

S.13-108

SFU

SIMON FRASER UNIVERSITY
ENGAGING THE WORLD

ANNUAL FINANCIAL REPORT

March 31, 2013





TABLE OF CONTENTS

President's Message	2	Capital Projects	16
Vice President's Message	4	Management Discussion	
The Engaged University	6	and Analysis (Unaudited)	19
Engaging Students	8	Forward-Looking Statements	20
Engaging Research	10	Planning and Management	22
Engaging Communities	12	Financial Highlights	23
Underlying Principles	14	Financial Information	24

Convocation Mall

Design: Arthur Erickson

Built: 1965

Function: Student Convocation

SFU has conferred more than 100,000 degrees since 1965.

Maggie Benston Centre

Design: Aitken Wreglesworth Associates

Built: 1996

Function: Student Services, SFU Bookstore and Student Societies.

Named for Maggie Benston whose diverse career spanned three faculties and who epitomized the interdisciplinary approach to academic inquiry for which SFU is known.

Operating Environment	28	Financial Position	36
Financial Reporting Environment	29	Operations	37
Risks and Uncertainties	30	Remeasurement Gains and Losses	38
Related Entities	31	Changes in Net Debt	38
Financial Statements	33	Cash Flows	39
Management Responsibility	34	Notes	40
Independent Auditor's Report	35	Board of Governors	73

PRESIDENT'S MESSAGE



The 2012/13 fiscal year has been another remarkable year for SFU. We launched an exciting new strategic vision that has set SFU apart as an engaged university with strong commitments to engaging students, engaging research, and engaging communities. Our vision has been widely embraced and is already having a positive impact on what we do and how we are perceived.

Engaging Students

Our educational mission is focused on equipping students with the knowledge, aptitudes and experiences to prepare them for life in an ever-changing and challenging world. Effective, employable graduates need not only possess specific information and skills, but they must also be able to research, think critically, problem-solve and be socially aware. To this end, SFU has completed a new academic plan that seeks to enhance the student experience, including broadening opportunities for students to engage in experiential learning and research activities.

Engaging Research

As a world-class research institution, SFU is committed to expanding the scope of human knowledge – and to mobilizing that knowledge for social benefit. Our research performance has recently been ranked amongst the ten best in Canada, a testament to the research talents and achievements of our faculty. We have also worked to promote international and interdisciplinary engagement, including building educational and research relationships with international partners and launching a new series of multidisciplinary colloquia.

Engaging Communities

SFU has pledged in its vision to be Canada's most community-engaged research university. We have therefore extended our commitment to community-based learning, encouraged new and diverse contributions to community by our faculty and staff, and harnessed our infrastructure and resources to support community development. We also launched SFU Public Square, a signature initiative designed to promote and support public dialogue and enlightenment on key public issues.

The Opportunity Agenda

SFU's commitment to being an engaged university is designed to maximize our contributions to our students and society, and to enhance this province's already strong post-secondary system. That system is a major asset for BC as it faces a looming skills shortage and increasing competition in the global knowledge economy.

It is an asset, however, that we dare not take for granted if we hope to realize its full potential. Accordingly, SFU has joined with other research universities to propose an Opportunity Agenda for BC. This Agenda would ensure accessibility and affordability for all qualified BC students, and would foster research and innovation to enrich our society and build our economy.

I believe that SFU is already demonstrating the value of such policies. We have shown the benefits that can be realized when a university works closely and enthusiastically with the communities it serves. The Opportunity Agenda would enable us to build on this success to meet the challenges of the future.



Professor Andrew Petter
President and Vice Chancellor

VICE PRESIDENT'S MESSAGE



The University maintained steady financial results in fiscal 2012/13, largely due to continued enrolment strength and diligent financial management. Both domestic and international enrolment increased in the year, which reflects our strategic focus on student engagement. Funding from the provincial government was unchanged from the prior year, necessitating a sustained focus on cost control.

SFU received generous financial support from community and alumni donors, helping to strengthen academic programs through scholarships, academic chairs, professorships and research centres, as well as helping us realize our goals around strategic engagement.

The University is not without its challenges. Like other established universities in the province, there are significant pressures caused by deferred maintenance on our campus buildings. As SFU approaches its 50th anniversary, there is an increasing requirement to renew aging infrastructure at the Burnaby campus. We continue to advocate for solutions to address this funding challenge.

Another significant challenge relates to rising costs and actuarial funding deficiencies in the defined benefit pension and employee future benefit plans. Low long-term bond rates and the structure of the current defined benefit pension plan have contributed to significant funding deficiencies.

We have consistently exceeded our funded enrolment targets over the last five years. Strong enrolment demand is good for the University, but funded seats have remained essentially unchanged over the last three years.

The audited financial statements for fiscal 2012/13 are presented for the first time in accordance with a new Financial Reporting Framework (FRF). The conversion to this new framework has necessitated extensive changes in our financial statements. This has been a major task and the Finance team has worked diligently to reflect these changes in our statements.

We enter 2013/14 in a solid financial position. Our core business is operating well, revenue is consistent, and costs are under control. In the coming year we will continue to engage with internal and external stakeholders to ensure the financial sustainability of the University. We also remain committed to investing in strategic initiatives that will further the Strategic Vision of SFU as The Engaged University.



Dr. Pat Hibbitts
Vice President,
Finance and Administration

THE ENGAGED UNIVERSITY

Zhensong Qian

PhD candidate under the supervision of Dr. Oliver Schulte in the School of Computing Science.

Kylie McMullan

Master of Business Administration and Bachelor of Applied Science in Communication.

Lino Demasi

PhD candidate under the supervision of Dr. Bojan Mohar in the Department of Mathematics.

Erick Martinez

PhD candidate under the supervision of Dr. Philippe Pasquier in the School of Interactive Arts + Technology.



Shauna Sylvester

Executive Director of SFU Public Square and a Fellow at the SFU Centre for Dialogue.

Am Johal

Coordinator, SFU Vancity Office of Community Engagement.

Bernard D. Roitberg

Professor, Department of Biological Sciences. Leader of the Evolutionary and Behavioural Ecology Research Group.

Jessica Humchitt

Fourth-year undergraduate student in Health Sciences. Completed Aboriginal Pre-Health Program.

David Kelly Jones

PhD candidate under the supervision of Dr. Peter Ruben in the Department of Biomedical Physiology and Kinesiology.



ENGAGING STUDENTS

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

The University's educational mission is focused on graduating adaptable global citizens who will animate our society and drive our economy. We are committed to providing students with access to an unparalleled selection of experiential learning opportunities that allow them to participate in research, apply knowledge, grow as individuals, engage with diverse communities, develop entrepreneurial skills, and refine their sense of civic literacy. Whether participating in community-based debates, taking part in the Co-operative Education program, or completing a field school overseas, SFU students are encouraged to complement their classroom learning with experiential learning.

Total enrolment in 2012/13 was 35,398 full and part-time students, consisting of 30,035 undergraduate students and 5,363 graduate students. Approximately 20% of eligible SFU students participate in Co-op placements or international study programs.

The University has implemented initiatives to enrich student engagement and provide students with a rewarding experience at all three SFU campuses – and beyond.

Erick Martinez

Doctoral student in the School of Interactive Arts + Technology whose research focuses on building intelligent, complex adaptive systems.



At the Burnaby campus, the new Thelma Finlayson Centre for Student Engagement provides a highly visible and welcoming space where students can get personalized information, guidance, and advice on academics and co-curricular learning opportunities. SFU Surrey offers first-year experience programs designed to create a smooth transition from secondary school to university and provide the opportunity to be a part of an exciting first year at an award-winning, urban campus. At SFU Vancouver, RADIUS — a new interdisciplinary social innovation lab and venture incubator — enables students to develop and nurture practical solutions to pressing social problems and provide opportunities for deeper learning. Further afield, SFU Associate Dean of Science George Agnes joined seven determined youth in Botswana's parched Kalahari Desert to implement an engaging curriculum that explores the value of water and its effect on human life. These are just a few examples that illustrate our commitment to student engagement in all aspects of university life.

In August 2012, SFU was approved as the first international member of the National Collegiate Athletic Association (NCAA), the world's largest college sports association. We remain committed to supporting our student-athletes and providing athletic scholarships and financial aid as they continue to exhibit the highest levels of dedication to their sports.

After a year of research, consultation, and testing by students and instructors, the University chose Canvas as its new institutional learning management system. Canvas is an exciting new system that emphasizes flexibility and easy integration with social media and emerging technologies. It facilitates participation in a way that will open new teaching and learning opportunities for students and instructors – a demonstration of SFU's ongoing commitment to boldness, openness, and engagement.

ENGAGING RESEARCH

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

While many universities employ a conventional lab-to-market model of innovation, SFU takes a full-cycle approach to innovation, from pedagogy through to delivery and beyond. We offer a variety of programs that link researchers with supporting networks in the innovation ecosystem: entrepreneurs, industry, academic institutions, government, markets, customers, and investors. Our focus is solving practical problems and creating transformative technologies in key and emergent sectors such as health, digital media, and green technology. For example, the SFU Green Tech Exchange program brings together industry leaders with entrepreneurs, researchers, investors, and government representatives in a monthly networking forum aimed at empowering the local green tech ecosystem. Another example is 4D LABS, a collaborative research centre that houses some of Canada's most advanced research infrastructure for materials science and engineering. 4D LABS crosses boundaries between disciplines while fostering unique partnerships with international scope.

Our dynamic approach to innovation is reflected in the level of research funding received by SFU and in university research rankings. SFU's research income ranks in the top 20 in Canada. Approximately 75% of SFU's sponsored research income comes from the federal government primarily through the Canadian Tri-Council granting agencies and the Canada Foundation for Innovation (CFI). The Tri-Council agencies are the Canadian Institutes of Health Research (CIHR), the Natural Sciences and Engineering Research Council (NSERC), and the Social Sciences and Humanities Research Council (SSHRC). In the Maclean's University Rankings 2013, SFU ranks 1st among the comprehensive universities in the average size and number of CIHR and NSERC grants per full-time faculty member, and 2nd in SSHRC grants.

SFU is listed as one of Canada's top 10 research universities by Higher Education Strategy Associates, placing 6th in science and engineering, and 10th in social sciences and humanities. Since 2008, SFU has ranked 1st in publication impact among Canada's comprehensive universities, a measure of the probability of being cited in academic journals - 4th overall in Canada. In the Impact Group's 2012 report on invention disclosures, SFU placed in the top 10 of Canadian universities for invention disclosures per million dollars of research funding.



The Beedie School of Business is recognized as a research leader, scoring 2nd nationally for research productivity in a survey published by the Gustavson School of Business in 2012. In rankings of universities under 50 years old by Times Higher Education, SFU ranked 2nd in Canada, 7th in North America, and 30th in the world. In a similar ranking by QS, SFU ranked 2nd in Canada, 3rd in North America, and 25th in the world.

The quality of SFU researchers is further recognized through prestigious individual awards and honours. SFU Vice President of Research and Professor of Chemistry, Mario Pinto received the 2012 R.U. Lemieux Award for research in organic chemistry, specifically for his contributions in synthesis, conformational analysis, NMR and molecular modeling protocols. Professor Mirza Faisal Beg was presented with the Meritorious Achievement Award from the Association of Professional Engineers and Geoscientists of BC for work on diagnostic tools for Alzheimer's disease and dementia. Professor Ryan D'Arcy was appointed as the Surrey Memorial Hospital Foundation BC Leadership Chair in Multimodal Technology for Healthcare Innovation, one of five SFU research chairs supported by the Government of BC through the Leading Edge Endowment Fund (LEEF).

The University's Strategic Research Plan was crafted to develop capacity in key subject areas to be ready to seize emerging opportunities. There is compelling evidence to suggest that this strategy is paying off.

David Kelly Jones

Pursuing his doctoral degree in the Department of Biomedical Physiology and Kinesiology.

Recently awarded the illustrious Vanier Canada Graduate Scholarship from the Canadian Institutes of Health Research.

ENGAGING COMMUNITIES

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

SFU is committed to fostering a unique interplay between learning, discovery, and community outreach. Our signature initiative is SFU Public Square, a series of events and offerings designed to spark, nurture, and restore community connections. SFU Public Square hosts an annual Community Summit to investigate and recommend practical solutions to pressing issues in BC and Canada. We also convene a range of compelling lecture and dialogue series throughout the year, bringing together diverse communities to promote inclusive, intelligent, and inspiring dialogue.

SFU Philosophers' Café is a series of informal public discussions in the heart of our communities. The program speaks directly to SFU's Strategic Vision as The Engaged University by creating a forum that enables dialogue and the exchange of ideas without fear of judgment. Since 1998, the series has grown from a handful of intermittent coffee-shop encounters to hundreds of regular events in libraries, community centres, beaches, and bistros across the Metro Vancouver region. Topics range from the absurd to the sublime, from the scholarly to the religious, and from the deeply philosophical to questions of morality and ethics.

Besides our regular cafés, we have developed cafés specifically for high school students, ethnic groups, seniors, and native Russian speakers. We are also launching a series of book salons to discuss books with important links to the history of ideas and current debates in society. Philosophers' Café won the 2012 award for 'Best Practices in Higher Education' from the World Universities Forum.

Am Johal

Coordinator of the SFU Vancity Office of Community Engagement, leading SFU's charge to engage with the community through the arts.



Being Canada's most community-engaged university is not all about dialogue. SFU students, staff, faculty, alumni, supporters, and community partners have put words into action to create tangible benefits in the communities we serve. For example, SFU student Richard Loat took what he learned in SFU's School of Communication and turned it into a non-profit to supply food banks across Canada. Five Hole for Food undertakes an annual cross-country tour to raise awareness about hunger in Canada. In each city, the organization hosts a game of road hockey in a central location and anyone is welcome to join the game – in return for a donation of food.

In Surrey, SFU has partnered with the Surrey School District to make post-secondary education more accessible to young people in the South Fraser region. With the establishment of the SFU Surrey Counselling Centre in one of the district's secondary schools, we provide experiential learning opportunities to our graduate students and deliver services to the community on a range of issues. The partnership is building community strength by fostering the mental health of individuals and families, leading to the reduction of barriers to academic and lifelong success.

SFU is also a place to live, learn and practice sustainability. UniverCity is a sustainable urban community on Burnaby Mountain that supports and enhances the University environment. SFU's Sustainability Network engages the University and broader community through its Sustainability Ambassadors program, Sustainability Opportunities Week, and a series of lectures and dialogues on issues of sustainability, energy reduction, education, and climate action initiatives at the University.

These are just a few examples among many that illustrate our ongoing commitment to community engagement and demonstrate how we are making our vision a reality.

Underlying Principles

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

Academic and Intellectual Freedom

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

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

Diversity

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

International students accounted for 20% of all undergraduate enrolment and 25% of all graduate enrolment in 2012/13, with students coming from more than 140 countries to study at SFU and contribute to the diversity and vibrancy of student life at the University.

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.

The University has strategic partnership agreements with educational institutions and organizations around the globe. Curriculum development is a large part of SFU's internationalization activities. For example, our Centre for the Comparative Study of Muslim Societies and Cultures encourages students and researchers to explore global and comparative perspectives through partnerships with pre-eminent institutions in the Middle East. We also have innovative partnerships, supported by community-based outreach programs, with institutions in China, Korea, and other countries in South Asia.

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.

An articulated vision is the critical first step towards establishing the future for Aboriginal peoples at SFU. Equally important, however, is the roadmap for accomplishing that vision. To this end, we have revised and updated the Aboriginal Strategic Plan to guide the University's efforts to increase accessibility and to support Aboriginal students over the next five years.

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.

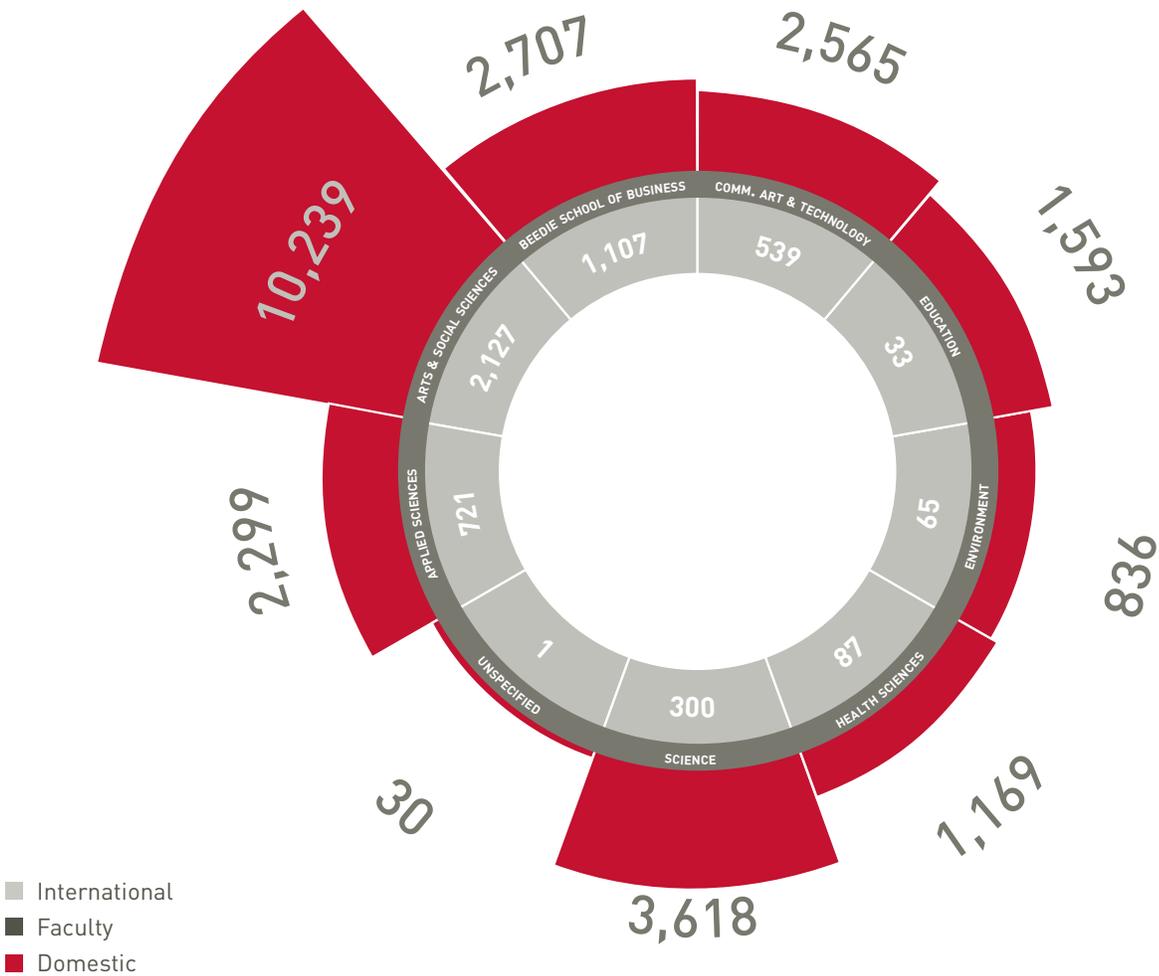
For the sixth year running, SFU has been chosen as one of BC’s top 60 employers by Mediacorp Canada, the country’s leading employment periodicals publisher. Mediacorp also named SFU one of Canada’s top 100 employers for 2013 and one of the country’s most family-friendly workplaces for the sixth consecutive time.

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.

SFU has a number of ongoing initiatives across the University that contribute to institutional leadership and knowledge exchange on sustainability practices. The SFU Sustainability Network seeks to advance sustainability in four key areas: stewardship of campus and facilities; student engagement; teaching and learning opportunities; and research on sustainability, climate change, and energy.

Undergraduate headcount by Faculty



CAPITAL PROJECTS

Capital Planning

The University's Five Year Capital Plan describes projects that are in the process of construction or planning, or are under consideration for future implementation based on forecasted need.

Planned capital projects are divided into the following categories:

- New Priority Projects
- Renewal/Replacement & Infrastructure Projects
- Ongoing/Planned Self-Funded Projects

SFU Burnaby**New Priority Projects**

- First Peoples House

Renewal/Replacement & Infrastructure Projects

- Roadway Reconstruction
- Shrum Science Building Renewal – Biology & Physics
- Heating Plant Replacement

Ongoing/Planned Self-Funded Projects

- Fraser International College
- Student Residence Renewal/Expansion
- Recreation Multiplex & Pool
- Student Union Building & Stadium (Build SFU)
- Transit Hub
- Art Gallery/Intercultural Centre
- Data Centre Renewal
- Education Building Renewal
- Library & Student Learning Commons
- Convocation Mall

SFU Surrey**New Priority Projects**

- Energy Systems Engineering
- Science, Health & Technology
- Business & Other
- Graduate Facilities



**MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)**

Forward-Looking Statements

Objective of Forward-Looking Statements

The objective of this Management Discussion and Analysis (MD&A) is to assist readers of SFU's financial statements to better understand the financial position of the University and operating activities for the fiscal year ended March 31, 2013. It provides a look at the internal and external factors that influenced the year's financial results and a basis for future performance. Although the MD&A is unaudited, this discussion should be read in conjunction with the annual audited financial statements and accompanying notes.

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

- Planning and Management
- Financial Highlights
- Financial Information
- Operating Environment
- Financial Reporting Environment
- Risks and Uncertainties
- Related Entities

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.



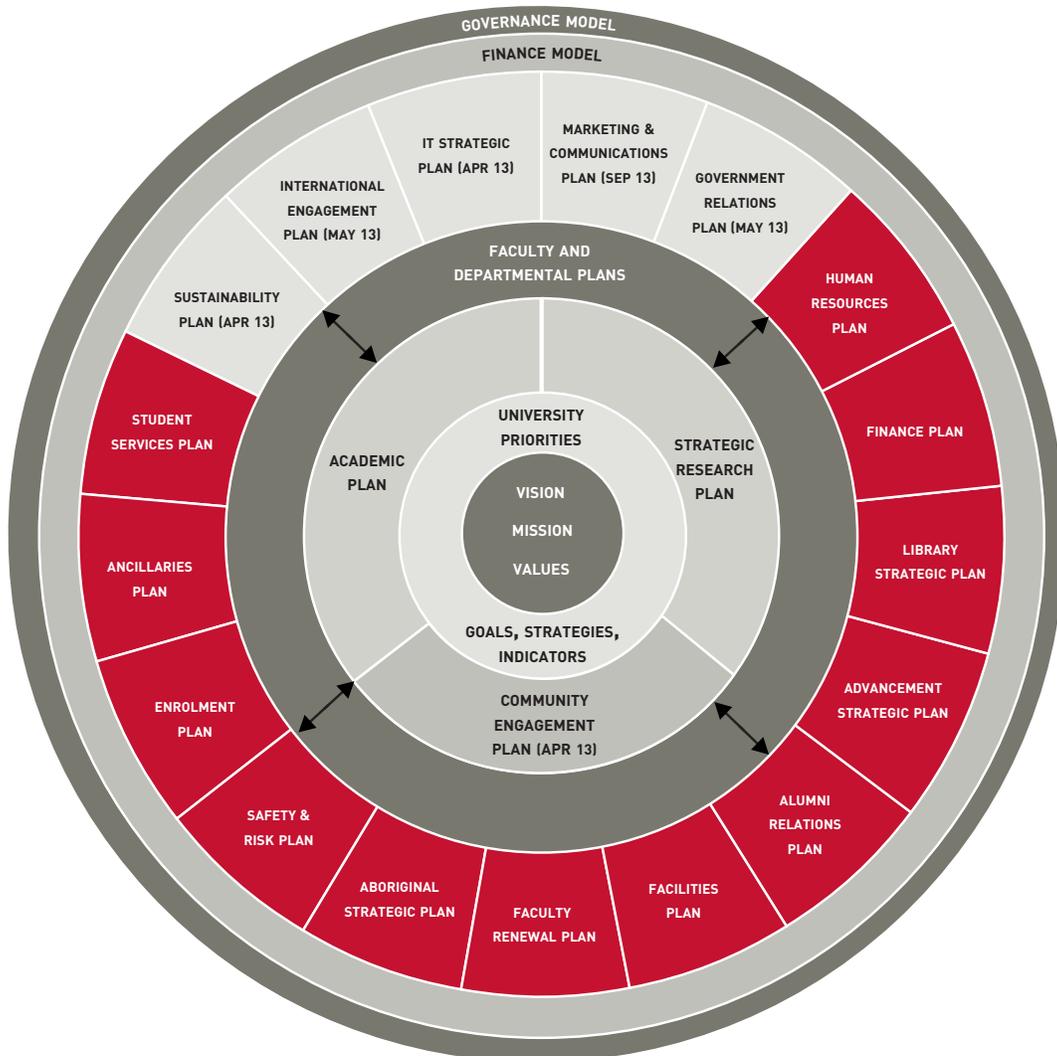
Planning and Management

The University has a dynamic planning process with SFU's Strategic Vision at its core. SFU's vision is to be the leading engaged university, defined by its dynamic integration of innovative education, cutting-edge research, and far-reaching community engagement. The University has identified three strategic goals which guide strategic planning at all levels within the institution: 1) equipping students with the knowledge, skills, and experiences that prepare them for life in an ever-changing world; 2) being a world leader in knowledge mobilization, building on a strong foundation of fundamental research; and 3) being Canada's most community-engaged research university.

The University Planning Framework sets out an integrated planning framework which reflects how various functional plans are integrated and aligned with the University's Strategic Vision. Each component of the framework is intended to support the achievement of the Strategic Vision, in a manner consistent with the University's underlying principles. The planning framework also identifies 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. Plan updates are cyclical, or based upon institutional priorities for each planning cycle.

Financial Governance Framework

The University's financial governance framework is intended 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 that deliver stakeholder value and enhance the University's reputation for financial integrity, ethical conduct and effective stewardship.



Financial Highlights

Financial Health

The University ended the year with total assets of \$1.4 billion and consolidated revenue of \$623 million. The University experienced strong domestic and international enrolments and increases in research revenue, complemented by continued success in actively managing costs.

Operating commitments provide the University with resources to fund one-time commitments and strategic project initiatives in order to sustain University operations and advance the University's strategic goals. Internally restricted for operating commitments decreased to \$39.1 million in the current year.

Investments

SFU's endowment fund has a market value of \$253.4 million (2012: \$236 million) and provides a source of funds for student financial aid, research, athletics, and library materials. The endowment fund is subject to the variability and ongoing fluctuations of the financial markets. In the current economic environment, returns have been variable and are continuously monitored.

Operating investment balances increased \$33.7 million to \$296.3 million due to strong performance in both fixed income and equity investments. Operating investment revenue exceeded established benchmarks, increasing \$2.8 million to \$23.7 million (including gains realized of \$13.3 million and unrealized of \$10.4 million).

Operations and Fiscal Restraint

The University's academic operations are funded primarily by government grants and tuition fees. In 2013 the provincial operating grant funded 17,682 undergraduate and 2,521 graduate program-based full-time equivalent student spaces. In some faculties, differentiated tuition fees have been implemented to reflect the higher cost of delivering specialty and professional programs as well as the private monetary benefit to be derived post graduation from increased earnings. Since 2005, government policy has limited tuition fee increases to 2% annually. Total student enrolment, including international student enrolment, exceeded plans and resulted in tuition and student fee revenues of \$207.0 million (2012: \$200.7 million).

Sponsored research contributions were essentially unchanged from the prior year at \$68.1 million, while donations, and non-government grants and contracts increased slightly to \$37.7 million in 2013.

While SFU continues to actively manage costs, increased salary and benefits expenses associated with progress through the ranks and step increases are not funded by the government. Salary and benefits expense represents 62.5% of total expense, consistent with the prior year.

Government Grants

The provincial operating grant of \$219.4 million is effectively unchanged from the prior year. Government grants for cyclical and preventative building maintenance have declined from \$7.0 million in 2009 under the former Annual Capital Allowance (ACA), to \$2.6 million pursuant to the new Routine Capital Fund.

Capital

Tangible capital asset additions in 2013 totalled \$44.1 million. Most of the cost relates to renovations of campus buildings (\$19.8 million), including the refurbishment of classrooms and student spaces, as well as library acquisitions (\$9.1 million) and purchases of computers and other equipment (\$15.2 million).

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

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

Over half of the capital projects described in the most recent Capital Plan are targeted to the renewal or replacement of existing facilities and infrastructure.

Financial Information

Financial assets

Dollars in Millions



Financial assets increased 19.7% to \$377M.

Dollars in Thousands	2013	2012
Cash and cash equivalents	36,769	8,950
Accounts receivable	12,600	13,843
Inventories for resale	1,762	1,740
Due from related parties	15,765	14,555
Investments - operating	296,336	262,624
Investment in Great Northern Way Campus Trust	13,704	13,239
Total Financial Assets	376,936	314,951

Cash increased by \$28M as a result of increases in accounts payable and deferred revenue.

Accounts receivable decreased by \$1.2M due to improved collection processes implemented during the year.

Due from related parties are receivables of \$1.3M from Great Northern Way Campus Trust and \$14.5M from SFU Community Trust. The University has a beneficial financial interest in both parties.

Investments - operating increased by \$33.7M to a market value of \$296M due to strong performance in both fixed income and equity investments and overall improvement of financial position.

Investment in Great Northern Way Campus Trust represents the University's 25% proportionate share.

Liabilities

Dollars in Millions



Liabilities increased 1.4% to \$754M.

Dollars in Thousands	2013	2012
Accounts payable and accrued liabilities	45,991	35,569
Pensions	28,958	26,804
Employee future benefits	55,051	56,511
Long-term debt	151,692	154,896
Deferred revenue	55,996	42,862
Deferred capital contributions	393,223	403,709
Deferred lease proceeds	23,051	23,362
Total Liabilities	753,962	743,713

Account payable and accrued liabilities are higher than the prior year as a result of increased procurement activity in the latter part of the current year, anticipation of the transition to PST, as well as the timing of payments at the end of the year.

Pensions represent the net pension liabilities which result from actuarial valuations extrapolated for accounting purposes.

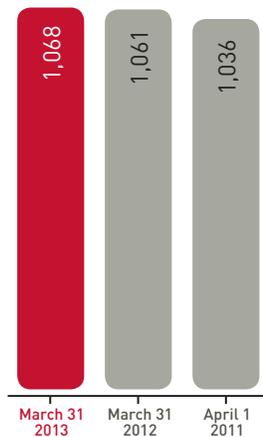
Employee future benefits represent liabilities for employee benefit plans involving two types of future benefits: 1) non-pension retirement benefits and early retirement benefits for retired employees, and 2) compensated absences for current employees pursuant to the long-term disability plan.

Deferred revenue is externally restricted revenue that is not recognized until related expenses are incurred. The increase is primarily due to an increase in deferred income of endowment accounts.

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

Non-financial assets

Dollars in Millions



Non-financial assets increased 0.7% to \$1,068M.

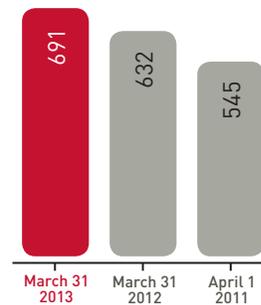
Dollars in Thousands	2013	2012
Tangible capital assets	810,740	820,154
Investments - endowment	253,441	236,114
Inventories held for use	481	517
Prepaid lease	1,494	1,808
Prepaid expense	1,840	2,160
Total Non-Financial Assets	1,067,996	1,060,753

Tangible capital assets include land, buildings, leasehold improvements, library acquisitions, computers, and equipment and furnishings. The decrease of \$9.4M from the prior year is primarily due to amortization of \$52.8M exceeding capital additions of \$44.1 Million.

Investments - endowment consists of permanently restricted donations to the University. The \$17.3M increase from the prior year resulted from donations of \$12.4M and endowed investment income of \$4.9M.

Accumulated surplus

Dollars in Millions



Accumulated surplus increased 9.3% to \$691M.

Dollars in Thousands	2013	2012
Internally restricted for operating commitments	61,817	74,955
Investment in tangible capital assets	365,340	320,916
Endowment	253,441	236,114
Total Accumulated Operating Surplus	680,598	631,985
Accumulated rereasurement gains	10,372	6
Accumulated Surplus	690,970	631,991

Internally restricted for operating commitments consists of operating commitments of \$39.1M and lease and other commitments/reserves of \$37.3M, partially offset by unfunded actuarial losses of (\$14.6M) on conversion to the new Financial Reporting Framework.

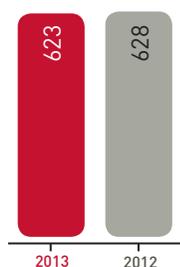
Investment in tangible capital assets represents the value of net assets invested in capital assets and therefore unavailable for other purposes.

Endowment fund balance increased as a result of \$12.4M in donations and a return to positive investment returns that enabled \$4.9M of catch-up endowment of investment income for purchasing power protection.

Accumulated rereasurement gains primarily relate to the unrealized portion of operating investments since conversion to the new Financial Reporting Framework.

Revenue

Dollars in Millions



Revenue decreased 0.8% to \$623M.

Dollars in Thousands	2013	2012
Government grants and contracts	298,464	302,570
Tuition and student fees	207,012	200,658
Sales of goods and services	42,746	42,992
Donations, non-government grants and contracts	37,689	37,030
Investment income	13,265	20,879
Investment income from Great Northern Way Campus Trust	1,564	1,934
Amortization of deferred capital contributions	16,146	14,211
Other revenue	5,928	7,602
Total Revenue	622,814	627,876

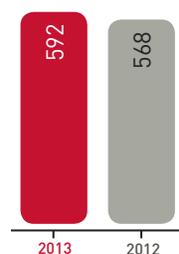
Government grants and contracts revenue is received from the Province of British Columbia (78%), the Government of Canada (21%), and other governments (1%). Revenue from the provincial government increased by \$2.0M, including \$0.6M for sponsored research and \$1.0M for the open text book initiative. \$2.1M of provincial government revenue was deferred revenue from 2012. Revenue from the federal government decreased by \$10.1M.

Tuition and student fees revenue increased as a result of a 2% domestic tuition fee increase and continued strength in international enrolment.

Investment income is the realized portion of investment income. The decrease from the prior year relates to the fact that investment income reported for 2012 included both realized and unrealized gains and losses. Upon conversion to new FRF, accumulated unrealized gains and losses were recognized in investment income for 2012. For 2013, only realized gains and losses are reported in the Statement of Operations. This resulted in a reduction of investment income from \$20.9M to \$13.3M in the Statement of Operations. However, given the \$10.4M of unrealized gains reported on the Statement of Remeasurement Gains and Losses, overall investment results improved by \$2.8M.

Expense

Dollars in Millions



Expense increased 4.1% to \$592M.

Dollars in Thousands	2013	2012
Salaries and employee benefits	369,726	356,279
Supplies and other operational expenses	64,976	55,183
Amortization of tangible capital assets	52,812	50,067
Professional and contracted services	31,791	32,342
Scholarships and bursaries	28,983	29,160
Training and travel	15,232	15,792
Cost of goods sold	10,386	10,926
Interest on long term debt	9,444	9,920
Utilities	8,183	8,426
Total Expense	591,533	568,095

Salaries and benefits represent 62.5% of total expenses, which is approximately the same proportion as the prior year. Compensation costs increased based on progression through the ranks and step increases, and slight growth in faculty and staff headcount. Salaries expense increased 2% and employee benefits expense increased 12.6%.

Supplies and other operational expenses increased by \$9.8M due to a \$6.5M increase in repair and maintenance expenses on aging infrastructure, as well as increases in program costs and inflation.

Amortization of tangible capital assets increased by \$2.7M as a result of the completion of the Chemistry building renewal and Surrey campus expansion.

Amortization of deferred capital contributions reflects the transfer to revenue of deferred contributions for capital purposes. The increase in 2013 results from the completion of and commencement of amortization for the Chemistry building renewal and Surrey campus expansion.

Accumulated Surplus – Endowment

Dollars in Millions



Accumulated surplus - Endowment increased 7.3% to \$253M.

Dollars in Thousands	2013	2012
Faculty, academic and other programs	88,756	81,740
Student financial aid	71,091	69,283
Research chairs	72,761	64,472
Professorships	13,013	12,853
Library collections	4,987	4,883
Athletics	2,833	2,883
Total Accumulated Surplus - Endowment	253,441	236,114

Endowments consist of externally restricted donations received by the University, the principal of which is required to be maintained intact in perpetuity to support donor specified activities of the University. The investment income generated from endowments must be used in accordance with the various purposes stipulated by the donors. There are 771 individual endowment funds that provide \$10.9M (2012: \$9.4M) in annual 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 endowing a portion of investment income in order to maintain purchasing power. Donations of \$12.4M and endowing of \$2.6M of earnings helped the endowment surplus grow to \$253M.

The income stabilization account, which is a component of deferred contributions, protects endowment spending against market fluctuations in the endowment investment fund, and has a surplus of \$9.9M (2012: \$1.6M deficit).

Sponsored Research Contributions

Dollars in Millions



Sponsored research contributions decreased 0.3% to \$68M.

Dollars in Thousands	2013	2012
Federal government	43,895	41,223
BC government	4,413	2,249
Canadian not-for-profit	10,849	10,658
Foreign not-for-profit	1,110	852
Industry	2,669	3,704
Other	3,374	2,470
Contributions Recorded to Deferred Revenue	66,310	61,156
Contributions for tangible capital assets	1,744	7,083
Total Sponsored Research Contributions	68,054	68,239

Research is primarily funded by the Canadian Tri-Council. Sponsored research contributions have an externally restricted purpose. The funds received are recorded as deferred revenue and recognized as revenue in the period in which the related expenditures are incurred. As such, sponsored research revenue and expenditures are equal.

Operating Environment

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

Student Demographics

The changing demographic of BC's population creates a shift in demand for education. According to Statistics Canada, the post-secondary school age population (18-24 years) is expected to decline each year to 2021. In addition, the BC Ministry of Education projects BC Grade 12 public school enrolment to decrease in each of the next five years. However, SFU's three campuses are located in a region of the province that has experienced positive population growth and where labour markets are creating significant demand for university graduates. In fact, there is community demand to increase capacity, but the University has not received funding to support growth in enrolment.

SFU has experienced strong international demand but the competition for global talent is strong and growing. The University's challenge is to manage international enrolment to ensure high-quality education for all students. To this end, SFU has developed a Strategy for International Engagement to improve the institution's response to changing local and global environments.

To help improve the University's recruitment and retention of Aboriginal students, the fastest growing demographic in the province, the University updated its Aboriginal Strategic Plan in 2012/13. The Plan outlines SFU's strategy for making education more accessible to Aboriginal students and ensuring that students are appropriately supported while at the University.

Government Funding and Priorities

The mandate of the Ministry of Advanced Education is to help learners develop the knowledge and skills to successfully compete in the global economy. Another key priority for the Ministry is to expand and enhance the reputation of the province's post-secondary sector as an educational destination for students from around the world.

The Ministry also emphasizes fiscal discipline and administrative efficiency within the post-secondary education system in BC. Uncertainty remains regarding SFU's portion of the reduction in the provincial government grant that was initially announced in the 2012 Provincial Budget and updated in the 2013 Provincial Budget announcement in February 2013. The operating grant reduction in the post-secondary sector has been announced to be \$5 million, \$20 million, and \$25 million over the next three years, for a total reduction of \$50 million; of the \$5 million reduction in 2013/14, SFU's share is \$0.6 million. How the \$20 million and \$25 million will be allocated within the sector is not yet known.

It is noted that the BC Labour Market Profile released in January 2013 by the Research Universities' Council of BC (RUCBC) indicates that in 2016 the number of jobs requiring university, college or trades credentials will exceed the supply of BC graduates. The report, which is based on the provincial government's BC Labour Market Outlook, predicts that the skills deficit will continue to grow through to 2020.

In 2020, approximately 18,800 jobs could go unfilled because too few British Columbians have the necessary training. Of the unfilled jobs, it is anticipated that 8,400 will require a university degree; 8,100 will require a college credential; and 2,300 will require trades training.

Economic Environment

The Economic Forecast Council estimates that BC's real GDP grew by a modest 2.1% in 2012 and projects that the rate of real GDP growth will remain at 2.1% in 2013, before increasing to 2.5% in 2014. Given the economic forecast for the province, SFU has adopted a conservatively optimistic fiscal outlook.

Risks to BC's economic outlook include: instability in global financial markets resulting from the European sovereign debt crisis and sluggish economic growth in Asia dampening demand for BC exports.

Financial Reporting Environment

Accounting standards in Canada are undergoing a transformational change which has greatly impacted the 2013 financial statements of the University. Accounting standards are anticipated to have a continuing rapid evolution as gaps in the conceptual framework are addressed.

The University is deemed to be within the Government Reporting Entity (GRE) of the Province of British Columbia and, as such, is required to present its financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS) issued by the Public Sector Accounting Board of Canada (PSAB). The provincial government has directed that PSAS be implemented without the optional section 4200 not-for-profit provisions within PSAS and has coordinated the election of other options notably the transition of pension plan liabilities.

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

The FRF has been retroactively implemented by transitioning balances at April 1, 2011 to the FRF basis and converting the 2012 financial results, presented as comparative figures in these financial statements, to the FRF basis. The details of reclassification, remeasurement and revision of recognition timing are provided in the notes to the financial statements. In dollar terms, the most significant change was the immediate recognition of pension plan actuarial losses upon transition to the FRF.

The format of the financial statements under the FRF without the not-for-profit option is dramatically different from the previous format presented by the University, as the information relevant to governments with taxation authority, is fundamentally different from the information relevant to a not-for-profit entity like SFU. The note disclosures required under the FRF are more extensive and technical.

Features of the FRF statements that are notable in comparison to the former presentation are:

- Net Debt is calculated on the Consolidated Statement of Financial Position as a measure of future revenue required to pay for previous expenditures. Since the University is prohibited from deficit financing, which governments can do, this measure is generally irrelevant. Under the BC compliance reporting basis, the University must include \$393 million of deferred capital contributions in determining Net Debt, even though no payments will ever be required. This shifts what would otherwise be \$16 million of Net Financial Assets to a Net Debt of \$377 million. Management's view is that this is not a fair and realistic presentation of the University's financial position.
- Remeasurement Gains and Losses are reported in a separate statement and as a separate category of Accumulated Surplus rather than being included in operations, as was previously the case. This limits the ability to spend unrealized investment gains. Under the FRF, the University does not have access to \$10 million of unrealized investment gains that would formerly have been available. As the the FRF basis of accounting continues to be applied in future years, this amount is anticipated to grow, which would accentuate the lack of availability of operating funds.
- Actuarial Losses relating to pension plans were recognized on conversion to the FRF, of which \$15 million remains unfunded. This will need to be provided for in future financial planning.
- Endowment Contributions of \$17 million, pursuant to donor terms, are not available for operational purposes. These contributions were previously recorded directly to Net Assets. Under the FRF, they are revenue when received but are presented after Annual Operating Surplus Before Restricted Contributions. Management's opinion is that Annual Operating Surplus Before Restricted Contributions is a better measure of annual financial results than Annual Operating Surplus.
- The Statement of Operations formerly recognized revenue and expense based on the matching principle of accounting. As a result, Net Revenue for the year was a robust indicator of financial sustainability. PSAS is not based on the matching principle of accounting and, as a result, Annual Operating Surplus is not as effective a measure of financial sustainability and overall accountability.

The notes to the financial statements provide more detailed information on the foregoing. While the underlying economics of the University have not changed, under the FRF they are viewed through a different prism of financial reporting standards.

Risks and Uncertainties

The University operates in an increasingly complex environment and must assume certain risks in order to meet its objectives and realize its Strategic Vision. Assumed risks are mitigated through robust risk management processes applied at all levels of the University. The following is an overview of the most significant financial risks currently facing the University:

Deferred Maintenance

As SFU's Burnaby campus approaches its 50th anniversary, the aging campus infrastructure requires significant rehabilitation and renewal to extend the useful life of facilities and to improve the sustainability and functionality of these facilities. According to the Facilities Condition Index (FCI), 34% of Burnaby campus academic buildings are in 'poor' condition. This is in addition to the deferred maintenance needs of residences, recreation & athletics, other ancillary buildings, roads, utilities and campus infrastructure. Addressing these critical deferred maintenance and capital renewal requirements directly supports SFU's Strategic Vision.

The University faces critical cost pressures around deferred maintenance. Provincial capital and maintenance funding has been reduced dramatically, from \$7.0 million in 2009 via the Annual Capital Allowance to \$2.6 million in 2012/13 via the Routine Capital Fund. The University's Five-Year Capital Plan guides decision-making related to the construction and renewal of campus facilities. Over half of the capital projects described in the most recent Capital Plan are targeted to the renewal or replacement of existing facilities and infrastructure. The pressures associated with failing capital infrastructure are alleviated in small part by efforts to optimize working capital for maintenance and capital renewal projects.

Pensions and Employee Future Benefits

Another significant challenge relates to rising costs and actuarial losses on pension and employee future benefits plans. Expense for defined benefit plans has risen to \$20.2 million from \$18.1 million in 2012 and further increases are anticipated as net actuarial losses are amortized to expense. Unamortized net actuarial losses of \$75.6 million have increased from \$47.0 million as at March 31, 2012. At March 31, 2013 Letters of Credit for \$65.2M have been provided to secure the University's pension plan obligation.

Costs and unfunded liabilities related to the University's defined benefit pension and employee future benefit plans continue to increase, so finding a solution is imperative. Stakeholders are actively engaged in seeking an appropriate, balanced and sustainable resolution to address the plans' funding and structural gaps.

International Students

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

Workforce Disruption

With more than 2,600 continuing full-time employees, as well as part-time and temporary faculty and staff, a workforce disruption by any employee group would have broad-ranging impacts on students, faculty, staff and the broader SFU community. To mitigate this risk, SFU is actively bargaining new collective agreements with faculty, management and support staff. In 2013, the University engaged in collective bargaining with all employee groups with the exception of the Poly Party.

Government Funding

The provincial government has not funded any increase in enrolment for three consecutive years and has budgeted a \$50 million reduction in the overall government grant over the next three years. The provincial government has also issued a moratorium on new long-term financial liabilities, including capital leases, and prohibited universities from offering financial guarantees.

Reductions in government funding and restrictions on financing create significant challenges in meeting budgetary requirements and a lack of financial flexibility in undertaking projects and initiatives designed to help realize the University's Strategic Vision. To mitigate this risk, the University is engaged in ongoing communication with government at various levels to advocate for adequate funding and to resolve the funding issues around capital projects. Also, a percentage of operating revenues are allocated to a University Priority Fund (UPF) to provide one-time funding in support of University strategic initiatives.

Related Entities

The University's consolidated financial statements include the following related entities:

Simon Fraser University Foundation

The Simon Fraser University Foundation encourages public awareness of – and support for – SFU and its benefits to the people of British Columbia. The Foundation is an agent of the Crown and is therefore exempt from income taxes under Section 149 of the Income Tax Act. The majority of the Foundation's revenue is rental income from 10 rental units in the Verdant housing complex that are owned by the Foundation for the purposes of leasing to SFU's faculty and staff.

The Foundation is consolidated in the University's financial statements.

TRIUMF and WCUMSS

SFU participates with other universities in two research joint venture entities. TRIUMF is Canada's national laboratory for particle and nuclear physics. TRIUMF is a joint operation of 11 Canadian universities.

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

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

SFU Community Trust

SFU Community Trust's mandate is to oversee the development of UniverCity, a compact, mixed-use residential neighbourhood founded on four pillars of sustainability: environment, equity, education and economy. The Official Community Plan (OCP) allows for up to 4,536 residential units in two distinct neighbourhoods to the south and east of SFU's Burnaby campus, each with its own elementary school and neighbourhood park. The OCP includes provisions for a commercial core, community facilities, and an extensive network of pedestrian paths and bike trails.

The Trust oversees the development of UniverCity through the provision of zoned, serviced, subdivided sites to private sector developers on a prepaid, long-term (99-year) leasehold basis.

The Trust is governed by a Board of Directors comprised of a number of prominent real estate and development professionals from around the Lower Mainland and key SFU stakeholders including faculty and student representatives. External members of The Board of Directors are in the majority. The Board of Directors establishes policy for SFU Community Trust and plays a very active role in shaping the planning and development of UniverCity.

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

Great Northern Way Campus Trust

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

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

FINANCIAL STATEMENTS

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 of the consolidated financial statements. The consolidated financial statements present the financial position of the University as at March 31, 2013 and the results of its operations and its cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

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

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

The Audited consolidated financial statements for the year ended March 31, 2013 have been reported on by the Auditor General of British Columbia. The Independent Auditor's Report outlines the scope of his examination and provides his opinion on the presentation of the information in the statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.



Professor Andrew Petter
President and Vice Chancellor



Dr. Pat Hibbitts
Vice President, Finance and Administration



INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying consolidated financial statements of Simon Fraser University (“the University”), which comprise the consolidated statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, and the consolidated statements of operations, statements of remeasurement gains and losses, statements of changes in net debt and statements of cash flows for the years ended March 31, 2013, and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated statements of financial position of Simon Fraser University as at March 31, 2013, March 31, 2012 and April 1, 2011 and its consolidated statements of operations, remeasurement gains and losses, changes in net debt, and cash flows for the years ended March 31, 2013 and March 31, 2012 are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of Matter

Without modifying my opinion, I draw attention to Note 2a to the consolidated financial statements, which describes the basis of accounting used in the preparation of these financial statements. Note 17a of the consolidated financial statements discloses the impact of these differences between such basis of accounting and Canadian public sector accounting standards.

Russ Jones, MBA, CA
Auditor General (Acting)

Victoria, British Columbia
May 30, 2013

Consolidated Statement of Financial Position

As at March 31, 2013

<i>Dollars in Thousands</i>	2013	2012	April 1, 2011
Financial Assets			
Cash and cash equivalents (note 5)	36,769	8,950	27,597
Accounts receivable (note 6)	12,600	13,843	12,588
Inventories for resale	1,762	1,740	1,909
Due from related parties (note 7)	15,765	14,555	14,637
Investments - operating (note 8)	296,336	262,624	220,227
Investment in Great Northern Way Campus Trust (note 9)	13,704	13,239	11,404
Total Financial Assets	376,936	314,951	288,362
Liabilities			
Accounts payable and accrued liabilities (note 12)	45,991	35,569	45,677
Pensions (note 14)	28,958	26,804	28,567
Employee future benefits (note 15)	55,051	56,511	54,970
Long-term debt (note 13)	151,692	154,896	158,075
Deferred revenue (note 16)	55,996	42,862	66,328
Deferred capital contributions (note 17)	393,223	403,709	402,873
Deferred lease proceeds (note 18)	23,051	23,362	22,530
Total Liabilities	753,962	743,713	779,020
Net Debt	(377,026)	(428,762)	(490,658)
Non-Financial Assets			
Tangible capital assets (note 11)	810,740	820,154	822,430
Investments - endowment (note 8)	253,441	236,114	209,043
Inventories held for use	481	517	534
Prepaid lease (note 10)	1,494	1,808	2,122
Prepaid expense	1,840	2,160	2,008
Total Non-Financial Assets	1,067,996	1,060,753	1,036,137
Accumulated Surplus (note 19)	690,970	631,991	545,479
Accumulated Surplus is comprised of			
Internally restricted for operating commitments	61,817	74,955	49,157
Investment in tangible capital assets	365,340	320,916	287,173
Endowment	253,441	236,114	209,043
Accumulated Operating Surplus	680,598	631,985	545,373
Accumulated Remeasurement Gains	10,372	6	106
	690,970	631,991	545,479

The accompanying notes are an integral part of these financial statements

Approved:



Mr. Brian Taylor
Chair, Board of Governors



Dr. Pat Hibbitts
Vice President, Finance and Administration

Consolidated Statement of Operations

For the year ended March 31, 2013

<i>Dollars in Thousands</i>	2013	2012
Revenue		
Government grants and contracts (note 21)		
Province of British Columbia	233,468	229,319
Government of Canada	62,116	72,181
Other governments	2,880	1,070
Tuition		
Credit courses	181,906	176,367
Non-credit courses and other student fees	25,106	24,291
Sales of goods and services	42,746	42,992
Donations, non-government grants and contracts	37,689	37,030
Investment income (note 23)	13,265	20,879
Investment income from Great Northern Way Campus Trust (note 9)	1,564	1,934
Amortization of deferred capital contributions (note 17)	16,146	14,211
Other revenue	5,928	7,602
	622,814	627,876
Expense (note 20)		
Instruction	469,926	456,550
Research	101,832	96,546
Community engagement	19,775	14,999
	591,533	568,095
Gain (loss) on sale of tangible capital assets	5	(240)
Annual Operating Surplus Before Restricted Contributions	31,286	59,541
Net restricted endowment contributions (note 22)	17,327	27,071
Annual Operating Surplus	48,613	86,612
Accumulated Operating Surplus, Beginning of Year	631,985	545,373
Accumulated Operating Surplus, End of Year	680,598	631,985
Annual Operating Surplus was applied to Accumulated Surplus for		
Internally restricted for operating commitments	(13,138)	25,798
Investment in tangible capital assets	44,424	33,743
Endowment	17,327	27,071
	48,613	86,612

See note 27 for budget figures

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31, 2013

<i>Dollars in Thousands</i>	2013	2012
Accumulated Remeasurement Gains, Beginning of Year	6	106
Unrealized Gains (Losses) Attributable to		
Portfolio investments	10,019	
Designated fair value financial instruments	192	
Foreign exchange	(6)	
Change in Remeasurement Gains for the Year	10,205	
Other Comprehensive Income from Great Northern Way Campus Trust	161	(100)
Accumulated Remeasurement Gains, End of Year	10,372	6

Consolidated Statement of Changes in Net Debt

For the year ended March 31, 2013

<i>Dollars in Thousands</i>	2013	2012
Annual Operating Surplus	48,613	86,612
Net restricted endowment contributions	(17,327)	(27,071)
Net effect of remeasurement gains (losses)	10,366	(100)
	(6,961)	(27,171)
Acquisition of tangible capital assets	(43,392)	(48,031)
Amortization of tangible capital assets	52,811	50,067
(Gain) loss on sale of tangible capital assets	(5)	240
	9,414	2,276
Net effect of prepaid expense	320	(152)
Net effect of prepaid lease	314	314
Net effect of inventories held for use	36	17
	670	179
Decrease in Net Debt in the Year	51,736	61,896
Net Debt, Beginning of Year	(428,762)	(490,658)
Net Debt, End of Year	(377,026)	(428,762)

See note 27 for budget figures

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Cash Flows

For the year ended March 31, 2013

<i>Dollars in Thousands</i>	2013	2012
Operating Transactions		
Annual operating surplus	48,613	86,612
Items not involving cash		
Amortization of tangible capital assets	52,811	50,067
(Gain) loss on sale of tangible capital assets	(5)	240
Amortization of deferred capital contributions	(16,146)	(14,211)
Pensions	2,154	(1,763)
Employee future benefits	(1,460)	1,541
Investment in Great Northern Way Campus Trust, net of remeasurement gain/loss	(304)	(1,935)
	85,663	120,551
Changes in non-cash operating balances		
Accounts receivable	1,243	(1,255)
Due from related parties	(1,210)	82
Inventories for resale and held for use	14	186
Prepaid expense	320	(152)
Prepaid lease	314	314
Accounts payable and accrued liabilities	10,422	(10,108)
Deferred revenue	13,134	(23,466)
Cash Provided by Operating Transactions	109,900	86,152
Investing Transactions		
Net increase in investments, net of remeasurement gain/loss	(40,834)	(69,468)
Deferred lease proceeds	(311)	832
Cash Used in Investing Transactions	(41,145)	(68,636)
Financing Transactions		
Deferred capital contributions	5,660	15,047
Long-term debt principal repaid	(3,204)	(3,179)
Cash Provided by Financing Transactions	2,456	11,868
Capital Transactions		
Acquisition of tangible capital assets	(44,072)	(48,521)
Proceeds from sale of tangible capital assets	680	490
Cash Used in Capital Transactions	(43,392)	(48,031)
Net Increase (Decrease) in Cash and Cash Equivalents	27,819	(18,647)
Cash and Cash Equivalents, Beginning of Year	8,950	27,597
Cash and Cash Equivalents, End of Year	36,769	8,950

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

For the Year Ended March 31, 2013

1. Authority and purpose

Simon Fraser University operates under the authority of the University Act of British Columbia. It is a comprehensive research university engaged in research and delivering a full range of undergraduate, graduate and Lifelong Learning programs from campuses in Burnaby, Vancouver and Surrey, BC. Simon Fraser University is a not-for-profit

entity governed by a Board of Governors, the majority of whom are appointed by the provincial government of British Columbia. The academic governance of the University is vested in its Senate. The University is a registered charity and is therefore exempt from income taxes under section 149 of the Income Tax Act.

2. Summary of significant accounting policies

a. Basis of accounting - Financial Reporting Framework

The consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act (Act) of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it. The regulations require the financial statements to be prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) issued by 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 (FRF).

Commencing with the fiscal year ended March 31, 2013 the University has adopted the FRF as described above. The date of FRF transition is April 1, 2011.

Public Sector standard (PS) 2125 provides options and elections on adoption of FRF. Pursuant to Section 23.1(1)(a) of the Act and the Government Organization Accounting Standards Regulation, the University is required to adopt the FRF without electing application of the PS 4200 series not-for-profit provisions. Further, pursuant to Section 23(1) of the Act and the related Treasury Board Directive 1/11, the University is required to consult with and receive guidance from the Comptroller General prior to exercising any election or choice within the accounting standards and guidelines. The required consultations occurred on a post-secondary education sector basis and are reflected in the accounting policies summarized herein.

b. Basis of consolidation

Consolidated entities

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

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

- Consolidation: SFU Foundation (100%).
- Proportionate consolidation: TRIUMF (9% interest) and Western Canadian Universities Marine Sciences Society (20% interest).

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

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

Investment in government business enterprises

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

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

- SFU Community Trust (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 student tuition and sales of goods and services, are reported as revenue at the time the services or products are provided, or, in the case of tuition, the refund period has lapsed.

(iii) Unrestricted contributions and pledges 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 when the fair market value cannot be reasonably determined.

(v) Externally restricted contributions (grants and donations) are reported as revenue depending on the nature of restrictions specified by the contributors:

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

(vi) The University leases certain land properties to third parties for a period of 99 years. Cash received from land leases is deferred and amortized to revenue on a straight-line basis over the term of the lease.

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

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

d. Financial instruments

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

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

(ii) Cost category: The long-term annuity is initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the 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 recorded at amortized cost. Donated tangible capital assets are recorded at fair market value at the date of acquisition. Amortization is recorded on a straight-line basis over the estimated useful life of the asset.

2/ Estimated useful life of tangible capital assets

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

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the University's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. There were no write-downs of tangible capital assets in 2013 (2012:nil).

(ii) Works of art and cultural assets are not recorded as assets. Information on these special collections is included in note 11.

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

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

g. Pensions

The University contributes to two pension plans whose Boards of Trustees, representing the members and the employer, manage the plans including the investment of assets and administration of benefits. Accordingly, the pension plans have separate financial statements.

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

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

h. Employee future benefits

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

i. Deferred capital contributions

Funding received for the acquisition of depreciable tangible capital assets is recorded as deferred capital contributions and is recognized as a recovery in the Statement of Operations equal to amortization of tangible capital assets charged on related tangible capital assets. 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.

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

j. Pledges

Pledges are not recognized as revenue in the financial statements until the donations are received but are disclosed for information in note 24.

k. 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.

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 financial statements in equivalent Canadian dollars at the exchange rate in effect on the date of the financial statements. Any gain or loss resulting

from a change in rates between the transaction date and the settlement date or financial statement date is recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the Statement of Remeasurement Gains and Losses and the exchange gain or loss in relation to the exchange rate at the date of the item's initial recognition is recognized in the Statement of Operations.

3. Financial instrument risks

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

<i>Financial Instrument</i>	Credit Risk	Liquidity Risk	Market Risks		
			Currency	Interest Rate	Other Price
Cash and cash equivalents	X				
Accounts receivable	X				
Due from related parties	X				
Investments - operating and endowment	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 substantially by ensuring that these assets are invested in Schedule A Canadian chartered banks.

Accounts receivable

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

- Student accounts receivable being a large population of limited amounts, the leverage to stop further enrolment and the granting of transcripts until payment is made and proactive collections management.
- 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

m. Budget figures

Budget figures have been provided for comparative purposes in note 27 and have been derived from the Operating Budget and Financial Plan 2012/13 approved by the Board of Governors of the University on March 22, 2012.

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

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

Due from related parties

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

Investments - operating and endowment

The University has investment policies to ensure investments are managed appropriately in order to balance preservation of capital, liquidity requirements and achieving returns. The University retains several external investment firms to invest funds in accordance with its investment policies utilizing diverse agreed upon investment strategies primarily in active trading markets. Applying the CICA fair value hierarchy for fair value measurements provides an indication of the overall types of investments held at March 31, 2013 being: 97% quoted prices in active markets for identical investments (level 1), 3% direct or indirect observable prices that are not quoted prices (level 2), and 0% inputs that are not observable market data (level 3).

Liquidity risk

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

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

Market risks

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

Currency risk

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

The functional currency of the University is the Canadian dollar. The University transacts some revenue 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 known future obligations to manage foreign exchange transaction exposures.

Interest rate risk

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

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

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

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

Other price risk

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

4. First-time adoption of Financial Reporting Framework (FRF)

Effective April 1, 2012, the University adopted the Canadian Public Sector Accounting Standards (PSAS) financial reporting framework as amended with respect to deferred capital contributions accounting (FRF) described in note 2a, with a transition date of April 1, 2011. These financial statements are the first financial statements for which the University has applied this financial reporting framework.

The adoption of the FRF has been accounted for by retroactive application with restatement of prior periods subject to the requirements in section PS 2125: First-time Adoption by Government Organizations, unless otherwise stated. In preparing its opening FRF Consolidated

Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with Canadian not-for-profit accounting standards (GAAP). An explanation of the major changes are described in this note. How the transition from Canadian not-for-profit accounting standards (GAAP) to the FRF has affected the University's financial position, financial performance and accumulated surplus is shown in detail in note 28.

In preparing these consolidated financial statements, the University has applied mandatory exceptions and certain of the optional exemptions on transition to the FRF.

Exemptions

The following exemptions and exceptions were used at the date of transition to the FRF:

Retirement and post-employment benefits

The University has elected to delay application of the sections relative to determination of the discount rate used until the date of the respective next actuarial valuations. This election effectively only applies to the Administrative/Union Pension Plan whose next actuarial valuation will be prepared as at December 31, 2013, as all other plans have had actuarial valuations prepared as at December 31, 2012.

The University has elected to recognize all cumulative actuarial gains and losses at the date of transition to the FRF directly in accumulated surplus. Actuarial gains and losses after the date of transition to the FRF are accounted for in accordance with PS 3250 and PS 3255. This election applies to all the plans that are non-event driven in the University.

For event driven liabilities, such as long-term disability, the University records gains and losses in the period they occur.

Tangible capital asset impairment

The University elected to apply the conditions for a write-down of a tangible capital asset in PS 3150 on a prospective basis from the date of transition.

Estimates

The estimates previously made by the University were not revised for the application of the FRF except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the University has not used hindsight to revise estimates.

Government transfers

The University has elected to prospectively apply PS 3410: Government Transfers.

Significant changes to accounting policy

The following outlines the accounting policies in areas which change as a result of the adoption of the FRF:

Financial statement presentation

Adoption of PS 1201: Financial Statement Presentation has a significant impact on the form of the University's financial statements.

The Statement of Financial Position, as at March 31, 2012 and April 1, 2011 have been restated, segregating financial and non-financial assets as well as the net debt (liabilities less financial assets) of the University and accumulated surplus at the Statement of Financial Position date.

The Statement of Operations has been replaced by the Statement of Operations and the Statement of Remeasurement Gains and Losses. The Statement of Operations presents expense by the functions of the University and includes endowment contributions made to the University.

The Statement of Remeasurement Gains and Losses presents the unrealized gains and losses associated with foreign exchange and changes in value for financial instruments recorded at fair value. It also includes realized gains and losses reclassified to the Statement of Operations when the asset is settled.

The Statement of Changes in Net Debt for the year presents the acquisition, amortization and gain/loss on sale of tangible capital assets as well as other significant items that explain the difference between the annual operating surplus and the net debt.

Financial instruments

Previously the University classified its cash and cash equivalents, and investments except for the long-term annuity and the long-term promissory note as held-for trading and these were recorded at fair value with gains and losses recorded in either the Statement of Operations or deferred revenue depending on external stipulations.

Under the FRF, these investments continue to be recorded at fair value. The unrealized change in fair value is recognized in the Statement of Remeasurement Gains and Losses. Once the asset is settled, the cumulative remeasurement gain or loss is recorded in the Statement of Operations.

Financial instruments previously classified as loans and receivables, other financial liabilities, and held-to-maturity are now assigned to the measurement category cost or amortized cost.

The standard's transitional provisions state that when a government organization applies this standard in the same year it adopts the FRF for the first time, this standard cannot be applied retroactively. Accordingly, comparative amounts are presented based upon the accounting policies applied by the University immediately preceding its adoption of the FRF.

Foreign currency

As of April 1, 2012, the University adopted PS 2601: Foreign Currency Translation. This standard establishes how to account for and report transactions that are denominated in a foreign currency. The standard's transitional provisions state that when a government organization applies this standard in the same year it adopts the FRF for the first time, this standard cannot be applied retroactively. Accordingly, comparative amounts are presented based upon the accounting policies applied by the University immediately preceding its adoption of the FRF. The Statement of Remeasurement Gains and Losses will reflect changes in unrealized foreign currency valuation.

Government transfers

PS 3410: Government Transfers establishes how to account for and report government transfers to individuals, organizations and other governments from both a transferring and a recipient perspective. The adoption of the standard resulted in reclassification of payments made by the University as the transferring government between accounts receivable and expense.

Tangible capital assets

Previously, the University recorded artwork and collections at fair value. Under PS 3150: Tangible Capital Assets, works of art and historical treasures are not recognized as tangible capital assets, and are removed from the balances. The University has included additional disclosures in the notes as required by the standard.

Related entities

Great Northern Way Campus Trust (GNWCT) has adopted International Financial Report Standards (IFRS), under Part I of the Canadian Institute of Chartered Accountants (CICA) accounting standards. Resulting changes in the net equity of the Trust have been recorded in Investment in GNWCT.

Investment income from the University's investment in GNWCT is reported separately in the Statement of Operations. Other comprehensive income and loss of GNWCT is reported in the Statement of Remeasurement Gains and Losses.

SFU Community Trust has adopted International Financial Report Standards (IFRS), under Part I of the Canadian Institute of Chartered Accountants (CICA) accounting standards. Resulting changes in the net equity of the Trust have been recorded in endowment assets, accumulated surplus - endowment, and recorded in deferred lease proceeds.

Endowments

Previously, the University recorded endowment contributions directly to endowment net assets. Under the FRF, endowment contributions received in the year are recognized in the Statement of Operations.

Investments

As of April 1, 2011 the University adopted PS 1201: Financial Statement Presentation. This section provides standards on how to report the assets of the University. Upon adoption of the standard, endowment investments have been determined to be non-financial assets since the endowment assets are not available to discharge existing liabilities or finance future operations. Furthermore, they are not for consumption in the normal course of operations due to the restrictions placed on the principal by external contributors.

Retirement, post-employment benefits, compensated absences and termination benefits

The discount rate for plans with assets was previously established based on corporate bonds of similar risk and maturity. Under the FRF, the discount rate used to value liabilities where there are plan assets is the expected rate of return on the plan's particular mix of assets at the measurement date. Where there are no plan assets, the discount rate is the cost of borrowing.

Previously and under the FRF, the actuarial gains and losses of the defined benefit pension plans have been, and will continue to be, amortized to employee benefits expense over the EARSL of eligible employees.

Pension related unamortized actuarial losses in the Administrative/Union and Academic Pension Plans that existed at the transition date are recognized in accumulated surplus. Retirement benefits including non-pension retiree benefits and early retirement benefits, where actuarial gains and losses had previously been recognized immediately, will now be amortized to expense over the EARSL of eligible employees.

Previously the actuarial gains and losses of event driven benefits such as long-term disability were recognized immediately as an expense and employee future benefits liability; this will continue under the FRF.

Pensions and employee future benefits are further described in notes 14 and 15 including the impact of changes to comparative figures.

In the transition to PS 3255: Post Employment Benefits, Compensated Absences and Termination Benefits, the University estimated liability for accumulating sick pay benefits as of the transition date to be immaterial.

Non-financial assets

Tangible capital assets, investments - endowment, inventories held for use, prepaid lease and prepaid expense, were reclassified as non-financial assets.

5. Cash and cash equivalents

Cash and cash equivalents are demand deposits in Schedule A Canadian chartered banks are held primarily in Canadian currency, and presented net of outstanding items including cheques written but not cleared by the bank as at the date of the Statement of Financial Position.

6. Accounts receivable

<i>Dollars in Thousands</i>	2013	2012
Revenue receivable	6,645	9,697
Other receivables	6,580	4,765
Provision for doubtful accounts	(625)	(619)
Total	12,600	13,843

7. Due from related parties

Due from related parties are receivables from Great Northern Way Campus Trust (GNWCT) and SFU Community Trust (SFUCT) in which the University has beneficial interests accounted for on the modified equity basis and consisting of the following:

<i>Dollars in Thousands</i>	2013	2012
GNWCT Receivable without interest on fixed repayment terms	1,260	
SFUCT Receivable		
Repayment on an event-driven basis with interest at the bank prime rate	4,500	4,549
Due within 48 months with interest at 2.5%	3,760	
Without fixed repayment terms and non interest-bearing	6,245	10,006
Total	15,765	14,555

8. Investments

8a/ Consolidated Statement of Financial Position presentation of investments

<i>Dollars in Thousands</i>	Reported Value	
	2013	2012
Financial assets		
Investments - operating	296,336	262,624
Non-financial assets		
Investments - endowment	253,441	236,114
Total	549,777	498,738

Bonds in the actively managed bond fund mature between 2013 and 2067 and have coupon rates between 0.95% and 11.90%

The indexed bond fund is benchmarked to the DEX Universe Bond index which references 1,149 bonds that are 41% federal government, 31% provincial and municipal government, and 28% corporate debentures. As at March 31, 2013, the fund's one year return was 4.53% and the duration was 6.88 years.

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

Foreign equity investments are invested approximately 45% in United States markets and 55% outside of the United States.

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

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

The Beedie Endowment Asset Management Fund follows a balanced fund mandate with three actively managed asset classes: Canadian equity, cash and Canadian fixed income.

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.

The \$1,000,000 term deposit is non-redeemable, paying 2.15% per annum, maturing on November 19, 2017.

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

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

8b/ Investment information

<i>Dollars in Thousands</i>	Reported Value		Cost 2013
	2013	2012	
Investments Recorded at Fair Value			
Designated to the fair value category (level 1):			
Actively managed bond fund:			
Federal bonds	20,392	20,555	20,439
Provincial and municipal bonds	36,398	29,408	36,488
Corporate debentures	52,997	48,363	53,094
	109,787	98,326	110,021
Indexed bond fund	108,801	94,373	108,778
Vancouver Foundation bonds	3,134	2,996	3,042
Sinking Fund bonds	2,516	4,884	2,335
Term deposit	1,000		1,000
	225,238	200,579	225,176
Equity instruments quoted in an active market (level 1):			
Canadian equities	153,218	137,122	139,760
Foreign equities	129,181	116,885	117,398
Student Investment Advisory Fund equities	9,007	8,235	8,330
Vancouver Foundation equities	3,635	3,575	3,529
Beedie Endowment Asset Management Fund equities	3,263	4,992	3,165
Total Level 1 Category Financial Instruments	523,542	471,388	497,358
Portfolio investments valued using direct or indirect observable prices (level 2) designated to the fair value category:			
Private equities	14,493	15,513	15,718
Investments Valued at Cost/Amortized Cost			
Long-term annuity	11,742	11,837	11,742
Total Investments	549,777	498,738	524,818

9. Investment in Great Northern Way Campus Trust

Great Northern Way Campus Ltd. (Trustee) established the Great Northern Way Campus Trust (GNWCT) for the benefit of the British Columbia Institute of Technology, Emily Carr University of Art + Design, SFU and the University of British Columbia. SFU owns a 25% proportionate interest in the Trust. The Trust was established to develop a range of academic activities for the Vancouver area on land that was 80% gifted by Finning International Inc. to the partner institutions in 2001. GNWCT's activities currently comprise two distinct business areas: property management and site development activities, and educational activities.

The University's 25% 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 financial statements based on the fiscal year of the University.

Under the FRF, other comprehensive income from GNWCT is included in the Statement of Remeasurement Gains and Losses.

9a/ Investment income from Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2013	2012
Great Northern Way Campus Trust net income for the calendar year	7,917	77
Adjustments to align GNWCT with SFU fiscal year end		
Gain on sale in current year of SFU and the prior year of GNWCT	(7,661)	
Gain on sale realized by GNWCT after their calendar year, prior to SFU fiscal year end	6,000	7,661
	6,256	7,738
SFU proportionate interest	25%	25%
SFU share of GNWCT Net Income	1,564	1,934

9b/ Investment in Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2013	2012
Great Northern Way Campus Trust balance, December 31	48,815	45,296
Gain on sale realized by GNWCT after their calendar year, prior to SFU fiscal year end	6,000	7,661
	54,815	52,957
SFU proportionate interest	25%	25%
SFU Investment in GNWCT	13,704	13,239

9c/ Financial summary calendar year December 31 - Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2013	2012
Financial Position		
Total assets	76,944	73,533
Total liabilities	28,129	28,237
Trust Balance, End of Year	48,815	45,296
Results of Operations & Trust Balance		
Revenue	20,743	4,499
Expense	12,826	4,422
Net income for the year	7,917	77
Comprehensive income (loss)	643	(399)
Distributions to partner institutions	(5,041)	
Net changes in the year	3,519	(322)
Trust Balance, Beginning of Year	45,296	45,618
Trust Balance, End of Year	48,815	45,296
Cash Flows		
Operating activities	12,185	(261)
Investing activities	(8,155)	(3,888)
Financing activities	(4,781)	5,128
Increase (Decrease) in Cash During the Year	(751)	979

10. Prepaid lease

The University prepaid a liability due on the original expiry of the Harbour Centre lease in December 2017. The prepaid lease amount is being amortized over the period to December 2017.

During the fiscal year, the University entered into an arrangement to extend the lease to the end of December 2027.

<i>Dollars in Thousands</i>	2013	2012
Balance, beginning of year	1,808	2,122
Amortized to expense during the year	(314)	(314)
Balance, End of Year	1,494	1,808

11. Tangible capital assets

11a / Tangible capital assets

<i>Dollars in Thousands</i>	Cost	Accumulated Amortization	2013	2012
Buildings - concrete	833,946	211,834	622,112	617,841
Buildings - wood	21,370	10,894	10,476	11,162
Site services	37,992	14,129	23,863	24,424
Leasehold improvements	12,209	9,311	2,898	3,292
Computer equipment	27,120	12,986	14,134	15,730
Equipment and furnishings	116,526	64,659	51,867	60,307
Library books	88,610	41,207	47,403	47,481
Land	19,299		19,299	19,974
Assets under construction	18,688		18,688	19,943
Total	1,175,760	365,020	810,740	820,154

Special Collections includes the University's art collection and the SFU Bill Reid Gallery collection. Special Collections are not recognized as a tangible capital asset under the FRF. Accordingly, upon conversion to the FRF, tangible capital assets and accumulated surplus were reduced by \$8,712,000 at April 1, 2011 and \$19,385,000 at March 31, 2012, and donations received for 2012 was reduced by \$10,673,000. In 2013, additional donated works of art with an appraised value of \$384,000 were received; but are not recognized in these financial statements. The art collection is insured at a replacement value of \$30,000,000.

Assets under construction, with a value of \$18,688,000 (2012: \$19,943,000), have not been amortized.

Amortization of these assets will commence when they are put into service.

Additions to buildings during the year includes capitalized interest of \$352,000 [2012: \$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 \$951,000 (2012: \$2,177,000).

11b / Tangible capital asset cost - opening and closing balances

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

11c/ Tangible capital assets amortization - opening and closing balances

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

11d/ Assets under construction by asset class

<i>Dollars in Thousands</i>	2013	2012
Buildings - concrete	16,093	17,903
Buildings - wood	459	459
Site services	834	268
Leasehold improvements	79	195
Equipment and furnishings	1,223	1,118
Total	18,688	19,943

12. Accounts payable and accrued liabilities

<i>Dollars in Thousands</i>	2013	2012
Trade payables and accruals	19,272	10,422
Salaries and benefits payable	13,370	12,586
Accrued vacation pay	6,190	6,140
Other	7,159	6,421
Total	45,991	35,569

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>	2013	2012
Debentures, senior unsecured	141,605	141,327
Debenture, Province of BC	4,928	7,920
Term loan	3,879	4,108
Mortgage, Verdant	1,280	1,541
Total	151,692	154,896

Senior unsecured debentures issued at a discount by the University in 2003 for \$150,000,000 bear interest at 5.613%, interest paid semi-annually, due June 10, 2043, and are recorded using the effective interest method. Net proceeds

of the issue were used to finance capital projects. The debentures are neither obligations of, nor guaranteed by, the Province of British Columbia.

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

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

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

Sinking fund investments are held and invested by the Province of British Columbia. These funds totalling \$2,516,000 (2012: \$4,884,000) and will provide for the retirement of debentures issued to the Province at maturity. The amount forms part of the investment balance shown on the Statement of Financial Position. Annual sinking fund payments due within the next five years are included in the annual payments table. Annual payment of principal, sinking fund installments and interest due within the next five years are as follows:

14. Pensions

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

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

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

Solvency valuation deficits, under the Pension Act, may be addressed by either: contributions over a maximum of five years, or by the provision of increasing Letters of Credit over the same period, the latter of which the University has elected to do.

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

The Academic Plan provides pension benefits primarily on a defined contribution basis whereby funding is directed to individual Money Purchase Accounts (MPA). Benefit payments are based upon the asset value within the individual MPA account 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 individual MPA accounts. An actuarial valuation is not required for the Academic MPA Plan.

13b/ Annual payments on long-term debt

<i>Dollars in Thousands</i>	Principal	Sinking Fund	Interest
2014	514	44	9,080
2015	3,931	44	8,981
2016	305	44	8,888
2017	322	44	8,872
2018	87	44	8,858
2019 to 2043	150,000	221	212,456

During the 2012 calendar year, contributions made by the University to the Academic MPA Pension Plan were 9.6% of pensionable earnings, totalling \$11,541,000 (2011: \$11,304,000).

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 2012 were \$90,000 (2011: \$204,000) in respect of the going concern deficit.

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

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

The Administrative/Union Plan is a defined benefit plan, based on a combination of years of service, and the average of the highest sixty consecutive months' salary. Pensions are indexed to CPI up to a maximum of 3% per annum. Additional contributions to the Administrative/Union Plan may be made to individual voluntary accounts 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 Money Purchase Accounts (MPA). No contributions were directed to the Administrative/Union MPA Plan by the University in the current or prior year.

Contributions to the Administrative/Union Pension Plan made by the University are at a rate of 15.3% of pensionable earnings, and for the calendar year 2012 were \$14,427,000 (2011: \$14,086,000). In addition, contributions of \$2,151,000 (2011: \$798,000) were made in respect of commuted value solvency holdbacks.

The Administrative/Union Plan had an actuarial valuation performed as of December 31, 2010 which was extrapolated to December 31, 2012 for accounting purposes. The next valuation is due December 31, 2013.

Defined benefit pension plan liability and expense

The liabilities of the FRB pension plans and current service costs for the year are extrapolations based on

actuarial valuations using the projected unit cost method, prorated on service, as of December 31, 2010 for the Administrative/Union Plan, and December 31, 2012 for the Academic FRB Plan.

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

14a/ Significant actuarial assumptions

	Administration/ Union	Academic FRB
Effective date of most recent actuarial valuation report for funding purposes	31-Dec-10	31-Dec-12
Measurement date of plan assets/accrued benefit obligation	31-Dec-12	31-Dec-12
Expected future inflation rate	1.50%	n/a
Post-retirement inflation increase	n/a	2.15%
Expected Average Remaining Service Lifetime of active employees (EARSLL)	10 yrs	n/a
Average remaining pension payment period	n/a	16 yrs
Beginning of period		
Discount rate	4.50%	4.25%
Expected long-term rate of return on plan assets	6.50%	6.00%
Rate of compensation increase	2.50%	n/a
End of period		
Discount rate	4.00%	5.75%
Expected long-term rate of return on plan assets	6.25%	5.75%
Rate of compensation increase	2.25%	n/a

14b/ Net pension liability

<i>Dollars in Thousands</i>	Administrative / Union	Academic FRB	2013	2012
Accrued benefit obligation, beginning of year	262,331	33,481	295,812	254,695
Current period benefit cost (net of employee contributions)	16,159	19	16,178	13,778
Employee contributions / transfer from MPA	32	1	33	1,132
Interest cost	11,888	1,375	13,263	14,129
Benefit payments	(12,494)	(2,272)	(14,766)	(16,036)
Actuarial (gain) loss	21,565	(3,241)	18,324	28,114
Accrued Benefit Obligation, End of Year	299,481	29,363	328,844	295,812
Fair value of plan assets, beginning of year	202,135	24,373	226,508	226,128
Employer contributions	16,602	90	16,692	15,089
Employee contributions / transfer from MPA	32	1	33	1,132
Actual return on plan assets	17,095	2,060	19,155	195
Benefit payments	(12,494)	(2,272)	(14,766)	(16,036)
Fair Value Plan Assets, End of Year (*)	223,370	24,252	247,622	226,508
Funded Status, Pension Plan Deficit	76,111	5,111	81,222	69,304
Unamortized net actuarial loss	(51,815)	(449)	(52,264)	(42,500)
Net Pension Liability	24,296	4,662	28,958	26,804

* For both 2013 and 2012, defined benefit pension plan assets consist of:

	Administrative / Union	Academic FRB
Equity securities	57%	65%
Debt securities	43%	35%

14c/ Defined benefit pension expense

<i>Dollars in Thousands</i>	Administrative / Union	Academic FRB	2013	2012
Current period benefit cost (including employee contributions)	16,191	20	16,211	14,910
Less: employee contributions	(32)	(1)	(33)	(1,132)
Amortization of net actuarial losses	3,786	290	4,076	
Interest cost on unfunded pension obligation	11,888	1,375	13,263	14,129
Expected earnings on average pension plan assets	(13,273)	(1,397)	(14,670)	(14,580)
Total Pension Expense	18,560	287	18,847	13,327

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 to satisfy solvency contribution requirements.

14d/ Defined benefit pension plans: solvency deficiency payment and Letter of Credit requirements

<i>Dollars in Thousands</i> Calendar Year	Annual Solvency Deficiency Payment		Cumulative Letter of Credit Requirements	
	Administrative / Union	Academic FRB	Administrative / Union	Academic FRB
2012	15,213	1,314	61,000	2,731
2013	10,358	2,608	73,900	4,190
2014	10,358*	2,609	*	6,954
2015	10,358*	1,295	*	9,800
2016	*	1,295*	*	11,404*
2017	*	1,295*	*	13,055*
2018	*	*	*	14,756*

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

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

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

Conversion to Financial Reporting Framework (FRF)

As a result of the conversion to the FRF, the University elected to immediately recognize the unamortized actuarial loss of \$28,567,000 at the April 1, 2011 transition date to accumulated operating surplus. During fiscal 2012, previously reported accounts receivable of \$1,553,000 were reclassified as a pension liability and the pension liability was further decreased by \$210,000, due to decreased pension expenses that resulted from the change of the actuarial measurement date to December 31, 2011 from March 31, 2012.

14e/ Adjustments to the Consolidated Statement of Financial Position at April 1, 2011

<i>Dollars in Thousands</i>	Administrative / Union	Academic FRB	Total FRF Adjustment
Liabilities			
Pensions	23,963	4,604	28,567
Accumulated Surplus			
Accumulated operating surplus	(23,963)	(4,604)	(28,567)

14f/ Adjustments to the Consolidated Statement of Financial Position at March 31, 2012

<i>Dollars in Thousands</i>	Administrative / Union	Academic FRB	Total FRF Adjustment
Financial Assets			
Accounts receivable	(1,553)		(1,553)
Liabilities			
Pensions	(1,624)	(139)	(1,763)
Accumulated Surplus			
Accumulated operating surplus	71	139	210

14g/ Adjustments to the Consolidated Statement of Operations for the year ended March 31, 2012

<i>Dollars in Thousands</i>	Administrative / Union	Academic FRB	Total FRF Adjustment
Expense			
Instruction	(57)	(112)	(169)
Research	(12)	(24)	(36)
Community engagement	(2)	(3)	(5)
Annual Operating Surplus	71	139	210

15. 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. The University does not segregate assets to specifically offset this liability.

15a/ Significant actuarial assumptions

	Non-Pension Retiree	Early Retirement	Long- Term Disability
Measurement date of accrued benefit obligation	31-Dec-12	31-Dec-12	31-Dec-12
Expected future inflation rate	2.25%	2.25%	2.25%
Expected Average Remaining Service Lifetime of active employees (EARSL)	9 yrs	7 yrs	n/a
Weighted average remaining years until last payment	n/a	n/a	5 yrs
Beginning of period discount rate	4.25%	4.25%	4.25%
End of period discount rate	3.70%	3.70%	3.70%
Assumed health care cost trend rates, including inflation of 2.25%			
Medical Services Plan	4.00%		
Dental	4.25%		
Extended Health Benefits (EHB)	8.00%		
EHB cost trend rate declines to	5.00%		
Year that EHB rate reaches the rate it is assumed to remain at	2029		

Description of benefit plans

The University has three defined benefit plans that provide 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 service, the value of the retirement benefits are attributed to those services and recorded as liabilities and expenses. As such, gains or losses resulting from actuarial extrapolations are amortized over the Expected Average Remaining Service Lifetime of active employees (EARSL) using the straight-line method, commencing the year following the effective date of the related actuarial valuation.

Non-pension retiree

Non-pension retiree are retirement benefits, representing the obligation for portions of future premiums payable to eligible current employees and retirees for Medical Services Plan, Extended Health Benefits and Dental Benefits. Only employees hired before dates between July 1, 2001 and May 1, 2003, depending on employee group, are eligible for this benefit. The most recent actuarial valuation reported an actuarial loss of \$19,023,000 (2012: \$4,154,000) to be amortized over EARSL. The loss is primarily attributed to changes in key actuarial assumptions that included a reduction in the discount rate to 3.70% from 4.25%, and an increase in the take-up rate to 90% from 66%.

Early retirement

Early retirement is a retirement benefit, representing the obligation to employees that took early retirement in the mid-1990's and other employees that receive supplementary pensions. The most recent actuarial valuation reported an actuarial loss of \$278,000 (2012: \$378,000) primarily resulting from a reduction in the discount rate assumption to 3.70% from 4.25%. The loss is to be amortized over EARSL.

Compensated absence benefits

Compensated absence benefits represent a liability that is created when an event that obligates the University occurs. The expected cost of providing the benefit is recognized immediately in the period when the event occurs. As such, gains or losses resulting from actuarial valuations are accounted for using the immediate attribution method.

Long-term disability

Long-term disability is an event-driven compensated absence benefit, representing the liability to employees who are being paid for claims pursuant to the University's self-insured long-term disability plans. An insurance company administers the plans and is reimbursed for disability claim payments plus service fees. The most recent actuarial valuation reported an actuarial gain of \$3,388,000 (2012: \$146,800), which has been fully recognized and reported by function within the Statement of Operations. The gain can be attributed to the use of data reflecting actual plan experience, in addition to a reduction in the inflation assumption to 2.25% from 7.00%.

15b/ Liability and benefit expense for employee future benefits

<i>Dollars in Thousands</i>	Retirement Benefits		Compensated Absence Benefit	2013	2012
	Non-Pension Retiree	Early Retirement	Long-Term Disability		
Liability for Employee Future Benefits					
Accrued benefit obligation, beginning of year	48,313	3,462	9,268	61,043	54,970
Current period benefit cost	712	46	873	1,631	2,108
Interest cost	2,042	142	386	2,570	2,856
Benefit payments	(1,233)	(306)	(1,250)	(2,789)	(3,276)
Actuarial (gain) loss	19,023	278	(3,388)	15,913	4,385
Accrued Benefit Obligation, End of Year	68,857	3,622	5,889	78,368	61,043
Unamortized net actuarial loss	(22,715)	(602)		(23,317)	(4,532)
Liability for Employee Future Benefits, End of Year	46,142	3,020	5,889	55,051	56,511
Employee Future Benefits Expense					
Current period benefit cost	712	46	873	1,631	2,108
Recognition of actuarial (gain) loss	462	54	(3,388)	(2,872)	(147)
Interest cost on unfunded employee future benefits obligation	2,042	142	386	2,570	2,856
Total Employee Future Benefits Expense	3,216	242	(2,129)	1,329	4,817

Conversion to Financial Reporting Framework (FRF)

Prior to the implementation of the FRF, the University accounted for each of the three Employee Future Benefit plans using the immediate attribution method. As a result of the conversion to the FRF, actuarial losses of \$4,532,000 related to retirement benefits that had been fully recognized as current period employee benefits expense in the fiscal year ending 2012, have been reclassified as unamortized losses to be recognized over EARSL. For the year ended March 31, 2012, this has reduced the liability for employee future benefits and employee benefits expense and increased accumulated operating surplus by \$4,532,000.

15c/ Adjustments to the Consolidated Statement of Financial Position at March 31, 2012

<i>Dollars in Thousands</i>	Non-Pension Retiree	Early Retirement	Total FRF Adjustment
Liabilities			
Employee future benefits	(4,154)	(378)	(4,532)
Accumulated Surplus			
Accumulated operating surplus	4,154	378	4,532

15d/ Adjustments to the Consolidated Statement of Operations for the year ended March 31, 2012

<i>Dollars in Thousands</i>	Non-Pension Retiree	Early Retirement	Total FRF Adjustment
Expense			
Instruction	(3,340)	(304)	(3,644)
Research	(704)	(64)	(768)
Community engagement	(110)	(10)	(120)
Annual operating surplus	4,154	378	4,532

16. Deferred revenue

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

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

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

16a/ Changes in deferred revenue

<i>Dollars in Thousands</i>	Sponsored Research	Specific Purpose	2013	2012
Balance, beginning of year	28,412	14,450	42,862	66,328
Contributions in the year	66,310	47,113	113,423	83,829
Transferred to revenue	(66,233)	(22,955)	(89,188)	(93,878)
Transferred to investment income (note 23)		(8,441)	(8,441)	(7,448)
Endowed investment income				
Endowment principal addition		(1,449)	(1,449)	(1,969)
Preserve purchasing power		(1,211)	(1,211)	(4,000)
Balance, End of Year	28,489	27,507	55,996	42,862

16b/ Source of deferred revenue, end of year

<i>Dollars in Thousands</i>	Sponsored Research	Specific Purpose	2013	2012
Province of British Columbia	1,122	4,433	5,555	4,864
Government of Canada	25,616	2,118	27,734	30,226
Other	1,751	20,956	22,707	7,772
Balance, End of Year	28,489	27,507	55,996	42,862

Endowment income stabilization account

Specific purpose deferred revenue includes investment income earned in relation to endowments that are being held until the donor stipulated expenditures occur, at which time the investment income will be recognized as revenue in the Statement of Operations. The endowment income stabilization account is a part of the specific purpose deferred revenue, which is externally restricted by donors and represents the cumulative difference between endowment investment income and funding applied to: (a) individual spending accounts and; (b) preserve purchasing power.

16c/ Endowment income stabilization account

<i>Dollars in Thousands</i>	2013	2012
Endowment investment income externally restricted for the year		
Realized income	8,814	14,085
Unrealized income (loss)	14,748	(14,390)
	23,562	(305)
Endowment income allocated to		
Individual endowment spending accounts	(10,850)	(9,392)
Preserve purchasing power	(1,211)	(4,000)
Increase (Decrease) in Endowment Income Stabilization Account During the Year	11,501	(13,697)
Balance, Beginning of Year - Endowment Stabilization	(1,632)	12,065
Balance, End of Year - Endowment Stabilization	9,869	(1,632)
Balance, End of Year - Other Specific Purpose Project Accounts	17,638	16,082
Balance, End of Year - Specific Purpose	27,507	14,450

17. Deferred capital contributions

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

As noted in the significant accounting policies, the Budget Transparency and Accountability Act of the Province of British Columbia and the Restricted Contributions Regulation 198/2011 issued pursuant to it, the University is required to account for government funding of tangible capital assets by deferring and amortizing deferred capital contributions to income on the same basis as the related amortization expense. If restricted government funding for tangible capital assets does not contain stipulations that create a liability, then PSAS requires it to be reported as income immediately. The impact of this difference on the financial statements of the University would be recorded as follows:

17a/ Difference between the FRF and PSAS

<i>Dollars in Thousands</i>	FRF		PSAS		FRF		PSAS	
	2013		2012		01-Apr-11			
Liabilities								
Deferred capital contributions	393,223		403,709		402,873			
Accumulated Surplus								
Accumulated surplus	690,970	1,084,193	631,991	1,035,700	545,479	948,352		
Revenue								
Government grants and contracts	298,464	304,126	302,570	317,617				
Amortization of deferred capital contributions	16,146		14,211					
Annual Operating Surplus								
Annual operating surplus	48,613	38,125	86,612	87,448				

17b/ Change in deferred capital contributions

<i>Dollars in Thousands</i>	2013	2012
Balance, beginning of year	403,709	402,873
Contributions in the year	5,660	15,047
Transferred to revenue	(16,146)	(14,211)
Balance, End of Year	393,223	403,709

17c/ Source of deferred capital contributions, end of year

<i>Dollars in Thousands</i>	2013	2012
Province of British Columbia	310,705	321,090
Government of Canada	35,492	35,629
Other	47,026	46,990
Balance, End of Year	393,223	403,709

18. Deferred lease proceeds/related entity accounted for by the modified equity method

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

SFU Community Trust has two beneficiaries, the University and Simon Fraser University Foundation, whose beneficiary is also the University. The University's interest in the Trust is accounted for by the equity method with income amortized over the 99-year terms of the related leases.

Since its inception, the Trust has distributed earnings of \$23,560,000 (2012: \$23,560,000), accrued \$1,095,000 (2012: \$1,095,000) of base rent to the University and distributed earnings of \$2,060,000 (2012: \$2,060,000) to the Foundation.

Cumulatively, the University has, on an equity accounting basis, recognized \$988,000 (2012: \$677,000) as income capitalized to the endowment.

SFU Community Corporation, a company wholly-owned by the University, has the sole purpose of being Trustee of the Trust and has no business operations. Audited financial statements of the Trust as at December 31st are separately prepared. Information on the equity accounting and financial summary is provided below.

Equity in SFU Community Trust

The University records its equity accounted interest in the income of the Trust as an increase or a decrease in net restricted endowment contributions as described in note 22. This amounted to a net gain of \$311,000 (2012: net loss \$832,000).

18a/ Net income (loss) from the Trust

<i>Dollars in Thousands</i>	2013	2012
Net income (loss) as reported by the Trust	3,138	(1,101)
Adjustment of land value on transfer to the Trust realized through sale of leases	945	
Deferred current net income from the Trust	(4,041)	
Income (Loss) of Current Year Recognized in the Year	42	(1,101)
Portion of the Trust income of prior years recognized this year	269	269
Net Income (Loss) from the Trust, Recorded as Increase (Decrease) in Net Restricted Endowment Contributions (note 22)	311	(832)

18b/ Trust equity reconciled to deferred lease proceeds/equity in the Trust

<i>Dollars in Thousands</i>	Trust Equity	Consolidation Adjustments	Deferred Lease Proceeds	
			2013	2012
Net income (loss) reported by the Trust	3,138		3,138	(1,101)
Adjustment of land value on transfer to the Trust realized through sales of leases		945	945	
Deferred current year's net income		(4,083)	(4,083)	
Income of current year recognized in the year		42	42	
Income of prior years recognized in the year		269	269	269
Change in Year	3,138	(2,827)	311	(832)
Balance, Beginning of Year	11,020	(34,382)	(23,362)	(22,530)
Balance, End of Year	14,158	(37,209)	(23,051)	(23,362)

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

18c/ Financial summary - SFU Community Trust

<i>Dollars in Thousands</i>	2013	2012
Financial Position		
Total assets	64,448	69,213
Total liabilities	50,290	58,193
Trust Balance, End of Year	14,158	11,020
Results of Operation & Trust Balance		
Revenue	18,186	1,586
Expense	15,048	2,687
Net Income (Loss) for the Year	3,138	(1,101)
Trust balance, beginning of year	11,020	12,121
Trust Balance, End of Year	14,158	11,020
Cash Flows		
Operating activities	8,061	4,148
Investing activities	(6,066)	(5,913)
Financing activities	(1,347)	603
Increase (Decrease) in Cash During the Year	648	(1,162)

19. Accumulated surplus

19a/ Accumulated surplus

<i>Dollars in Thousands</i>	2013	2012
Internally restricted for operating commitments		
Departmental operating budget carryforward	39,938	35,037
Internal advance for tangible capital assets	(22,500)	
	17,438	35,037
Operating special projects	5,877	12,838
Internally funded research	15,759	16,232
	39,074	64,107
Unfunded actuarial loss from conversion to FRF	(14,625)	(23,825)
Ancillary operations	11,957	8,944
Specific purpose	13,532	12,790
Long-term lease commitment	10,951	12,154
Self insurance	928	785
Internally Restricted for Operating Commitments	61,817	74,955
Tangible capital assets	342,840	320,916
Internal advance for tangible capital assets	22,500	
Investment in Tangible Capital Assets	365,340	320,916
Endowment	253,441	236,114
Accumulated Operating Surplus, End of Year	680,598	631,985
Accumulated remeasurement gains	10,372	6
Accumulated Surplus, End of Year	690,970	631,991

19b/ Endowment surplus

<i>Dollars in Thousands</i>	2013	2012
Balance, beginning of year	236,114	209,043
Change in the year (note 22)	17,327	27,071
Balance, End of Year	253,441	236,114

19c/ Change in accumulated operating surplus

<i>Dollars in Thousands</i>	Internally Restricted for Operating Commitments	Investment in Tangible Capital	Restricted for Endowment Principal
Accumulated operating surplus, beginning of year	74,955	320,916	236,114
Annual surplus	48,613		
Internal transfer from operating budget carry forward to investment in tangible capital assets	(22,500)	22,500	
Increase in investment in tangible capital assets	(21,924)	21,924	
Net restricted endowment contributions	(17,327)		17,327
Accumulated Operating Surplus, End of Year	61,817	365,340	253,441

Investment in tangible capital assets is represented by

Tangible capital assets	810,740
Sinking fund investment	2,516
Long-term debt	(151,692)
Deferred capital contributions	(393,223)
Other net assets invested in capital	89,409
Due from related parties, parking displacement	4,500
Due from related parties, sale proceeds	3,090
Investment in Tangible Capital Assets	365,340

20. Expense by object

<i>Dollars in Thousands</i>	2013	2012
Salaries	303,763	297,711
Employee benefits	65,963	58,568
Supplies and other operational expense	64,976	55,183
Amortization of tangible capital assets	52,812	50,067
Professional and contracted services	31,791	32,342
Scholarships and bursaries	28,983	29,160
Training and travel	15,232	15,792
Cost of goods sold	10,386	10,926
Interest on long-term debt	9,444	9,920
Utilities	8,183	8,426
Total	591,533	568,095

21. Government grants and contracts

<i>Dollars in Thousands</i>	2013	2012
Province of British Columbia		
Operating	219,386	219,493
Sponsored research	2,871	2,250
Specific purpose	6,130	4,888
Tangible capital assets	5,081	4,844
Net deferred revenue		(2,156)
	233,468	229,319
Government of Canada		
Operating	7,134	6,776
Sponsored research	48,965	46,895
Specific purpose	8,563	10,886
Tangible capital assets	2,239	8,527
Net deferred revenue	(4,785)	(903)
	62,116	72,181
Other governments		
Sponsored research	2,093	1,070
Specific purpose	767	
Tangible capital assets	20	
	2,880	1,070
Total	298,464	302,570

22. Net restricted endowment contributions

<i>Dollars in Thousands</i>	2013	2012
Donations	12,437	21,584
Endowed investment income		
Preserve purchasing power	1,211	4,000
Endowment principal addition	1,449	1,969
Equity income (loss) for the year from SFU Community Trust (note 18)	311	(832)
Matching and other funds endowed	1,919	350
Change in the Year	17,327	27,071

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.

23. Investment income

<i>Dollars in Thousands</i>	2013	2012
Operating investment income	4,824	13,769
Unrealized income		(338)
Income from deferred contributions (note 16a)	8,441	7,448
Total	13,265	20,879

The University adopted PS 3450: Financial Instruments and PS 2601: Foreign Currency Translation on April 1, 2012. As a result, the 2013 figures are presented following the FRF and 2012 figures follow Canadian not-for-profit accounting standards.

24. Pledges

Pledges are not recognized as revenue in the financial statements until the donations are received. Pledges

for future years are estimated at: cash donations \$46,873,000 (2012: \$47,660,000) and gifts in kind \$3,907,000 (2012: \$3,910,000).

25. Contingent liabilities

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

The University is a member in a self insurance cooperative in association with other Canadian universities to provide property and general liability insurance coverage. Under

this arrangement, referred to as the Canadian 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. The University is committed to this insurance arrangement until December 31, 2017.

At March 31, 2013, the University is liable for Letters of Credit in the amount of \$65,190,000 in relation to its pension plans as further described in note 14.

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. Budget

The University financially administers each of its accounting funds in unique manners relevant to the nature of their operations.

- The Operating Fund is managed pursuant to an annual Operating Budget & Financial Plan approved by the Board of Governors.
- Externally Sponsored Research and Externally Funded Specific Purpose Funds are financially managed pursuant to multiple external contracts providing the revenue.
- The Capital Fund is financially managed based on a combination of sourced revenue from the foregoing funds, specific capital contracts and Board of Governors approved specific projects. Approval is on a project basis and capital projects may span several reporting periods. Therefore, capital budget figures are not available to report on the Statement of Changes in Net Debt.

On March 22, 2012, the Board of Governors approved the Operating Budget & Financial Plan 2012/13 for the Operating Fund which was prepared based upon the not-for-profit accounting standards. In the following table, the Operating Fund budget has been adjusted to apply the accounting standards utilized in the preparation of these financial statements. The largest adjustment is due to changes in accounting for fair market value. The changes arising from conversion to the FRF and other impacts are detailed in notes 4 and 28.

Only the Operating Fund has a comprehensive (rather than project based) budget, and is adjusted to the the FRF basis below. The second table provided below reconciles from the operating results to the Annual Operating Surplus.

27a/ Budget of operating fund

<i>Dollars in Thousands</i>	Ref	Board Approved Budget	Adjustments	FRF Budget	Operating Fund Results
Revenue					
Province of British Columbia		219,066		219,066	219,377
Government of Canada		6,655		6,655	7,096
Credit courses		177,078		177,078	181,906
Non-credit courses and other student fees		21,837		21,837	23,165
Sales of goods and services		2,900		2,900	4,189
Donations, non-government grants and contracts		9,661		9,661	11,365
Investment income	1	7,000	(3,214)	3,786	2,936
Other revenue		4,072		4,072	2,753
		448,269	(3,214)	445,055	452,787
Expense					
Salaries		252,149		252,149	237,446
Employee benefits		64,404		64,404	61,091
Supplies and other operational expense	2	77,970	(11,537)	66,433	77,285
Professional and contracted services		13,056		13,056	13,956
Scholarships and bursaries		17,119		17,119	17,870
Training and travel		6,976		6,976	6,414
Utilities		7,135		7,135	6,081
Debt servicing	3	9,460	(9,460)		
		448,269	(20,997)	427,272	420,143
Annual Operating Surplus Excluding Interfund Expense			17,783	17,783	32,644
Interfund transactions eliminated	2, 3, 4		(20,997)	(20,997)	(50,243)
Remeasurement gain budgeted	1		3,214	3,214	
Annual Surplus for Operating Commitments					(17,599)

Reference

1. Unrealized gains of \$3,214,000 are excluded from the Statement of Operations and are removed from the budget figures.
2. Capital expenditures \$11,537,000 are not considered an expense for accounting purposes and are removed from budget figures.
3. Debt servicing of \$9,460,000 is not considered an expense for accounting purposes and is removed from the budget figures.
4. Expenses of \$50,243,000 related to interfund transactions including capital and debt servicing which are not considered an expense for accounting purposes have been excluded from the operating fund results.

27b/ Annual operating results reconciliation

<i>Dollars in Thousands</i>	2013
Annual operating surplus excluding interfund expenses from table 27a	32,644
Interfund transactions eliminated	(50,243)
Operating special projects	(6,961)
Internally funded research	(473)
Unfunded actuarial loss from conversion to FRF	9,200
Lease and other	2,695
Internally restricted for operating commitments	(13,138)
Investment in tangible capital assets	44,424
Endowment	17,327
Annual Operating Surplus	48,613

28. Conversion to Financial Reporting Framework (FRF)

Effective April 1, 2012, the University adopted PSAS as amended by the requirements of the Budget Transparency and Accountability Act (ACT) of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it as the University's basis of financial reporting described in note 2a with a transition date of April 1, 2011. These financial statements are the first financial statements for which the University has applied this financial reporting framework. Previously, the University prepared its annual financial statements in accordance with Canadian not-for-profit accounting standards (GAAP).

The adoption of the FRF does not impact the underlying economics or cash flows of the University's operations.

The general principles applied on first-time adoption are described in note 4.

Reconciliation from Canadian GAAP to FRF

In preparing these financial statements, the University adjusted amounts previously reported in the financial statements prepared under Canadian not-for-profit accounting standards. Impacts of adopting the FRF on the University's financial position and its financial results are summarized below and are based on the following adjustments:

Adjustments from conversion to the FRF References

1. An accounts receivable item identified as being from a related party was reclassified to due from related parties in the amount of \$4,974,000 (2011: \$4,974,000).
2. Inventories have been segregated between inventories for resale and inventories held for use: \$517,000 (2011: \$534,000) was reclassified from financial assets to non-financial assets.
3. At transition, Investment in Great Northern Way Campus Trust (GNWCT) and accumulated surplus decreased by \$34,000 to adjust for changes in the equity of GNWCT due to their adoption of International Financial Reporting Standards (IFRS).

In 2012, income from the University's investment in GNWCT of \$1,871,000, is reclassified from investment income and presented on a separate line - Investment income from GNWCT. Investment in GNWCT decreased by \$70,000, accumulated surplus decreased by \$34,000 and income from GNWCT decreased by \$36,000.

4. Employee future benefits liability and employee future benefits expense decreased by \$4,532,000. Actuarial losses related to non-pension retiree benefits and early retirement benefits were previously recognized immediately under Canadian not-for-profit accounting standards. The losses are reversed and will be amortized over EARSL. Additional details are available in note 15.

5. Pension liability increased and accumulated surplus decreased by \$28,567,000 to recognize actuarial losses at transition. In 2012 pension liability and employee benefit expense decreased by \$210,000 as a result of the change in the measurement date. Additional details are available in note 14.
6. Tangible capital assets decreased by \$19,385,000 (2011: \$8,712,000), accumulated surplus decreased by \$8,712,000 (2011: \$8,712,000). Donations, non-government grants and contract revenue decreased by \$10,673,000 (2011: \$0) to remove works of art and historical treasures from tangible capital assets.
7. At March 31, 2012, an accounts receivable of \$1,553,000 related to the Administrative/Union pension plan has been reclassified as a pension liability. Additional details are available in note 14.
8. Investments related to accumulated endowment contributions of \$236,114,000 (2011: \$209,043,000) which must be held in perpetuity by the University are segregated from operating investments and classified as a non-financial asset.
9. Expenses are presented by function. Total expense is not impacted by the change in presentation and is only impacted by the conversion adjustments summarized here. Expense by object is provided in note 20.
10. Previously, under Canadian not-for-profit accounting standards, net restricted endowment contributions in the year were recorded as a direct increase in accumulated surplus. Under the FRF, the Statement of Operations for the year ended March 31, 2012 has been restated to include \$26,418,000 of net restricted endowment contributions.
11. Deferred lease proceeds decreased by \$450,000, endowment accumulated surplus increased by \$450,000 on April 1, 2011. Deferred lease proceeds decreased by \$1,103,000, endowment accumulated surplus increased by \$450,000 and net restricted endowment contributions increased by \$653,000 as at March 31, 2012. The adjustment is to reflect the impact of the adoption of IFRS on the SFUCT financial statements.
12. Transfer other comprehensive income of GNWCT from accumulated operating surplus to remeasurement gains and losses at transition of \$106,000. In 2012, investment income (loss) in GNWCT increased and remeasurement gains and losses decreased by \$100,000.
13. Accounts receivable of \$788,000 (2011: \$682,000) between SFU and SFU Foundation was eliminated when SFU Foundation Financial Statements were converted to PSAS; on consolidation the impact is zero.
14. Rounding adjustments.
15. Accounts receivable and deferred revenue have been decreased by \$2,081,000 (2011: \$1,789,000) and Government of Canada revenue and research expense are increased by \$292,000 (2011: \$0) for the amount of transfers made to other organizations, where the conditions for eligibility were satisfied.

28a/ Impact of conversion from GAAP to the FRF on April 1, 2011 Statement of Financial Position

<i>Dollars in Thousands</i>	Ref	31-Mar-11	Adjustments	01-Apr-11
Financial Assets				
Cash and cash equivalents		27,597		27,597
Accounts receivable	1, 15	19,351	(6,763)	12,588
Inventories for resale	2	2,443	(534)	1,909
Due from related parties	1	9,663	4,974	14,637
Investments - operating	8	429,270	(209,043)	220,227
Investment in Great Northern Way Campus Trust	3	11,438	(34)	11,404
		499,762	(211,400)	288,362
Liabilities				
Accounts payable and accrued liabilities	14	45,676	1	45,677
Pensions	5		28,567	28,567
Employee future benefits		54,970		54,970
Long-term debt		158,075		158,075
Deferred revenue	15	68,117	(1,789)	66,328
Deferred capital contributions		402,873		402,873
Deferred lease proceeds	11	22,980	(450)	22,530
		752,691	26,329	779,020
Non-Financial Assets				
Tangible capital assets	6	831,142	(8,712)	822,430
Investments - endowment	8		209,043	209,043
Inventories held for use	2		534	534
Prepaid lease		2,122		2,122
Prepaid expense		2,008		2,008
		835,272	200,865	1,036,137
Accumulated Surplus		582,343	(36,864)	545,479
Accumulated Surplus is comprised of				
Internally restricted for operating commitments	5, 13	78,406	(29,249)	49,157
Investment in tangible capital assets	3, 6, 12, 13, 14	295,344	(8,171)	287,173
Endowment	11	208,593	450	209,043
Accumulated Operating Surplus		582,343	(36,970)	545,373
Accumulated Remeasurement Gains	12		106	106
Accumulated Surplus		582,343	(36,864)	545,479

28b/ Impact of conversion from GAAP to the FRF on March 31, 2012 Statement of Financial Position

<i>Dollars in Thousands</i>	Ref	31-Mar-12	Adjustments	Restated
Financial Assets				
Cash and cash equivalents		8,950		8,950
Accounts receivable	1, 7, 15	22,451	(8,608)	13,843
Inventories for resale	2	2,257	(517)	1,740
Due from related parties	1	9,581	4,974	14,555
Investments - operating	8	498,738	(236,114)	262,624
Investment in Great Northern Way Campus Trust	3	13,309	(70)	13,239
		555,286	(240,335)	314,951
Liabilities				
Accounts payable and accrued liabilities	14	35,568	1	35,569
Pensions	5, 7		26,804	26,804
Employee future benefits	4	61,043	(4,532)	56,511
Long-term debt		154,896		154,896
Deferred revenue	15	44,943	(2,081)	42,862
Deferred capital contributions		403,709		403,709
Deferred lease proceeds	11	24,465	(1,103)	23,362
		724,624	19,089	743,713
Non-Financial Assets				
Tangible capital assets	6	839,539	(19,385)	820,154
Investments - endowment	8		236,114	236,114
Inventories held for use	2		517	517
Prepaid lease		1,808		1,808
Prepaid expense		2,160		2,160
		843,507	217,246	1,060,753
Accumulated Surplus		674,169	(42,178)	631,991
Accumulated Surplus is comprised of				
Internally restricted for operating commitments	4, 5, 13, 14	99,569	(24,614)	74,955
Investment in tangible capital assets	3, 6, 12, 13	339,589	(18,673)	320,916
Endowment	11	235,011	1,103	236,114
Accumulated Operating Surplus		674,169	(42,184)	631,985
Accumulated Remeasurement Gains	12		6	6
Accumulated Surplus		674,169	(42,178)	631,991

28c/ Impact of conversion from GAAP to the FRF on Statement of Operations for the year ended March 31, 2012

<i>Dollars in Thousands</i>	Ref	31-Mar-12	Adjustments	Restated
Revenue				
Government grants and contracts				
Province of British Columbia		229,319		229,319
Government of Canada	15	71,889	292	72,181
Other governments		1,070		1,070
Tuition				
Credit courses		176,367		176,367
Non-credit courses and other student fees		24,291		24,291
Sales of goods and services		42,992		42,992
Donations, non-government grants and contracts	6	47,703	(10,673)	37,030
Investment income	3	22,750	(1,871)	20,879
Investment income from Great Northern Way Campus Trust	3, 12		1,934	1,934
Amortization of deferred capital contributions		14,211		14,211
Other revenue	14	7,601	1	7,602
		638,193	(10,317)	627,876
Expense				
	9			
Instruction	4, 5	460,363	(3,813)	456,550
Research	4, 5, 15	97,058	(512)	96,546
Community engagement	4, 5	15,124	(125)	14,999
		572,545	(4,450)	568,095
Loss on sale of tangible capital assets		(240)		(240)
Annual Operating Surplus Before Restricted Contributions		65,408	(5,867)	59,541
Net restricted endowment contributions	10, 11		27,071	27,071
Annual Operating Surplus		65,408	21,204	86,612

28d/ Impact of conversion to the FRF on accumulated surplus

<i>Dollars in Thousands</i>	Ref	31-Mar-12	01-Apr-11
Accumulated Surplus, as previously reported		674,169	582,343
Adjustments			
Great Northern Way Campus Trust conversion to IFRS	3	(70)	(34)
Reverse employee future benefits actuarial loss recognized immediately	4	4,532	
Recognize unamortized actuarial loss on pension plans	5	(28,357)	(28,567)
Remove works of art and historical treasures	6	(19,385)	(8,712)
SFU Community Trust conversion to IFRS	11	1,103	450
Rounding adjustment	14	(1)	(1)
		(42,178)	(36,864)
Accumulated Surplus, as Restated		631,991	545,479

29. Contractual obligations

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

<i>Dollars in Thousands</i>	2014	2015	2016	2017	2018	Thereafter
Long-term lease (note 10)	4,435	4,435	4,435	4,435	4,589	42,916
Service contracts	4,515	4,636	4,729	4,820	4,916	
Total	8,950	9,071	9,164	9,255	9,505	42,916



March 2013

Simon Fraser University
Board of Governors

Standing (left to right)

Dr. Nicolas Schmitt
Ms. Lynda Brown-Ganzert
Mr. Bill Cunningham
Ms. Jo Hinchliffe
Mr. Jagmohan Singh
Dr. June Francis
Dr. Wendy Grant-John
Professor Andrew Petter [President]

Members not present for the photo

Mr. Andreas Pilarinos
Mr. David Poole
Dr. Carole Taylor [Chancellor]

Seated (left to right)

Ms. Julia Kim
Mr. Brian Taylor [Board Chair]
Ms. Anne Giardini, Q.C.
Ms. Angie Hall

