

FOR INFORMATION

SIMON FRASER UNIVERSITY

MEMORANDUM

TO: Senate

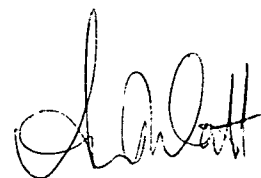
FROM: Alison Watt
Director, University Secretariat

DATE: August 21, 2001

SUBJECT: Annual Financial Statements

Section 32 of the University Act states: "The board shall make an annual report of its transactions to the Minister, in which shall be set out a balance sheet and a statement of revenue and expenditure for the year ending on the preceding March 31, and other particulars the Minister may require. A copy of the annual report shall be transmitted promptly to the senate."

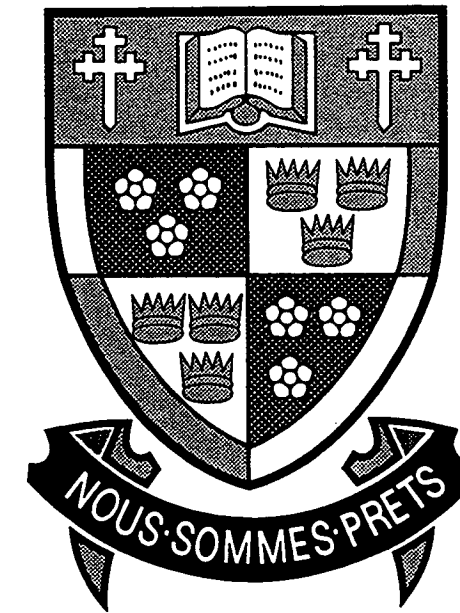
A copy of the report is attached.



NOTE:

IF YOU DO NOT WISH TO KEEP THE ANNUAL FINANCIAL STATEMENT,
PLEASE RETURN IT TO BOBBIE GRANT, OFFICE OF THE REGISTRAR

SIMON FRASER UNIVERSITY



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001**

SIMON FRASER UNIVERSITY
FINANCIAL STATEMENTS
MARCH 31, 2001

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...Related Entities that are not consolidated

d. BURNABY MOUNTAIN COMMUNITY CORPORATION

On February 10, 1999 the Burnaby Mountain Community Corporation was incorporated under the Company Act of the Province of British Columbia. It is a taxable Canadian corporation and is wholly owned by Simon Fraser University. The purpose of the corporation is to convert up to 100 acres of university land into a village of up to 10,000 residents. Since 1995 the university has paid for salaries, benefits, travel and supplies, surveying, rezoning, permits, engineering and environmental studies as well as preliminary architectural drawings on behalf of the corporation. These expenses are not included in the expenses of the university but are included as a receivable from the corporation to be repaid when the corporation becomes profitable. In the event that this receivable became uncollectible, the university would have to write off this amount.

STATEMENT OF EXPENDITURES

	2001 (000)	2000 (000)
Salaries & Benefits	\$ 336	\$ 456
Operating Expenses	62	81
Amortization of Capital Assets	21	11
Legal Fees	88	22
Consulting & Professional	624	683
Indirect Expenses*	270	-
	<u>\$1,401</u>	<u>\$1,253</u>

*For the period April 1, 1995 to March 31, 2001.

e. SF UNIVENTURES CORPORATION

The university owns 100% of the shares of SF Univentures Corporation (SFUV), which was established to promote technology transfer to the private sector. The consolidated assets of SFUV are not considered to be material and are not included in these financial statements.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The university is responsible for the preparation of the financial statements and has prepared them in accordance with generally accepted accounting principles for not-for profit organizations. The financial statements present fairly the financial position of the university as at March 31, 2001 and the results of its operations for the year then ended.

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

The Board of Governors carries out its responsibility for review of the financial statements principally through its Audit Committee. The majority of the members of the Audit Committee are not officers or employees of the university. The Audit Committee meets with Management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit Committee, with and without the presence of Management.

The financial statements for the year ended March 31, 2001 have been reported on by the Auditor General of the Province of British Columbia, the auditor appointed under the University Act. The Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation of the information in the financial statements.



Michael Stevenson
President



R.W. Ward
Vice President
Finance & Administration

REPORT OF THE VICE-PRESIDENT FINANCE AND ADMINISTRATION

The university prepares its annual financial statements according to generally accepted accounting principles for not-for-profit organizations. The operations for the entire entity have been combined for reporting purposes. However, we continue to manage internally on a fund basis and I am pleased to provide this additional information for the different funds.

Operating fund (000's)	Original Budget 2000/01	Restated* Budget 2000/01	Actual 2000/01	Actual 1999/00
Revenue				
Government Grants	130,131	130,631	132,331	122,826
Student fees	42,997	44,241	45,818	42,534
Investment income	4,432	4,432	5,277	5,094
Other income	3,302	3,891	3,809	3,795
Prior year appropriations		18,055	18,055	21,140
Non recurring revenue		515	515	
Total revenue	180,862	201,765	205,805	195,389
Expenses				
Salaries & benefits	135,651	139,532	130,148	128,757
Library acquisitions	5,824	5,937	6,131	5,586
Student financial assistance	5,078	5,365	5,054	5,499
Utilities and janitorials	4,806	4,806	5,291	4,781
Other non-salary	29,503	46,125	34,664	32,711
Total	180,862	201,765	181,288	177,334
Current year appropriations			24,517	18,055

Summary of Appropriations			
Carryovers: Departmental		6,783	4,941
Auxillaries and Special projects		2,783	3,771
Research and other contracts		6,929	5,978
Specific Provisions		2,960	1,424
Non-recurring expenditures		5,062	1,941
Total		24,517	18,055

This statement reflects the format of the 2000/2001 operating budget, approved by the Board of Governors in June 2000. It groups expenses in a different format than the audited statements. The summary of the appropriations of \$24,517 at March 31, 2001 has been extracted from note 9 to the financial statements.

* includes prior year appropriations, transfers to operating and transfers within operating.

...Related Entities that are not consolidated

c. SFU FOUNDATION

The Simon Fraser University Foundation was established in 1987 under the provisions of the University Foundations Act. Its main purpose is to receive, manage and invest funds to further the purposes of the university. The Province of British Columbia through the Minister of Finance and Corporate Relations is the single shareholder. The Foundation is holding residential lots valued at \$5,709,000 (2000 - \$7,033,000) and the proceeds from the sale of those lots will be transferred to the University.

	SFU FOUNDATION	
	2001 (000)	2000 (000)
Financial Position		
Total Assets	<u>\$6,076</u>	<u>\$7,148</u>
Total Liabilities	\$5,833	\$6,867
Fund Balance	<u>243</u>	<u>281</u>
	<u>\$6,076</u>	<u>\$7,148</u>
Results of Operation		
Total Revenue	\$ 118	\$ 263
Total Disbursements	<u>156</u>	<u>295</u>
Deficiency of Revenue over Expenses	<u>\$ (387)</u>	<u>\$ (327)</u>

...Related Entities that are not consolidated

b. WCUMBS

The university is one of five university members of the Western Canadian Universities Marine Biological Society (WCUMBS) which operates a research station at Bamfield, British Columbia. The university's operating grant to the Society was \$176,000 (2000 - \$176,000) and is recorded as an expenditure by the university. There is no expectation of monetary gain to the university from this venture.

The Society is a not-for-profit organization incorporated under the Society Act of British Columbia. SFU's share of member's equity in capital assets is \$420,000.

WCUMBS		
	2001 (000)	2000 (000)
Financial Position		
Total Assets	<u>\$2,096</u>	<u>\$2,116</u>
Total Liabilities	\$ 294	\$ 388
Fund balance - unrestricted	18	(20)
- capital	1,652	1,635
- restricted	<u>132</u>	<u>113</u>
	<u>\$2,096</u>	<u>\$2,116</u>
Results of Operation		
Total Revenue	\$2,407	\$2,227
Total Expenses	<u>2,333</u>	<u>2,215</u>
Excess of Revenue over Expenses	<u>\$ 74</u>	<u>\$ 12</u>

Operating Fund

In 2000/2001 the University received a grant increase of \$6,181,000, or 5%. The Universities Operating Budget Submission put forward by the Universities President's Council had identified a \$54 million system-wide funding gap and had requested a minimum annual funding increase of 5% for 8 years. This increase, the first in several years, allowed for some strategic allocations to the Innovations and Renewal Fund, the equipment budget and the downtown Harbour Centre operation. A significant portion of the increase was used to fund salary and benefit increases, the increasing cost of natural gas and library acquisitions.

Revenues were above budget by 2.5%. The Provincial government provided funding for several initiatives – the Health and Welfare Benefits Accord, the Pay Equity Accord for CUPE employees and one-time grant to provide relief for the increased costs of natural gas. Funds received from these initiatives were set aside to meet the future commitments and expenses of these programs and are reflected in the increase in Specific Provisions. The effect of the federal research funding programs on the infrastructure of the university continues to be a major concern. Capital costs and related operating costs of plant operations and maintenance, the Library, computing services and administrative areas are all impacted as research funds flow into the organization. Natural gas rates are anticipated to remain high for the near term and are seriously impacting flexibility in the upcoming budget year. Student fees were increased as enrolment grew in both Domestic and International Undergraduate areas. International enrolment is expected to increase again in 2001/2002, reversing a trend that had been observed in the past. Investment income exceeded budget due to an extraordinary capital gain generated by the sale of bonds and the transfer of funds to the Commonfund Canada Bond Fund. Recoveries recognized by the operation of the university telephone system were realized in 2000/2001 and reflected as increased other income. These additional revenues funded the Non-recurring expenditure provision, in part.

Expenditures were significantly below budget in the areas of salaries and benefits. Departmental carryover in the areas of instructional and support staff salaries grew this year as departments delayed or experienced delays in filling positions; recruitment and retention is a growing concern across all departments, in all employee categories and some positions are not readily filled. In addition, no increases have been allocated to general non-salary budgets in several years and departments are delaying expenditures to the extent possible in order to conserve budgets. The university does budget on a fully annualized basis and the mid-year implementation of contractual obligations against the full year salary budget generated an additional source of funds for the non-recurring budget. Benefits were below budget as a result of the under-expenditure in salaries and following a one-time correction to the pension contributions made for administrative employees on LTD. Expenses for library acquisitions and utilities exceeded budget and have been dealt with in the upcoming 2001/2002 budget.

The increasing cost of library holdings is further exacerbated by the fact that many purchases are made in U.S. dollars. Natural gas rates climbed dramatically in the past year and are not anticipated to decrease.

We continue to budget conservatively and to maintain the practice of annualizing all budget items. In this way we endeavour to protect the core operation while at the same time ensuring a source of funds for the non-recurring budget.

For a detailed description of the financial outcomes of 2000/2001, please refer to the app2001/2002 Approved Operating Budget at:
www.sfu.ca/finance/budget/2002/index.htm

Ancillary Enterprises

Included in Ancillary Enterprises are the Bookstore, Food Services, Residences, Parking Operations and the Microcomputer Store. Ancillary Enterprises are mandated to break even but are allowed to retain their surpluses for future upgrades to facilities, equipment replacement and for new service initiatives. All areas of ancillaries increased their reserves during the year except for Parking.

The Parking Operation supports all lot and parkade construction, as well as repair and maintenance. This reserve was reduced by \$145,000 last year in order to upgrade the drainage and paving in parking lots B and C. This unit continues to promote improved personal security and has installed a closed circuit television network extending from perimeter parking lots through to a higher security pedestrian corridor and further to the residence areas of campus. This is monitored centrally by Campus Security. This is an on going program as more funding becomes available.

Residence maintained a 95% occupancy rate during fiscal year 1999/2000. In the summer semester, conferences hosted 64 groups for a total of 13,300 bednights.

Food Services on the Burnaby campus was operated by Beaver Foods Ltd. until November 30, 2000. On December 1, 2000 Beaver Foods was bought out by Compass Group Canada/Chartwells and Food Services is now being operated by Chartwells, which is the division of Compass that specializes in educational institutions.

Research

University research is mainly funded by Federal agencies such as NSERC and SSHRC and the provincial government, although over \$6 million comes from corporations and other non-profit organizations. As an example, the Juvenile Diabetics Foundation is in its second year of a 3 year, \$2.7 million research project. The Canadian Institute of Health Research is funding a \$1.38 million

16. Related Entities that are not consolidated

a. TRIUMF

Simon Fraser University is a member along with the University of Alberta, the University of British Columbia and the University of Victoria, in a joint venture called the Tri-Universities Meson Facility (TRIUMF) located on the UBC campus. TRIUMF is Canada's National Laboratory for research in Particle Physics. TRIUMF is not incorporated and each university appoints three members to a Management Board. The facility and its operations are funded by federal government grants and the university makes no direct financial contribution. The land and buildings are owned by UBC.

	2001 (000)	2000 (000)
Financial Position		
Total assets	\$ 6,896	\$ 6,928
Total Liabilities	\$ 3,033	\$ 2,187
Fund Balances - restricted	2,375	4,001
- other	1,433	740
	\$ 6,896	\$ 6,928
Results of Operation		
Revenue	\$50,959	\$47,393
Expenses	51,886	44,757
(Deficiency) Excess of Revenue over Expenses	\$ (927)	\$ 2,636

....Administrative/Union Pension Plan

- b. The latest actuarial valuation as at December 31, 1998 showed an actuarial liability of \$96,243,000 against market value assets of \$111,730,000, resulting in a surplus of \$15,487,000. The university shall not suspend or reduce its contribution to the pension fund without the prior approval of the employee organizations. Pursuant to an agreement between the university and the employee organizations, the portion of the surplus in excess of 15% of the defined-benefit portion of the above liabilities with assets taken at market values was distributed to members. \$1,743,000 of the above surplus, plus investment earnings thereon, was distributed to the members in November 1999; the amounts distributed were, to the extent permitted under the Income Tax rules, allocated to individual money-purchase accounts for the members, within the Plan, and the balance was paid out in cash.
- c. The rate of employer contribution was also increased from 10.82% to 11.61%, effective January 1, 1999, as indicated by the 1998 actuarial valuation.

12. Financial Instruments

The financial instruments consist of cash and short term investments, accounts receivable, investments, accounts payable and accrued liabilities and long term debt. It is management's opinion that the University is not exposed to significant interest, currency or credit risk arising from these financial instruments.

13. Pledges

Pledges made by donors to the university for donations to be received in future years are estimated at \$6,296,000 (2000 - \$5,753,000). Pledges are not recorded in the financial statements until the related donations are received by the university.

14. Contingencies

Simon Fraser University is the defendant to several unresolved statements of claims. It is not expected that the ultimate outcome of these claims will have a material effect on the financial position of the university.

15. Comparatives

Certain comparative figures have been restated to conform with the current year's presentation.

research project over 4 years. The National Centre of Excellence for Telelearning continues to bring in \$3.6 million per year of which \$3 million is distributed to other universities. SSHRC initiated a new program last year, the Strategic Theme Grants program, to fund research networks. SFU will be receiving \$2 million over four years under this program. There are over 1300 active research accounts with total activity of \$27 million compared to \$25 million in 1999/00.

The new Canada Research Chair program administered by the three granting councils in partnership with the Canada Foundation for Innovation and Industry Canada will provide funding for 38 chairs at SFU. Funding is provided over a five-year period and may be used for research and infrastructure support as well as recruitment costs, salaries and benefits.

Endowment

The university's endowment fund consists of restricted donations to the university and internal allocations, the principal of which is required to be maintained in perpetuity. The investment income generated from endowments can be spent only in accordance with the various purposes established by the donors or the university's Board of Governors.

The Endowment Fund investment strategy aims to maintain the purchasing power of the original capital value of endowments for future generations. It also ensures that spending allocations remain stable each year through the use of an income stabilization fund. The Endowment Fund is invested in bonds and equity markets to meet this strategy over the long term.

This fund received \$1,804,000 in new donations during the year and \$3,933,000 of interest income was capitalized in order to protect the economic value of the endowments. The fund stands at \$89,824,000 at the end of the fiscal year.

Specific Purpose

The sources of specific purpose funds include government and corporate grants, conference fees, private donations and interest income from endowments for scholarships. There are many international activities; the Canadian International Development Agency funds projects in Indonesia, the Philippines, China and Ghana. Field Schools funded by participants were held in China, Fiji, Prague, France, Greece and Ghana. The Faculty of Education also has a number of smaller international initiatives in Jamaica, Japan and Greenland as examples.

The Canadian Institute of Health Research approved funding of \$3,461,000 for hosting the Institute of Nutrition, Metabolism and Diabetes. At March 31, 2001 \$461,000 was received.

Activity in the fund this year was \$31 million compared to \$22 million in 1999/2000.

Capital

No new capital construction has been undertaken for approximately four years and is a concern as enrolment targets are increased each year and space becomes increasingly constrained.

Construction was completed on the International Centre for Dialogue with expenditures amounting to \$4.7 million for the year. Funding sources for this project include a \$4.0 million Federal government grant, private donations of \$7.0 million and a bank loan of \$6.3 million. The Centre opened its doors for business in September 2000.

Provincially funded minor capital cyclical maintenance on campus buildings amounted to \$3.2 million, with an additional \$1.7 million expended on renovations and upgrades.

New Initiatives

The Board of Governors has approved the first phase of the **Burnaby Mountain Community Project** and the East Neighbourhood Subdivision Plan has been submitted to the City of Burnaby for approval. An Order-in Council approval will be required before the university is able to market development sites. We expect to approach developers in late fall and some clearing for roads and service installation will commence at this time. Actual housing construction is anticipated in the summer or fall of 2002.

The provincial government gave approval in principle for the inclusion of Simon Fraser University in the revitalization project in the downtown core. It is proposed that SFU would be a partner in the renovated **Woodward's** building, close to the downtown Harbour Centre campus. The project would provide approximately 160,000 square feet of leased space and \$35 million for future lease and operating costs. The University is currently in the pre-planning phase involving the preparation of a detailed business plan. If brought to fruition, the design could begin as early as this fall.

10. Endowment

Balance, beginning of year
Donations
Capitalized income and other transfers
Balance, end of year

2001 (000)	2000 (000)
\$84,087	\$81,288
1,304	1,334
3,933	1,465
<u>\$89,824</u>	<u>\$84,087</u>

Endowment consists of restricted donations to the University. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Donors as well as university policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended, and reinvesting unexpended income. Included in the \$89,824,000 is a receivable of \$5,709,000 from the SFU Foundation for future proceeds from the sale of 16 remaining lots.

11. Pension Plans

The assets and liabilities of both Plans are not reflected in the university's financial statements.

Academic Pension Plan

The University Pension Plan for Academic Staff generally provides benefits on a money purchase basis, but includes an option to members who were in the plan on March 20, 1973 to choose benefits based on years of service, and the average of the highest sixty (60) consecutive months' salary.

An amendment to the plan in 1981 and a letter of agreement between the university and the Faculty Association in 1990 addressed the funding and the distribution of the formula retirement benefit account. The latest actuarial valuation for this group as at January 1, 1999 shows an actuarial liability of \$5,694,000 against the actuarial value of assets of \$5,984,000 resulting in a surplus of \$290,000 in the fund.

Administrative/Union Pension Plan

The University Pension Plan for the Administrative/Union Staff provides benefits based on years of service and the average of the highest sixty (60) consecutive months' salary. Under the Pension Plan:

- a. The university's contribution is based on the amounts estimated by the Actuary and recommended by the Administrative/Union Pension Plan Trustees to the Board of Governors of the university. The university shall contribute to the fund such amounts as the Board of Governors determines are required to fund the retirement benefits.

9. **Restricted for Specific Commitments**

	2001 (000)	2000 (000)
General Operating		
Carryovers - faculties & departments	\$6,783	\$ 4,941
Auxiliaries and special projects	2,783	3,771
Research and other grants	6,929	5,978
Specific provisions	2,960	1,424
Non-recurring expenditures	<u>5,062</u>	<u>1,941</u>
Total General Operating	24,517	18,055
Ancillary enterprises	3,708	3,313
Capital	11,581	9,228
Specific purpose	9,190	11,984
Long-term commitments		
Group insurance	3,953	3,795
Lease commitment	16,674	16,679
Self insurance	<u>430</u>	<u>507</u>
Total Restricted for Specific Commitments	<u>\$70,053</u>	<u>\$63,561</u>

The General Operating is composed of carryover funds for faculties and departments under a policy that allows them to carry over unspent budget. It also includes unspent balances on specific projects, internally funded research already in progress, funds set aside for specific provisions and one-time non-recurring expenditures as approved by the Board of Governors.

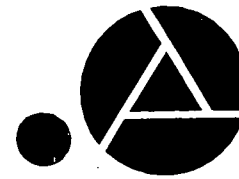
The Ancillary Enterprise represents accumulated funds held for the ongoing operations of ancillaries such as the Bookstore, Food Services, Microcomputer Store, Residences and Parking.

Capital represents funds that are committed to capital projects.

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

The funds committed for long term commitments are set aside to meet the cost of future obligations.

- Group insurance is designated for potential requirements related to self-insured long-term disability plans. Annual premiums are funded from the general operating funds on a cost of claim plus fee for services basis.
- Lease commitment funds provide for commitments entered into for the occupancy of the University's Harbour Centre facility which include lease payments, tenant loan payments and a contribution towards operating costs. Lease and tenant loan obligations include annual payments of \$1,140,000, which started in September 1988 increasing to \$1,648,000 over the term of the lease, and a termination payment of \$8,000,000 upon the expiry of the lease in December 2017 or a discounted equivalent of that amount at an earlier date.
- Self-insurance funds are held to pay self-insured property and liability losses.



**Report of the Auditor General
of British Columbia**

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

I have audited the statement of financial position of *Simon Fraser University* as at March 31, 2001 and the statements of operations and changes in operating net assets, changes in net assets and cash flows. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of *Simon Fraser University* as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia
May 26, 2001*

Wayne Strelieff

Wayne Strelieff, CA
Auditor General

SIMON FRASER UNIVERSITY
STATEMENT OF FINANCIAL POSITION
 AS AT MARCH 31, 2001
 (thousands of dollars)

Statement 1

	2001	2000
ASSETS		
CURRENT ASSETS		
Cash and short-term investments (Note 3)	\$ 15,239	\$ 13,530
Accounts receivable	16,176	18,368
Inventories	2,496	2,771
Prepaid expenses	965	715
	<u>34,876</u>	<u>35,384</u>
Investments (Note 4)	172,641	160,111
Capital assets (Note 5)	303,434	303,981
Unamortized debt discount	241	275
	<u>\$ 516,192</u>	<u>\$ 499,751</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 23,302	\$ 21,691
Current portion of long term debt (Note 6)	2,909	3,395
	<u>26,211</u>	<u>25,086</u>
Employees future benefits (Note 7)	12,973	12,088
Long-term debt (Note 6)	27,640	29,159
Deferred contributions (Note 8)	27,477	25,590
Deferred contributions related to capital assets (Note 8)	187,883	189,790
	<u>282,189</u>	<u>281,713</u>
NET ASSETS		
Operating	(16,176)	(15,038)
Restricted for specific commitments (Note 9)	70,053	63,561
Invested in capital assets	90,304	85,428
Endowment (Note 10)	89,324	84,087
	<u>234,003</u>	<u>218,038</u>
	<u>\$ 516,192</u>	<u>\$ 499,751</u>

The accompanying notes are an integral part of these financial statements

Approved:


 E. Jaager Roy
 Chair
 Board of Governors


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

...Employees' Future Benefits

The following shows the components of the changes to the balance of this liability.

	2001 (000)	2000 (000)
Opening balance	\$12,083	\$10,961
Current costs	463	547
Interest cost on benefit obligation	673	698
	<u>1,136</u>	<u>1,245</u>
Less actual payments to retirees during the year	(246)	(118)
Net Increase in employee future benefits	890	1,127
Balance end of year	<u>\$12,973</u>	<u>\$12,088</u>

8. Deferred Contributions

Deferred contributions represent unspent resources externally restricted for a particular use relating to a subsequent period. Changes in the deferred contributions are as follows:

	Sponsored Research (000)	Specific Purpose (000)	Capital (000)	2001 Total (000)	2000 Total (000)
Balance beginning of the year	\$ 12,840	\$ 12,750	\$189,790	\$215,380	\$ 204,699
Add: Contributions received during the year	29,923	30,772	8,055	68,750	70,985
Less: Transferred to revenue	27,484	31,324	9,962	68,770	60,304
Balance end of year	<u>\$15,279</u>	<u>\$12,198</u>	<u>\$187,883</u>	<u>\$215,360</u>	<u>\$215,380</u>

Under the deferred method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. The \$187,883,000 of deferred capital contribution represents the unamortized portion of restricted capital advances relating to assets which were purchased with restricted contributions.

SIMON FRASER UNIVERSITY
**STATEMENT OF OPERATIONS and
 CHANGES IN OPERATING NET ASSETS**
 FOR THE YEAR ENDED MARCH 31, 2001
 (thousands of dollars)

Statement 2

6. Long Term Debt

	2001 (000)	2000 (000)
Demand Loans	\$1,500	\$ 1,969
Term Loans	6,235	6,300
CMHC Mortgages	2,596	2,671
Debentures	27,343	27,348
Less: Sinking Funds	(7,130)	(5,734)
	30,549	32,554
Current Portion	(2,909)	(3,395)
Total Long Term Debt	\$27,640	\$29,159

Term loans, used to complete the Centre for Dialogue, are secured by promissory notes. They bear interest rates between 5.06% and 6.80%, have an amortization period of 15 years and are due between January 30, 2002 and December 30, 2004.

Other long-term debt annual principal and interest payments are funded through a charge to Ancillary Enterprises operations and from contributions from the Simon Fraser Students Society for a portion of the Maggie Benston Student Services Building.

CMHC Mortgages issued by the Canadian Mortgage and Housing Corporation are secured by student residence buildings. They bear interest rates between 5.375% to 6.875% and mature between January 1, 2017 and July 1, 2019. Annual payments including principal and interest until maturity amount to \$248,000.

Debentures are issued to the Province of British Columbia pursuant to the Financial Administrative Act. They bear interest at rates from 6.0% to 9.5%, and mature between 2002 and 2022. The debentures are secured by student residence buildings. Annual payments including principal and interest due within the next five years are as follows:

	Total (000)
2002	\$3,294
2003	\$2,622
2004	\$2,447
2005	\$2,210
2006	\$2,210

7. Employees' Future Benefits

Accounting standards issued by the Canadian Institute of Chartered Accountants require the use of accrual accounting for costs related to employee future benefits including the cost of non-pension benefits that will be paid to existing and future retirees. The cost of these future benefits is determined by an actuary and the costs are recognized over the service life of the employees or the period to full eligibility of the employee group depending upon the type of cost.

REVENUE

Government grants and contracts	
Province of British Columbia	\$ 139,109
Government of Canada	22,774
Other governments	1,165
Student fees - credit courses	44,108
- non-credit courses	7,041
- other	3,985
Gifts, grants and contracts	13,574
Sale of goods and services	24,833
Investment income	10,924
Miscellaneous income	3,574
Amortization of deferred capital contributions	8,055
	<u>279,187</u>

EXPENSE

Salaries - academic	61,811
- other instruction and research	23,943
- support staff	55,874
Total salaries	<u>141,628</u>

Employee benefits (Note 7)	25,216
Travel and personnel costs	10,353
Materials and supplies	10,661
Communications	1,292
Other operational expenses	11,143
Depreciation	21,830
Grants to other agencies	4,296
Utilities	4,731
Renovations and alterations	3,159
Scholarships, bursaries and prizes	9,639
Contract services	3,609
Professional fees	6,754
Cost of goods sold	9,349
Interest	2,831
Equipment rental and maintenance	2,418
	<u>268,959</u>

EXCESS OF REVENUE OVER EXPENSE

CHANGES IN NET ASSETS

(Increase) decrease in specific commitments	(6,492)
Increase in investment in capital assets	(4,876)

NET CHANGE IN OPERATING EQUITY

OPERATING NET ASSETS, beginning of year,

OPERATING NET ASSETS, end of year

	2001	2000
	\$ 139,109	\$ 134,335
	22,774	19,739
	1,165	1,103
	44,108	41,390
	7,041	6,330
	3,985	3,741
	13,574	14,042
	24,833	22,559
	10,924	10,289
	3,574	3,032
	8,055	7,780
	<u>279,187</u>	<u>264,340</u>
	61,811	58,620
	23,943	25,385
	55,874	54,125
	<u>141,628</u>	<u>138,130</u>
	25,216	25,153
	10,353	8,999
	10,661	9,794
	1,292	1,262
	11,143	10,405
	21,830	21,562
	4,296	3,593
	4,731	3,856
	3,159	3,378
	9,639	9,874
	3,609	3,202
	6,754	6,546
	9,349	7,982
	2,831	2,634
	2,418	2,233
	<u>268,959</u>	<u>258,603</u>
	10,228	5,737
	(6,492)	24
	(4,876)	(6,988)
	(1,140)	(1,227)
	(15,038)	(13,811)
	\$ (16,178)	\$ (15,038)

SIMON FRASER UNIVERSITY
STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED MARCH 31, 2001
 (thousands of dollars)

	General Operating	Internally Restricted for Specific Commitments	Invested in Capital Assets	Restricted for Endowment Principal	2001	2000
NET ASSETS, beginning of year	\$ (15,038)	\$ 63,561	\$ 85,428	\$ 84,087	\$ 218,038	\$ 209,502
Net change in operating equity	(1,140)	-	-	-	(1,140)	(1,227)
Endowment contributions	-	-	-	1,804	1,804	1,334
Capital preservation of endowment	-	-	-	3,933	3,933	1,465
Change in investment in capital assets						
Amortization of deferred capital contribution	-	-	8,055	-	8,055	7,780
Capital asset acquisitions	-	-	26,282	-	26,282	30,316
Debt	-	-	(1,482)	-	(1,482)	(2,399)
Deferred contributions	-	-	(6,149)	-	(6,149)	(7,151)
Depreciation	-	-	(21,830)	-	(21,830)	(21,562)
Internally imposed restrictions	-	6,492	-	-	6,492	(24)
CHANGE IN NET ASSETS	(1,140)	6,492	4,876	5,737	15,965	8,536
NET ASSETS, end of year	\$ (16,178)	\$ 70,053	\$ 90,304	\$ 89,824	\$ 234,003	\$ 218,038

...Long Term Investments

Bonds and Debentures Analysis

	Cost (000)	Market (000)	2001 Modified Duration (years)	Effective Yield (%)	2000 Cost (000)	Effective Yield (%)
Segregated Assets						
Government bonds						
Federal	\$ 18,247	\$ 18,247	5.6	5.1	\$18,520	5.93
Provincial	16,965	17,136	7.9	5.9	9,854	6.32
US Pay/yankee	-	-	-	-	6,220	7.56
Corporate debentures	35,212	35,383	6.7	5.5	34,594	6.32
Sub-total segregated	7,661	8,136	5.5	5.6	6,568	6.64
	42,873	43,519	6.5	5.5	41,162	6.37
Pooled Bond Funds						
Active	10,569	10,718	4.9	6.2		
Indexed	44,513	44,841	5.5	5.4	41,767	6.05
Sub-total externally held	97,955	99,078	5.9	5.5	82,929	6.22
Internally managed	3,640	3,594	6.1	6.1	10,847	
Total Bonds and Debentures	\$101,595	\$102,672	5.9	5.6	\$93,776	

5.

Capital Assets

	Cost (000)	Accumulated Depreciation (000)	2001 Net (000)	2000 Net (000)
Buildings - concrete	\$292,070	\$90,119	\$201,951	\$199,400
- wood	21,465	7,348	14,117	14,757
Site services	21,931	6,999	14,932	15,214
Leasehold improvements	10,377	3,803	6,574	6,913
Computing equipment	13,781	4,351	9,430	9,086
Equipment & furnishings	48,319	22,415	25,904	25,962
Library books	46,924	17,605	29,319	26,910
Special collections	4,487	-	4,487	4,019
Land	1,720	-	1,720	1,720
Total Capital Assets	\$461,074	\$152,640	\$308,434	\$303,981

The 429 acres of land in Burnaby is recorded in the financial statements at its 1965 assessed value of \$572,000. Up to 100 acres of this land has been earmarked for development by the Burnaby Mountain Community Corporation. The downtown land for the Centre for Dialogue was assessed at \$1,148,000 in July 1998.

3. Cash and Short Term Investments

	2001		2000	
	Cost (000)	Market (000)	Cost (000)	Market (000)
Cash	\$ 125	\$ 125	\$ (439)	\$ (439)
Short term notes	8,315	8,315	7,742	7,742
Bonds maturing under one year	6,799	6,799	6,227	6,254
Total Cash and Short Term	<u>\$15,239</u>	<u>\$15,239</u>	<u>\$13,530</u>	<u>\$13,557</u>

4. Long Term Investments

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

	2001		2000	
	Cost (000)	Market (000)	Cost (000)	Market (000)
Bonds and debentures	\$101,595	\$102,672	\$ 93,776	\$ 94,689
Canadian equities	27,906	32,230	25,081	30,357
Foreign equities	18,553	13,994	18,503	18,010
Long term annuity	11,543	11,543	11,487	11,487
Pooled balanced fund	3,926	3,992	3,400	3,732
Donated hedge fund	2,555	2,119	2,559	2,559
Sub Total	<u>166,078</u>	<u>166,550</u>	<u>154,806</u>	<u>160,834</u>
Vancouver Foundation	5,305	7,964	5,305	9,200
Burnaby Mountain Community Corp	1,258	1,258	-	-
Total Long Term	<u>\$172,641</u>	<u>\$175,772</u>	<u>\$160,111</u>	<u>\$170,034</u>

The Vancouver Foundation holds a number of endowment funds for the benefit of the university. These funds totalled \$7,338,000 at March 31, 2001 and the portion of \$5,305,000 belonging to the university is included in the university's financial statements. In the fiscal year 2000/01 these funds generated \$648,000 of income (2000 - \$618,000) for the university to be used for specific purposes.

SIMON FRASER UNIVERSITY
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MARCH 31, 2001
 (thousands of dollars)

OPERATING ACTIVITIES

	2001	2000
Excess of revenue over expense	\$ 10,228	\$ 5,737
Add (deduct)		
Depreciation	21,330	21,562
Net decrease in non-cash current assets	2,217	260
Net increase in accounts payable and accrued liabilities	1,611	5,324
Amortization of deferred capital contributions	(3,055)	(7,780)
Increase in deferred contributions	8,035	18,461
Endowment contributions	5,737	2,799
Increase in employees future benefits	890	1,127

CASH PROVIDED BY OPERATING ACTIVITIES

INVESTING ACTIVITIES

Net increase in long term investments	(12,530)	(22,268)
Capital asset acquisitions	(26,233)	(30,316)

CASH USED IN INVESTING ACTIVITIES

FINANCING ACTIVITIES

Net debt principal (repaid) incurred	(1,971)	5,190
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CASH PROVIDED USED IN FINANCING ACTIVITIES

NET INCREASE IN CASH AND
SHORT TERM INVESTMENTS

CASH AND SHORT TERM INVESTMENTS, beginning of year

CASH AND SHORT TERM INVESTMENTS, end of year

	2001	2000
CASH PROVIDED BY OPERATING ACTIVITIES	<u>42,493</u>	<u>47,490</u>
CASH USED IN INVESTING ACTIVITIES	<u>(38,313)</u>	<u>(52,584)</u>
CASH PROVIDED USED IN FINANCING ACTIVITIES	<u>(1,971)</u>	<u>5,190</u>
NET INCREASE IN CASH AND SHORT TERM INVESTMENTS	<u>1,709</u>	<u>96</u>
CASH AND SHORT TERM INVESTMENTS, beginning of year	<u>13,530</u>	<u>13,434</u>
CASH AND SHORT TERM INVESTMENTS, end of year	<u>\$ 15,239</u>	<u>\$ 13,530</u>

SIMON FRASER UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

1. Authority and Purpose

Simon Fraser University is an agent of the Crown and operates under the authority of the University Act, R.S. Chapter 468. The purpose of the university is to conduct research and deliver a full range of undergraduate, graduate and continuing studies programs. Simon Fraser University is a not-for-profit entity governed by a Board of Governors, the majority of which are appointed by the provincial government of British Columbia. The academic governance of the university is vested in the Senate. The university is a registered charity and is therefore exempt from income taxes under section 149 of the Income Tax Act. The university receives a significant portion of its revenues from the Province of British Columbia.

2. Summary of Significant Accounting Policies and Reporting Practices

a. Accounting Method

The financial statements are prepared on a non-fund basis as the operations for the entire university have been combined for reporting purposes. The university follows the accrual basis of accounting. Unrestricted revenue is recorded when receivable and expenditures are recorded when goods or services are received.

b. Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period and are reflected as deferred contributions.

Amounts received for tuition fees and sales of goods and services are recognized as revenue at the time the goods are delivered or the services are provided. Otherwise, these amounts are classified as unearned revenue in accounts payable.

Externally restricted contributions for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributors.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested to acquire capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Capital contributions are deferred and amortized to revenue over the life of the related asset.

Endowment donations are recognized as a direct increase in endowment principal. The university has a policy to protect the economic value of the endowments whereby a portion of the income earned on endowments is recorded as a direct increase in endowment principal.

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.

c. Capital Assets

Capital asset acquisitions are recorded on the statement of financial position at cost, except donated assets which are recorded at fair market value at the date of acquisition. Depreciation is recorded on a straight line basis over the estimated life of the asset as per the schedule below.

Site services	50 years
Buildings - concrete	50 years
- wood frame	30 years
Library books	10 years
Equipment and furnishings	8 years
Computing equipment	3 years
Leasehold improvements	Term of Lease

Works of art and collections are not amortized and include that portion of library assets considered to have permanent value.

d. Investments

Short term investments are recorded at the lower of cost or market value.

Long term investments, which consist of marketable securities and real estate, are carried at cost or, where donated, at their fair market value at the date of the ownership transfer of these assets to the university. Where there has been a decline in the value of an investment that is not considered temporary, the investment is written down to net realizable value.

Gains and losses on sales of these investments are recognized in the year of disposal and are included in investment income.

e. Inventories

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

f. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

g. Related Entities

Details of corporations and consortiums, in which Simon Fraser University may have a significant interest, are contained in Note 16. These entities are not consolidated in these financial statements.