

FOR INFORMATION

SIMON FRASER UNIVERSITY

MEMORANDUM

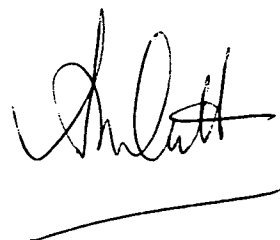
TO: Senate

FROM: Alison Watt
Director, University Secretariat

DATE: September 16, 2004

SUBJECT: Annual Financial Statements

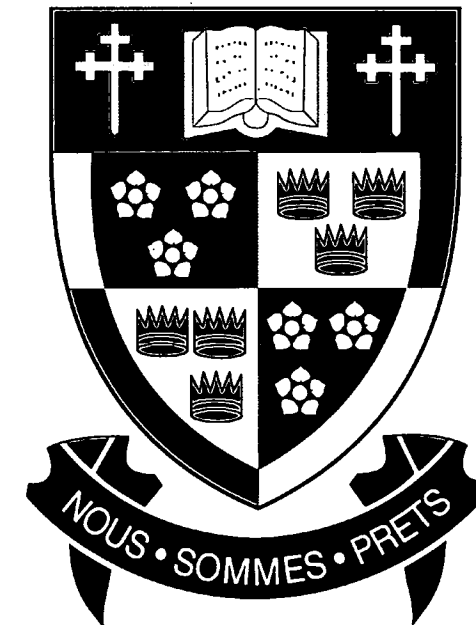
Section 32 of the University Act states: "The board must make an annual report of its transactions to the minister, in which it must set out a balance sheet and a statement of revenue and expenditure for the year ending on the preceding March 31, and other particulars the minister may require. A copy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



NOTE:

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

SIMON FRASER UNIVERSITY



FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2004

SIMON FRASER UNIVERSITY
FINANCIAL STATEMENTS
MARCH 31, 2004

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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, 2004 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, 2004 have been reported on by the Auditor General of the Province of British Columbia. 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

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 is the single shareholder. Included in total assets in 2003 were certain residential lots held for investment purposes. The Foundation sold all of the remaining residential lots during the current year.

SFU FOUNDATION

	2004 (000)	2003 (000)
Financial Position		
Total Assets	\$2,697	\$3,368
Total Liabilities	2,800	3,288
Fund Balance	(103)	80
	\$2,697	\$3,368
Results of Operation		
Total (Loss) Revenue	438	\$ (55)
Total Disbursements	621	126
Deficiency of Revenue over Expenses	\$ 183	\$ 181

d. SFU COMMUNITY CORPORATION

The University owns all of the outstanding shares of SFU Community Corporation. SFU Community Corporation has no business operations and its sole purpose is to act as the trustee of SFU Community Trust.

SFU Community Trust is developing 78 acres 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 and the beneficiaries of the Trust are the University and the Simon Fraser University Foundation.

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.

17. Comparatives

Certain comparative figures have been restated to conform with the current year's presentation including an adjustment of \$4,554,000 from internally restricted reserves to employee future benefits liability.

The effect of this is to reduce the 2003 closing net asset balance by \$4,554,000 for amounts previously reported.

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.

Operating fund (000's)

Revenue

	Original Budget 2003/04	Restated* Budget 2003/04	Actual 2003/04	Actual 2002/03
Government Grants	155,082	160,296	167,072	157,346
Student fees	85,962	85,622	88,896	61,813
Investment income	5,174	5,174	7,092	5,243
Other income	3,838	3,910	4,206	4,492
Prior year appropriations		34,411	34,411	27,182

Total revenue

Expenses

Salaries & benefits	169,041	181,519	169,962	155,791
Library acquisitions	7,356	7,320	7,401	6,822
Student financial assistance	11,768	12,662	12,000	7,491
Utilities and janitorials	5,517	5,531	5,495	5,062
Other non-salary	56,374	82,381	61,501	46,499

Total

Cumulative appropriations

Summary of Appropriations

Carryovers: Departmental	18,228	11,679
Auxillaries and Special projects	1,351	2,246
Research and other contracts	12,294	9,600
Specific Provisions	1,610	2,319
Non-recurring expenditures	11,835	8,567
Total	45,318	34,411

This statement reflects the format of the 2003/2004 operating budget, approved by the Board of Governors in May 2003. It groups expenses in a different format than the audited statements. The summary of the appropriations of \$45,318 at March 31, 2004 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 2003/04 were \$9,000,000 higher than the previous year due to the one time year-end infrastructure grant of \$6,500,000. The Government of Canada continued its contribution of \$4,900,000 towards the infrastructure that supports research activities. Tuition fees revenue increased by \$23,400,000 as a result of the 30% increase in tuition rate and increase in enrollment. Non-credit revenue increased to \$6,800,000 from \$5,300,000 the previous year. A 30% increase also applied to other student fees and generated an additional \$900,000 of revenue. Investment income was higher than last year by \$1,800,000 due to capital gains mainly in the bond market.

Salaries and benefits increased by 10.8% in total. Salary increases, merit increases, market adjustments and a new retention initiative accounted for approximately 4% to 5% depending on the group and the timing of the increase. An addition of staff and faculty for SFU Surrey and the double the opportunity initiative accounted for the remainder. An additional \$1,500,000 was required to fund the non-pension retiree benefits. A portion of the tuition increase was allocated to scholarships, bursaries and awards. As a result, student financial assistance increased by \$2,300,000. In the non-salary category the largest increases were in materials and supplies \$800,000 and operational expenses \$2,300,000.

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 \$5,900,000.

The SFU Bookstores in Burnaby, Harbour Centre, and Surrey provided over \$11 million worth of books, products, academic supplies and services to the University community. The stores also sponsored numerous campus events and provided donations to student groups. Each month an SFU faculty author was featured in the bookstore.

Food Services on the Burnaby campus, started a \$1,000,000 renovation to the McKenzie Cafeteria to be completed in the Summer of 2004. A new dining hall will open in September 2004 with a mandatory meal plan for the 500 students living in the new residences.

Residences spent over \$4,000,000 in capital renovations in the last three years with an expenditure of approximately \$900,000 this year. The construction of a 300-seat dining hall and two new residence towers with 464 student rooms and 14 hotel rooms are nearing completion. This complex will open August 31, 2004. A third residence tower scheduled for completion in February 2005, will complete the \$41.5 million residence construction project begun in 2003. In total SFU will offer an additional 727 undergraduate residence spaces to bring the total residence spaces available at SFU to 1,831.

The Parking Operation supports all parking lot expenses and repays the debt on the parkade. The parking rates increased by 5% in accordance with the recommendations outlined in the Traffic Demand Management Study.

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, 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.

	TRIUMF	
	2004 (000)	2003 (000)
Financial Position		
Total assets	\$5,913	\$ 5,496
Total Liabilities	2,243	2,501
Fund Balances - restricted	2,701	1,890
- other	969	1,105
	\$5,913	\$ 5,496
Results of Operation		
Revenue	53,488	62,530
Expenses	52,359	61,110
Excess of Revenue over Expenses	\$ 1,129	\$ 1,420

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 Society is a not-for-profit organization incorporated under the Society Act of British Columbia. The University's operating grant to the Society was \$190,000 (2003 - \$176,000) and is recorded as an expenditure by the University. There is no expectation of monetary gain to the University from this venture.

...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 11.43% to 11.44%, effective January 1, 2002, as indicated by the 2001 actuarial valuation. Contributions by the employer for 2004 were \$6,829,000 (2003 - \$6,402,000).
- 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%.

Pension Plan for Certain Members

This plan covers seven members of the faculty and staff for whom contributions were paid to the Teachers Insurance and Annuity Association and College Retirement Equities fund in 1971, and that have chosen to remain in the defined contribution plan. University contributions were \$95,900 in 2004 (\$122,773 in 2003).

12. Financial Instruments

The University's 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 \$12,300,000 (2003 - \$11,144,000). 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 December 31, 2008.

....Ancillary Enterprises

The Microcomputer Store continues to offer an increased level of customer service to SFU by offering on-site consultation, loaning equipment, and providing 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. During the year the Microcomputer store continued to manage Microsoft Office, and many other software applications used by the University. It negotiated significant savings on Adobe, BenQ LCD & manages the Dell RPF for the campus.

Research

University research is mainly funded by the Federal agencies (National Science and Engineering Research Council and Social Services and Humanities Research Council) and the provincial government. In addition, over \$11 million comes from private sector corporations and from non-profit organizations. There are over 1,500 active research accounts with total activity of over \$46 million compared to \$43 million the previous year. The Canada Foundation for Innovation awarded \$5.4 million for infrastructure under several categories and \$8.8 million was received from the Province of BC's Knowledge Development Fund as matching funds. The Federal government's Canada Research Chair program awarded \$2.5 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 \$2,665,000 in new donations during the year and \$2,434,000 of interest income and other transfers was capitalized in order to protect the economic value of the endowments. The fund stands at \$102,201,000 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 China and Mexico. Field Schools funded by participants were held in Fiji, Prague, France and Greece. The Faculty of Education also has a number of smaller international initiatives in Jamaica and Japan.

....**Specific Purpose**

The Canadian Institute of Health Research approved funding of \$4,461,000 for hosting the Institute of Nutrition, Metabolism and Diabetes. At March 31, 2004 a total of \$3,461,000 had been received.

Capital

In June 2003 the University issued a 5.613% senior unsecured debenture in the amount of \$150,000,000 which will mature in 2043. The capital raised with the debenture will be used to fund a variety of capital projects, including the student residence expansion, The Segal Graduate School of Business, refinancing existing debt, and other suitable capital requirements.

Major capital activity funded by the Province included:

The purchase of 326,125 sq. ft. of space in the Surrey Central City building for \$35,692,000 for the SFU Surrey Campus. The authority to spend an additional \$34,071,000 was approved by the Province to develop the space.

\$1,848,000 for the planning and design phase on the Technical and Applied Science Complex (TASC 1).

\$5,967,000 for maintenance and minor renovations.

Other capital expenditures funded from the bond fund and other resources included:

\$17,504,000 for student residences and dining hall.

\$4,520,000 for the Interdisciplinary Research in the Mathematical and Computational Sciences (IRMACS).

\$2,380,000 for renovations to the Segal Graduate School of Business.

\$1,374,000 for relamping parts of the campus, designed to make significant improvements in energy efficiency.

\$1,012,000 of leasehold improvements for an additional 27,000 sq. ft. of space leased on the third floor of the Harbour Centre Campus.

In connection with the Chief Dan George Centre for Advanced Education, 8,799 sq. ft. of space in Cathedral Place on Hornby Street was leased from the City of Vancouver at a nominal cost.

10. **Endowment**

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

2004 (000)	2003 (000)
\$ 97,102	\$93,873
2,665	2,524
2,434	705
<u>\$102,201</u>	<u>\$97,102</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 \$102,201,000 (2003 - \$97,102,000) is a receivable of \$2,777,000 (2003 - \$3,149,000) from the SFU Foundation for proceeds from the last lots sold during the year.

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 2004 were \$6,911,000 (2003 - \$6,309,000).

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**

	2004 (000)	2003 (000)
General Operating		
Carryovers - faculties & departments	\$18,228	\$11,679
Auxiliaries and special projects	1,351	2,246
Research and other grants	12,294	9,600
Specific provisions	1,610	2,694
Non-recurring expenditures	11,835	8,192
Total General Operating	45,318	34,411
Ancillary enterprises	5,955	4,523
Capital	(1,020)	9,280
Specific purpose	8,445	9,187
Long-term commitments		
Lease commitment	16,592	16,612
Self insurance	356	533
Total Restricted for Specific Commitments	\$75,646	\$74,546

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. The current year deficit reflects financing to be recovered from future years' operations.

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.

- 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, 2004 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, 2004 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 20, 2004

Wayne Strelloff
Wayne Strelloff, FCA
Auditor General

SIMON FRASER UNIVERSITY
STATEMENT OF FINANCIAL POSITION
 AS AT MARCH 31, 2004
 (thousands of dollars)

Statement 1

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and short-term investments (Note 3)	\$ 140,321	\$ 18,595
Accounts receivable	14,279	12,532
Inventories	1,954	1,787
Prepaid expenses	3,770	1,269
	<u>160,324</u>	<u>34,183</u>
Investments (Note 4)	212,275	199,666
Capital assets (Note 5)	414,549	340,768
Unamortized debt discount and issue costs	11,074	189
	<u>\$ 798,222</u>	<u>\$ 574,806</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 22,476	\$ 18,118
Current portion of long term debt (Note 6)	6,176	12,882
	<u>28,652</u>	<u>31,000</u>
Employee future benefits (Note 7)	27,481	24,614
Long-term debt (Note 6)	162,567	12,198
Deferred contributions (Note 8)	46,009	34,462
Deferred contributions related to capital assets (Note 8)	222,121	190,571
	<u>486,830</u>	<u>292,845</u>
NET ASSETS		
Operating	(17,120)	(16,928)
Restricted for specific commitments (Note 9)	75,646	74,546
Invested in capital assets	150,665	127,241
Endowment (Note 10)	102,201	97,102
	<u>311,392</u>	<u>281,961</u>
	<u>\$ 798,222</u>	<u>\$ 574,806</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

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. The actuarial liability at December 31, 2003 is \$4,678,000 and is fully funded.

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 \$17,609,000 (2003 – \$15,085,000). At March 31, 2004 an amount of \$4,790,000 has been set aside internally to fund this liability.

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, 2004 is 9 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)	2004 Total (000)	2003 Total (000)
Balance beginning of the year	\$20,985	\$13,477	\$190,571	\$225,033	\$215,740
Add: Contributions received during the year	52,835	34,362	40,003	127,200	74,464
Less: Transferred to revenue	46,259	29,391	8,453	84,103	65,171
Balance end of year	<u>\$27,561</u>	<u>\$18,448</u>	<u>\$222,121</u>	<u>\$268,130</u>	<u>\$225,033</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 \$222,121,000 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, 2004
 (thousands of dollars)

Statement 2

...Long Term Debt

Debentures, issued to the Province of British Columbia pursuant to the Financial Administrative Act, bear interest rates from 6.0% to 9.5%, and mature between 2005 and 2022.

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

	Total (000)
2005	\$11,487
2006	\$11,768
2007	\$11,077
2008	\$11,077
2009	\$13,487

7. Employee Future Benefits

	Group Insurance (000)	Early Retirement (000)	Non-Pension Benefits (000)	Total 2004 (000)	Total 2003 (000)
Opening Balance		\$4,975	\$15,085	\$24,614	\$23,089
Current Costs			871	871	723
Interest on benefit obligation	354	391	1,572	2,317	1,532
Amortization of Net Actuarial Loss	-	-	567	567	-
	4,908	5,366	18,095	28,369	25,344
Disbursements	-	402	486	888	730
	<u>\$4,908</u>	<u>\$4,964</u>	<u>\$17,609</u>	<u>\$27,481</u>	<u>\$24,614</u>

Group Insurance

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.

The last actuarial valuation at March 31, 2003 for the self-insured long term disability plans shows a liability of \$5,073,000. There has been no material change in the number of employees on LTD since that date.

The amount of \$4,908,000 has been set aside internally to fund this liability.

REVENUE

Government grants and contracts	
Province of British Columbia	\$ 177,578
Government of Canada	32,224
Other governments	1,553
Student fees - credit courses	83,513
- non-credit courses	8,595
- other	6,190
Gifts, grants and contracts	25,872
Sale of goods and services	27,156
Investment income	14,583
Miscellaneous income	4,042
Amortization of deferred capital contributions	8,453
	<u>389,759</u>

EXPENSE

Salaries - academic	79,129
- other instruction and research	34,974
- support staff	75,596
Total salaries	<u>189,699</u>
Employee benefits (Note 7)	36,341
Travel and personnel costs	11,311
Materials and supplies	13,513
Communications	1,331
Other operational expenses	18,032
Depreciation	26,438
Grants to other agencies	3,099
Utilities	5,058
Renovations and alterations	5,120
Scholarships, bursaries and prizes	16,794
Contract services	3,965
Professional fees	14,268
Cost of goods sold	8,835
Interest on long-term debt	8,383
Equipment rental and maintenance	3,240
	<u>365,427</u>

EXCESS OF REVENUE OVER EXPENSE

CHANGES IN NET ASSETS

Increase in specific commitments	(1,100)
Increase in investment in capital assets	(23,424)

NET CHANGE IN OPERATING EQUITY

OPERATING NET ASSETS, beginning of year,

OPERATING NET ASSETS, end of year

	2004	2003
	\$ 177,578	\$ 165,873
	32,224	33,541
	1,553	1,572
	83,513	62,869
	8,595	7,252
	6,190	5,320
	25,872	21,433
	27,156	27,608
	14,583	11,652
	4,042	3,526
	8,453	8,018
	<u>389,759</u>	<u>348,664</u>
	79,129	73,174
	34,974	30,682
	75,596	68,304
	<u>189,699</u>	<u>172,160</u>
	36,341	32,235
	11,311	11,005
	13,513	13,438
	1,331	1,351
	18,032	15,280
	26,438	23,847
	3,099	4,023
	5,058	4,272
	5,120	5,355
	16,794	11,846
	3,965	3,910
	14,268	10,728
	8,835	9,336
	8,383	2,262
	3,240	2,879
	<u>365,427</u>	<u>323,927</u>
	24,332	24,737
	(1,100)	(4,232)
	(23,424)	(21,055)
	(192)	(550)
	(16,928)	(16,378)
	\$ (17,120)	\$ (16,928)

SIMON FRASER UNIVERSITY
STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED MARCH 31, 2004
 (thousands of dollars)

	General Operating	Internally Restricted for Specific Commitments	Invested in Capital Assets	Restricted for Endowment Principal	2004	2003
NET ASSETS, beginning of year	\$ (16,928)	\$ 74,546	\$ 127,241	\$ 97,102	\$ 281,961	\$ 253,995
Net change in operating equity	(300)	-	-	-	(300)	(600)
Endowment contributions	-	-	-	2,665	2,665	2,524
Capital preservation of endowment	-	-	-	2,434	2,434	705
Change in investment in capital assets						
Amortization of deferred capital contribution	-	-	8,453	-	8,453	8,018
Capital asset acquisitions	-	-	100,219	-	100,219	44,500
Debt	-	-	(16,844)	-	(16,844)	4,034
Deferred contributions	-	-	(41,966)	-	(41,966)	(11,651)
Depreciation	-	-	(26,438)	-	(26,438)	(23,847)
Internally imposed restrictions	108	1,100	-	-	1,208	4,282
CHANGE IN NET ASSETS	(192)	1,100	23,424	5,099	29,431	27,966
NET ASSETS, end of year	\$ (17,120)	\$ 75,646	\$ 150,665	\$ 102,201	\$ 311,392	\$ 281,961

5. Capital Assets

	Cost (000)	Accumulated Depreciation (000)	2004 Net (000)	2003 Net (000)
Buildings - concrete	\$374,814	\$107,140	\$267,674	\$201,977
- wood	21,316	9,247	12,069	12,788
Site services	23,754	8,337	15,417	15,440
Leasehold improvements	11,666	4,964	6,702	7,193
Computing equipment	24,527	6,979	17,548	14,212
Equipment & furnishings	58,508	20,090	38,418	36,049
Library books	60,242	23,632	36,610	34,437
Special collections	6,275	-	6,275	4,836
Land	13,836	-	13,836	13,836
Total Capital Assets	\$594,938	\$180,389	\$414,549	\$340,768

Space in the Central City complex for the Surrey campus, purchased in March 2004, is included in buildings. 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 and 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 is held by the Great Northern Way Campus Trust.

6. Long Term Debt

	2004 (000)	2003 (000)
Demand Loans	\$ -	\$ 3,500
Term Loans	5,276	5,591
Mortgages	4,931	2,440
Debentures – Senior unsecured	150,000	-
Debentures – Province of BC unsecured (less: Sinking Funds)	16,828 (8,292)	21,348 (7,799)
	168,743	25,080
Current Portion	(6,176)	(12,882)
Total Long Term Debt	\$162,567	\$12,198

Term loans, secured by promissory notes, bear interest rates between 2.43% and 6.54%, and are due for renewal in December 2004 and January 2005.

Mortgages include CMHC Mortgages and a mortgage on property held in the Great Northern Way Campus Trust. 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 with annual payments including principal and interest until maturity amount to \$248,000. The GNWCT mortgage bears interest at 5.1% per annum with interest only payments of \$131,000 annually until maturity on October 1, 2007.

The University issued \$150,000,000 of 5.613% Senior Unsecured Debentures in June 2004. The debentures have semi-annual interest payments and mature June 10, 2043. Net proceeds of the issue will be used primarily to finance capital projects. The debentures are neither obligations of, nor guaranteed by, the Province of British Columbia.

3. Cash and Short Term Investments

	2004		2003	
	Cost (000)	Market (000)	Cost (000)	Market (000)
Cash	<u>\$ (14,300)</u>	<u>\$ (14,300)</u>	<u>\$ (324)</u>	<u>\$ (324)</u>
Short term notes	<u>147,920</u>	<u>147,920</u>	<u>18,335</u>	<u>18,335</u>
Bonds maturing under one year	<u>6,701</u>	<u>6,701</u>	<u>584</u>	<u>584</u>
Total Cash and Short Term	<u>\$140,321</u>	<u>\$140,321</u>	<u>\$18,595</u>	<u>\$18,595</u>

4. Long Term Investments

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

	2004		2003	
	Cost (000)	Market (000)	Cost (000)	Market (000)
Bonds and debentures	<u>\$111,286</u>	<u>\$115,886</u>	<u>\$120,272</u>	<u>\$120,815</u>
Canadian equities	<u>42,072</u>	<u>56,268</u>	<u>34,246</u>	<u>37,476</u>
Foreign equities	<u>31,931</u>	<u>25,503</u>	<u>18,621</u>	<u>9,381</u>
Long term annuity	<u>11,730</u>	<u>11,730</u>	<u>11,656</u>	<u>11,656</u>
Pooled balanced fund	<u>3,631</u>	<u>3,934</u>	<u>3,752</u>	<u>3,410</u>
Donated hedge fund	<u>2,555</u>	<u>2,098</u>	<u>2,555</u>	<u>2,065</u>
Sub Total	<u>203,205</u>	<u>215,419</u>	<u>191,102</u>	<u>184,803</u>
Vancouver Foundation	<u>5,305</u>	<u>6,871</u>	<u>5,305</u>	<u>6,073</u>
Loans to SFU related entities	<u>3,765</u>	<u>3,765</u>	<u>3,259</u>	<u>3,259</u>
Total Long Term	<u>\$212,275</u>	<u>\$226,055</u>	<u>\$199,666</u>	<u>\$194,135</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, 2004 and the portion of \$5,305,000 belonging to the University is included in the University's financial statements. In the fiscal year 2003/04 these funds generated \$422,418 of income (2003 - \$612,135) for the University to be used for specific purposes.

Bonds and Debentures Analysis

	2004				2003	
	Cost (000)	Market (000)	Modified Duration (years)	Effective Yield (%)	Cost (000)	Effective Yield (%)
Segregated Assets						
Government bonds						
Federal	<u>\$ 22,866</u>	<u>\$ 23,618</u>	<u>5.9</u>	<u>3.2</u>	<u>\$ 21,571</u>	<u>4.8</u>
Provincial	<u>18,180</u>	<u>18,887</u>	<u>6.4</u>	<u>4.0</u>	<u>19,274</u>	<u>5.4</u>
	<u>41,046</u>	<u>42,505</u>	<u>6.1</u>	<u>3.6</u>	<u>40,845</u>	<u>5.1</u>
Corporate debentures	<u>12,413</u>	<u>12,552</u>	<u>5.2</u>	<u>4.1</u>	<u>11,708</u>	<u>5.8</u>
Sub-total segregated	<u>53,459</u>	<u>55,057</u>	<u>5.9</u>	<u>3.7</u>	<u>52,553</u>	<u>5.2</u>
Pooled Bond Funds						
Indexed - TDQC	<u>53,930</u>	<u>56,955</u>	<u>6.0</u>	<u>3.9</u>	<u>50,633</u>	<u>5.0</u>
Active - CIFD	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,029</u>	<u>5.1</u>
Sub-total externally held	<u>107,389</u>	<u>112,012</u>	<u>5.9</u>	<u>3.8</u>	<u>115,215</u>	<u>5.1</u>
Internally managed	<u>3,897</u>	<u>3,874</u>	<u>3.5</u>	<u>4.2</u>	<u>5,057</u>	<u>5.7</u>
Total Bonds and Debentures	<u>\$111,286</u>	<u>\$115,886</u>	<u>5.9</u>	<u>3.8</u>	<u>\$120,272</u>	<u>5.2</u>

SIMON FRASER UNIVERSITY
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MARCH 31, 2004
 (thousands of dollars)

OPERATING ACTIVITIES

	2004	2003
Excess of revenue over expense	\$ 24,332	\$ 24,737
Add (deduct)		
Depreciation	26,438	23,847
Net (increase) decrease in non-cash current assets	(4,415)	4,978
Net increase (decrease) in accounts payable and accrued liabilities	4,358	(3,328)
Amortization of deferred capital contributions	(8,453)	(8,018)
Increase in deferred contributions	51,550	17,311
Endowment contributions	5,099	3,229
Increase in employees future benefits	2,867	1,205

CASH PROVIDED BY OPERATING ACTIVITIES

INVESTING ACTIVITIES

	2004	2003
Net increase in long term investments	(12,609)	(13,901)
Capital asset acquisitions	(100,219)	(44,501)

CASH USED IN INVESTING ACTIVITIES

FINANCING ACTIVITIES

	2004	2003
Net proceeds from bond issue	139,274	-
Net debt principal repaid	(6,496)	(2,688)

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

	2004	2003
CASH PROVIDED BY OPERATING ACTIVITIES	101,776	63,961
CASH USED IN INVESTING ACTIVITIES	(112,828)	(58,402)
CASH PROVIDED USED IN FINANCING ACTIVITIES	132,778	(2,688)
NET INCREASE IN CASH AND SHORT TERM INVESTMENTS	121,726	2,871
CASH AND SHORT TERM INVESTMENTS, beginning of year	18,595	15,724
CASH AND SHORT TERM INVESTMENTS, end of year	\$ 140,321	\$ 18,595

SIMON FRASER UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

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

No depreciation is taken on works of art and collections, which include that portion of library assets considered to have permanent value.

d. Debt Discount and Issue Costs

Debt discount and costs related to debt issues are capitalized and amortized over the life of the debt.

e. 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.

f. 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.

g. 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. Areas that require the greatest degree of estimation include provision for doubtful accounts, depreciation period for capital assets, and actuarial assumptions for employee future benefits.

h. Related Entities

The University's 25% interest in the Great Northern Way Joint Venture is recorded on a proportionate consolidation basis. Details of other 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.