

FOR INFORMATION

SIMON FRASER UNIVERSITY

MEMORANDUM

TO: Senate

FROM: Alison Watt
Director, University Secretariat

DATE: August 28, 2003

SUBJECT: Annual Financial Statements

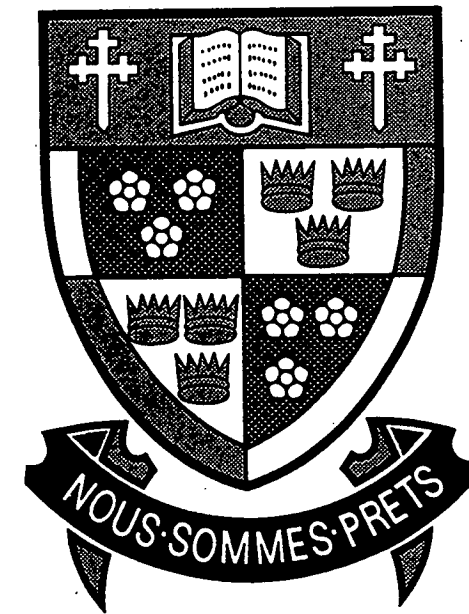
Section 32 of the University Act states: "The board shall make an annual report of its transactions to the Minister, in which shall be set out a balance sheet and a statement of revenue and expenditure for the year ending on the preceding March 31, and other particulars the Minister may require. A copy 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, 2003**

SIMON FRASER UNIVERSITY
FINANCIAL STATEMENTS
MARCH 31, 2003

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STATEMENT OF MANAGEMENT RESPONSIBILITY

The University is responsible for the preparation of the financial statements and has prepared them in accordance with Canadian generally accepted accounting principles for not-for profit organizations. The financial statements present fairly the financial position of the University as at March 31, 2003 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, 2003 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



Pat Hibbitts
Vice President
Finance & Administration

...Related Entities that are not consolidated

d. SFU COMMUNITY TRUST

The SFU Community Trust is developing 78 hectares of land on the Burnaby campus into a residential area.

The SFU Community Trust was established as a trust under the laws of British Columbia on July 29, 2002 with SFU Community Corporation (formerly called Burnaby Mountain Community Corporation) as the sole trustee. The beneficiaries of the SFU Community Trust are Simon Fraser University and the Simon Fraser University Foundation. The University owns all of the outstanding shares of the SFU Community Corporation.

In February 2003, the SFU Community Trust leased two parcels of land for total proceeds of about \$9,000,000.

The University had advanced \$4,612,000 to the SFU Community Corporation of which \$4,000,000 was repaid during the year. The remaining balance owed to SFU at March 31st, 2003 is \$882,000.

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.

18. Comparatives

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

...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 (2002 - \$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 estimated at \$600,000 (2002 - \$423,000).

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 for sale valued at \$2,845,000 (2002 - \$5,349,000) and the proceeds from the sale of those lots will be transferred to the University. The Foundation transferred its 5% interest and corresponding debt in the Great Northern Way land to the University. See notes 4 and 5.

SFU FOUNDATION

	2003 (000)	2002 (000)
Financial Position		
Total Assets	\$3,368	\$7,843
Total Liabilities	3,288	\$7,582
Fund Balance	80	261
	\$3,368	\$7,843
Results of Operation		
Total (Loss) Revenue	\$ (55)	\$ 288
Total Disbursements	126	270
Deficiency of Revenue over Expenses	\$ 181	\$ 18

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 financial information for the operating fund and additional information on the other funds in the following pages.

	Original Budget 2002/03	Restated* Budget 2002/03	Actual 2002/03	Actual 2001/02
Operating fund (000's)				
Revenue				
Government Grants	150,061	156,931	157,346	144,693
Student fees	58,225	57,566	61,813	45,931
Investment income	5,159	5,166	5,243	5,649
Other income	3,834	4,023	4,492	3,979
Prior year appropriations		27,182	27,182	24,517
Total revenue	217,279	250,868	256,076	224,769
Expenses				
Salaries & benefits	153,258	165,497	155,791	142,615
Library acquisitions	6,692	6,733	6,822	6,751
Student financial assistance	7,622	7,690	7,491	5,673
Utilities and janitorials	5,529	5,496	5,062	4,839
Other non-salary	44,178	65,452	46,499	37,709
Total	217,279	250,868	221,665	197,587
Cumulative appropriations			34,411	27,182
Summary of Appropriations				
Carryovers: Departmental			11,679	6,098
Auxillaries and Special projects			2,246	3,395
Research and other contracts			9,600	7,900
Specific Provisions			2,319	3,226
Non-recurring expenditures			8,567	6,563
Total			34,411	27,182

This statement reflects the format of the 2002/2003 operating budget, approved by the Board of Governors in June 2002. It groups expenses in a different format than the audited statements. The summary of the appropriations of \$34,411 at March 31, 2003 has been extracted from note 9 to the financial statements.

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

Operating Fund

Government grants from the Province of British Columbia for 2002/03 were \$8,100,000 higher than the previous year due to the amalgamation of Tech BC within SFU at the new SFU Surrey campus and the provision of funding to double the annual number of graduates in Computer Science and Computer Engineering within five years. The Government of Canada made a one time contribution of \$4,500,000 towards the infrastructure that supports research activities. Tuition fees revenue increased by \$16,900,000 as a result of the 30% increase in tuition rate, 500 new students at SFU Surrey and 180 students under the double the opportunity initiative. Non-credit revenue remained the same at \$5,300,000. The 30% increase in tuition also applied to other student fees and generated an additional \$1,154,000 of revenue. Investment income was slightly lower than last year by \$400,000 due to lower rates of return and Other income was up by \$500,000 due to increased billings in a large number of departments.

Salaries and benefits increased by 9.2% in total. Salary increase and market adjustments accounted for approximately 4% to 5% depending on the group and the timing of the increase and the remaining increase was due mainly to the addition of staff and faculty for SFU Surrey and the double the opportunity initiative. A portion of the tuition increase is allocated towards scholarships so student financial assistance increased by \$1,800,000. Under non-salary the largest increases were in materials and supplies \$1,900,000 and operational expenses \$1,500,000.

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. Total reserves are \$4,500,000.

SFU Bookstores in Burnaby and Harbour Centre provided over \$12 million worth of products, academic supplies and services to the community. The stores sponsored numerous campus events and provided donations to student groups. \$750,000 was returned to students for their used and unwanted books. The Bookstore went "live on the net" and received a good response with course books available for sale via the internet. Each month an SFU faculty author was selected to enhance their visibility and the general prestige of the University. Their book was prominently displayed and promoted for a month and they had an opportunity to participate in a reading and autograph session.

Food Services on the Burnaby campus, including the Diamond University Center, is operated by Chartwells College and University Dining Services who signed a ten year agreement effective April 1, 2002. Renovations of \$300,000 to Raven's Cafeteria and \$100,000 to the Diamond University Center were completed during the year and plans are underway for a \$1,000,000 renovation to the McKenzie Cafeteria to be completed in the Summer of 2004.

17. 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, the University of Victoria and Carleton University 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.

	2003	2002
	(000)	(000)
Financial Position		
Total assets	\$5,504	\$ 5,899
Total Liabilities	2,602	4,324
Fund Balances - restricted	1,891	988
- other	1,011	587
	\$5,504	\$ 5,899
Results of Operation		
Revenue	61,138	51,627
Expenses	59,811	53,865
(Deficiency) Excess of Revenue over Expenses	\$1,327	\$ (2,238)

...Administrative/Union Pension Plan

- b. The latest actuarial valuation as at December 31, 2001 showed an actuarial liability of \$112,725,000 against market value assets of \$127,409,000, resulting in a surplus of \$14,684,000. This surplus is not available to the University as 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 would be distributed to members.
- c. The rate of employer contribution was also increased from 10.43% to 10.44%, effective January 1, 2002, as indicated by the 2001 actuarial valuation. Contributions by the employer for 2003 were \$6,402,000 (2002 - \$5,889,000).
- d. The valuation is based on the 1983 Group Annuity Mortality Table using an investment rate of return of 6.75% and an inflation rate of 2.5%.

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 \$11,144,000 (2002 - \$11,349,000). 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. Canadian University Reciprocal Insurance Exchange

The University is a member in a self-insurance co-operative in association with other Canadian universities to provide property and general liability insurance coverage. Under this arrangement referred to as the Canadian University Reciprocal Insurance Exchange (C.U.R.I.E.), the University is required to share in any net losses experienced by C.U.R.I.E. The commitment was recently renewed to January 1, 2004.

16. Subsequent Event - Bond Issue of \$150,000,000

The University has entered into an engagement letter agreement dated February 17, 2003 with Scotia Capital Inc. (the "Agent") pursuant to which the University appointed the Agent as its financial advisor and lead agent in respect of a private placement offering of \$150,000,000 of Senior Unsecured Debentures. The placement is expected to take place in June 2003.

Residences completed the second phase of a major renovation at Shell House and the final phase of a plumbing renovation at Louis Riel. Architectural drawings have been completed and site clearing and preparation is underway on a new \$25 million 500 bed residence and dining hall facility scheduled to open in September 2004.

The Parking Operation supports all parking lot expenses and pays down the debt on the parkade. The parking rates remained the same as the prior year.

The Microcomputer Store continues to offer an increased level of customer service to SFU by offering on-site consultation, loaner equipment, and a more interactive environment for the campus community. During the year the store negotiated significant savings for SFU for anti-virus software and Microsoft Office.

Research

University research is mainly funded by Federal agencies such as National Science and Engineering Research Council and Social Services and Humanities Research Council and the provincial government, although over \$8 million comes from private sector corporations and from non-profit organizations. For example, SFU received over \$1 million from the Michael Smith Foundation for Health Research in 2002-2003. There are over 1,500 active research accounts with total activity of over \$43 million compared to \$36 million the previous year. The Canada Foundation for Innovation awarded \$3.9 million for infrastructure under several categories and \$4.2 million was received from the Province of BC's Knowledge Development Fund as matching funding. The Federal government's Canada Research Chair program awarded \$1.6 million for salaries and research purposes.

Endowment

The University's endowment 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 \$2,524,000 in new donations during the year and \$705,000 of interest income and other transfers was capitalized in order to protect the economic value of the endowments. The fund stands at \$97,102,000 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 programs and scholarships. There are many international activities; the Canadian International Development Agency funds projects in Indonesia, China and Mexico. Field Schools funded by participants were held in China, Fiji, Prague, France, Greece and South East Asia and the Faculty of Education also has a number of smaller international initiatives in Jamaica, Indonesia and Japan as examples. Except for Jamaica, funding is to bring students to SFU to attend courses.

The Canadian Institute of Health Research approved funding of \$3,461,000 for hosting the Institute of Nutrition, Metabolism and Diabetes. At March 31, 2003 a total of \$2,461,500 had been received.

Capital

The Bank of Montreal building in downtown Vancouver valued at \$6,070,000 was donated to the University to become the Segal Graduate School of Business. \$933,000 has been expended on planning and design. The gas station on Burnaby Campus valued at \$100,000 was donated to the University.

Computers, equipment and furnishings, and library collections, worth \$3,533,000 were transferred to SFU upon the windup of TechBC.

The University transferred its interest in land on Great Northern Way in Vancouver to the Great Northern Way Campus Trust for a 25% interest in the Trust, which is shared equally with UBC, BCIT and the Emily Carr Institute of Art and Design.

The expenditure of \$1,688,000 on the PeopleSoft suite of programs was capitalized. Residences spent \$1,021,000 for Shell House and Louis Riel renovations and \$854,000 towards the building of a new 500 bed and dining hall residence.

10. Endowment

	2003 (000)	2002 (000)
Balance, beginning of year	93,873	89,824
Donations	2,524	1,745
Capitalized income and other transfers	705	2,304
Balance, end of year	<u>\$97,102</u>	<u>\$93,873</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 \$97,102,000 (2002 - \$93,873,000) is a receivable of \$3,149,000 (2002 - \$5,135,000) from the SFU Foundation for future proceeds from the sale of the 9 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. It is fully funded by the employer. Contributions by the University for 2003 were \$6,309,000 (2002 - \$5,772,000).

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 December 31, 2000 shows an actuarial liability of \$8,712,000 against the actuarial value of assets of \$9,181,000 resulting in a surplus of \$469,000 in the fund, which is not being amortized. There were no contributions required for 2003 nor 2002 due to the surplus.

The valuation is based on the 1994 Uninsured Pensioners Mortality Table, using an investment rate of return of 6.5% and price inflation of 3%.

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. Employees do not contribute to the Plan.

9. **Restricted for Specific Commitments**

	2003 (000)	2002 (000)
General Operating		
Carryovers - faculties & departments	11,679	6,098
Auxiliaries and special projects	2,246	3,395
Research and other grants	9,600	7,900
Specific provisions	2,694	3,426
Non-recurring expenditures	8,192	6,363
Total General Operating	34,411	27,182
Ancillary enterprises	4,523	3,056
Capital	9,280	13,042
Specific purpose	9,187	10,168
Long-term commitments		
Group insurance	4,554	4,233
Lease commitment	16,612	16,637
Self insurance	533	550
Total Restricted for Specific Commitments	\$79,100	\$74,868

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, and*

*To the Minister of Advanced Education,
Province of British Columbia:*

I have audited the statement of financial position of *Simon Fraser University* as at March 31, 2003 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelieff

Victoria, British Columbia
May 23, 2003

Wayne Strelieff, CA
Auditor General

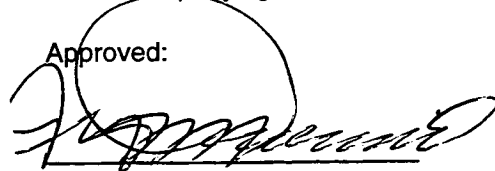
SIMON FRASER UNIVERSITY
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2003
(thousands of dollars)

Statement 1

	2003	2002
ASSETS		
CURRENT ASSETS		
Cash and short-term investments (Note 3)	\$ 18,595	\$ 15,724
Accounts receivable	12,532	17,200
Inventories	1,787	2,112
Prepaid expenses	1,269	1,254
	<u>34,183</u>	<u>36,290</u>
Investments (Note 4)	208,113	185,765
Capital assets (Note 5)	332,321	320,114
Unamortized debt discount	189	208
	<u>\$ 574,806</u>	<u>\$ 542,377</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 18,118	\$ 21,446
Current portion of long term debt (Note 6)	12,882	5,782
	<u>31,000</u>	<u>27,228</u>
Employees future benefits (Note 7)	20,060	18,855
Long-term debt (Note 6)	12,198	22,005
Deferred contributions (Note 8)	34,462	28,802
Deferred contributions related to capital assets (Note 8)	190,571	186,938
	<u>288,291</u>	<u>283,828</u>
NET ASSETS		
Operating	(16,928)	(16,378)
Restricted for specific commitments (Note 9)	79,100	74,868
Invested in capital assets	127,241	106,186
Endowment (Note 10)	97,102	93,873
	<u>286,515</u>	<u>258,549</u>
	<u>\$ 574,806</u>	<u>\$ 542,377</u>

The accompanying notes are an integral part of these financial statements

Approved:


B. Louie
Chair
Board of Governors



P. Hibbitts
Vice President
Finance and Administration

...Non-Pension Benefits

An actuarial valuation was done at March 31, 2003 to reflect the changes in staff and faculty and increase in premiums since the previous valuation at March 31, 2000. The actuarial valuation shows an increase of \$7,978,000 which brings the total obligation to \$23,080,000 at March 31, 2003. The increase of \$7,978,000 will be amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the non-pension benefits as of March 31, 2003 is 10 years.

The March 31, 2003 valuation is based on the 1994 Uninsured Pensioners Mortality table. The actuarial assumptions used in this valuation are a discount rate of 6.75%, price inflation at 2.5% per annum, a medical trend rate of price inflation plus 3.5% and a dental trend rate of price inflation plus 2.9%. There are no contributions by the employees to fund this benefit.

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)	2003 Total (000)	2002 Total (000)
Balance beginning of the year	19,604	9,198	186,938	215,740	215,360
Add: Contributions received during the year	44,083	18,730	11,651	74,464	75,290
Less: Transferred to revenue	<u>42,702</u>	<u>14,451</u>	<u>8,018</u>	<u>65,171</u>	<u>74,910</u>
Balance end of year	<u>20,985</u>	<u>13,477</u>	<u>\$190,571</u>	<u>225,033</u>	<u>\$215,740</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 \$190,571,000 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, 2003
 (thousands of dollars)

Statement 2

...Long Term Debt

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 2003 and 2022. Annual payments including principal and interest due within the next five years are as follows:

	Total (000)
2004	\$6,114
2005	\$2,210
2006	\$2,701
2007	\$1,801
2008	\$1,801

7. Employee Future Benefits

	Early Retirement (000)	Non-Pension Benefits (000)	Total 2003 (000)	Total 2002 (000)
Opening Balance	\$4,877	\$13,978	\$18,855	\$17,792
Current Costs	113	610	723	619
Interest on benefit obligation	<u>380</u>	<u>832</u>	<u>1,212</u>	<u>1,073</u>
	5,370	15,420	20,790	19,484
Disbursements	<u>395</u>	<u>335</u>	<u>730</u>	<u>629</u>
	<u>\$4,975</u>	<u>\$15,085</u>	<u>\$20,060</u>	<u>\$18,855</u>

Early Retirement

The early retirement amount represents current and future pension payments to employees that took early retirement in the mid eighties and other employees that receive supplementary pensions. \$4,975,000 (2002 - \$4,877,000) has been set aside internally to fund this liability.

Non-Pension Benefits

The non-pension benefits amount represents portions of premiums payable to current and future retirees for the Medical Services Plan, Extended Health Benefits and Dental Benefits. The accrued benefit liability for non-pension benefits is \$15,085,000 (2002 - 13,978,000). At March 31, 2003 an amount of \$2,157,000 has been set aside internally to fund this liability.

REVENUE

Government grants and contracts	
Province of British Columbia	\$ 165,873
Government of Canada	33,541
Other governments	1,572
Student fees - credit courses	62,869
- non-credit courses	7,252
- other	5,320
Gifts, grants and contracts	21,433
Sale of goods and services	27,608
Investment income	11,652
Miscellaneous income	3,526
Amortization of deferred capital contributions	8,018
	<u>348,664</u>

EXPENSE

Salaries - academic	73,174
- other instruction and research	30,682
- support staff	68,304
Total salaries	<u>172,160</u>
Employee benefits (Note 7)	32,235
Travel and personnel costs	11,005
Materials and supplies	13,438
Communications	1,351
Other operational expenses	15,280
Depreciation	23,847
Grants to other agencies	4,023
Utilities	4,272
Renovations and alterations	5,355
Scholarships, bursaries and prizes	11,846
Contract services	3,910
Professional fees	10,728
Cost of goods sold	9,336
Interest	2,262
Equipment rental and maintenance	2,879
	<u>323,927</u>

EXCESS OF REVENUE OVER EXPENSE

CHANGES IN NET ASSETS

Increase in specific commitments	(4,232)
Increase in investment in capital assets	<u>(21,055)</u>

NET CHANGE IN OPERATING EQUITY

OPERATING NET ASSETS, beginning of year,

OPERATING NET ASSETS, end of year

	2003	2002
	\$ 165,873	\$ 151,760
	33,541	31,251
	1,572	1,947
	62,869	45,569
	7,252	7,061
	5,320	4,169
	21,433	22,838
	27,608	25,551
	11,652	11,230
	3,526	4,273
	8,018	8,072
	<u>348,664</u>	<u>313,721</u>
	73,174	65,965
	30,682	27,529
	68,304	62,063
	<u>172,160</u>	<u>155,557</u>
	32,235	28,459
	11,005	10,431
	13,438	10,834
	1,351	1,331
	15,280	13,719
	23,847	22,227
	4,023	6,913
	4,272	4,267
	5,355	3,846
	11,846	10,132
	3,910	3,843
	10,728	7,831
	9,336	8,583
	2,262	2,748
	2,879	2,503
	<u>323,927</u>	<u>293,224</u>
	24,737	20,497
	(4,232)	(4,815)
	<u>(21,055)</u>	<u>(15,882)</u>
	(550)	(200)
	<u>(16,378)</u>	<u>(16,178)</u>
	\$ (16,928)	\$ (16,378)

SIMON FRASER UNIVERSITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2003
(thousands of dollars)

	General Operating	Internally Restricted for Specific Commitments	Invested in Capital Assets	Restricted for Endowment Principal	2003	2002
NET ASSETS, beginning of year	\$ (16,378)	\$ 74,868	\$ 106,186	\$ 93,873	\$ 258,549	\$ 234,003
Net change in operating equity	(600)	-	-	-	(600)	(200)
Endowment contributions	-	-	-	2,524	2,524	1,745
Capital preservation of endowment	-	-	-	705	705	2,304
Change in investment in capital assets						
Amortization of deferred capital contribution	-	-	8,018	-	8,018	8,072
Capital asset acquisitions	-	-	44,501	-	44,501	25,460
Donation of land	-	-	-	-	-	8,447
Debt	-	-	4,034	-	4,034	3,211
Deferred contributions	-	-	(11,651)	-	(11,651)	(7,126)
Depreciation	-	-	(23,847)	-	(23,847)	(22,227)
Internally imposed restrictions	50	4,232	-	-	4,282	4,815
CHANGE IN NET ASSETS	<u>(550)</u>	<u>4,232</u>	<u>21,055</u>	<u>3,229</u>	<u>27,966</u>	<u>24,546</u>
NET ASSETS, end of year	\$ <u>(16,928)</u>	\$ <u>79,100</u>	\$ <u>127,241</u>	\$ <u>97,102</u>	\$ <u>286,515</u>	\$ <u>258,549</u>

5. **Capital Assets**

	Cost (000)	Accumulated Depreciation (000)	2003 Net (000)	2002 Net (000)
Buildings - concrete	\$303,245	\$101,268	\$201,977	\$199,602
- wood	21,565	8,777	12,788	13,404
Site services	23,315	7,875	15,440	15,790
Leasehold improvements	11,769	4,576	7,193	6,262
Computing equipment	19,408	5,196	14,212	11,053
Equipment & furnishings	55,856	19,807	36,049	26,851
Library books	55,847	21,410	34,437	32,340
Special collections	4,836	-	4,836	4,645
Land	5,389	-	5,389	10,167
Total Capital Assets	<u>\$501,230</u>	<u>\$168,909</u>	<u>\$332,321</u>	<u>\$320,114</u>

The 429 acres of land in Burnaby is recorded in the financial statements at its 1965 assessed value of \$572,000. 78 acres of this land is set aside for development by the SFU Community Trust. The Centre for Dialogue land is recorded at its 1998 assessed value of \$1,148,000. The Segal Graduate School of Business land is recorded at its 2002 assessed value of \$3,669,000. Beneficial interest in land held under an educational joint venture agreement was transferred to Great Northern Way Campus Trust. The University's 25% undivided interest in the trust, valued at \$8,447,000, is included in long term investments, and the related equity is included in the investment in capital assets.

6. **Long Term Debt**

	2003 (000)	2002 (000)
Demand Loans	\$3,500	\$ 4,500
Term Loans	5,591	5,920
CMHC Mortgages	2,440	2,518
Debentures	21,348	21,348
Less: Sinking Funds	(7,799)	(6,499)
	25,080	27,787
Current Portion	(12,882)	(5,782)
Total Long Term Debt	<u>\$12,198</u>	<u>\$22,005</u>

Term loans, used to complete the Centre for Dialogue, are secured by promissory notes. They bear interest rates between 3.37% and 6.54%, and are due for renewal in January and December 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 Canada 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.

4. Long Term Investments

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

	2003		2002	
	Cost (000)	Market (000)	Cost (000)	Market (000)
Bonds and debentures	\$120,272	\$120,815	\$111,978	\$110,807
Canadian equities	34,246	37,476	29,344	39,023
Foreign equities	18,621	9,381	18,571	13,339
Long term annuity	11,656	11,656	11,600	11,600
Pooled balanced fund	3,752	3,410	3,474	3,856
Donated hedge fund	2,555	2,065	2,555	2,054
Sub Total	191,102	184,803	177,522	180,679
Vancouver Foundation	5,305	6,073	5,305	7,508
Loans to SFU related entities	3,259	3,259	2,938	2,938
Great Northern Way Campus Trust	8,447	-	-	-
Total Long Term	<u>\$208,113</u>	<u>\$194,135</u>	<u>\$185,765</u>	<u>\$191,125</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, 2003 and the portion of \$5,305,000 belonging to the University is included in the university's financial statements. In the fiscal year 2002/03 these funds generated \$612,135 of income (2002 - \$645,608) for the University to be used for specific purposes.

The market value of the interest in Great Northern Way Campus Trust cannot be readily determined because there are certain restrictions on the disposal of the interest.

Bonds and Debentures Analysis

	2003				2002	
	Cost (000)	Market (000)	Modified Duration (years)	Effective Yield (%)	Cost (000)	Effective Yield (%)
Segregated Assets						
Government bonds						
Federal	\$ 21,571	\$ 21,762	8.3	4.8	\$ 22,211	5.9
Provincial	19,274	19,737	8.1	5.4	16,155	6.1
	40,845	41,499	8.2	5.1	38,366	5.9
Corporate debentures	11,708	11,105	5.1	5.8	9,776	6.9
Sub-total segregated	52,553	52,604	7.6	5.2	48,142	6.1
Pooled Bond Funds						
Active	12,029	11,872	5.5	5.4	11,266	6.5
Indexed	50,633	51,470	5.7	5.0	47,391	5.6
Sub-total externally held	115,215	115,946	6.5	5.2	106,799	5.9
Internally managed	5,057	4,869	3.4	5.7	5,179	6.5
Total Bonds and Debentures	<u>\$120,272</u>	<u>\$120,815</u>	6.4	5.2	<u>\$111,978</u>	5.9

SIMON FRASER UNIVERSITY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2003 (thousands of dollars)

OPERATING ACTIVITIES

Excess of revenue over expense	\$ 24,737	\$ 20,497
Add (deduct)		
Depreciation	23,847	22,227
Net decrease in non-cash current assets	4,978	(929)
Net increase in accounts payable and accrued liabilities	(3,328)	3,021
Amortization of deferred capital contributions	(8,018)	(8,072)
Increase in deferred contributions	17,311	8,452
Endowment contributions	3,229	4,049
Increase in employees future benefits	1,205	1,000
Donation of land to SFU	-	(8,447)

CASH PROVIDED BY OPERATING ACTIVITIES

INVESTING ACTIVITIES

Exchange donated land for investment in shares	8,447	-
Net increase in long term investments	(22,348)	(13,124)
Capital asset acquisitions	(44,501)	(25,460)

CASH USED IN INVESTING ACTIVITIES

FINANCING ACTIVITIES

Net debt principal (repaid) incurred	(2,688)	(2,729)
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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

	2003	2002
	\$ 24,737	\$ 20,497
	23,847	22,227
	4,978	(929)
	(3,328)	3,021
	(8,018)	(8,072)
	17,311	8,452
	3,229	4,049
	1,205	1,000
	-	(8,447)
	63,961	41,798
	8,447	-
	(22,348)	(13,124)
	(44,501)	(25,460)
	(58,402)	(38,584)
	(2,688)	(2,729)
	(2,688)	(2,729)
	2,871	485
	15,724	15,239
	\$ 18,595	\$ 15,724

SIMON FRASER UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003

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 following Canadian generally accepted accounting principles 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

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.

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

...Capital Assets

Library books	10 years
Equipment and furnishings	8 years
Computing equipment	3 years
Leasehold improvements	Term of Lease

Special collections, which include works of art and that portion of library assets considered to have permanent value, are not amortized.

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, when donated, at their fair market value at the date of the ownership transfer of these assets to the university. When 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 Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and 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 17. These entities are not consolidated in these financial statements.

3. Cash and Short Term Investments

	2003		2002	
	Cost (000)	Market (000)	Cost (000)	Market (000)
Cash	\$ (324)	\$ (324)	\$ 1,091	\$ 1,091
Short term notes	18,335	18,335	13,134	13,134
Bonds maturing under one year	584	579	1,499	1,537
Total Cash and Short Term	<u>\$18,595</u>	<u>\$18,590</u>	<u>\$15,724</u>	<u>\$15,762</u>