

ANNUAL FINANCIAL REPORT

March 31, 2017





Cover: *Aboriginal Welcome Figure, created by Squamish artist, Sinámkin – Jody Broomfield*

Above: *Haida artist Bill Reid's Black Eagle canoe is a symbol of knowledge, community and cultural regeneration*

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DISCOVER CANADA'S ENGAGED UNIVERSITY

Established in 1965, SFU has become Canada's leading comprehensive university, with vibrant campuses in British Columbia's three largest municipalities and deep roots in partner communities throughout the province and around the world. SFU's objectives are guided by the University's strategic vision, which seeks to establish SFU as the leading engaged university defined by its dynamic integration of innovative education, cutting-edge research and far-reaching community engagement.

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PRESIDENT'S MESSAGE

This has been another extraordinary year for SFU. Guided by our vision to be Canada's 'engaged university,' we enter our second half-century with more energy and greater sense of purpose than ever.

We are adding social, economic and environmental value to the community by moving ahead with the expansion of our Surrey campus. The first phase is a state-of-the-art Sustainable Energy and Environmental Engineering Building. This facility, now under construction, will house a new full-spectrum energy program – a first of its kind in western Canada – to develop the talent and technology needed by British Columbia's burgeoning sustainable energy sector.

This past year, SFU opened the Charles Chang Innovation Centre and graduate student residence at our Vancouver campus. This Centre is supported by a \$10 million gift from the generous SFU alumnus whose name it bears, and will empower students to contribute to society by providing programs in entrepreneurship and social innovation. In addition, our new SFU VentureLabs® facility at Harbour Centre has been rated British Columbia's leading business accelerator for job creation, capital formation and revenue growth.

On the Burnaby campus, construction has begun on a new Student Union Building. Funded by undergraduate students, the new facility will encourage student engagement and enhance the student experience.

We also celebrated the opening of the SFU Data Centre on Burnaby campus, which houses Canada's most powerful academic supercomputer. In partnership with Compute Canada and Westgrid, SFU is leading the new national network of four such data centre sites that will serve thousands of Canadian researchers, while building upon our expertise in big data.

In addition, we have launched KEY, SFU's Big Data initiative. Building on our strengths in computing science and big data, KEY will provide tools, training and expertise to unlock the potential of big data for our students, researchers and community partners.

The University's 50th Anniversary 'Power of Engagement' Campaign was an overwhelming success, raising a remarkable \$275 million. These funds are already being used to address the needs of our students, increase the impact of our research, and help us to contribute more to the communities we serve.

We are also pleased to have been recognized once again for SFU's excellence in education and research. This year, Maclean's ranked SFU Canada's top comprehensive university, a position we have held for eight of the last nine years. In addition, SFU rose in the Times Higher Education rankings to join the ranks of the top 10 universities in Canada and the top 250 universities in the world. The University's success on both national and international stages is a testament to the excellence of our faculty, the quality of our programs, and the dedication of our staff.

We are grateful for the amazing support SFU continues to receive from its students, alumni, faculty, staff and community partners. As we turn the page on 2016/17, this support provides us confidence and strength in our determination to make further progress in the years ahead.

A handwritten signature in black ink that reads "Andrew Petter". The signature is fluid and cursive, written in a professional style.

Professor Andrew Petter

President and Vice-Chancellor



VICE-PRESIDENT'S MESSAGE

SFU achieved positive financial results this year, largely due to international enrolment that exceeded expectations, generous financial support from the community and alumni, a strong level of investment income, and careful expense control. We take great pride in our ability to effectively administer the University's assets and overcome financial challenges while driving innovation and excellence on SFU's three campuses and within the communities we serve.

This year was a period of significant capital activity for SFU. We received \$90 million in provincial and federal government funding to support the expansion of our Surrey campus. At our Vancouver campus, we launched our inspiring Charles Chang Innovation Centre. We assisted the Simon Fraser Student Society as they started construction of a new Student Union Building on SFU's Burnaby campus – this facility is scheduled for completion in 2018.

We continue to develop strategies to proactively manage the deferred maintenance of SFU's existing Burnaby campus buildings. The University's infrastructure needs are being addressed through commitment to our long-term maintenance plan, targeted capital investments from our operating funds, and additional contributions from the provincial government.

Sustainability is a key principle that underpins all strategic activities at SFU. In keeping with our pursuit of sustainable operations, we have revised the University's Responsible

Investment Policy and pledged to decrease the carbon footprint of SFU's investment portfolio by at least 30 per cent by the year 2030. We have made progress toward the planning of a new biomass heating plant – a project that will substantially reduce the University's greenhouse gas emissions. Our Zero Waste program, a system that has diverted approximately 70 per cent of SFU's waste from landfills since 2015, received national recognition with first prize in its category at CAUBO's 2016 Quality & Productivity Awards and with NACUBO's 2016 award for innovation.

One of our top priorities is to provide a rewarding and supportive environment for SFU's staff and faculty. This year, we were included again on the lists of B.C.'s Top Employers, Canada's Top Family-Friendly Employers, and Canada's Top 100 Employers. Given that the University's continued success is driven by its incredible people, these achievements are particularly meaningful to us.

SFU closes this year and begins the next in a healthy financial position, with stable core operations that embody our objectives around financial and operational sustainability. These qualities will motivate and strengthen the University as we continue to establish SFU as the leading engaged university and grow our capacity to further support the communities around us.

A handwritten signature in black ink that reads "M. Pochurko". The signature is fluid and cursive.

Martin Pochurko

Vice-President,
Finance & Administration

SIGNIFICANT EVENTS DURING THE YEAR

SFU has vibrant campuses in British Columbia's three largest municipalities and deep roots in partner communities throughout the province and around the world.



Hastings Street

VANCOUVER



The Charles Chang Innovation Centre and graduate student residence opened its doors at SFU's Vancouver campus. This facility expands the University's downtown presence and will build a stronger sense of community among students in SFU's graduate programs. The Centre will also enhance the University's ability to foster social innovation and entrepreneurship.

Highway 99



BURNABY



The first shovels have officially hit the ground for the University's new Student Union Building (SUB), located at SFU's Burnaby campus. The SUB's construction is being funded by the Simon Fraser Student Society and is scheduled to open for the fall 2018 term.



The University celebrated the opening of the SFU Data Centre on its Burnaby campus. In partnership with Compute Canada and Westgrid, SFU is leading the new national network of four data centre sites. The SFU Data Centre, which houses the most powerful academic supercomputer in Canada, will serve many of the country's world-class big data researchers within diverse fields.



SURREY



SFU's Surrey campus is expanding with a state-of-the-art 15,000 square-metre facility that will house a new full-spectrum energy program. The facility will enable SFU students and researchers to gain the knowledge and skills required to help British Columbia and Canada emerge as leaders in the sustainable energy sector.

ENGAGING STUDENTS

Our goal:

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



Shruthi Narayan, member of SFU's Professional Master's Program in Big Data's first graduating class.

Shruthi Narayan

SFU's Professional Master's Program in Big Data was established in response to the growing global demand for big data experts. The program develops data architects who apply a deep knowledge of computer science to create new tools that find value in the vast amounts of information generated today.

Shruthi Narayan was a member of the Big Data program's first graduating class in 2016. Her graduation marks the end of a long journey. Looking to restart her career after having taken a

few years off following her daughter's birth, Narayan resolved to go back to school and pursue a master's in big data, one of computing science's most cutting-edge fields. Narayan describes the master's program, saying "The opportunities are endless, like running algorithms on huge volumes of data to help computers understand human speech, or using data from millions of images to help detect disease." Now equipped with her training from SFU, Narayan has successfully found her niche working for a top Vancouver-based tech company.



Mamadi Camara

Mamadi Camara came to Canada from Guinea with his mother and sister when he was just four years old. Originally settling in Montreal, Mamadi's mother raised him and his sister on her own, with no family nearby. Although finances were tight, Mamadi set his sights on attending university and playing soccer at an elite National Collegiate Athletic Association (NCAA) level. With support from SFU donors, Mamadi was able to make his dream come true – in 2015, Mamadi entered pre-season with the SFU soccer team, and has since developed into one of the University's top players.

After completing his bachelor of arts with a major in communications, Mamadi plans to pursue his goal of a professional career in soccer. "I feel proud to wear the SFU colors," says Mamadi. "Moreover, knowing that there are people who invest their time and money to support my program motivates me every day to perform to high standards, both in class and on the pitch."



Amelia Cooper

Amelia Cooper received a bachelor of arts from SFU in 2016 with a major in environmental geography. Completing her degree is a testament to Cooper's ability to confront and rise above life's challenges. Despite a number of health conditions – among them, Osteogenesis imperfecta, a disease that makes her bones fragile and prone to breaking or wearing down, and brain cancer earlier in life – Cooper was determined to get a university degree. Now she is eyeing a career as a geographic information systems technician.

"It has been an interesting time at SFU, between my studies and with being involved in student life," says Cooper. She has been an avid member of the Geography Student Union, as well as worked part-time as a human resources coordinator for B.C. Partners in WorkForce Innovation, a recruitment pilot project to help B.C. employers meet workforce needs and connect people with diverse abilities to employment opportunities.

Following her SFU experience, Cooper says "It's exciting to think about what comes next. Right now, my opportunities are wide open."

ENGAGING RESEARCH

Our goal:

"To be a world leader in knowledge mobilization building on a strong foundation of fundamental research."



MODAL Research Group

SFU education professor Susan O'Neill is dedicated to helping people use music and the arts to help them build connections and enrich their lives. In 2010, O'Neill established the MODAL (Multimodal/Music Opportunities, Diversity and Learning) research group. The group aims to advance understanding of artistic learning and the multiple pathways to engage youth in, and through, the arts.

One of O'Neill's current research projects is developing a theory of transformative music engagement (TME). TME explores what young musicians need to initiate and remain purposefully engaged in learning music. It also seeks to provide educators with new approaches and more expansive learning opportunities that deepen and enhance young people's music engagement, empowerment and well-being.

O'Neill's work demonstrates the importance of integrating arts education into a variety of contexts to spark transformative journeys toward learning and relationship building, strengthen communities and transmit an appreciation for the arts to future generations.

Data Storage Hub

SFU has experienced an incredible 362 per cent increase in research funding over the past 15 years, and was ranked the number one comprehensive Canadian university on Research Infosource's University Research Income Growth List.

Research funding is fueling SFU's leadership at the frontiers of computing science, including its work spearheading Compute Canada's national data centre consolidation project – an initiative representing one of the largest advanced research computing renewals in Canadian history. As part of this project, the University received a combined \$8.35 million in 2016 from the Canada Foundation for Innovation, the Ontario Research Fund, and the B.C. Knowledge Development Fund to build a data storage hub at SFU's Burnaby campus. "We are honoured to be part of the collective effort to scale up advanced research computing in Canada," says Joy Johnson, SFU's vice-president, research and international. "The new cyber-infrastructure will make it easier for researchers to securely store and share data from coast to coast, stimulating made-in-Canada discoveries and innovations."

Connections Lab

Using new technologies being developed at SFU, long-distance couples can share a walk, watch movies together, and even give each other a massage. "It's all about feeling connected", says Carman Neustaedter, an associate professor in SFU's School of Interactive Arts and Technology and leader of the Connections Lab research group.

SFU researchers have designed a pair of interconnected gloves called Flex-N-Feel. When fingers 'flex' in one glove, the actions are transmitted to a remote partner wearing the other. The glove's tactile sensors allow the wearer to 'feel' the movements. Other projects also focus on shared experiences, including a virtual reality video conferencing system that lets one "see through the eyes" of a remote partner, and another that enables users to video-stream a remote partner's activities to a long-distance partner.



ENGAGING COMMUNITIES

Our goal:

"To be Canada's most community-engaged research university."



Elementary Reading

Assessing and addressing the reading problems of children with learning disabilities is no easy task, but SFU students in the Faculty of Education's Learning Disabilities: Laboratory course gleaned hands-on experience during summer 2016. Working with pupils from Vancouver's Lord Strathcona Elementary School and other Metro Vancouver elementary schools, the SFU student tutors evaluated and addressed the children's reading difficulties.

The summer program was a boon to elementary school teachers, who have little time during the school year to perform one-on-one assessment of their students. The SFU tutors provided the teachers detailed reports outlining the pupils' skill levels and needs, with potential interventions to help address each child's specific challenges.

SFU education professor Robert Williamson says the response from schools wishing to participate in the project was overwhelming. He would like to see the program expanded to accommodate more local pupils next summer, and perhaps throughout the year.

Morris J. Wosk Centre for Dialogue

All Canadians are invited to play a key role in the future of innovation for the country. It will take a combined effort – universities, businesses and the community working together – to create and support an entrepreneurial and socially innovative society that promotes long-term growth, high societal and global impact, and improved quality of life.

This was the driving force behind SFU's community event 'Creating a More Entrepreneurial and Socially Innovative Society', a public dialogue led by Sarah Lubik, the University's director of entrepreneurship and one of Canada's 10 Innovation Leaders. Held at SFU's Morris J. Wosk Centre for Dialogue, the event gave thought leaders, entrepreneurs, employees, students, social innovators and the general community the opportunity to share their ideas and vision for Canada's Innovation Agenda. The discussion focused on what it means to be an innovative culture, how society can become more entrepreneurial, and what Canada's innovation future should look like.

Engaging India

SFU president Andrew Petter led a delegation to India in early 2017 to further the University's reputation of academic excellence, research innovation and strong community engagement. The trip offered an opportunity to build SFU's international research network and establish new opportunities for SFU students and faculty to collaborate on projects with the local academic and business communities.

Partnerships agreed to as a result of the visit to India include a Student Mobility Agreement with the Indian Institute of

Technology Bombay – a pact setting the framework for exchange students on study, research and co-op placements – and a Letter of Intent outlining future collaboration between SFU's Beedie School of Business and the Indian Institute of Technology Delhi's Department of Management Studies.

Petter says that "These agreements and partnerships will build on SFU's already strong relationships in India, creating new opportunities for our students, educators and researchers to collaborate and innovate on the world stage."



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.

Members of the Four Fires Society drumming group wore traditional regalia for SFU's annual Indigenous Day.





Internationalization – SFU students travelled to Costa Rica and met with local farmers to learn about fair trade and its impact on the country's economy.

Academic and Intellectual Freedom

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

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.

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.

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.



Sustainability – Wes Regan is a student in SFU's Graduate Urban Studies Program and works in community economic development in Vancouver's inner city.

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.

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.

ANNOUNCEMENT OF SFU'S SURREY CAMPUS EXPANSION

Prime Minister Justin Trudeau visited SFU in 2016 as part of the announcement of \$90 million in federal and provincial funding to support expansion of the University's Surrey campus. This expansion will include a new 15,000-square-metre Sustainable Energy and Environmental Engineering Building that will house programs and research supporting clean technology and the sustainable energy sector. The announcement was made in front of a gathering of university and political leaders as hundreds of SFU students looked on.



MANAGEMENT DISCUSSION AND ANALYSIS

(UNAUDITED)



Artist's rendering of the new Sustainable Energy and Environmental Engineering Building at SFU's Surrey campus.

MANAGEMENT DISCUSSION AND ANALYSIS (unaudited)

Introduction

SFU is defined by its dynamic integration of innovative education, cutting-edge research and far-reaching community engagement. In pursuit of its Strategic Vision to be the leading engaged university, SFU has defined underlying principles, integrated goal-driven planning, allocated budget resources strategically, established disciplined operating authority and provided accountability in terms of its operations and finances.

To ensure service delivery into the future, SFU must adhere to the underlying principle of economic sustainability. This Annual Financial Report is the leading communication of accountability with respect to financial sustainability and is set within the context of service delivery.

The audited Consolidated Financial Statements, which follow this Management Discussion and Analysis (MD&A), provide the primary measure of financial accountability. They have been prepared pursuant to a compliance basis of financial reporting referred to as the Financial Reporting Framework (FRF) – this framework is required as the University is within the government reporting entity of the Province of British Columbia.

The FRF is based on the Canadian Public Sector Accounting Standards (PSAS) without sections PS 4200 to PS 4270 government not-for-profit organizations, and has restricted contributions for the purpose of acquiring tangible capital assets accounted for as Deferred Capital Contributions. Note 2 of the Consolidated Financial Statements provides more information on the basis of accounting and differences between the PSAS and FRF methods of financial reporting.

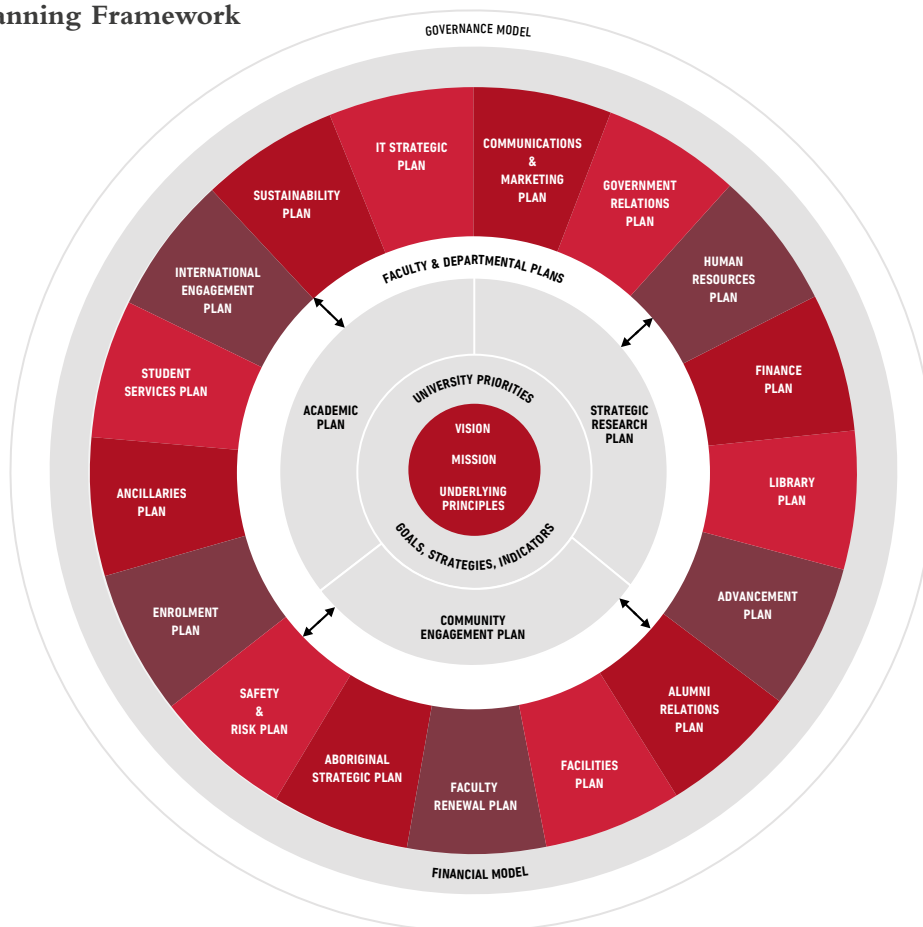
This unaudited MD&A is to be read in conjunction with the audited Consolidated Financial Statements in order to provide management's perspective on the University's financial health, performance and prospects. It includes management's discussion addressing seven key questions related to financial health.

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 Health Perspective and Prospects

1. Do revenues cover expenses?

A key indicator of financial health is the ability of an organization to fully cover expenses with revenues. The University's Annual Operating Surplus Before Restricted Contributions represents the comparison of revenues to expenses, and must adhere to the Government of

British Columbia's no deficit requirement. For the year ended March 31, 2017, Annual Operating Surplus Before Restricted Contributions was \$30.4 million.

2. Is revenue resilient?

Revenue growth, as well as diversity and stability of revenue sources, are primary indicators of revenue resiliency. These factors will be considered in the following discussion.

Revenue growth

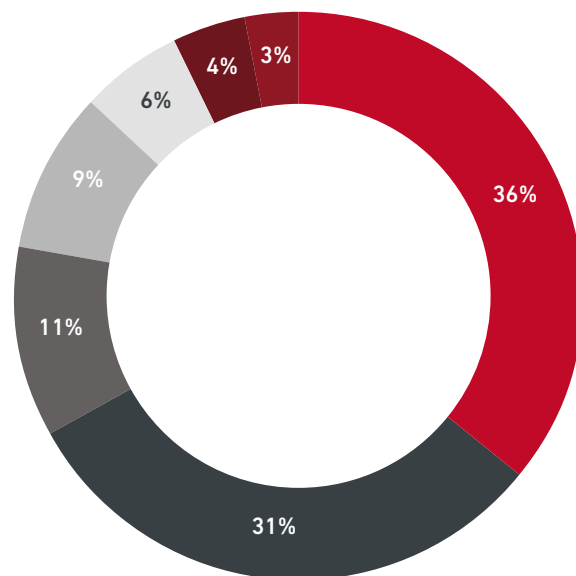
Revenue growth is essential to consistent multi-year service delivery and financial health. The University has experienced steady, modest growth of total revenue over the past five years. Total annual revenue has grown from \$624 million in 2013 to \$689 million in 2017.

Revenue diversity

Multiple sources of revenue minimize dependency risk and contribute to financial stability. The University's diverse revenue sources are summarized in the following chart.

2017 Revenue by Type

- Tuition
- Province of British Columbia
- Donations, grants, contract and other
- Government of Canada
- Sales of goods and services
- Investment income
- Amortization of deferred capital contributions



Revenue stability

Government funding

The Province of British Columbia provides operating funding to deliver credit courses to eligible students and sets targets for the Full Time Equivalent (FTE) enrolment (including co-op students) of domestic undergraduate and graduate students. Both of these types of enrolment are stable and consistently exceed the targets.

Additionally, the provincial government's B.C. Labour Market Outlook anticipates that the majority of future job openings projected to 2025 will require post-secondary education. Continuity of provincial government funding is dependent on achieving alignment with the Ministry of Advanced Education mandate for post-secondary education. The University is strategically directing its future growth towards programs and operations that align with the Ministry's mandate.

Future prospects for being able to achieve target requirements are strong, considering that there is a large diverse population adjacent to SFU's campuses in British Columbia's three biggest cities: Vancouver, Surrey and Burnaby.

Tuition revenue

As domestic undergraduate and graduate enrolments have been stable, domestic tuition revenue increases are primarily attributable to annual tuition increases of 2%, which is the limit mandated by the provincial government.

International undergraduate revenue has grown as a result of both enrolment and fee increases, and this growth has been a primary contributing factor towards the increase in tuition revenue of the University.

Tuition fees for international students are higher than those for domestic students, as there is no associated provincial government funding provided for international students. The fees are set in the context of a competitive global market and are not subject to government restrictions.

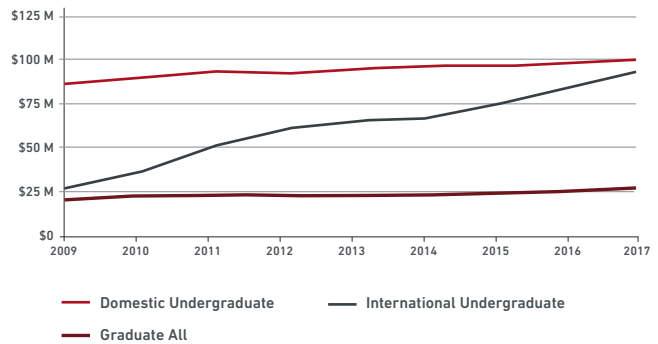
Future prospects for attracting and retaining international undergraduate students are strong considering the strength of global demand for university education, SFU's international reputation and long involvement in international education marketing and delivery, and the desirable location of Metro Vancouver.

Since 2015, annual tuition revenue has exceeded provincial operating funding, and continues to trend upwards.

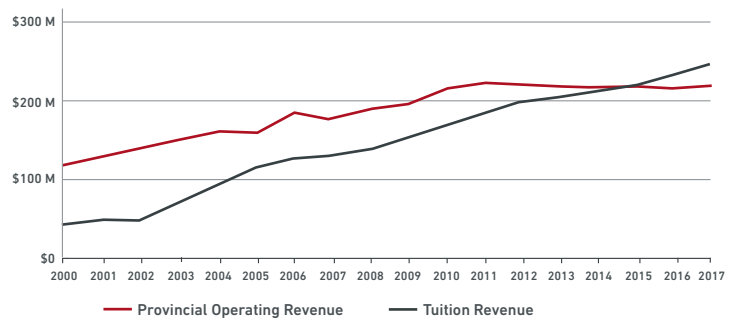
Research revenue

SFU has experienced a 362% increase in research funding over 15 years and was ranked the number one comprehensive Canadian university on Research Infosource's University Research Income Growth List for the years 2001 to 2015. SFU is one of Canada's top 20 research universities on Research Infosource's 2016 Top Research Universities List. The Government of Canada is the leading funder of research at the University, contributing 60% of SFU's total research funding in 2017.

Credit Tuition Revenue by Type



Provincial Operating and Total Tuition Revenue



Future research funding is anticipated to remain strong given the Government of Canada's innovation agenda. Future funding is influenced by government economic circumstances and priorities, the success rate of SFU faculty in research competitions, and the University's success in sourcing matching funds from corporations and institutions. The operational model of research is designed to adapt quickly to variable funding levels.

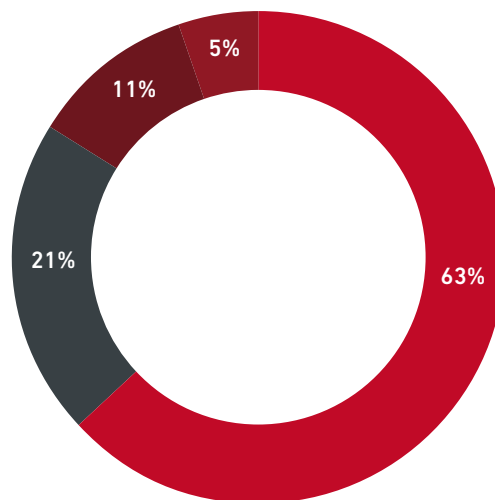
3. Is the composition of expense by type stable?

SFU's fiscal management system of setting goals, allocating budgets, and controlling operations is intended to achieve optimal expenditure of financial resources within the confines of the University's available revenue. Expenditure budgets required to deliver the associated services are linked to key revenues, such as tuition, research awards, and contracts revenue.

SFU's largest expense is salaries and employee benefits, represents 63% of total expenses. Despite multiple factors impacting salaries and employee benefits expense in recent years – including varying prices, retroactive labour settlement payments and changes to accounting standards used for the measurements – salaries and employee benefits expense has remained stable. From 1999 to 2017, salaries and benefits expense as a percentage of total expenses stayed within the range of 60% to 65%.

2017 Expense by Type

- Salaries and employee benefits
- Supplies and services
- Amortization, interest and utilities
- Scholarships and bursaries



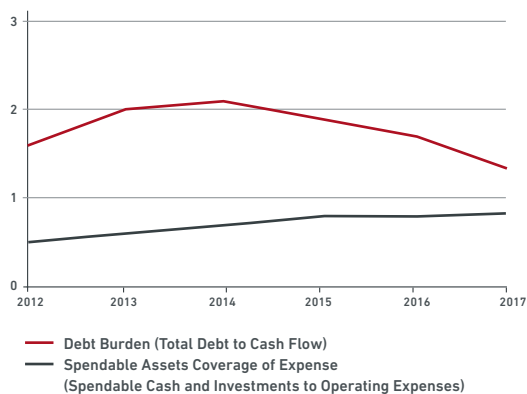
4. Can financial obligations be met?

Capital markets utilize independent credit rating agencies to assess an organization's ability to manage debt. Moody's Investors Service has provided a credit rating of Aa1 on SFU's senior unsecured debt, with a stable outlook. This was the highest rating among nine Canadian universities that Moody's Investors Service reviewed.

The debt burden (total debt to cash flow) continues to decline, indicating that the University is increasing the amount of cash flow available to service debt.

The spendable assets coverage of expense (spendable cash and investments to operating expenses) has been stable for three years.

Debt Burden Ratio and Spendable Assets Coverage of Expense Ratio

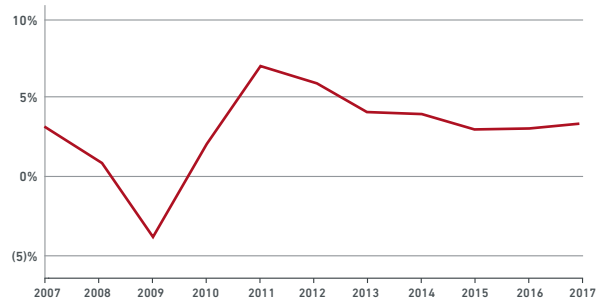


As at March 31, 2017, SFU's tangible capital assets net book value is effectively financed 15.9% by long-term debt. This means that future students will benefit from access to assets with low associated debt obligations. Interest on long-term debt, at 1.3% of total revenue for the year ended March 31, 2017, is sufficiently low so as not to restrict the flexibility of operations.

5. Are operating reserves reasonable?

Reserves are essential to protect operations from variability in revenue and expenses, and to follow through on commitments not completed by the fiscal year end. At the same time, reserves should not be excessive such that they are detrimental to the delivery of current services. The University's operating reserve financial performance measure is Net Operating Accumulated Surplus as a Percentage of Total Consolidated Revenue. A positive operating reserve level of up to 9% of consolidated revenues represents a reasonable operating reserve level for SFU. Except for the 2009 year, where there was a significant negative impact due to the global financial crisis, this indicator has operated within the acceptable range.

Net Operating Accumulated Surplus as a Percentage of Total Consolidated Revenue



6. Are obligations associated with ongoing employee benefits sustainable?

Employee compensation includes defined benefit pensions, post-retirement benefits, and long-term disability benefits, which the University is obligated to provide after active service. The expense of providing these plans is recorded

through actuarial measurements. As there is a financial risk to the University related to the obligation to make future payments, it is relevant to review the financial sustainability of these contractual commitments.

Defined benefit pensions plans

The defined benefit pension plans (Administrative/Union Plan and Academic Formula Retirement Benefit Plan) have Boards of Trustees who manage the plans' investment assets and administer the benefits. The University is responsible for funding the pension plans.

The University's change during the year of net pension position corresponds to the difference between University contributions and expense of \$14.9 million.

- Net pension position has improved by \$14.9 million from a liability of \$11.4 million in 2016 to an asset of \$3.5 million in 2017.
- University contributions to the plans of \$22.2 million, determined pursuant to the BC Pension Benefits Standards Act, exceed the \$7.3 million expense for the plans, determined pursuant to Public Sector Accounting Standards.

The main reason pensions expense is less than contributions is due to the requirement under PSAS to defer and amortize actuarial gains and losses.

The unamortized gain in 2017 is \$53.6 million. When amortized, this will reduce future pension expense over the Expected Average Remaining Service Lifetime (EARSL) of active employees.

As SFU bears the financial and actuarial risks associated with the defined benefit pension plans, the University is engaged with stakeholders to establish an appropriate, balanced and sustainable approach going forward.

Post-retirement and long-term disability benefits

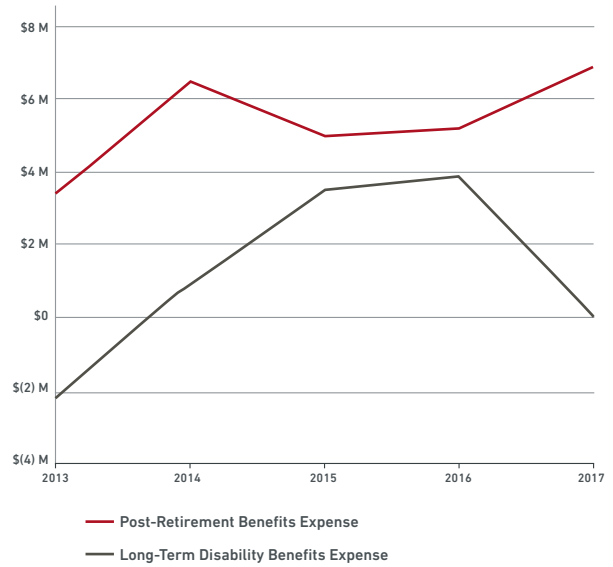
The University provides employee future benefits in the form of post-retirement (medical and early retirement) and long-term disability benefits, for which the expenses, obligations and liabilities are determined by actuarial methods. The University has assets in its investment portfolio to cover the recognized liabilities.

The long-term disability benefits liability is fully recognized, as long-term disability is an event-driven compensated absence benefit. The immediate recognition basis of accounting results in greater variability in expense year to year as the number and nature of claims increases and decreases.

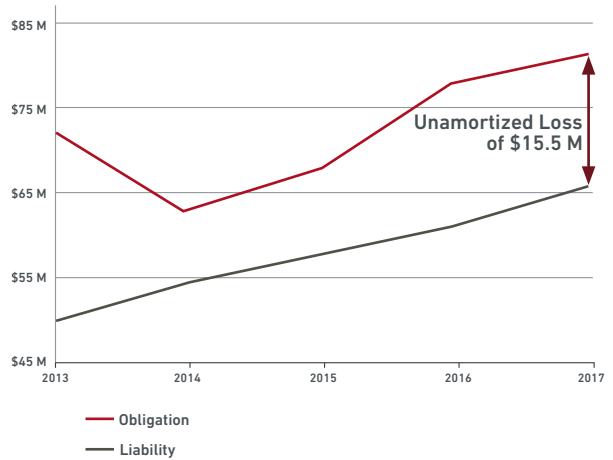
Accounting for post-retirement benefits involves the deferral and amortization of actuarial gains and losses. This accounting method results in a more stable recognition of expense and an unamortized actuarial gain or loss.

The difference between the post-retirement accrued benefit obligation of \$80.8 million and the liability of \$65.3 million at year end is a \$15.5 million unamortized loss, which will be recognized by the University as expense over the EARSL of active employees.

Post-Retirement and Long-Term Disability Benefits Expense



Post-Retirement Benefits Unamortized Loss



7. Is the facilities infrastructure being sustained?

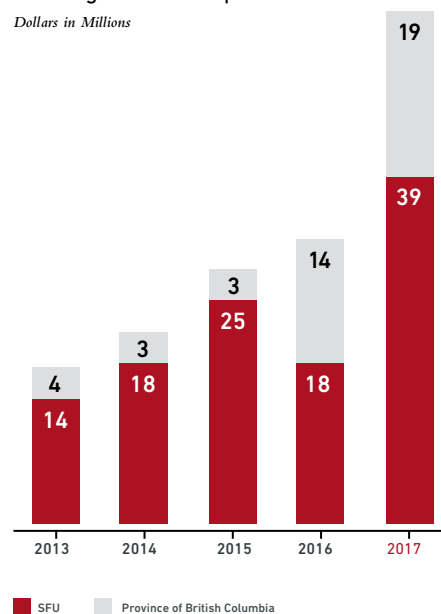
The University has substantial facilities across its three campuses to support high-quality education and research. SFU's Burnaby campus has an aging physical infrastructure that is experiencing physical deterioration and functional obsolescence, resulting in deferred maintenance requirements.

Extending the useful lives and updating the functional utility of buildings and related infrastructure involves considerable cost. Significant funding challenges arise from limitations on: acquiring debt, availability of government capital contributions and capacity of the University to fund capital renewal from operations.

In recent years, with increased routine capital support from the Province of British Columbia (\$18.7 million in 2017) along with SFU's efforts toward building renewal, the University is beginning to make significant progress on the deferred maintenance issue.

Building Renewal Expenditures

Dollars in Millions



The remainder of the MD&A provides five-year comparative analyses of key aspects of the University's financial position and operations.

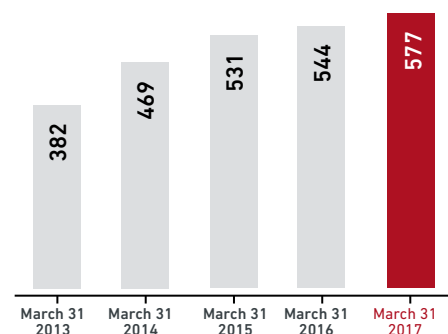
Cautionary Note on Forward-Looking Statements

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

COMPARATIVE FINANCIAL INFORMATION

Financial Assets

Dollars in Millions



Financial assets increased 6.0% to \$577M.

Dollars in Thousands	2017	2016
Cash and cash equivalents	30,727	60,494
Accounts receivable	10,818	6,420
Inventories for resale	1,945	1,770
Due from related parties	12,719	13,989
Pensions	3,456	
Portfolio investments	490,541	440,585
Investment in Great Northern Way Campus Trust	19,129	15,323
Investment in SFU Community Trust	7,894	5,883
Total Financial Assets	577,229	544,464

Cash and cash equivalents balance is lower due to higher acquisitions of capital assets and an increase in portfolio investments.

Accounts receivable is higher because of increases in receivables for research grants, student tuition and GST rebates related to equipment purchases.

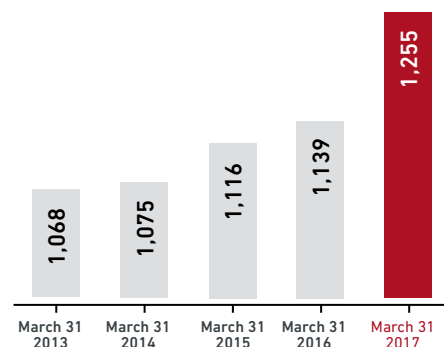
Pensions became an asset as contributions to defined benefits plans required by the Pension Benefits Standards Act exceed the related expense determined by Public Sector Accounting Standards.

Portfolio investments increased by \$50M related to reinvestment of investment income of \$18M, and remeasurement gains of \$32M during the year. Portfolio growth was primarily driven by strength in both the domestic and foreign equity markets. The Responsible Investment Committee has made a commitment to reduce the carbon footprint of SFU's investments by 30% by 2030.

Investment in Great Northern Way Campus Trust increased as a result of a sale of property that occurred during the year.

Non-Financial Assets

Dollars in Millions



Non-financial assets increased 10.2% to \$1,255M.

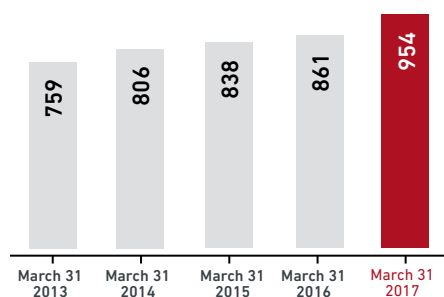
Dollars in Thousands	2017	2016
Tangible capital assets	930,149	832,248
Restricted investments	322,938	303,870
Prepaid expenses	1,556	1,696
Prepaid lease	236	550
Inventories of supplies	486	470
Total Non-Financial Assets	1,255,365	1,138,834

Tangible capital assets include land, buildings, leasehold improvements, library acquisitions, computers, and equipment and furnishings. The increase in the net book value of tangible capital assets is the result of \$152.4M of capital additions, partially offset by \$54.6M of amortization. Significant additions include building improvements (\$66.2M), equipment and furnishings (\$21.1M), and computer equipment (\$20.6M).

Restricted investments consist of investments that are not available for use in university operations. The \$19.1M increase from the prior year resulted primarily from donations of \$9.0M and capitalized investment income of \$9.7M.

Liabilities

Dollars in Millions



Liabilities increased 10.8% to \$954M.

Dollars in Thousands	2017	2016
Accounts payable and accrued liabilities	58,447	59,102
Pensions		11,388
Employee future benefits	74,015	70,650
Long-term debt	147,676	147,799
Deferred revenue	158,486	126,699
Deferred capital contributions	478,034	409,801
Deferred lease proceeds	37,201	35,603
Total Liabilities	953,859	861,042

Pensions became an asset as contributions to defined benefits plans required by the Pension Benefits Standards Act exceed the related expense determined by Public Sector Accounting Standards.

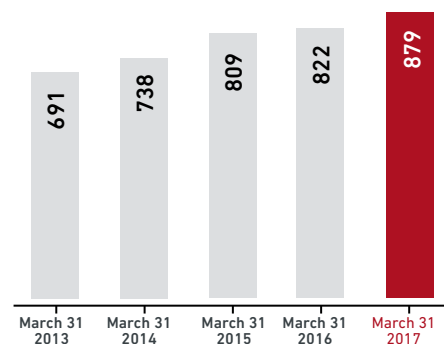
Employee future benefits increased \$3.4M as a result of a \$5M increase related to non-pension retiree benefits, offset by decrease in long term disability and early retirement liabilities.

Deferred revenue increased due to strong unrealized gains recorded in the endowment income stabilization account.

Deferred capital contributions increased due to \$90M of additional funding during the year, partially offset by \$21.8M of amortization. The largest contributions during the year were \$15M in operating funding restricted for capital, \$17.3M in provincial funding for major rehabilitation and maintenance, and \$30.7M of funding for research infrastructure.

Accumulated Surplus

Dollars in Millions



Accumulated surplus increased 6.9% to \$879M.

Dollars in Thousands	2017	2016
Internally restricted for operating commitments	63,468	56,082
Invested in tangible capital assets	466,106	443,132
Endowment	321,938	302,870
Total Accumulated Operating Surplus	851,512	802,084
Accumulated remeasurement gains	27,223	20,172
Accumulated Surplus	878,735	822,256

Internally restricted for operating commitments consists of departmental carryovers of \$35.7M and university project commitments of \$27.8M.

Investment in tangible capital assets represents the amount of accumulated surplus that is not available for other purposes.

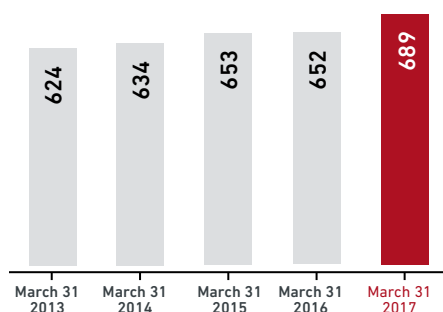
Endowment accumulated surplus increased as a result of donations of \$9.0M and capitalized funds of \$9.7M. Since 2013, the endowment has grown by \$68.5M.

Accumulated remeasurement gains primarily represents the unrealized investment gains on the investment portfolio. During the year, the balance increased by \$7.1M as a result of:

- \$16.7M of unrealized gains in the value of financial instruments, offset by
- \$9.6M realized through market transactions recorded on the Consolidated Statement of Operations as investment income.

Revenue

Dollars in Millions



Revenue increased 5.7% to \$689M.

Dollars in Thousands	2017	2016
Government grants and contracts	278,426	271,073
Tuition	247,630	233,482
Sale of goods and services	38,904	38,074
Donations, non-government grants and contracts	54,922	47,690
Investment income	30,002	30,245
Investment income - GNWCT	3,478	333
Amortization of deferred capital contributions	21,779	18,285
Other revenue	13,605	12,367
Total Revenue	688,746	651,549

Government grants and contracts is higher than last year as \$10M less was transferred from operating funding to deferred capital contributions to fund ongoing and future deferred maintenance projects.

Tuition increased by \$14M primarily due to a 2% rate increase on domestic student fees and a 2% increase in international student fees. Domestic enrolment remains stable while there was a 6.6% increase in international enrolment.

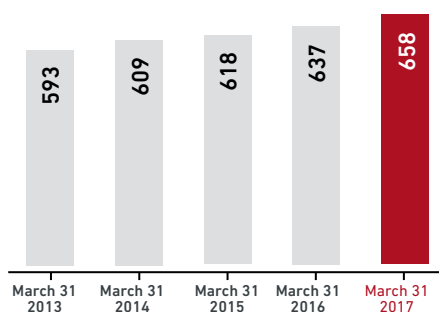
Donations, non-government grants and contracts increased due to higher contract revenues from non-government research and specific purpose activity.

Investment income - GNWCT increased due to a sale of property on the Great Northern Way Campus Trust site.

Amortization of deferred capital contributions increased because of significant contributions from the Province of B.C. for major rehabilitation and maintenance and from Compute Canada for computer equipment.

Expense

Dollars in Millions



Expense increased 3.3% to \$658M.

Dollars in Thousands	2017	2016
Salaries	354,614	344,628
Employee benefits	58,515	60,067
Supplies and operating expenses	69,572	59,126
Amortization of tangible capital assets	54,554	51,446
Professional and contracted services	42,142	42,329
Scholarships and bursaries	34,452	32,441
Travel and personnel	19,060	20,174
Cost of goods sold	6,478	6,857
Interest on long-term debt	9,158	9,182
Utilities	9,841	10,449
Total Expense	658,386	636,699

Salaries expense grew by 2.89% as compared to the prior year from a combination of general wage increases, retroactive payments, step increases, progress through the ranks and new positions.

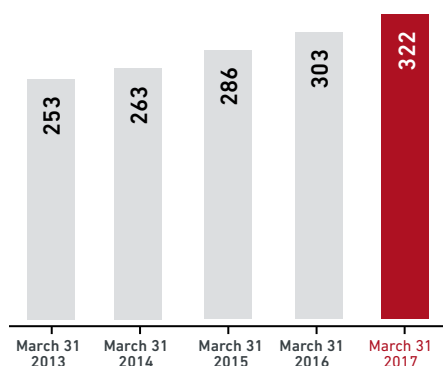
Employee benefits expense is often proportionate to salaries expense; however, it decreased primarily due to a reduction in long-term disability of \$3.8M.

Supplies and operating expenses increased \$10.4M as a result of payments to collaborating institutions for the Compute Canada project.

Amortization of tangible capital assets increased due to the completion of a number of major rehabilitation projects and the purchase of research equipment.

Accumulated Surplus – Endowment

Dollars in Millions



Accumulated surplus – endowment increased 6.3% to \$322M.

Dollars in Thousands	2017	2016
Faculty, academic & other programs	108,859	102,734
Student financial aid	93,873	87,437
Research chairs	87,869	84,486
Professorships	22,365	19,594
Library collections	5,906	5,619
Athletics	3,066	3,000
Total Accumulated Surplus - Endowment	321,938	302,870

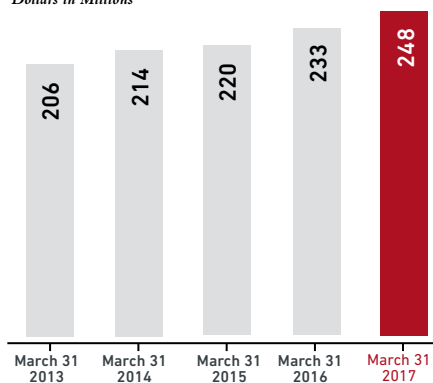
Endowments consist of externally restricted donations received by the University, the principal of which is required to be maintained intact in perpetuity to support the activities of the University. The investment income generated from endowments must be used in accordance with the purposes stipulated by the donors. There were 890 individual endowment funds that provided \$16.7M (2016: \$15.6M) 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 maintain purchasing power. Donations of \$9.0M, reinvestment of \$3.3M of earnings, and capitalization of \$6.4M helped the endowment surplus grow to \$322M.

The income stabilization account, which is a component of deferred contributions and protects endowment spending against market fluctuations in the endowment investment fund, has a surplus of \$84.8M (2016: \$57.6M).

Tuition and Student Fees

Dollars in Millions



Tuition and student fee revenue increased 6.4% to \$248M.

Dollars in Thousands	2017	2016
Undergraduate - domestic	100,717	99,802
Undergraduate - international	91,692	82,638
Graduate	30,253	26,799
Non-credit courses and other student fees	24,968	24,243
Total Tuition and Student Fees	247,630	233,482

Undergraduate domestic tuition relates to student revenue, including co-op students, and exceeds the Province of B.C. target. The undergraduate domestic tuition rate has increased at 2% per year since government established a tuition limit policy in 2005.

Undergraduate international tuition revenue has increased as a result of enrolment rising to an all-time high and the tuition rate increasing by 2% over the 2016 rate. International undergraduate students are not supported by government funding and, as a result, pay the full cost of education at competitive rates in the international education market.

Graduate tuition revenue is derived from students enrolled in a range of academic and professional graduate programs, which have different rates based on the types of program. Graduate students are supported by government funding and tuition rates are subject to the 2% tuition limit policy.

Non-credit courses and other student fees revenue grew by 3.0% overall as a result of increases in non-credit course revenue and an increase in student fees related to credit courses.

**CONSOLIDATED
FINANCIAL STATEMENTS**



*Photo courtesy
of the Office for
Aboriginal Peoples*

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, 2017 and the results of its operations, changes in net debt, remeasurement gains and losses, 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. The committee members 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, Risk and Compliance Committee, with and without the presence of management.

The audited consolidated financial statements for the year ended March 31, 2017 have been reported on by BDO Canada LLP. The Independent Auditor's Report outlines the scope of the examination and provides the firm's 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.

Burnaby, BC
May 25, 2017



Professor Andrew Petter

President and Vice-Chancellor



Martin Pochurko

Vice-President,
Finance & Administration



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BDO Canada LLP
 600 Cathedral Place
 925 West Georgia Street
 Vancouver BC V6C 3L2 Canada

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Simon Fraser University, which comprise the Consolidated Statement of Financial Position as at March 31, 2017, and the Consolidated Statements of Operations, Remeasurement Gains and Losses, Changes in Net Debt and Cash Flows for the year then ended, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of Simon Fraser University as at March 31, 2017 and for the year then ended 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 our opinion, we draw attention to Note 2 of the Consolidated Financial Statements which describes the basis of accounting used in the preparation of these consolidated financial statements. Note 15 of the Consolidated Financial Statements discloses the impact of these differences between such basis of accounting and Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants
 Vancouver, British Columbia
 May 25, 2017

Consolidated Statement of Financial Position

As at March 31, 2017

<i>Dollars in Thousands</i>	Note	2017	2016
Financial Assets			
Cash and cash equivalents	4	30,727	60,494
Accounts receivable	5	10,818	6,420
Inventories for resale		1,945	1,770
Due from related parties	6	12,719	13,989
Pensions	7	3,456	
Portfolio investments	8	490,541	440,585
Investment in Great Northern Way Campus Trust	9	19,129	15,323
Investment in SFU Community Trust	10	7,894	5,883
Total Financial Assets		577,229	544,464
Liabilities			
Accounts payable and accrued liabilities	11	58,447	59,102
Pensions	7		11,388
Employee future benefits	12	74,015	70,650
Long-term debt	13	147,676	147,799
Deferred revenue	14	158,486	126,699
Deferred capital contributions	15	478,034	409,801
Deferred lease proceeds	16	37,201	35,603
Total Liabilities		953,859	861,042
Net Debt		376,630	316,578
Non-Financial Assets			
Tangible capital assets	17	930,149	832,248
Restricted investments	8	322,938	303,870
Prepaid expense		1,556	1,696
Prepaid lease		236	550
Inventories held for use		486	470
Total Non-Financial Assets		1,255,365	1,138,834
Accumulated Surplus	18	878,735	822,256
Accumulated Surplus is comprised of			
Internally restricted for operating commitments		63,468	56,082
Investment in tangible capital assets		466,106	443,132
Endowment		321,938	302,870
Accumulated Operating Surplus		851,512	802,084
Accumulated Remeasurement Gains		27,223	20,172
Accumulated Surplus		878,735	822,256

The accompanying notes are an integral part of these financial statements

Approved:



Julia Kim

Chair, Board of Governors



Martin Pochurko

Vice-President, Finance & Administration

Consolidated Statement of Operations

For the year ended March 31, 2017

<i>Dollars in Thousands</i>	Note	Budget	2017	2016
Revenue				
Government grants and contracts				
Province of British Columbia	19	223,359	229,286	229,371
Less: portion restricted for capital	19		(15,000)	(25,000)
Government of Canada	19	67,286	61,720	64,644
Other governments	19	2,066	2,420	2,058
Tuition				
Credit courses		219,371	222,662	209,239
Non-credit courses and other student fees		25,502	24,968	24,243
Sales of goods and services		36,928	38,904	38,074
Donations, non-government grants and contracts		44,913	54,922	47,690
Investment income	20	26,650	30,002	30,245
Investment income - Great Northern Way Campus Trust	9		3,478	333
Amortization of deferred capital contributions	15	18,557	21,779	18,285
Other revenue		24,092	13,605	12,367
		688,724	688,746	651,549
Expense				
	21			
Instruction		526,855	501,894	494,811
Research		129,142	135,715	117,810
Community engagement		19,559	20,777	24,078
		675,556	658,386	636,699
Annual Operating Surplus Before Restricted Contributions		13,168	30,360	14,850
Net restricted endowment contributions	22	17,000	19,068	17,001
Annual Operating Surplus		30,168	49,428	31,851
Accumulated Operating Surplus, Beginning of Year		802,084	802,084	770,233
Accumulated Operating Surplus, End of Year		832,252	851,512	802,084
Annual Operating Surplus was allocated to increase Accumulated Surplus for				
Internally restricted for operating commitments			7,386	(1,023)
Investment in tangible capital assets			22,974	15,873
			30,360	14,850
Endowment			19,068	17,001
			49,428	31,851

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31, 2017

<i>Dollars in Thousands</i>	Note	2017	2016
Accumulated Remeasurement Gains, Beginning of Year		20,172	38,707
Unrealized Gains (Losses) Attributable to			
Portfolio investments		16,236	(4,972)
Designated fair value financial instruments		(384)	(4,686)
Foreign currency translation		434	(529)
Amounts Reclassified to Consolidated Statement of Operations			
Portfolio investments		(5,444)	(6,313)
Designated fair value financial instruments		(4,406)	(2,078)
Foreign currency translation		283	382
Other Comprehensive Income (Loss) - Great Northern Way Campus Trust	9	332	(339)
Net Remeasurement Gains (Losses) for the Year		7,051	(18,535)
Accumulated Remeasurement Gains, End of Year		27,223	20,172

Consolidated Statement of Changes in Net Debt

For the year ended March 31, 2017

<i>Dollars in Thousands</i>	Note	Budget	2017	2016
Annual Operating Surplus		30,168	49,428	31,851
Net restricted endowment contributions	22	(17,000)	(19,068)	(17,001)
Contribution of residual interest in real property				(58)
Net effect of remeasurement gains (losses)		13,000	7,051	(18,535)
		(4,000)	(12,017)	(35,594)
Acquisition of tangible capital assets	17	(63,000)	(152,455)	(56,480)
Amortization of tangible capital assets	17	51,676	54,554	51,446
		(11,324)	(97,901)	(5,034)
Net effect of prepaid expense		415	140	(782)
Net effect of prepaid lease		315	314	315
Net effect of inventories held for use		64	(16)	64
		794	438	(403)
Increase (Decrease) in Net Debt in the Year		(15,638)	60,052	9,180
Net Debt, Beginning of Year		316,578	316,578	307,398
Net Debt, End of Year		300,940	376,630	316,578

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Cash Flows

For the year ended March 31, 2017

<i>Dollars in Thousands</i>	2017	2016
Operating Transactions		
Annual operating surplus	49,428	31,851
Items not involving cash		
Amortization of tangible capital assets	54,554	51,446
Amortization of deferred capital contributions	(21,779)	(18,285)
Employee future benefits	3,365	5,654
Income from investment in Great Northern Way Campus Trust	(3,478)	(333)
(Income) loss from investment in SFU Community Trust	(2,011)	1,164
Amortization of deferred lease proceeds	(413)	(393)
	79,666	71,104
Changes in non-cash operating balances		
Accounts receivable	(4,398)	2,224
Due from related parties	1,270	679
Pensions	(14,844)	(15,949)
Inventories for resale and held for use	(191)	(270)
Prepaid expense	140	(782)
Prepaid lease	314	315
Accounts payable and accrued liabilities	(655)	14,755
Deferred revenue	31,787	(11,401)
Deferred lease proceeds	2,011	
Cash Provided by Operating Transactions	95,100	60,675
Investing Transactions		
Increase in investments, net of remeasurement gains/losses	(62,305)	(21,850)
Distribution from (contribution to) Great Northern Way Campus Trust	4	(743)
Cash Used in Investing Transactions	(62,301)	(22,593)
Financing Transactions		
Deferred capital contributions	90,012	48,639
Long-term debt principal repaid	(123)	(19)
Cash Used in Financing Transactions	89,889	48,620
Capital Transactions		
Acquisition of tangible capital assets	(152,455)	(56,480)
Cash Used in Capital Transactions	(152,455)	(56,480)
Net Increase (Decrease) in Cash and Cash Equivalents	(29,767)	30,222
Cash and Cash Equivalents, Beginning of Year	60,494	30,272
Cash and Cash Equivalents, End of Year	30,727	60,494

The accompanying notes are an integral part of these financial statements

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

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 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; the Financial Reporting Framework (FRF).

The Budget Transparency and Accountability Act requires that the consolidated financial statements be prepared in accordance with Canadian Public Sector Accounting Standards (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.

Revenue recognized in the Consolidated Statement of Operations and certain related deferred capital contributions are recorded differently under FRF as described herein than under PSAS.

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. Government business enterprises are accounted for by the modified equity method. Other controlled organizations are consolidated or proportionately consolidated and inter-organizational transactions, balances and activities have been eliminated on consolidation.

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

- Consolidation: SFU Foundation (100%); SFU Community Corporation (100%); SFU Initiatives Corporation (100%); and SF Univentures Corporation (100%).
- Proportionate consolidation: TRIUMF (8.3% interest); Western Canadian Universities Marine Sciences Society (20% interest); and Innovation Boulevard Corporation (50% interest).

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 as earned. No adjustment is made to conform the accounting policies of the government business enterprise to those of the University. Other comprehensive income 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 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 any 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 service or product is provided.

(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 the 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 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. Amortization commences once the asset is put into use.
- Endowment contributions and associated 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, 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 until realized, when they are reclassified to the Consolidated Statement of Operations.

(vii) Income earned 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:

(i) fair value and (ii) 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 which are managed on a fair value basis have been designated to be recorded at fair value, with the exception of the long-term annuity and residual interest in real property. 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: cash and cash equivalents are recorded at cost. Other financial instruments including the long-term annuity, residual interest in real property, accounts receivable, due from related parties, accounts payable and accrued liabilities, and long-term debt are 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>	
Buildings - concrete	50
Buildings - wood	30
Site services	50
Leasehold improvements	Term of lease 3 to 7
Computer equipment	3
Equipment and furnishings	8
Library books	10

Land is not amortized as it is considered to have an unlimited useful life. Assets under construction are not amortized until the asset is put into 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 2017 (2016: \$927,000).

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

(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.

For accounting purposes, the defined benefit pension obligation and cost of pension benefits earned by employees are recognized using annual accounting valuations from each of the plans' tri-annual actuarial funding valuations. A variety of assumptions factor into the results: including expected investment performance, inflation rates, compensation levels, retirement age and life expectancy. The resulting actuarial gains and losses, arising from changes in assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of active employees.

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 recognizes 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 or contributed for the acquisition of depreciable 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 since their collection cannot be reasonably assured until that time. For information purposes, they are disclosed in note 23.

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 the 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 interest expense as part of 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 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. Measurement uncertainty

The preparation of 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 future benefits, liability for contaminated sites, 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.

n. Liability for contaminated sites

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the University is directly responsible or accepts responsibility; and
- iv. a reasonable estimate of the amount can be made.

A liability of \$3,135,000 (2016: \$3,135,000) is reported in accounts payable and accrued liabilities. No additional contaminated sites were identified during the year. Additional information on the contaminated site is included in note 25.

o. Budget figures

Budget figures have been provided for comparative purposes and are derived from budgets approved by the Board of Governors on March 24 and May 26, 2016.

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 Risk		
			Foreign Exchange	Interest Rate	Other Price
Cash and cash equivalents	X			X	
Accounts receivable	X			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

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 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 made up of 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 of the allowance for doubtful accounts, current economic conditions, historical information, reasons for the accounts being past due and line of business from which the receivable arose are all considered in the determination of when to allow for past due accounts. The same factors are considered when determining whether to write off amounts charged to the allowance account against the amounts receivable.

Due from 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 investment 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 fair value hierarchy for fair value measurements provides an indication of the overall types of investments held at March 31, 2017: 96% quoted prices in active markets for identical investments (level 1), and 4% 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. There were no contracts outstanding at March 31, 2017.

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.

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.

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 items including cheques written but not cleared by the bank as at the date of the Consolidated Statement of Financial Position.

5. Accounts receivable

<i>Dollars in Thousands</i>	2017	2016
Revenue receivable	4,453	1,053
Other receivables	8,093	7,065
Provision for doubtful accounts	(1,728)	(1,698)
Accounts Receivable	10,818	6,420

Revenue receivable includes receivables related to student billings, ancillary services billings and government grants. Other receivables include a lease deposit, GST, employee travel advances and third party billings including Simon Fraser Student Society.

6. Due from related parties

<i>Dollars in Thousands</i>	2017	2016
SFU Community Trust receivable		
Promissory note, interest at prime rate less 0.5% per annum, due December 31, 2020	5,149	5,192
Parking agreement receivable, interest at prime rate, due December 31, 2021	4,474	4,474
Accrued interest receivable on parking agreement	98	98
Promissory note, interest at 2.5% per annum, due on demand	2,560	3,791
Due from SFU Community Trust	12,281	13,555
GNWCT receivable without interest or fixed repayment terms	438	434
Due from Related Parties	12,719	13,989

Pursuant to a parking agreement, the University and SFUCT have agreed to the total amount of the obligation of \$15,000,000, of which \$526,000 (2016: \$526,000) has been received. 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. The University received repayment of \$1,200,000 from SFUCT on its promissory note, interest at 2.5% per annum, due on demand during the year.

7. 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 (PBSA) 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.

Actuarial Valuations

Accounting valuations have the primary purpose of determining the liability and expense recorded in the financial statements. Assumptions are determined in line with relevant Public Sector Accounting Standards (PSAS) on a best estimate basis and are reviewed on an annual basis. This is a going concern type valuation which assumes the plan will continue indefinitely and measures assets at market value, and liabilities on a best estimate basis, including the use of a discount rate equal to the expected rate of return on plan assets.

Going concern valuations, required by the PBSA, are used to determine funding requirements. Assumptions used are pursuant to the PBSA. This type of valuation has margins for conservatism included in the actuarial assumptions used to value the liabilities of the pension plan, resulting in a larger liability than that of an accounting valuation.

Solvency valuations, required by PBSA for single employer plans only, will consider the pension plan as if it were to be wound up on the valuation date. The assumptions used in solvency valuations are largely dictated by the Canadian Institute of Actuaries which requires that bond rate yields, typically less than plan asset earnings, be used in determining the liabilities. The application of such conservative discount rates results in larger liabilities and funding deficiencies. Solvency deficiencies must be funded over a maximum of five years, either by additional contributions or, as the University has chosen, by a Letter of Credit (note 24).

The funding determined under the most recent going concern valuation exceeds the pension expense resulting from the annual accounting valuation.

**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 2016 and 2015 calendar years, contributions made by the University to the Academic MPA Pension Plan were 9.6% of pensionable earnings, totaling \$12,877,000 (2015: \$12,450,000).

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 2016 were \$361,000 (2015: \$541,000) 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, 2015; the next valuation will be prepared as at December 31, 2018. The actuarial valuation of the Academic FRB Plan completed as at December 31, 2015 formed the basis of the annual accounting valuation as at December 31, 2016, where an actuarial gain of \$463,000 resulted (2016 loss: \$1,491,000). Contributing to the gains were returns on plan assets that were \$18,000 more than expected (2016 loss: \$131,000 less) and an actuarial gain related to the obligation of \$445,000 (2016 loss: \$1,360,000). The gains and losses are recognized by the University over Expected Average Remaining Lifetime.

**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 voluntary 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 during the 2016 and 2015 calendar year were at a rate of 17.14% of pensionable earnings, totaling \$18,523,000 (2015: \$17,938,000). In addition, contributions of \$3,308,000 (2015: \$3,203,000) were made in respect of commuted value solvency holdbacks.

The most recent tri-annual actuarial valuation of the Administrative/Union Plan was completed as at December 31, 2013; the next valuation will be prepared as at December 31, 2016 and is expected to be received in the fall of 2017.

The actuarial valuation of the Administrative/Union Plan completed as at December 31, 2013 formed the basis of the annual accounting valuation as at December 31, 2016, where an actuarial gain of \$9,732,000 resulted (2016 loss: \$9,671,000). Contributing to the gains were returns on plan assets that were \$9,732,000 more than expected (2016: \$8,117,000 less than expected), while there were no gains or losses related to the obligation (2016 loss: \$1,554,000). The gains and losses are recognized by the University over EARSL.

Defined benefit pension plan liability and expense

The liabilities of the FRB pension plans and current service costs for the year have been based on accounting valuations using the projected unit cost method, prorated on service.

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.

7a/ Net pension asset (liability)

<i>Dollars in Thousands</i>	Administrative / Union	Academic FRB	2017	2016
Accrued benefit obligation, beginning of year	275,145	28,932	304,077	286,218
Current period benefit cost (net of employee contributions)	13,841		13,841	13,444
Employee contributions / transfer from MPA	41		41	1,448
Interest cost	16,952	1,726	18,678	18,489
Benefit payments	(21,710)	(2,619)	(24,329)	(18,436)
Actuarial loss (gain)		(445)	(445)	2,914
Accrued Benefit Obligation, End of Year	284,269	27,594	311,863	304,077
Fair value of plan assets, beginning of year	310,174	29,885	340,059	322,477
Employer contributions	21,831	361	22,192	21,703
Employee contributions / transfer from MPA	41		41	1,448
Actual return on plan assets	29,124	1,815	30,939	12,867
Benefit payments	(21,710)	(2,619)	(24,329)	(18,436)
Fair Value Plan Assets, End of Year (*)	339,460	29,442	368,902	340,059
Funded Status, Pension Plan Surplus	55,191	1,848	57,039	35,982
Unamortized net actuarial gain, beginning of year	43,659	3,711	47,370	63,595
Actuarial gain (loss) on pension plan assets	9,732	18	9,750	(8,248)
Actuarial gain (loss) on pension obligation		445	445	(2,913)
Amortization of net actuarial gain	(3,760)	(222)	(3,982)	(5,064)
Unamortized Net Actuarial Gain, End of Year	49,631	3,952	53,583	47,370
Net Pension Asset (Liability)	5,560	(2,104)	3,456	(11,388)

* Defined benefit pension plan consists of:

	Administrative / Union		Academic FRB	
	2017	2016	2017	2016
Equity securities	64%	63%	68%	65%
Debt securities	36%	37%	32%	35%
	100%	100%	100%	100%

7b/ Defined benefit pension expense

<i>Dollars in Thousands</i>	Administrative / Union	Academic FRB	2017	2016
Current period benefit cost (including employee contributions)	13,882		13,882	14,892
Less: employee contributions	(41)		(41)	(1,448)
Amortization of net actuarial gain	(3,760)	(222)	(3,982)	(5,064)
Expected interest cost on pension obligation	16,952	1,726	18,678	18,489
Expected earnings on average pension plan assets	(19,391)	(1,797)	(21,188)	(21,115)
Pension Expense Recognized	7,642	(293)	7,349	5,754

7c/ Significant actuarial assumptions

	Administrative/ Union	Academic FRB
Effective date of most recent actuarial valuation report for funding purposes	31-Dec-13	31-Dec-15
Measurement date of plan assets / accrued benefit obligation	31-Dec-16	31-Dec-16
Expected future inflation rate	2.00%	n/a
Post-retirement inflation increase	n/a	2.00%
Expected Average Remaining Service Lifetime of active employees	10 yrs	n/a
Average remaining pension payment period	n/a	13 yrs
Beginning of period		
Discount rate	6.25%	6.25%
Expected long-term rate of return on plan assets	6.25%	6.25%
Rate of compensation increase	2.50%	n/a
End of period		
Discount rate	6.25%	6.25%
Expected long-term rate of return on plan assets	6.25%	6.25%
Rate of compensation increase	2.50%	n/a

7d/ Life expectancy assumptions

Years	December 31, 2016				December 31, 2015			
	Life expectancy at 65 for a member currently				Life expectancy at 65 for a member currently			
	Age 65		Age 45		Age 65		Age 45	
	Male	Female	Male	Female	Male	Female	Male	Female
Administrative/Union and Academic (FRB)								
2014 Private Sector Mortality Table	21.6	24.0	22.7	25.0	21.5	24.0	22.6	25.0

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.

7e/ Defined benefit pension plans: solvency deficiency payment and Letter of Credit requirements as per the Administrative/Union Plan 2013 actuarial report, and the Academic FRB Plan 2015 actuarial report

Dollars in Thousands Calendar Year	Cumulative Letter of Credit Requirements	
	Administrative / Union	Academic FRB
2016	77,750	12,292
2017	*	13,210
2018	*	13,905
2019	*	14,267
2020	*	*

* 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	31-Dec-16	2017 and beyond
Academic FRB	31-Dec-19	2020 and beyond

7f/ Sensitivity to actuarial assumptions, as at December 31, 2016

<i>Dollars in Thousands</i>	Administrative / Union Obligation		Academic FRB Obligation	
	\$	%	\$	%
Estimated increase				
0.5% decrease in discount rate	24,309	8.6	1,087	3.9
0.5% increase in inflation	17,365	6.1	1,067	3.9
0.5% increase in compensation	7,155	2.5		
10% reduction to mortality rates (0.8 years for a 65 year old)	5,920	2.1	883	3.2

The amounts above have been determined assuming all other assumptions remain unchanged.

8. Investments

8a/ Consolidated Statement of Financial Position presentation of investments

<i>Dollars in Thousands</i>	Reported Value	
	2017	2016
Financial assets presentation category		
Portfolio investments	490,541	440,585
Non-financial assets presentation category		
Endowment investments (note 18a)	321,938	302,870
Non-endowment investment	1,000	1,000
Restricted investments	322,938	303,870
Total Investments	813,479	744,455

8b/ Investments

<i>Dollars in Thousands</i>	Reported Value		Cost 2017
	2017	2016	
Investments Recorded at Fair Value			
Designated to the fair value category (level 1)			
Actively managed bond fund			
Federal bonds	52,569	35,703	53,587
Provincial and municipal bonds	56,946	51,409	57,885
Corporate bonds	62,603	69,633	63,748
	172,118	156,745	175,220
Indexed bond fund	159,885	150,599	164,407
Sinking fund investments	3,164	3,090	2,512
Term deposits	2,178	2,179	2,178
Total Fixed Income Investments	337,345	312,613	344,317
Equity instruments quoted in an active market (level 1)			
Canadian equities	233,900	217,853	188,370
Foreign equities	208,404	179,075	165,031
Total Level 1 Category Financial Instruments	779,649	709,541	697,718
Designated to the fair value category (level 3)			
Private equities	23,328	23,592	17,279
Other investments	2,080	1,639	1,591
Total Level 3 Category Financial Instruments	25,408	25,231	18,870
Investments Valued at Cost/Amortized Cost			
Long-term annuity	7,422	8,683	7,422
Residual interest in real property	1,000	1,000	1,000
Total Investments Valued at Cost/Amortized Cost	8,422	9,683	8,422
Total Investments	813,479	744,455	725,010

Bonds in the actively managed bond fund mature between 2017 and 2108 and have coupon rates between 0% and 11.8% (2016: 0% and 8.5%).

The indexed bond fund is benchmarked to the FTSE TMX Canada Universe Bond Index which includes 36% (2016: 36%) federal government bonds, 32% (2016: 36%) provincial and municipal government bonds, and 32% (2016: 28%) corporate bonds and debentures. As at March 31, 2017 the fund's one year return was 1.5% and the duration was 7.4 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 \$1,178,000 proportionate share in redeemable and non-redeemable GIC's with maturities in April, May, September and October 2017 held by TRIUMF.

Canadian equities are managed by two investment management firms, each with their own investment strategy. One uses a blend of fundamental analysis and quantitative models, while the other is strictly based on a fundamental bottom-up approach.

Foreign equities are invested approximately 56% (2016: 46%) in United States markets and 44% (2016: 54%) 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 three hedge funds: one follows a Canada-focused diversified strategy, the second follows a diversified liquid multi-strategy and the third is a global diversified fixed income portfolio. 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 installment of \$8,257,000 is receivable in 2018 and bears interest at 11.48%.

Other investments valued at cost/amortized cost include the residual interest in a charitable gift of real property.

8c/ Reconciliation of investment cost to reported value

<i>Dollars in Thousands</i>	2017	2016
Investments at cost	725,010	688,292
Unrealized amounts reported in the Consolidated Statement of Remeasurement Gains and Losses		
Balance, beginning of year	20,857	38,905
Change in the year	6,001	(18,048)
Balance, End of year	26,858	20,857
Deferred revenue related to restricted endowments		
Balance, beginning of year	35,306	77,783
Change in the year (note 14c)	26,305	(42,477)
Balance, End of year	61,611	35,306
Total Investments at Reported Value	813,479	744,455

9. 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 annual audited financial statements of GNWCT prepared as at December 31. 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.

9a/ Investment in Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2017	2016
Great Northern Way Campus Trust equity, December 31	76,515	61,291
SFU proportionate interest	25%	25%
Investment in GNWCT, End of Year	19,129	15,323

9b/ Change in investment in Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2017	2016
Net income reported by GNWCT	13,913	1,332
SFU proportionate interest	25%	25%
SFU Share of GNWCT Net Income	3,478	333
Other comprehensive income (loss)	1,326	(1,355)
SFU proportionate interest	25%	25%
SFU Share of GNWCT Other Comprehensive Income (Loss)	332	(339)
Net contributions to/(distributions from) GNWCT by (to) partner institutions	(15)	2,969
SFU proportionate interest	25%	25%
SFU Share of Contributions to (from) GNWCT by partner institutions	(4)	743
Change in SFU Investment in GNWCT	3,806	737
SFU Investment in GNWCT, beginning of year	15,323	14,586
SFU Investment in GNWCT, End of Year	19,129	15,323

9c/ Life-to-date investment in Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2017	2016
Initial settlement upon GNWCT	33,787	33,787
GNWCT cumulative comprehensive income	43,091	27,852
Distributions from GNWCT	(15,988)	(14,236)
Contributions by partner institutions	15,625	13,888
	76,515	61,291
SFU proportionate interest	25%	25%
SFU Investment in GNWCT	19,129	15,323

9d/ Financial summary - Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	December 31, 2016	December 31, 2015
Financial Position		
Total assets	92,124	80,761
Total liabilities	15,609	19,470
Trust Balance, End of Year	76,515	61,291
Results of Operations & Trust Balance		
Revenue	28,533	8,591
Expense	14,620	7,259
Net Income for the Year	13,913	1,332
Comprehensive income (loss)	1,326	(1,355)
Net distributions (to) from beneficiaries	(15)	2,969
Net changes in the year	15,224	2,946
Trust balance, beginning of year	61,291	58,345
Trust Balance, End of Year	76,515	61,291
Cash Flows		
Operating transactions	20,407	(561)
Investing transactions	1,688	(3,710)
Financing transactions	5	25
Increase (Decrease) in Cash During the Year	22,100	(4,246)

10. 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. 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.

10a/ Investment in SFU Community Trust

<i>Dollars in Thousands</i>	2017	2016
Net income (loss) reported by SFUCT	1,660	(1,164)
Reduction in the cost of sales to reflect SFU's original cost of leases	351	
Interest in SFUCT Income (Loss) for the Year	2,011	(1,164)
Investment in SFUCT, beginning of year	5,883	7,047
Investment in SFUCT, End of Year	7,894	5,883

10b/ Trust equity reconciled to investment in SFU Community Trust

<i>Dollars in Thousands</i>	2017	2016
Trust equity as reported by SFUCT	15,236	13,576
Less: adjustment to eliminate the inter-entity gain on the 99-year lease rights		
First rights settlement	(9,418)	(9,418)
Second rights settlement	(8,126)	(8,126)
Lease rights recognized through sales to third parties	10,202	9,851
	(7,342)	(7,693)
Investment in SFUCT, End of Year	7,894	5,883

10c/ Life-to-date investment in SFU Community Trust

<i>Dollars in Thousands</i>	2017	2016
Settled on formation at fair market value	14,339	14,339
Adjustment to eliminate the inter-entity gain on the 99-year lease rights	(9,418)	(9,418)
Settled upon SFUCT at University cost	4,921	4,921
Second settlement	8,126	8,126
Adjustment to eliminate the inter-entity gain on the 99-year lease rights	(8,126)	(8,126)
Settled upon SFUCT at University cost		
Cumulative income as reported by SFUCT	28,038	26,378
Lease rights recognized through sales to third parties	10,202	9,851
Interest in SFUCT cumulative income (note 16c)	38,240	36,229
Distributions from SFUCT:		
Applied to accounts receivable	(4,882)	(4,882)
Derived from SFUCT net income	(30,385)	(30,385)
	(35,267)	(35,267)
Investment in SFUCT	7,894	5,883

In addition to an equity interest in the net income of SFUCT, the University is entitled to base rent under certain conditions.

10d/ Life-to-date base rent

<i>Dollars in Thousands</i>	2017	2016
Balance, beginning of year	1,095	1,095
Base rent earned in the year		
Balance, End of Year	1,095	1,095

10e/ Financial summary - SFU Community Trust

<i>Dollars in Thousands</i>	December 31, 2016	December 31, 2015
Financial Position		
Total assets	65,616	57,621
Total liabilities	50,380	44,045
Trust Balance, End of Year	15,236	13,576
Results of Operations & Trust Balance		
Revenue	13,633	1,722
Expense	11,973	2,886
Net Income (Loss) for the Year	1,660	(1,164)
Trust balance, beginning of year	13,576	14,740
Trust Balance, End of Year	15,236	13,576
Cash Flows		
Operating transactions	10,007	(3,580)
Investing transactions	(17,002)	(2,152)
Financing transactions	6,461	6,221
Increase (Decrease) in Cash During the Year	(534)	489

11. Accounts payable and accrued liabilities

<i>Dollars in Thousands</i>	2017	2016
Trade payables and accruals	25,060	23,809
Salaries and benefits payable	17,479	20,331
Accrued vacation pay	7,210	6,960
Other	8,698	8,002
Accounts Payable and Accrued Liabilities	58,447	59,102

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-16	31-Dec-16	31-Dec-16
Expected future inflation rate	2.00%	2.00%	2.00%
Expected Average Remaining Service Lifetime of active employees	6 yrs	8 yrs	n/a
Weighted average remaining years until last payment	n/a	n/a	5 yrs
Beginning of period discount rate	4.00%	4.00%	4.00%
End of period discount rate	3.80%	3.80%	3.80%
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)	7.20%	n/a	7.20%
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, 2015; the next valuations will be as at December 31, 2018.

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 valuation reported an actuarial loss of \$2,080,000 (2016 loss: \$7,830,000) to be amortized over EARSL. The loss on the liabilities was driven primarily by the change in the discount rate from 4.00% to 3.80%.

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 valuation reported an actuarial gain of \$40,000 (2016 loss: \$41,000) 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 actuarial valuation, completed as at December 31, 2016, reported an actuarial gain of \$2,293,000 (2016 loss: \$233,000), which has been fully recognized and reported by function within the Consolidated Statement of Operations. The gain is primarily attributed to a decrease in the number and nature of claims.

12b/ Liability and benefit expense for employee future benefits

<i>Dollars in Thousands</i>	Retirement Benefits		Compensated Absence Benefit	2017	2016
	Non-Pension Retiree	Early Retirement	Long-Term Disability		
Liability for Employee Future Benefits					
Accrued benefit obligation, beginning of year	73,602	3,287	10,119	87,008	75,135
Current period benefit cost	804	54	2,016	2,874	4,190
Interest cost	2,928	124	413	3,465	3,020
Benefit payments	(1,635)	(428)	(1,580)	(3,643)	(3,441)
Actuarial loss (gain)	2,080	40	(2,293)	(173)	8,104
Accrued Benefit Obligation, End of Year	77,779	3,077	8,675	89,531	87,008
Unamortized net actuarial loss	(15,075)	(441)		(15,516)	(16,358)
Liability for Employee Future Benefits, End of Year	62,704	2,636	8,675	74,015	70,650
Employee Future Benefits Expense					
Current period benefit cost	804	54	2,016	2,874	4,190
Recognition of actuarial loss (gain)	2,842	120	(2,293)	669	1,884
Interest cost on unfunded benefit obligation	2,928	124	413	3,465	3,020
Employee Future Benefits Expense	6,574	298	136	7,008	9,094

12c/ Sensitivity to actuarial assumptions, as at December 31, 2016

<i>Dollars in Thousands</i>	Non-Pension Retiree Obligation		Early Retirement Obligation		Long-Term Disability Liability	
	\$	%	\$	%	\$	%
Estimated increase in accrued benefit obligation/liability						
0.5% decrease in discount rate	7,006	9.0	142	4.6	243	2.8
0.5% increase in MSP, Dental and EHB cost trend rates	6,296	8.1				
10% reduction to mortality rates (0.8 years for a 65 year old)	3,215	4.1	144	4.7		
0.5% increase in inflation rate			114	3.6	219	2.5
0.5% increase in compensation			164	5.2		

The amounts above have been determined assuming all other assumptions remain unchanged.

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>	2017	2016
Debentures, senior unsecured	142,717	142,439
Debenture, Province of British Columbia	4,959	4,951
Mortgage, Verdant		409
Total	147,676	147,799

Senior unsecured debentures issued at a discount by the University in 2003 for \$150,000,000 with a coupon rate of 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 mortgage collateralized by the Verdant rental units was paid off on March 1, 2017.

Sinking fund investments are held and invested by the Province of British Columbia. These funds totaling \$3,164,000 (2016: \$3,090,000) 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	Total Payments
2018		44	8,857	8,901
2019		44	8,857	8,901
2020		44	8,857	8,901
2021		44	8,857	8,901
2022		44	8,857	8,901
2023 to 2042		44	168,618	168,662
2043	150,000		8,420	158,420

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, restrictions 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 are restricted until expended per donor terms of reference.

14a/ Changes in deferred revenue

<i>Dollars in Thousands</i>	Sponsored Research	Endowment	Specific Purpose	2017	2016
Balance, beginning of year	44,467	64,448	17,784	126,699	138,100
Donations and grant revenue received	67,792		25,364	93,156	97,169
Transferred to revenue	(66,011)		(24,382)	(90,393)	(88,787)
Endowment investment income earned		50,379		50,379	950
Transferred to investment income (note 20)		(11,681)		(11,681)	(11,524)
Transferred to net endowment contributions (note 22)					
Endowment principal addition		(3,289)		(3,289)	(3,246)
Preserve purchasing power		(6,385)		(6,385)	(5,963)
Balance, End of Year	46,248	93,472	18,766	158,486	126,699

14b/ Source of deferred revenue, end of year

<i>Dollars in Thousands</i>	Sponsored Research	Endowment	Specific Purpose	2017	2016
Province of British Columbia	1,152		6,577	7,729	7,305
Government of Canada	39,598		2,446	42,044	40,957
Endowment income stabilization account		84,808		84,808	57,615
Other	5,498	8,664	9,743	23,905	20,822
Balance, End of Year	46,248	93,472	18,766	158,486	126,699

Endowment deferred revenue

Endowment contributions are recorded in the consolidated statement of operations as net restricted endowment contributions (note 22). The related accumulated surplus is separately accounted for (note 18b). Endowment investments are reported within restricted Investments (note 8a).

Allocations are also made from the endowment income stabilization account to net restricted endowment contributions in order to preserve the purchasing power of the individual endowments.

Endowment investment returns are initially recorded as deferred revenue in the endowment income stabilization account. Allocations are then made to individual endowment spending accounts for expenditure pursuant to the donor terms. When expenditures occur, the related investment income is recognized in the consolidated statement of operations (note 20).

14c/ Endowment income stabilization account

<i>Dollars in Thousands</i>	2017	2016
Balance, beginning of year	57,615	78,303
Endowment investment income externally restricted for the year		
Realized income	24,074	43,427
Unrealized income (note 8c)	26,305	(42,477)
Endowment income allocated to		
Individual endowment spending accounts	(16,801)	(15,675)
Preserve purchasing power (note 22)	(6,385)	(5,963)
Increase (Decrease) in the Year	27,193	(20,688)
Balance, End of Year	84,808	57,615

15. Deferred capital contributions

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

15a/ Change in deferred capital contributions

<i>Dollars in Thousands</i>	2017	2016
Balance, beginning of year	409,801	379,447
Contributions in the year	90,012	48,639
Amortized to revenue	(21,779)	(18,285)
Balance, End of Year	478,034	409,801

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

<i>Dollars in Thousands</i>	2017	2016
Province of British Columbia	355,946	321,221
Government of Canada	71,125	37,442
Other	50,963	51,138
Balance, End of Year	478,034	409,801

The impact of the difference between FRF and PSAS on the consolidated financial statements of the University would be as follows:

15c/ Difference between FRF and PSAS

<i>Dollars in Thousands</i>	FRF		PSAS	
	2017		2016	
Liabilities				
Deferred capital contributions	478,034		409,801	
Accumulated Surplus				
Accumulated surplus	878,735	1,356,769	822,256	1,232,057
Revenue				
Government grants and contracts	278,426	368,438	271,073	319,713
Amortization of deferred capital contributions	21,779		18,285	
Annual Operating Surplus				
Annual operating surplus	49,428	117,661	31,851	62,206

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 10. 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 leases. 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>	2017	2016
Balance, beginning of year	35,603	35,996
SFUCT income to be deferred and amortized over lease terms	1,660	
Adjustment of land value on transfer to the Trust realized through sale of leases	351	
Amortized and transferred to net restricted endowment contributions	(413)	(393)
Balance, End of Year	37,201	35,603

16b/ SFUCT income recognized as restricted endowment contributions

<i>Dollars in Thousands</i>	2017	2016
Interest in SFUCT loss for the year (note 10)		(1,164)
Amortized to income in the year	413	393
Income (Loss) Recognized in the Year as Restricted Endowment Contributions (note 22)	413	(771)

16c/ SFU Community Trust endowment component of accumulated surplus

<i>Dollars in Thousands</i>	2017	2016
Interest in SFUCT cumulative income (note 10c)	38,240	36,229
Less: deferred lease proceeds	(37,201)	(35,603)
Life-to-date SFUCT Income Recognized as Endowment Contributions	1,039	626
Base rent revenue earned (note 10d)	1,095	1,095
Initial settlement of investment into SFUCT	40	40
Life-to-date capitalized investment income	4,673	4,021
SFUCT Endowment Component of Accumulated Surplus	6,847	5,782
Total non SFUCT Endowment Accumulated Surplus	315,091	297,088
Endowment Accumulated Surplus	321,938	302,870

17. Tangible capital assets

17a/ Tangible capital assets - net book value

<i>Dollars in Thousands</i>	Cost	Accumulated Amortization	2017	2016
Buildings - concrete	863,071	213,221	649,850	611,047
Buildings - wood	37,418	14,059	23,359	10,092
Site services	57,013	15,848	41,165	37,718
Leasehold improvements	14,518	12,265	2,253	1,239
Computer equipment	31,828	12,683	19,145	7,899
Equipment & furnishings	103,959	51,753	52,206	44,840
Library books	94,679	46,252	48,427	49,788
Land	33,080		33,080	19,299
Assets under construction	60,664		60,664	50,326
Total	1,296,230	366,081	930,149	832,248

Assets under construction of \$60,664,000 (2016: \$50,326,000), have not been amortized. Amortization will commence when these assets are put into service.

Additions to buildings during the year include capitalized interest of \$nil (2016: \$nil).

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 \$840,000 (2016: \$2,181,000).

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 2017, additional donated works of art with an appraised value of \$334,000 (2016: \$398,000) were received but are not recognized in these consolidated financial statements. The art collections are insured at a replacement value of \$47,100,000.

17b/ 2017 Tangible capital asset cost - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Additions	Change in Assets Under Construction	Disposals and Adjustments	2017
Buildings - concrete	808,362	66,175	(10,360)	(1,106)	863,071
Buildings - wood	23,192	14,866	(640)		37,418
Site services	52,554	5,626	(1,076)	(91)	57,013
Leasehold improvements	12,630	1,727	161		14,518
Computer equipment	20,803	20,594		(9,569)	31,828
Equipment & furnishings	93,566	21,132	1,577	(12,316)	103,959
Library books	94,873	8,554		(8,748)	94,679
Land	19,299	13,781			33,080
Assets under construction	50,326		10,338		60,664
Total	1,175,605	152,455		(31,830)	1,296,230

17c/ 2017 Tangible capital assets amortization - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Amortization	Disposals and Adjustments	2017
Buildings - concrete	197,315	17,012	(1,106)	213,221
Buildings - wood	13,100	959		14,059
Site services	14,836	1,103	(91)	15,848
Leasehold improvements	11,391	874		12,265
Computer equipment	12,904	9,348	(9,569)	12,683
Equipment and furnishings	48,726	15,343	(12,316)	51,753
Library books	45,085	9,915	(8,748)	46,252
Total	343,357	54,554	(31,830)	366,081

17d/ 2016 Tangible capital asset cost - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Additions	Change in Assets Under Construction	Disposals and Adjustments	2016
Buildings - concrete	810,890	29,637	(24,096)	(8,069)	808,362
Buildings - wood	23,169	23			23,192
Site services	52,315	2,680	(2,261)	(180)	52,554
Leasehold improvements	13,392	2,195	(2,957)		12,630
Computer equipment	26,639	1,748		(7,584)	20,803
Equipment & furnishings	101,570	9,697	(55)	(17,646)	93,566
Library books	92,756	10,500		(8,383)	94,873
Land	19,299				19,299
Assets under construction	20,957		29,369		50,326
Total	1,160,987	56,480		(41,862)	1,175,605

17e/ 2016 Tangible capital asset amortization - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Amortization	Disposals and Adjustments	2016
Buildings - concrete	188,270	17,114	(8,069)	197,315
Buildings - wood	12,342	758		13,100
Site services	13,675	1,341	(180)	14,836
Leasehold improvements	10,612	779		11,391
Computer equipment	12,581	7,907	(7,584)	12,904
Equipment and furnishings	52,626	13,746	(17,646)	48,726
Library books	43,667	9,801	(8,383)	45,085
Total	333,773	51,446	(41,862)	343,357

17f/ Assets under construction by asset class

<i>Dollars in Thousands</i>	2017	2016
Buildings - concrete	52,367	42,007
Buildings - wood	640	
Site services	3,917	2,841
Leasehold improvements	3,296	3,457
Equipment and furnishings	444	2,021
Assets Under Construction	60,664	50,326

The three largest concrete buildings under construction as at March 31, 2017 are: the Sustainable Energy and Environmental Engineering building on the Surrey campus \$17,800,000; and, on the Burnaby campus, the Water Tower Data Centre \$9,000,000 and the Education building renewal \$4,800,000.

18. Accumulated surplus

18a/ Accumulated surplus

<i>Dollars in Thousands</i>	2017	2016
Internally restricted for operating commitments		
Departmental operating budget carryover	35,742	32,324
Internal advance for tangible capital assets	(30,000)	(30,000)
	5,742	2,324
Internally funded research	17,333	16,103
Net Operating	23,075	18,427
Ancillary operations	18,236	14,749
Specific purpose	17,540	15,788
Long-term lease commitment	4,495	6,333
Self-insurance	122	785
Internally Restricted for Operating Commitments	63,468	56,082
Investment in tangible capital assets, before internal advance	436,106	413,132
Internal advance for tangible capital assets	30,000	30,000
Investment in Tangible Capital Assets	466,106	443,132
Endowment (note 8a)	321,938	302,870
Accumulated Operating Surplus, End of Year	851,512	802,084
Accumulated Remeasurement Gains	27,223	20,172
Accumulated Surplus, End of Year	878,735	822,256

18b/ Change in accumulated surplus - endowment

<i>Dollars in Thousands</i>	2017	2016
Balance, beginning of year	302,870	285,869
Net restricted endowment contributions in the year (note 22)	19,068	17,001
Balance, End of Year	321,938	302,870

18c/ 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	56,082	443,132	302,870
Annual surplus	49,428		
Increase in investment in tangible capital assets	(22,974)	22,974	
Net restricted endowment contributions (note 22)	(19,068)		19,068
Accumulated Operating Surplus, End of Year	63,468	466,106	321,938

Investment in tangible capital assets is comprised of

Tangible capital assets	930,149
Sinking fund investment	3,164
Long-term debt	(147,676)
Deferred capital contributions	(478,034)
Other net assets invested in capital	139,374
Net asset interest in GNWCT	19,129
Investment in Tangible Capital Assets	466,106

19. Government grants and contract revenue

<i>Dollars in Thousands</i>	2017	2016
Province of British Columbia		
Operating	219,398	216,342
Less: portion restricted for capital projects *	(15,000)	(25,000)
Sponsored research	2,901	6,589
Specific purpose	6,007	7,881
Minor maintenance and rehabilitation	980	2,465
Net deferred revenue		(3,906)
	214,286	204,371
Government of Canada		
Operating	8,612	8,077
Sponsored research	45,814	53,233
Specific purpose	9,075	10,640
Tangible capital assets		1,405
Net deferred revenue	(1,781)	(8,711)
	61,720	64,644
Other governments		
Operating		31
Sponsored research	1,871	1,956
Specific purpose	549	71
	2,420	2,058
Government Grants and Contract Revenue	278,426	271,073

* \$15,000,000 (2016: \$25,000,000) of the operating funding from the Province of British Columbia was restricted for capital deferred maintenance projects and must be expended as stipulated by March 31, 2018 (2016: March 31, 2017) or be repaid to the Province. As a result, the funding has been recorded as a deferred capital contribution in the year and will, in the future, be amortized to revenue in alignment with the related amortization of tangible capital assets.

20. Investment income

<i>Dollars in Thousands</i>	Operating	Endowment	2017	2016
Interest and dividend income	8,753		8,753	10,712
Realized gains transferred from Consolidated Statement of Remeasurement Gains and Losses	9,568		9,568	8,009
Income from deferred contributions (note 14a)		11,681	11,681	11,524
Investment Income	18,321	11,681	30,002	30,245

21. Expense by object

<i>Dollars in Thousands</i>	2017	2016
Salaries	354,614	344,628
Employee benefits	58,515	60,067
Supplies and other operational expense	69,572	59,126
Amortization of tangible capital assets (note 17c)	54,554	51,446
Professional and contracted services	42,142	42,329
Scholarships and bursaries	34,452	32,441
Travel and personnel	19,060	20,174
Cost of goods sold	6,478	6,857
Interest on long-term debt	9,158	9,182
Utilities	9,841	10,449
Expense	658,386	636,699

22. 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>	2017	2016
Donations	8,981	8,563
Capitalized investment income (note 14a)		
Endowment principal addition	3,289	3,246
Preserve purchasing power	6,385	5,963
Equity gain (loss) for the year from SFU Community Trust (note 16b)	413	(771)
Net Restricted Endowment Contributions in the Year	19,068	17,001

23. Pledges

Pledges are not recognized as revenue in the consolidated financial statements until the donations are received. Pledges for future years include cash donations of \$44,039,000 (2016: \$47,809,000) and estimated gifts-in-kind of \$2,238,000 (2016: \$1,932,000).

24. 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, 2017 the University is liable for Letters of Credit in the amount of \$92,856,000 (2016: \$88,075,000).

25. Liability for Contaminated Sites

The University recognizes and estimates a liability for \$3,135,000 (2016: \$3,135,000) for the remediation of a contaminated site resulting from salt leaking from a salt shed into a nearby groundwater and surface water. The estimated total future expenditures are \$3,135,000. The balance is recorded in accounts payable and accrued liabilities.

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 multi 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 in the table below relates to the unperformed portion of the contracts.

<i>Dollars in Thousands</i>	2018	2019	2020	2021	2022	Thereafter
Long-term lease	6,028	5,783	5,807	5,819	5,896	30,721
Service contracts	4,729					
Construction contracts	97,909					
Total	108,666	5,783	5,807	5,819	5,896	30,721

28. Budget

Budget figures have been provided for comparative purposes and were developed and approved in two phases:

(a) the Consolidated Budget for 2016/17, approved by the Board of Governors on March 24, 2016.

(b) the 2016/17 Carry Forward Plans and other adjustments, with the revised 2016/17 Consolidated Budget approved by the Board of Governors on May 26, 2016.

(c) certain amounts have been reclassified in order to conform to the presentation adopted in the current year.

28a/ Financial reporting framework budget

<i>Dollars in Thousands</i>	Consolidated Budget March 24 (a)	Adjustments to Consolidated Budget (b & c)	Consolidated FRF Budget
Revenue	691,044	(2,320)	688,724
Expense	677,876	(2,320)	675,556
Annual operating surplus before restricted contributions	13,168		13,168
Net restricted endowment contributions	17,000		17,000
Annual Operating Surplus	30,168		30,168

29. Comparative amounts

Certain amounts on the consolidated financial statements for the year ended March 31, 2016 have been restated in order to conform to the presentation adopted in the current year.

Board of Governors



March 2017

Standing (left to right):

Mr. James Stewart
 Ms. Jill Earthy
 Mr. Ranjodh Gill
 Ms. Jo Hinchliffe
 Mr. Christopher Lewis
 Ms. Patty Sahota
 Mr. Tyler Carlson
 Mr. Mike Cordoba

Seated (left to right):

Dr. June Francis
 Professor Andrew Petter
 (President and Vice-Chancellor)
 Ms. Julia Kim (Board Chair)
 Dr. Anke Kessler

Members not present:

Ms. Anne Giardini, O.C., Q.C. (Chancellor)
 Ms. Fiona Robin (Deputy Board Chair)



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