thousands</i>	Reported Value		Cost 2014
	2014	2013	
Investments Recorded at Fair Value			
Designated to the fair value category (level 1)			
Actively managed bond fund			
Federal bonds	23,788	22,489	24,248
Provincial and municipal bonds	42,283	36,537	43,115
Corporate bonds	58,431	52,941	59,514
	124,502	111,967	126,877
Indexed bond fund	126,244	108,801	129,136
Sinking fund investments	2,578	2,516	2,379
Term deposits	1,913	1,000	1,913
Total Fixed Income Investments	255,237	224,284	260,305
Equity instruments quoted in an active market (level 1)			
Canadian equities	195,593	161,960	155,030
Foreign equities	165,293	135,782	123,409
Total Level 1 Category Financial Instruments	616,123	522,026	538,744
Designated to the fair value category (level 3)			
Private equities	16,436	14,493	16,809
Other investments	1,586	1,516	1,387
Total Level 3 Category Financial Instruments	18,022	16,009	18,196
Investments Valued at Cost/Amortized Cost			
Long-term annuity	10,831	11,742	10,831
Total Investments	644,976	549,777	567,771

Bonds in the actively managed bond fund mature between 2014 and 2067 and have coupon rates between 1.25% and 11.80%.

The indexed bond fund is benchmarked to the DEX Universe Bond index which references 1,240 bonds that are 38% federal government, 32% provincial and municipal government, and 30% corporate debentures. As at March 31, 2014 the fund's one-year return was 0.82% and the duration was 6.83 years.

Sinking fund investments are held and invested by the Province of British Columbia. These funds will provide for the retirement of debentures issued to the Province at maturity in 2022.

Term deposits consist of: \$1,000,000 non-redeemable, paying 2.15% per annum, maturing on November 19, 2017; and \$913,000 proportionate share in redeemable and non-redeemable GICs with maturities in April 2015 and September 2015 held by TRIUMF.

Canadian equities are managed by two investment management firms, each with their own investment strategy. One is a growth stock selection strategy, while the other uses a strategy that is a combination of value and growth stock selection.

Foreign equities are invested approximately 44% in United States markets and 56% outside of the United States.

Private equities consist of six pooled private equity funds in which the university participates.

Other investments consist of hedge funds, real estate and mortgages which are invested via the Vancouver Foundation. There are two hedge funds: one follows a Canada-focused diversified strategy and the other follows a diversified liquid multi-strategy. Real estate and mortgages consist of pooled real estate funds and direct mortgages secured by real estate; all of which relate to properties located in Canada.

The long-term annuity is receivable in installments of \$2,257,000 annually from 2014 to 2017, \$8,257,000 in 2018 and bears interest at 11.48%.

7c/ Reconciliation of investment cost to reported value

<i>Dollars in Thousands</i>	2014	2013
Investments at cost	567,771	524,818
Unrealized amounts reported in the Consolidated Statement of Remeasurement Gains and Losses		
Balance, beginning of year	10,211	
Change in the year	12,539	10,211
Balance, End of year	22,750	10,211
Deferred revenue related to restricted endowments		
Balance, beginning of year	14,748	
Change in the year (note 14)	39,707	14,748
Balance, End of year	54,455	14,748
Total Investments at Reported Value	644,976	549,777

8. Investment in Great Northern Way Campus Trust

The Great Northern Way Campus Trust (GNWCT) was established under the laws of the Province of British Columbia for the benefit of the British Columbia Institute of Technology, Emily Carr University of Art + Design, Simon Fraser University and the University of British Columbia. SFU has a 25% proportionate interest in GNWCT. GNWCT offers a Masters of Digital Media degree program. Additionally, GNWCT is engaged in short-term property management and site development of land in the City of Vancouver that was 80% gifted by Finning International Inc. to the partner institutions in 2001.

Great Northern Way Campus Ltd., a company 25% proportionately owned by the four beneficiaries of GNWCT, has the sole purpose of being the Trustee of GNWCT and has no business operations.

The university's proportionate interest in GNWCT is classified as a government business enterprise, accounted for on the modified equity basis utilizing the draft annual financial statements of GNWCT prepared as at December 31.

Any adjustments between the draft and audited versions of the GNWCT financial statements of the comparative year that are not material to the consolidated financial statements of the university are adjusted in the current year. As the fiscal periods of GNWCT and the university are not coterminous, any significant financial transactions that occur during the intervening period are recorded in these consolidated financial statements based on the fiscal year of the university.

Other comprehensive income from GNWCT is included in the Consolidated Statement of Remeasurement Gains and Losses.

8a/ Investment in Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2014	2013
Great Northern Way Campus Trust equity, December 31	61,587	48,815
Gain on sale realized in the intervening period		6,000
	61,587	54,815
SFU proportionate interest	25%	25%
SFU Investment in GNWCT	15,397	13,704

8b/ Change in investment in Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2014	2013
Great Northern Way Campus Trust net income for the calendar year per draft financial statements	6,161	7,917
Adjustment for difference between GNWCT draft and audited financial statements of prior year	(50)	
Adjustments to align GNWCT with SFU fiscal year end		
Gain on sale in current year of GNWCT and the prior year of SFU	(6,000)	(7,661)
Gain on sale realized by GNWCT after its calendar year, prior to SFU fiscal year end		6,000
	111	6,256
SFU proportionate interest	25%	25%
SFU Share of GNWCT Net Income	28	1,564
Other comprehensive income for the calendar year	1,620	643
SFU proportionate interest	25%	25%
SFU Share of GNWCT Other Comprehensive Income	405	161
Contributions to GNWCT from partner institutions	5,041	
Distributions from GNWCT to partner institutions		(5,041)
SFU proportionate interest	25%	25%
SFU Share of Contributions to GNWCT from partner institutions	1,260	(1,260)
Change in SFU Investment in GNWCT	1,693	465
SFU Investment in GNWCT, beginning of year	13,704	13,239
SFU Investment in GNWCT, End of Year	15,397	13,704

8c/ Life-to-date investment in Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2014	2013
Initial settlement upon GNWCT	33,787	33,787
GNWCT cumulative comprehensive income	26,412	18,681
Distributions from GNWCT	(7,794)	(7,794)
Contributions by partner institutions	9,182	4,141
Gain on sale realized by GNWCT after its calendar year prior to SFU fiscal year end		6,000
	61,587	54,815
SFU proportionate interest	25%	25%
SFU Investment in GNWCT	15,397	13,704

8d/ Financial summary year ended December 31 - Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2014	2013
Financial Position		
Total assets	83,069	76,944
Total liabilities	21,482	28,129
Trust Balance, End of Year	61,587	48,815
Results of Operations & Trust Balance		
Revenue	33,720	20,743
Expense	27,609	12,826
Net Income for the Year	6,111	7,917
Comprehensive income	1,620	643
Distributions (to) from beneficiaries	5,041	(5,041)
Net changes in the year	12,772	3,519
Trust balance, beginning of year	48,815	45,296
Trust Balance, End of Year	61,587	48,815
Cash Flows		
Operating activities	24,362	12,185
Investing activities	(3,428)	(8,155)
Financing activities	26	(4,781)
Increase (Decrease) in Cash During the Year	20,960	(751)

9. Investment in SFU Community Trust

SFU Community Trust (SFUCT) was established in 2002 to develop land adjacent to the Burnaby campus. This development is known as UniverCity. The university granted SFUCT the ability to sell to real estate developers rights to enter into 99-year leases on land that is owned by the university.

SFUCT is a taxable business trust and must pay income taxes on any taxable income not allocated to beneficiaries. The beneficiaries are the university and Simon Fraser University Foundation, whose beneficiary is also the university.

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

The university's 100% interest in SFUCT is classified as a government business enterprise, accounted for on the modified equity basis utilizing the annual audited financial statements of SFUCT prepared as at December 31. As the fiscal periods of SFUCT and the university are not coterminous, any significant financial transactions that occur during the intervening period are recorded in these consolidated financial statements based on the fiscal year of the university.

In applying the modified equity basis of accounting to its interest in SFUCT, the university makes adjustments for related party transactions where the underlying assets remain under the university's control. The inter-entity rights to grant 99-year leases that were recorded by the SFUCT at fair market values are eliminated from equity/investment in SFUCT until realized by third party transactions.

9a/ Investment in SFU Community Trust

<i>Dollars in Thousands</i>	2014	2013
Net income reported by SFUCT	7,258	3,139
Reduction in the cost of sales to reflect SFU's original cost of leases	1,538	944
Interest in SFUCT Income for the Year	8,796	4,083
Distributions from SFUCT in the year	(5,646)	
Investment in SFUCT, beginning of year	4,927	844
Investment in SFUCT, End of Year	8,077	4,927

9b/ Trust equity reconciled to investment in SFU Community Trust

<i>Dollars in Thousands</i>	2014	2013
Trust equity as reported by SFUCT	15,770	14,158
Less: adjustment to reduce the 99-year lease right to SFU's original cost		
First rights settlement	(9,418)	(9,418)
Second rights settlement	(8,126)	(8,126)
Lease rights recognized through sales to third parties	9,851	8,313
	(7,693)	(9,231)
Investment in SFUCT, End of Year	8,077	4,927

9c/ Life-to-date investment in SFU Community Trust

<i>Dollars in Thousands</i>	2014	2013
Settled on formation at fair market value	14,339	14,339
Adjustment to reduce the 99-year lease rights to SFU's original cost	(9,418)	(9,418)
Settled upon SFUCT at university cost	4,921	4,921
Second settlement	8,126	8,126
Adjustment to reduce the 99-year lease rights to SFU's original cost	(8,126)	(8,126)
Settled upon SFUCT at university cost		
Cumulative income as reported by SFUCT	28,572	21,314
Lease rights recognized through sales to third parties	9,851	8,313
Interest in SFUCT cumulative income	38,423	29,627
Distributions from SFUCT:		
Repaying net assets originally settled	(4,882)	(4,882)
Derived from SFUCT net income	(30,385)	(24,739)
	(35,267)	(29,621)
Investment in SFUCT	8,077	4,927

The ultimate sale to developers of these 99-year lease rights represents the culmination of the transaction for SFUCT who then report such amounts as "sales". The university, as the grantor of the 99-year leases, adjusts these sales to amortize the net sales revenue on a straight-line basis over a 99-year lease period as further described in note 16.

9d/ Life-to-date base rent

<i>Dollars in Thousands</i>	2014	2013
Balance, beginning of year	1,095	1,095
Base rent earned in the year		
Balance, End of Year	1,095	1,095

9e/ Financial summary year ended December 31 - SFU Community Trust

<i>Dollars in Thousands</i>	2014	2013
Financial Position		
Total assets	60,194	64,448
Total liabilities	44,424	50,290
Trust Balance, End of Year	15,770	14,158
Results of Operations & Trust Balance		
Revenue	28,833	18,186
Expense	21,575	15,048
Net Income for the Year	7,258	3,138
Distributions to beneficiaries	(5,646)	
Trust balance, beginning of Year	14,158	11,020
Trust Balance, End of Year	15,770	14,158
Cash Flows		
Operating activities	26,574	8,061
Investing activities	(7,315)	(6,066)
Financing activities	(12,001)	(1,347)
Increase in Cash During the Year	7,258	648

10. Accounts payable and accrued liabilities

<i>Dollars in Thousands</i>	2014	2013
Trade payables and accruals	15,999	19,272
Salaries and benefits payable	11,301	13,370
Accrued vacation pay	6,300	6,190
Other	8,107	7,159
Accounts Payable and Accrued Liabilities	41,707	45,991

11. Pensions

The university has two registered pension plans providing pension benefits to its employees: the Academic Plan, and the Administrative/Union Plan. The provisions of these plans stipulate that the university has no formal claim to any pension plan surplus or asset.

The Boards of Trustees for each of these plans represent plan members and the university. The trustees are fully 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.

For funding purposes, and to determine the contribution rate, the BC Pension Benefits Standards Act (the Pension Act) requires an actuarial valuation of plan liabilities for each defined benefit Formula Retirement Benefit Plan (FRB), at intervals of not more than three years. The actuarial valuations are prepared using the projected unit cost method, prorated on service, and 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. The solvency valuation assesses whether all past liabilities would be fully funded if the plan was wound up at the valuation date.

Solvency valuation deficits, under the Pension 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 latter of which the university has elected to do.

Pension plan for members of the academic staff (Academic Plan)

The Academic Plan provides pension benefits primarily on a defined contribution basis whereby funding is directed to individual Money Purchase Accounts (MPA). Benefit payments are based upon the asset value within the individual MPA at the time of retirement. While all contributions to the plan are made by the university, additional contributions may also be made by employees to their individual MPA. An actuarial valuation is not required for the Academic MPA Plan.

During the 2013 calendar year, contributions made by the university to the Academic MPA Pension Plan were 9.6% of pensionable earnings, totalling \$12,034,000 (2012: \$11,404,000).

The Academic Plan also includes a grandfathered FRB plan. The Academic FRB Plan is a defined benefit plan which provides benefits based on 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. Contributions made to the Academic FRB Plan are by the university and for the calendar year 2013 were \$541,000 (2012: \$90,000) in respect of the going concern deficit.

The most recent tri-annual actuarial valuation for the Academic FRB Plan was completed as at December 31, 2012; the next valuation will be prepared as at December 31, 2015.

Pension plan for administrative/union staff (Administrative/Union Plan)

The Administrative/Union Plan is a defined benefit plan based on a combination of 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. Additional contributions to the Administrative/Union Plan may be made to individual Money Purchase Accounts (MPA) by employees. 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. In such circumstances, these payments would be directed to the individual MPA. No contributions were directed to the Administrative/Union MPA Plan by the university in the current or prior year.

Contributions to the Administrative/Union Pension Plan made by the university are at a rate of 15.3% of pensionable earnings, and for the calendar year 2013 were \$15,482,000 (2012: \$14,427,000). In addition, contributions of \$2,473,000 (2012: \$2,151,000) were made in respect of commuted value solvency holdbacks.

The next actuarial valuation of the Administrative/Union Plan will be prepared as at December 31, 2013, and is expected mid-2014.

Defined benefit pension plan liability and expense

The liabilities of the FRB pension plans and current service costs for the year are extrapolations based on actuarial valuations using the projected unit cost method, prorated on service, as of December 31, 2010 for the Administrative/Union Plan, and December 31, 2012 for the Academic FRB Plan.

Pension expense is reported by function, within the Consolidated Statement of Operations, while the accrued pension liability is reported on the Consolidated Statement of Financial Position.

11a/ Significant actuarial assumptions

	Administration/ Union	Academic FRB
Effective date of most recent actuarial valuation report for funding purposes	31-Dec-10	31-Dec-12
Measurement date of plan assets / accrued benefit obligation	31-Dec-13	31-Dec-13
Expected future inflation rate	2.00%	n/a
Post-retirement inflation increase	n/a	2.00%
Estimated Average Remaining Service Lifetime of active employees (EARSL)	10 yrs	n/a
Average remaining pension payment period	n/a	16 yrs
Beginning of period		
Discount rate	4.00%	5.75%
Expected long-term rate of return on plan assets	6.25%	5.75%
Rate of compensation increase	2.25%	n/a
End of period		
Discount rate	5.00%	5.75%
Expected long-term rate of return on plan assets	6.25%	5.75%
Rate of compensation increase	2.75%	n/a

11b/ Net pension liability

<i>Dollars in Thousands</i>	Administrative / Union	Academic FRB	2014	2013
Accrued benefit obligation, beginning of year	299,481	29,363	328,844	295,812
Current period benefit cost (net of employee contributions)	17,879		17,879	16,178
Employee contributions / transfer from MPA	30	1,270	1,300	33
Interest cost	12,060	1,651	13,711	13,263
Benefit payments	(13,852)	(2,579)	(16,431)	(14,766)
Actuarial (gain) loss	(19,705)	(687)	(20,392)	18,324
Accrued Benefit Obligation, End of Year	295,893	29,018	324,911	328,844
Fair value of plan assets, beginning of year	223,370	24,252	247,622	226,508
Employer contributions	18,084	541	18,625	16,692
Employee contributions / transfer from MPA	30	1,270	1,300	33
Actual return on plan assets	35,612	4,396	40,008	19,155
Benefit payments	(13,852)	(2,579)	(16,431)	(14,766)
Fair Value Plan Assets, End of Year (*)	263,244	27,880	291,124	247,622
Funded Status, Pension Plan Deficit	32,649	1,138	33,787	81,222
Unamortized net actuarial gain (loss)	(5,032)	3,308	(1,724)	(52,264)
Net Pension Liability	27,617	4,446	32,063	28,958

* Defined benefit pension plan assets consist of:

	Administrative/ Union		Academic FRB	
	2014	2013	2014	2013
Equity securities	61%	57%	65%	65%
Debt securities	39%	43%	35%	35%
	100%	100%	100%	100%

11c/ Defined benefit pension expense

<i>Dollars in Thousands</i>	Administrative / Union	Academic FRB	2014	2013
Current period benefit cost (including employee contributions)	17,909	1,270	19,179	16,211
Less: employee contributions	(30)	(1,270)	(1,300)	(33)
Amortization of net actuarial loss	5,560	46	5,606	4,076
Interest cost on unfunded pension obligation	12,060	1,651	13,711	13,263
Expected earnings on average pension plan assets	(14,094)	(1,372)	(15,466)	(14,670)
Pension Expense	21,405	325	21,730	18,847

Defined benefit pension plan solvency

Pursuant to the BC Pension Benefits Standards Act, instead of making solvency deficiency payments, the

university chose to arrange Letters of Credit (LOC) to satisfy solvency contribution requirements.

11d/ Defined benefit pension plans: solvency deficiency payment and Letter of Credit requirements

<i>Dollars in Thousands</i> Calendar Year	Annual Solvency Deficiency Payment		Cumulative Letter of Credit Requirements	
	Administrative / Union	Academic FRB	Administrative / Union	Academic FRB
2013	10,358	2,608	61,000	6,954
2014	*	2,609	70,600*	9,800
2015	*	1,295	*	11,404

The foregoing is based on the Administrative/Union 2010 actuarial report and the Academic FRB 2012 actuarial report.

* The next actuarial valuation reports of the plans will establish the future Letter of Credit (LOC) and solvency payment requirements.

	Effective Date of Next Actuarial Valuation	Impact on Solvency and LOC Requirements
Administrative/ Union Plan	31-Dec-13	2014 and beyond
Academic FRB Plan	31-Dec-15	2016 and beyond

12. Employee future benefits

Some benefit plans for employees involve payments to be made after the provision of service, or for compensated absences, and are described as employee future benefits. For accounting purposes, the university measures the

accrued benefit obligations and determines the expense for the current fiscal period through actuarial valuations and extrapolations. The university does not segregate assets to specifically offset this liability.

12a/ Significant actuarial assumptions

	Non-Pension Retiree	Early Retirement	Long-Term Disability
Measurement date of accrued benefit obligation	31-Dec-13	31-Dec-13	31-Dec-13
Expected future inflation rate	2.00%	2.00%	2.00%
Expected Average Remaining Service Lifetime of active employees (EARSL)	9 yrs	7 yrs	n/a
Weighted average remaining years until last payment	n/a	n/a	5 yrs
Beginning of period discount rate	3.70%	3.70%	3.70%
End of period discount rate	4.70%	4.70%	4.70%
Assumed health care cost trend rates, including inflation of 2.00%			
Medical Services Plan	4.00%	n/a	4.00%
Dental	4.25%	n/a	4.25%
Extended Health Benefits(EHB)	7.80%	n/a	7.80%
EHB cost trend rate declines to	5.00%	n/a	5.00%
Year that EHB rate reaches the rate it is assumed to remain at	2028	n/a	2028

Description of benefit plans

The university provides retirement and compensated absence benefits to employees.

Retirement benefits

Retirement benefits represent obligations of the university to provide benefits to the employees in return for their services. As employees render services, the value of the retirement benefits are attributed to those services and recorded as liabilities and expenses. As such, gains or losses resulting from extrapolations performed on the most current actuarial valuations are amortized over the Expected Average Remaining Service Lifetime of active employees (EARSL) using the straight-line method, commencing the following fiscal year. The most recent tri-annual actuarial valuations of the retirement benefit plans were completed as at December 31, 2012; the next valuations will be as at December 31, 2015.

Non-pension retiree

Non-pension retiree benefits represent the obligation for portions of future premiums payable on behalf of eligible current employees and retirees for medical, extended health 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. The most recent extrapolation reported an actuarial gain of \$11,969,000 (2013 loss: \$19,023,000) to be amortized over EARSL. The gain is primarily attributed to changes in key actuarial assumptions that included an increase in the discount rate from 3.70% to 4.70%.

Early retirement

Early retirement benefits represent the obligation to employees who took early retirement in the mid-1990s and other employees who receive supplementary pensions. The most recent extrapolation reported an actuarial gain of \$283,000 (2013 loss: \$278,000) primarily resulting from an increase in the discount rate assumption from 3.70% to 4.70%. The gain is to be amortized over EARSL.

Compensated absence benefits

Compensated absence benefits represent a liability that is created when an event that obligates the university occurs. The expected cost of providing the benefit is recognized immediately in the period when the event occurs. Gains or losses resulting from actuarial valuations are accounted for using the immediate attribution method. Actuarial valuations are performed each year for such event-driven liabilities.

Long-term disability

Long-term disability is an event-driven compensated absence benefit, representing the liability to employees who are being paid for claims pursuant to the university's self-insured long-term disability plans. An insurance company administers the plans and is reimbursed for disability claim payments plus service fees. The most recent valuation, completed as at December 31, 2013, reported an actuarial gain of \$853,000 (2013: \$3,388,000), which has been fully recognized and reported by function within the Consolidated Statement of Operations. The gain can be attributed to an increase in the discount rate assumption to 4.70% from 3.70%.

12b/ Liability and benefit expense for employee future benefits

<i>Dollars in Thousands</i>	Retirement Benefits		Compensated Absence Benefit	2014	2013
	Non-Pension Retiree	Early Retirement	Long-Term Disability		
Liability for Employee Future Benefits					
Accrued benefit obligation, beginning of year	68,857	3,622	5,889	78,368	61,043
Current period benefit cost	1,084	57	1,649	2,790	1,631
Interest cost	2,544	129	224	2,897	2,570
Benefit payments	(1,310)	(309)	(1,307)	(2,926)	(2,789)
Actuarial (gain) loss	(11,969)	(283)	(853)	(13,105)	15,913
Accrued Benefit Obligation, End of Year	59,206	3,216	5,602	68,024	78,368
Unamortized net actuarial loss	(8,170)	(225)		(8,395)	(23,317)
Liability for Employee Future Benefits, End of Year	51,036	2,991	5,602	59,629	55,051
Employee Future Benefits Expense					
Current period benefit cost	1,084	57	1,649	2,790	1,631
Recognition of actuarial (gain) loss	2,576	94	(853)	1,817	(2,872)
Interest cost on unfunded benefit obligation	2,544	129	224	2,897	2,570
Employee Future Benefits Expense	6,204	280	1,020	7,504	1,329

13. Long-term debt

Long-term debt reported on the Consolidated Statement of Financial Position is recorded at amortized cost and is comprised of the following:

13a/ Long-term debt

<i>Dollars in Thousands</i>	2014	2013
Debentures, senior unsecured	141,883	141,605
Debenture, Province of BC	4,935	4,928
Term loan	3,641	3,879
Mortgage, Verdant	1,004	1,280
Total	151,463	151,692

Senior unsecured debentures issued at a discount by the university in 2003 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.

The Province of British Columbia debenture is unsecured, bears interest at a rate of 8.75% and is due in 2022.

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

The 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.

Sinking fund investments are held and invested by the Province of British Columbia. These funds totalling \$2,578,000 (2013: \$2,516,000) will provide for the retirement at maturity of debentures issued to the Province. The amount forms part of the investment balance shown on the Consolidated Statement of Financial Position. Annual sinking fund payments due within the next five years are included in the annual payments table. Annual payments of principal, sinking fund installments and interest due over the next five years and thereafter are as follows:

13b/ Annual payments on long-term debt

<i>Dollars in Thousands</i>	Principal	Sinking Fund	Interest
2015	3,931	44	8,981
2016	305	44	8,888
2017	322	44	8,872
2018	87	44	8,858
2019		44	8,857
2020 to 2042		177	195,179
2043	150,000		8,420

14. Deferred revenue

Contributions subject to external restrictions pursuant to legislation, regulation or agreement, are deferred and recognized as revenue in the period in which the stipulations are met.

The nature of such contributions, stipulations and recognition criteria vary, and include:

- Sponsored research and specific purpose amounts received are restricted to specific expenditures or class of expenditure.
- Endowment investment earnings, included below in specific purpose, where income from contributions retained in perpetuity is restricted until expended per donor terms of reference.

14a/ Changes in deferred revenue

<i>Dollars in Thousands</i>	Sponsored Research	Specific Purpose	2014	2013
Balance, beginning of year	28,489	27,507	55,996	42,862
Contributions received during the year	67,913	78,266	146,179	113,423
Transferred to revenue	(64,933)	(23,429)	(88,362)	(89,188)
Transferred to investment income (note 21)		(9,219)	(9,219)	(8,441)
Endowment investment income (note 23)				
Endowment principal addition		(2,284)	(2,284)	(1,449)
Preserve purchasing power				(1,211)
Balance, End of Year	31,469	70,841	102,310	55,996

14b/ Source of deferred revenue, end of year

<i>Dollars in Thousands</i>	Sponsored Research	Specific Purpose	2014	2013
Province of British Columbia	306	4,166	4,472	5,555
Government of Canada	30,849	2,679	33,528	27,734
Endowment income stabilization account		52,057	52,057	9,869
Other	314	11,939	12,253	12,838
Balance, End of Year	31,469	70,841	102,310	55,996

Endowment income stabilization account

The endowment income stabilization account within specific purpose deferred revenue is investment income earned in relation to endowments that is being held until the donor stipulated expenditures occur, at which time the investment income is recognized as revenue in the Consolidated Statement of Operations. Alternatively, investment income may be recognized as net restricted endowment contributions to preserve the purchasing power of the endowment accumulated surplus.

14c/ Endowment income stabilization account

<i>Dollars in Thousands</i>	2014	2013
Balance, beginning of year	9,869	(1,632)
Endowment investment income externally restricted for the year		
Realized income	13,483	8,814
Unrealized income (note 7)	39,707	14,748
Endowment income allocated to		
Individual endowment spending accounts	(11,002)	(10,850)
Preserve purchasing power (note 23)		(1,211)
Increase in the Year	42,188	11,501
Balance, End of Year	52,057	9,869

15. Deferred capital contributions

As described in note 2c(v), contributions restricted for capital purposes are deferred and transferred to revenue over the estimated life of the related assets.

15a/ Change in deferred capital contributions

<i>Dollars in Thousands</i>	2014	2013
Balance, beginning of year	393,223	403,709
Contributions in the year	5,937	5,660
Transferred to revenue	(16,744)	(16,146)
Balance, End of Year	382,416	393,223

As noted in the significant accounting policies, per the Budget Transparency and Accountability Act of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it, the university is required to account for government funding of tangible capital assets by deferring and amortizing deferred capital contributions to income on the same basis as the related

15b/ Source of deferred capital contributions, end of year

<i>Dollars in Thousands</i>	2014	2013
Province of British Columbia	301,227	310,705
Government of Canada	33,322	35,492
Other	47,867	47,026
Balance, End of Year	382,416	393,223

amortization expense. If restricted government funding for tangible capital assets does not contain stipulations that create a liability, then PSAS requires it to be reported as income immediately. The impact of this difference on the consolidated financial statements of the university would be as follows:

15c/ Difference between FRF and PSAS

<i>Dollars in Thousands</i>	2014		2013	
	FRF	PSAS	FRF	PSAS
Liabilities				
Deferred capital contributions	382,416		393,223	
Accumulated Surplus				
Accumulated surplus	738,326	1,120,742	690,970	1,084,193
Revenue				
Government grants and contracts	294,179	300,116	298,464	304,126
Amortization of deferred capital contributions	16,744		16,146	
Annual Operating Surplus				
Annual operating surplus	34,381	23,574	48,613	38,125

16. Deferred lease proceeds

The university accounts for its 100% interest in SFU Community Trust (SFUCT) by the modified equity method as described in note 9. The net income from SFUCT determined by the modified equity method that relates to 99-year leases of university land is then deferred and recognized over the terms of the lease. Pursuant to the terms of the distributions from SFUCT, the income so determined is recorded as restricted endowment contributions.

16a/ Change in deferred lease proceeds

<i>Dollars in Thousands</i>	2014	2013
Balance, beginning of year	27,978	24,206
SFUCT income to be deferred and amortized over lease term	8,796	4,083
Amortized and transferred to net restricted endowment contributions (note 23)	(385)	(311)
Balance, End of Year	36,389	27,978

16b/ SFUCT income recognized as restricted endowment contributions

<i>Dollars in Thousands</i>	2014	2013
Interest in SFUCT income for the year (note 9)	8,796	4,083
Less: income of current year deferred to future years	(8,796)	(4,083)
Income in the year recognized in the year		
Amortized to income in the year	385	311
Total Income Recognized in the Year as Restricted Endowment Contributions (note 23)	385	311

16c/ SFU Community Trust endowment component of accumulated surplus

<i>Dollars in Thousands</i>	2014	2013
Interest in SFUCT cumulative income (note 9)	38,423	29,627
Less: deferred lease proceeds	(36,389)	(27,978)
Life-to-date SFUCT Income Recognized as Endowment Contributions	2,034	1,649
Base rent revenue earned	1,095	1,095
Initial settlement of investment into SFUCT	40	39
Life-to-date capitalized investment income	2,540	2,540
SFUCT Endowment Component of Accumulated Surplus	5,709	5,323
Total non SFUCT Endowment Accumulated Surplus	257,482	248,118
Endowment Accumulated Surplus	263,191	253,441

17. Tangible capital assets

17a/ Tangible capital assets - net book value

<i>Dollars in Thousands</i>	Cost	Accumulated Amortization	2014	2013
Buildings - concrete	841,298	228,590	612,708	622,112
Buildings - wood	21,792	11,603	10,189	10,476
Site services	39,745	14,890	24,855	23,863
Leasehold improvements	12,209	9,919	2,290	2,898
Computer equipment	30,515	16,730	13,785	14,134
Equipment and furnishings	105,888	59,501	46,387	51,867
Library books	89,428	42,739	46,689	47,403
Land	19,299		19,299	19,299
Assets under construction	33,024		33,024	18,688
Total	1,193,198	383,972	809,226	810,740

Assets under construction, with a value of \$33,024,000 (2013: \$18,688,000), have not been amortized. Amortization of these assets will commence when put into service.

Additions to buildings during the year include capitalized interest of \$nil (2013: \$352,000).

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. Where an estimate of value could not be made, contributed tangible capital assets are recognized at a nominal value. The value of contributed assets received during the year is approximately \$2,096,000 (2013: \$951,000).

Special Collections are not recognized as a tangible capital asset under the FRF. Special Collections includes the university's art collection and the SFU Bill Reid Gallery collection. In 2014, additional donated works of art with an appraised value of \$542,000 (2013: \$384,000) were received; but are not recognized in these consolidated financial statements. The art collections are insured at a replacement value of \$30,000,000.

17b/ 2014 Tangible capital asset cost - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Additions	Change in Assets Under Construction	Disposals and Adjustments	2014
Buildings - concrete	833,946	19,500	(12,148)		841,298
Buildings - wood	21,370	422			21,792
Site services	37,992	3,435	(1,682)		39,745
Leasehold improvements	12,209	402	(402)		12,209
Computer equipment	27,120	9,255		(5,860)	30,515
Equipment & furnishings	116,526	10,263	(104)	(20,797)	105,888
Library books	88,610	8,576		(7,758)	89,428
Land	19,299				19,299
Assets under construction	18,688		14,336		33,024
Total	1,175,760	51,853		(34,415)	1,193,198

17c/ 2014 Tangible capital assets amortization - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Additions	Disposals and Adjustments	2014
Buildings - concrete	211,834	16,756		228,590
Buildings - wood	10,894	709		11,603
Site services	14,129	761		14,890
Leasehold improvements	9,311	608		9,919
Computer equipment	12,986	9,605	(5,861)	16,730
Equipment and furnishings	64,659	15,571	(20,729)	59,501
Library books	41,207	9,290	(7,758)	42,739
Total	365,020	53,300	(34,348)	383,972

17d/ 2013 Tangible capital asset cost - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Additions	Change in Assets Under Construction	Disposals and Adjustments	2013
Buildings - concrete	813,178	18,958	1,810		833,946
Buildings - wood	21,352	18			21,370
Site services	37,792	766	(566)		37,992
Leasehold improvements	12,015	78	116		12,209
Computer equipment	27,962	7,584		(8,426)	27,120
Equipment & furnishings	121,321	7,610	(105)	(12,300)	116,526
Library books	86,829	9,058		(7,277)	88,610
Land	19,974			(675)	19,299
Assets under construction	19,943		(1,255)		18,688
Total	1,160,366	44,072		(28,678)	1,175,760

17e/ Tangible capital asset cost - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Additions	Disposals and Adjustments	2013
Buildings - concrete	195,337	16,497		211,834
Buildings - wood	10,190	704		10,894
Site services	13,368	761		14,129
Leasehold improvements	8,723	588		9,311
Computer equipment	12,232	9,180	(8,426)	12,986
Equipment and furnishings	61,014	15,945	(12,300)	64,659
Library books	39,348	9,136	(7,277)	41,207
Total	340,212	52,811	(28,003)	365,020

17f/ Assets under construction by asset class

<i>Dollars in Thousands</i>	2014	2013
Buildings - concrete	28,242	16,093
Buildings - wood	459	459
Site services	2,515	834
Leasehold improvements	482	79
Equipment and furnishings	1,326	1,223
Assets Under Construction	33,024	18,688

18. Prepaid lease

The university prepaid an amount due December 2017 on the original expiry of the Harbour Centre lease. The prepaid lease amount is being amortized over the period to December 2017. The lease has been extended to December 31, 2027.

18/ Prepaid Lease

<i>Dollars in Thousands</i>	2014	2013
Balance, beginning of year	1,494	1,808
Amortized to expense during the year	(315)	(314)
Balance, End of Year	1,179	1,494

19. Accumulated surplus

19a/ Accumulated surplus

<i>Dollars in Thousands</i>	2014	2013
Internally restricted for operating commitments		
Departmental operating budget carryover	38,372	39,938
Unfunded pension obligation from conversion to FRF	(7,803)	(14,625)
Internal advance for tangible capital assets	(30,000)	(22,500)
	569	2,813
Operating special projects	9,992	5,877
Internally funded research	16,013	15,759
Net operating	26,574	24,449
Ancillary operations	14,882	11,957
Specific purpose	14,613	13,532
Long-term lease commitment	9,547	10,951
Self insurance	854	928
Internally Restricted for Operating Commitments	66,470	61,817
Tangible capital assets	355,318	342,840
Internal advance for tangible capital assets	30,000	22,500
Investment in tangible capital assets	385,318	365,340
Endowment	263,191	253,441
Accumulated Operating Surplus, End of Year	714,979	680,598
Accumulated remeasurement gains	23,346	10,372
Accumulated Surplus, End of Year	738,325	690,970

19b/ Change in accumulated surplus - endowment

<i>Dollars in Thousands</i>	2014	2013
Balance, beginning of year	253,441	236,114
Net restricted endowment contributions in the year (note 23)	9,750	17,327
Balance, End of Year	263,191	253,441

19c/ Change in accumulated operating surplus

<i>Dollars in Thousands</i>	Internally Restricted for Operating Commitments	Investment in Tangible Capital	Restricted for Endowment Principal
Accumulated Operating Surplus, beginning of year	61,817	365,340	253,441
Annual surplus	34,381		
Internal transfer from operating budget carry forward to investment in tangible capital assets	(7,500)	7,500	
Increase in investment in tangible capital assets	(12,478)	12,478	
Net restricted endowment contributions (note 23)	(9,750)		9,750
Accumulated Operating Surplus, End of Year	66,470	385,318	263,191

Investment in tangible capital assets is comprised of

Tangible capital assets	809,226
Sinking fund investment	2,578
Long-term debt	(151,463)
Deferred capital contributions	(382,416)
Other net assets invested in capital	99,726
Due from related party, parking agreement (note 6)	4,577
Due from related party, east academic annex (note 6)	3,090
Investment in Tangible Capital Assets	385,318

20. Government grants and contracts revenue

<i>Dollars in Thousands</i>	2014	2013
Province of British Columbia		
Operating	216,912	219,386
Sponsored research	3,375	2,871
Specific purpose	5,714	6,130
Tangible capital assets	1,372	5,081
	227,373	233,468
Government of Canada		
Operating	7,579	7,134
Sponsored research	52,504	48,965
Specific purpose	9,877	8,563
Tangible capital assets	1,619	2,239
Net deferred revenue	(5,222)	(4,785)
	66,357	62,116
Other governments		
Sponsored research	448	2,093
Specific purpose	1	767
Tangible capital assets		20
	449	2,880
Government Grants and Contract Revenue	294,179	298,464

21. Investment income

<i>Dollars in Thousands</i>	2014	2013
Interest and dividend income	9,663	4,824
Income from deferred contributions (note 14)	9,219	8,441
Realized gains transferred from Consolidated Statement of Remeasurement Gains and Losses	2,651	
Investment Income	21,533	13,265

22. Expense by object

<i>Dollars in Thousands</i>	2014	2013
Salaries	324,201	303,763
Employee benefits	70,787	65,963
Supplies and other operational expense	59,076	64,977
Amortization of tangible capital assets (note 17)	53,300	52,811
Professional and contracted services	30,852	31,791
Scholarships and bursaries	29,664	28,983
Training and travel	15,882	15,232
Cost of goods sold	8,086	10,386
Interest on long-term debt	9,364	9,444
Utilities	8,967	8,183
Expense	610,179	591,533

23. Net restricted endowment contributions

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 endowing a portion of investment income in order to maintain purchasing power.

<i>Dollars in Thousands</i>	2014	2013
Donations	6,879	12,437
Capitalized investment income (note 14)		
Endowment principal addition	2,284	1,449
Preserve purchasing power		1,211
Equity income for the year from SFU Community Trust (note 16)	385	311
Matching and other funds endowed	202	1,919
Net Restricted Endowment Contributions in the Year (note 19)	9,750	17,327

24. Pledges

Pledges are not recognized as revenue in the consolidated financial statements until the donations are received. Pledges for future years are estimated at: cash donations of \$41,321,000 (2013: \$46,873,000) and gifts-in-kind of \$5,797,000 (2013: \$3,907,000).

25. Contingent liabilities

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

the Canadian Universities 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. Members of CURIE have exposure to retroactive premium assessments should the premiums be insufficient to cover losses and expenses. No provision has been made for this potential liability. The university is committed to this insurance arrangement until December 31, 2017.

At March 31, 2014 the university is liable for Letters of Credit in the amount of \$80,400,000 in relation to its pension plans as further described in note 11d.

26. Asset retirement obligations

The university recognizes asset retirement obligations where 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.

27. Contractual obligations

The university has entered into multiple-year contracts for property leases and the delivery of services. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts.

<i>Dollars in Thousands</i>	2015	2016	2017	2018	2019	Thereafter
Long-term lease	4,435	4,435	4,435	4,589	4,589	33,739
Service contracts	4,728	4,821	4,916			
Construction contract	2,500	2,500				
Total	11,663	11,756	9,351	4,589	4,589	33,739

Subsequent to the fiscal year end, the university entered into a long-term lease contract commencing August 15, 2015 involving minimum rent of \$720,000 per year for a period of twenty years.

28. Comparative amounts

Certain amounts on the consolidated financial statements for the year ended March 31, 2014 have been reclassified in order to conform to the presentation adopted in the current year. In particular, the amount previously reported for deferred lease proceeds of \$23,051,000 has been reclassified into its component parts of Investment in SFU Community Trust of \$4,927,000 and deferred lease proceeds of \$27,978,000.

29. Financial reporting framework budget

Budget figures have been provided for comparative purposes and are developed and approved in three phases:

(a) the Operating Budget and Financial Plan 2013/14 for operating fund expenditures, approved by the Board of Governors on March 21, 2013.

(b) revised by the Board of Governors on May 30, 2013 with respect to carry-forward expenditures.

(c) completed to include non-operating fund activities and apply the Financial Reporting Framework in order to be comparable with the presentation of these consolidated financial statements, approved by the Board of Governors on March 27, 2014.

29/ Financial reporting framework budget

<i>Dollars in Thousands</i>	Phase (a)	Phase (b)	Phase (c)	Consolidated FRF Budget
Revenue	462,243		165,819	628,062
Expense	462,243	27,151	138,091	627,485
Annual operating surplus before restricted contributions		(27,151)	27,728	577
Net restricted endowment contributions			15,106	15,106
Annual Operating Surplus		(27,151)	42,834	15,683



March 2014

Simon Fraser University
Board of Governors

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Ms. Jill Earthy
Ms. Patty Sahota
Ms. Julia Kim
Ms. Jo Hinchliffe
Mr. Caleb Kwon
Mr. Bill Cunningham (Deputy Board Chair)

Members not present for the photo

Dr. Wendy Grant-John
Ms. Yasmine Norouzi
Mr. David Poole
Ms. Fiona Robin

Seated (left to right)

Professor Andrew Petter (President)
Dr. Carole Taylor (Chancellor)
Ms. Lynda Brown-Ganzert (Board Chair)
Dr. June Francis

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