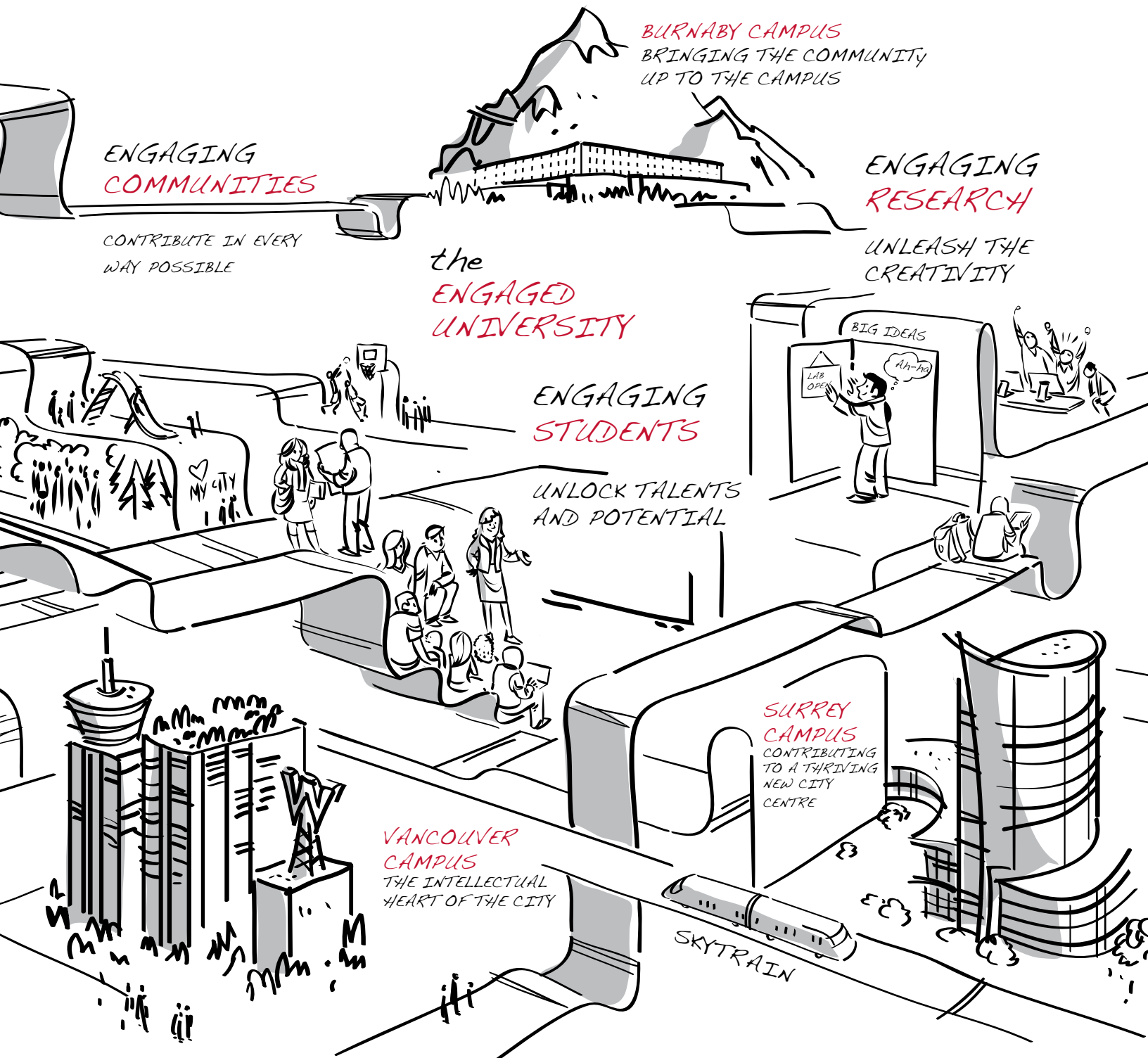




UNDERLYING PRINCIPLES

ACADEMIC AND INTELLECTUAL FREEDOM

DIVERSITY

INTERNATIONALIZATION

RESPECT FOR ABORIGINAL
PEOPLES AND CULTURES

SUPPORTIVE AND HEALTHY WORK
ENVIRONMENT

SUSTAINABILITY

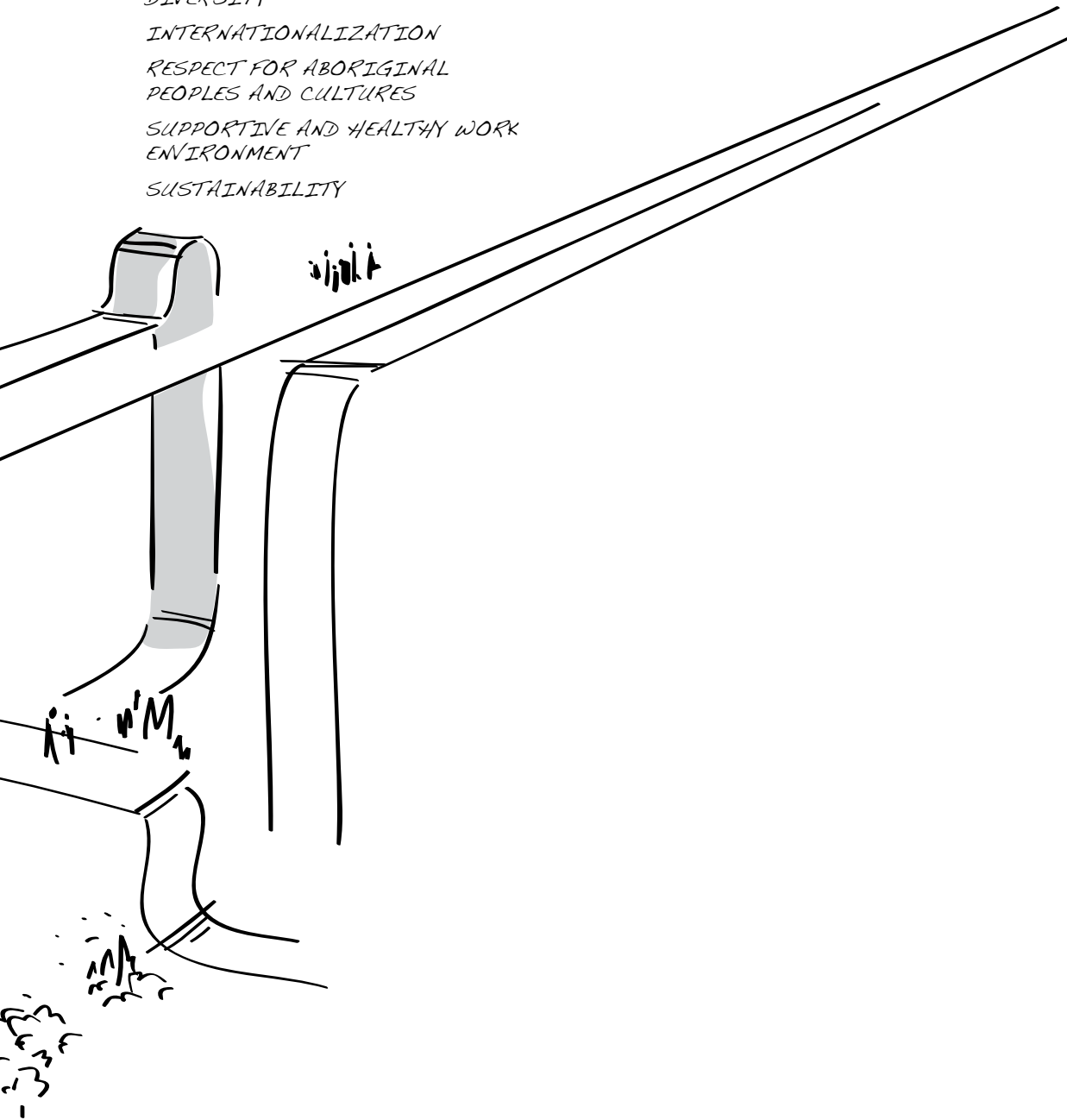


TABLE OF CONTENTS

Table of Contents

President's Message	2
Vice President's Message	4
An Engaged University	6
Engaging Students	8
Engaging Research	10
Engaging Communities	12
Underlying Principles	14

Management Discussion and Analysis (Unaudited)	17
Forward-Looking Statements	18
Planning and Management	20
Financial Highlights	21
Financial Information	22
Operating Environment	26
Risks and Uncertainties	27
Related Entities	28

Financial Statements	31
Management Responsibility	32
Independent Auditor's Report	33
Financial Position	34
Operations	35
Changes in Net Assets	36
Cash Flows	37
Notes	38

Board of Governors	56
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PROF. ANDREW PETTER

PRESIDENT AND VICE-CHANCELLOR

2011/12 saw the completion of the broadly based **envision>SFU** consultation process and the release of an exciting new strategic vision for SFU.

We listened to thousands of students, faculty, staff, alumni, community partners and supporters. We completed one of the most extensive consultations ever by a Canadian university.

What we heard was both reassuring and energizing. People told us they appreciated SFU for our adventurous spirit and willingness to embrace bold initiatives. They liked our commitment to teaching and learning and to the quality and mobility of our research. They hugely valued our connection to communities.

The **envision>SFU** process revealed another insight – our commitments to students, research and communities are mutually supportive and a source of great strength for the University. This insight became the central element in our new vision:

"To be the leading engaged university defined by its dynamic integration of innovative education, cutting-edge research, and far-reaching community engagement."

This vision has the capacity to define and distinguish SFU as the best university of its kind. It has three overarching goals:

Engaging Students

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

Engaging Research

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

Engaging Communities

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

The success of these goals depends not just on their individual attainment but on their integration – on the degree to which each contributes to the others. Students will aid and inspire research and contribute to community. Research will enhance the learning experience while enriching the community, socially, economically, scientifically and artistically. And the SFU community of communities – local and global – will serve as a dynamic and limitless classroom, offering context and applicability for students, as well as partnerships, challenges and opportunities for research.

The vision commits to underlying principles that include ecological, social and economic sustainability, and a supportive and healthy work environment.

Our challenge now is to make SFU's vision a reality. And it is OUR challenge... a challenge for all of us who value SFU's past, to be excited by its potential, and believe in its future.

PROF. ANDREW PETTER
PRESIDENT AND VICE-CHANCELLOR

*"We used to talk about ivory towers.
The kind of university we see ourselves
as is an engaged university. Not an ivory
tower by any stretch of the imagination."
- Andrew Petter*





DR. PAT HIBBITTS

VICE PRESIDENT, FINANCE AND ADMINISTRATION

The 2011/12 year was a period of both stability and growth for SFU – stability in our levels of government grants, fundraising, and operating expenses; growth in our enrolment and research revenues.

Provincial government revenue/grants were essentially unchanged, reflecting the capacity of government to support the broader public sector – this is our reality and we are adapting to it. Community and alumni financial support remain strong, with the Bill Reid Foundation's recent gift to SFU – a stunning collection of Northwest Coast art – worth more than \$10 million. Through effective cost control, we maintained one of the lowest administrative cost ratios among Canadian comprehensive universities.

Demand for our educational services is strong, and consequently, SFU saw growth in both domestic enrolment (per provincial government targets) and international enrolment, reflecting the strength of our academic programs. Growth in our international tuition revenue assisted us in addressing cost pressures within the University and our sustained and growing research revenue demonstrated the credibility and outstanding reputation of our faculty researchers. Investment revenue has been less than past experience reflecting market performance, however, comparative to benchmarks, SFU's prudent investment approach is producing superior returns.

Enrolment has us operating at capacity which optimizes our utilization of physical assets and personnel resources. In this environment, cost control is critical and consciously exercised, with any increase in expense focused on areas that are considered critical to the central mission of the University or that offer the possibility of corresponding revenue opportunity.

The University has two important financial issues that we are actively addressing:

- Deferred maintenance occurs in the broader public sector during periods of economic stress in order to sustain core programs. In the long term, the accumulation of deferred maintenance needs to be addressed, and that is the case at SFU in relation to protecting our \$1.4 billion (replacement value) of University capital assets.
- Unfunded liabilities related to defined benefit pension plans are common during periods of low investment return, as retiree benefits are fixed. The structure of SFU's staff defined benefit plans with 100% employer funding and a joint Pension Trust allows little flexibility. We are actively engaged in seeking appropriate, balanced solutions to address both the unfunded liabilities that have developed and the underlying structural problems.

Overall, based on strong enrolment, effective cost control, healthy financial results, and active engagement regarding the two key financial issues above, we believe SFU is well positioned to continue serving our community in a financially responsible manner.

In this Annual Financial Report we present the University's Audited Financial Statements for the fiscal year ended March 31, 2012. Chief among my priorities is the financial sustainability and well-being of the University. The University ended fiscal 2011/2012 in a strong financial position with assets of \$1.4 billion and consolidated revenue of \$638 million, increases of 4.8% and 3.6% respectively over the prior fiscal year.

DR. PAT HIBBITTS
VICE PRESIDENT,
FINANCE AND ADMINISTRATION



AN ENGAGED UNIVERSITY

To be the leading engaged university defined by its dynamic integration of innovative education, cutting-edge research, and far-reaching community engagement.

Simon Fraser University, with three distinct campuses, is a public university with a diverse student population from both local and global regions. One of Canada's leading comprehensive universities, SFU is firmly committed to undergraduate student learning, advanced research, graduate studies and community engagement. This commitment to being student-engaged, research-engaged, and community-engaged reflects the sentiments of both the internal and external community, as indicated in the consultations undertaken in relation to the strategic visioning project, **envision>SFU**.

SFU currently enrolls 26,552 program-based full-time equivalent (FTE) credit students and more than 20,000 students in non-credit courses. SFU meets the needs of a diverse community of students with our tri-semester system, flexible curriculum including night and weekend courses, and experiential learning programs where approximately 20% of eligible students participate in co-op practicums or international courses and opportunities. By providing students with opportunities to extend their learning through engagement with both local communities and global partners, and by incorporating research into the curriculum and providing an opportunity for undergraduate and graduate students to perform research, the University enriches the student experience.

SFU has been successful in identifying new research funding opportunities, resulting in a significant increase in research income over the past decade. SFU now ranks among the top twenty Canadian post-secondary institutions in research and within the top five comprehensive universities. By bringing together the necessary teams to capitalize on new funding opportunities, expanding and optimizing our physical and personnel infrastructure, developing collaborative networks, and promoting our faculty for prestigious awards, SFU has ensured that our researchers remain competitive in attracting external support for their research projects.

Each of SFU's three campuses offers a distinctive model for community engagement. The Burnaby campus provides academic and research space for all Faculties as well as residences for 1,766 students. It also includes UniverCity, a sustainable urban community that supports and enhances the University environment.

SFU Surrey is uniquely situated in the middle of BC's next great metropolitan centre. With the support of the City of Surrey, the campus is forming the nucleus of a vibrant new Surrey city centre. The Surrey campus offers a modern learning environment with courses from all Faculties and with progressive programs in science, technology, communication, and engineering.

The Vancouver campus encompasses Harbour Centre, Wosk Centre for Dialogue, Segal Building, and the Goldcorp Centre for the Arts. In Vancouver, the University is reaching out to residents of the Downtown Eastside through community programming at the Woodward's Cultural Unit, located at the Goldcorp Centre for the Arts. The Vancouver campus provides a home for SFU's business programs, Office of Lifelong Learning, as well as numerous other graduate programs, credit and non-credit courses.

Ultimately, our vision to be "an engaged university" is an appeal to our better selves, a call to become something more, and an invitation to engage.

*Seeking vision -
not division*



ENGAGING STUDENTS

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

In 2011/12, SFU's enrolment was 35,604 full and part-time students, composed of 30,091 undergraduates and 5,513 graduates, an increase of over 18% from five-years ago.

In an era when some post-secondary institutions are focusing on undergraduate teaching and others are directing their energies to research and graduate studies, SFU is committed to integrating both. We seek to enrich the undergraduate student experience even as our bright and motivated students unleash their creativity and stimulate the research environment - this integration aids students and communities.

Providing opportunities for research training to our undergraduate and graduate students is central to our mission of a research-engaged university and to our ability to benefit the communities we serve. Through participation in research - both local and international - our students acquire valuable workplace skills, cultural knowledge, and civic understanding. At the same time, our strong international partnerships draw students from around the world, while allowing Canadian students to study abroad. The first Canadian university to be admitted to the National Collegiate Athletic Association (NCAA), SFU also provides our students with a rich and rewarding environment for athletics and recreation.

We are constantly redefining our programs to better meet the needs of students; for example, the redefined Environmental Science program at SFU offers four new concentrations: Applied Biology, Environmental Earth Systems, Environmetrics, and Water Science. Similarly, we've introduced more collaborative teaching programs such as our group-directed studies course called The ChangeLab, which redefines the instructor/student relationship to inspire students' creativity. Additionally, undergraduates interested in becoming high-tech entrepreneurs now have a new resource for achieving their dreams. The Ken Spencer Entrepreneur Incubator offers students options for developing potentially marketable high-tech products during their academic studies and provides access to industry mentors through the new product design studio at Surrey campus.

A priority for SFU is to build upon our considerable success in Surrey. To this end, we are working to implement the 2006 Memorandum of Understanding between SFU and the BC Ministry of Advanced Education, which provided for doubling the size of the SFU Surrey campus from 2,500 to 5,000 full-time students equivalents by 2015. With a rapidly growing population (a third of which is under 19 years old), significantly lower post-secondary participation rates than other Lower Mainland regions, and less than half the number of post-secondary seats per capita than the provincial average, Surrey and the South Fraser region are in desperate need of increased university spaces.

Our principles include celebrating the diversity and multi-ethnic character reflected among our students, faculty, staff, and society; engendering an active global citizenship; and, ensuring SFU is an active partner and contributor on the international stage. One example of all three principles in action is our program to position SFU as Canada's "bridge to India" which enables high school students from Delhi to spend several weeks at SFU, living in residence, and participating in activities inside and outside the classroom.

Just as we offer our students a high quality classroom environment in which to acquire knowledge and critical thinking skills, so too will we harness our research strengths to help students learn the joy of discovery and develop aptitudes for lifelong learning.

*Today's young
people are looking
to universities to
give them educational
opportunities that
extend well beyond
the classroom.*



ENGAGING RESEARCH

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

In 2011/12, SFU's funding from total research activities reached \$90 million, an increase of 16% over five years and almost four times that of ten years ago.

SFU ranks in the top three Canadian comprehensive universities in research publication intensity, based upon the average number of publications per full-time faculty member, with close to a 29% gain over a five year period. We rank first among comprehensive universities for publication impact, a measure of the probability of an article being cited in journals. SFU researchers consistently exceed the national success rates in Social Sciences and Humanities Research Council and Natural Sciences and Engineering Research Council competitions, and our research intensity, as defined by research income per full-time faculty position, increased 7% over the previous year compared with an average national growth of 2.3%. Not content to rest on our laurels, we are mobilizing our Strategic Research Plan to capitalize on our strengths in independent scholarly efforts, in pan-disciplinary initiatives, and to train the next generation of researchers.

SFU engages communities in university research in order to illuminate the public and address issues of community concern. For example, we bring remote and Aboriginal communities together to collaborate on research projects that aim to preserve BC's heritage and ecosystems. Likewise, through research SFU engages with industry and builds a culture of entrepreneurship and innovation through startup ventures. With each new startup company generating an average of five jobs, SFU creates, mentors, incubates and assists over 400 local early-stage businesses contribute 2,300 jobs to our economy, with resulting annual tax revenues of approximately \$186 million.

We are one of few Canadian research universities to have gained candidacy for US accreditation, a process that will enable us to further heighten and validate our high educational standards, and to increase our profile abroad. Two recent international surveys place the Beedie School of Business among the world's top 100 post-secondary institutions for business and management research: Shanghai Jiao Tong University's 2011 Academic Ranking of the Top 500 World Universities rated us among the top 75 schools internationally in economics/business; the University of Texas at Dallas rated us 22nd in management research in its Top 100 World Rankings of Business Schools.

SFU has an active Climate Change Research Program. Areas of research include greenhouse gas mitigation, sustainable energy systems, climate change affects, adaptation to climate change and alternative energy. As a founding member of the Pacific Institute for Climate Solutions, SFU researchers are well positioned to contribute to the development of innovative climate change solutions, seek new opportunities for positive adaptation to climate change solutions, and lead the way to a vibrant low carbon economy in BC and globally.

Named one of BC's 100 most influential women by The Vancouver Sun, Lynne Quarmby is a SFU scientist with a passion for promoting the importance of science to life's sustenance. "Without basic research and the willingness of society to fund it, we wouldn't have cell phones, cancer cures, better roads and hospitals and other inventions that have game changing results in society," explains Quarmby. The cell biologist offered her perspectives at the American Junior Academy of Science's 2012 annual conference.

A trio of SFU researchers has been awarded new Canada Research Chairs (CRC) funding to carry out research related to health, mathematics learning, and global communication. Communication professor Yuezhi Zhao received \$1.4 million towards her Social Sciences and Humanities CRC in Political Economy of Global Communication. SFU faculty now possess 42 CRC appointments.

Just as we offer our researchers endless opportunities for discovery-based research in the laboratory and the library, so too do we support our researchers in their community-based research where community is both a source and a destination. By becoming a world leader in knowledge mobilization SFU will gain support for all our research activities.

"Without basic research and the willingness of society to fund it, we wouldn't have cell phones, cancer cures, better roads and hospitals and other inventions that have game changing results in society." - Lynne Quarmby.



ENGAGING COMMUNITIES

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

While it's true that all universities make some effort to serve communities, for us, it's in our DNA. With our Wosk Centre for Dialogue, Philosophers' Café series, Semester in Dialogue program, and many community conferences and forums, SFU is already doing more than most universities to foster public engagement on the issues of the day. Additionally, SFU actively engages our many communities in university research: the technology industry, the business community, the preschool to grade twelve education sector, the francophone community, the immigrant community, and Aboriginal communities. Our track record of community engagement includes creating a fusion of university and community by combining the iconic structures of the Burnaby campus and the UniverCity residential development, helping transform suburban Surrey into a vibrant city centre, developing an educational precinct through an extended Vancouver campus, and redefining Vancouver industrial lands through a bold urban renewal of the Great Northern Way facility.

Our School for the Contemporary Arts is uniquely positioned within the Downtown Eastside to establish SFU as the cultural and intellectual heart of that community. The Bill Reid Foundation's recent gift to SFU – a stunning collection of Northwest Coast art – also reinforces SFU's cultural presence in downtown Vancouver. With this generous gift, the people of British Columbia are assured that this important collection of 158 works of art remains intact as a cultural legacy to our province.

2011/12 was a busy time on Burnaby Mountain as UniverCity's third phase of development kicked into high gear with five new residential projects, which will bring the population to about 4,000 residents in just two to three years. Also significant was the recent opening of the UniverCity Childcare Centre, which was built to meet the Living Building Challenge, cementing UniverCity's place as one of the most sustainable planned communities in Canada.

SFU's strong community connections broaden the scope of educational and research endeavours and increase the benefits to the communities we interact with. Our students acquire valuable workplace knowledge and civic awareness and our faculty gain unique opportunities to participate in community-based research and research partnerships. For example, five SFU student projects – all social ventures aimed at creating positive change in our communities – were chosen from ten finalists to win Ashoka Canada's Be a Changemaker Challenge. Most entrants were from SFU lecturer Shawn Smith's Business class in social entrepreneurship and innovation, which teaches the fundamentals of creating sustainable businesses. Specific projects include: Fusion Kitchen, a project to employ immigrant women to teach culturally authentic cooking classes; Green Dirt, a restaurant composting service to turn organic waste into rich fertilizer for local farms and gardens; and Aspire, a project that aims to provide employment opportunities in the software testing industry for people with Autism Spectrum Disorder by leveraging characteristics of the disorder for a competitive advantage.

It is clear from our track record, that at SFU, we've always been community-engaged. It is apparent though, that when it comes to community-engagement, the best is yet to come.



"More than just community engagement, I think it is entirely critical to instill a sense of responsibility, and possibility, in our emerging leaders." - Shawn Smith.

START
Early Fox
October 23, 2017
-UCLA-fox

UNDERLYING PRINCIPLES

Underlying the central element of an engaged university and the goals of engaging students, engaging research, and engaging communities are the following principles:

Academic and Intellectual Freedom

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

To that end, we start with the acknowledgements that “we celebrate discovery, diversity and dialogue”, and that universities are diverse institutions that function on a basis of collegial governance.

Diversity

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

We live in a pluralistic society: culturally, racially, and ethnically. SFU must provide leadership in educating about human differences in an increasingly diversified world in order to help develop a civil citizen and a civil society. While our University has much to offer new students, faculty, and staff, they too have much to offer us - indeed their enthusiasm and ideas are critical to maintaining our relevance and vibrancy.

Internationalization

SFU will value international knowledge, understanding and engagement, and will seek to engender an active global citizenship among its students, faculty and staff, and to ensure that SFU is an engaged partner and contributor on the international stage.

Our strong international partnerships draw students from around the world while allowing Canadian students to study abroad. Abroad, our students and faculty gain educational experiences while learning first-hand about life in the global arena and at the same time, act as ambassadors for SFU and Canada!

Respect for Aboriginal Peoples and Cultures

SFU will honour the history, culture and presence of Aboriginal peoples. The University will welcome and nurture Aboriginal students and seek opportunities for greater representation of Aboriginal peoples amongst its faculty and staff.

In 2007, the University adopted its First Nations Strategic Plan. Significant strides have been made under this Plan, although much remains to be done.

Supportive and Healthy Work Environment

SFU will recognize, respect and value the essential contribution made by staff and faculty, and will seek to build and sustain a work environment that is equitable, supportive, rewarding and enjoyable.

Simply put: staff are critical to the success of this University, and we have much to gain much from their ideas on how best to shape and to set course for the future.

Sustainability

SFU will pursue ecological, social and economic sustainability through its programs and operations. Through teaching and learning, research and community engagement, SFU will seek and share solutions. In its own operations it will develop and model best practices, from minimizing its ecological footprint, to maximizing its social health and economic strength.

SFU is committed to serving our community in a financially responsible manner while striving to be a community leader in sustainable practices and implementing sustainable energy solutions. Many initiatives, both big and small, have been undertaken toward improved economic and environmental sustainability; to name a few: the Go Green Container Exchange, Kill A Watt Contest, Sustainability Festival/Week, and Sweater Day. As a result of these many initiatives, SFU has achieved a silver rating in the Association for the Advancement of Sustainability in Higher Education's (AASHE) STARS Program.



MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT & DISCUSSION ANALYSIS

Forward-Looking Statements

Objective of Forward-Looking Statements

The objective of this Management Discussion and Analysis (MD&A) is to assist readers of SFU's financial statements to better understand the financial position of the University and operating activities for the fiscal year ended March 31, 2012. It provides a look at the internal and external factors that influenced the year's financial results and a basis for future performance. Although the MD&A is **unaudited**, this discussion should be read in conjunction with the annual audited financial statements and accompanying notes.

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

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

Cautionary Note on Forward-Looking Statements

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



Planning and Management

SFU has a dynamic planning process with SFU's Strategic Vision at its core further supported by other institutional plans, such as the Academic Plan and the Strategic Research Plan, that are renewed as part of the cyclical planning process. The Strategic Vision is the culmination of the **envision>SFU** visioning process championed by the President throughout 2011/12, involving extensive consultation within and beyond the University, and is intended to serve as the University's road map for the next five years. The Strategic Vision centres on SFU being An Engaged University, as defined by its dynamic integration of innovative education, cutting-edge research, and far-reaching community engagement which forms the central element and overarching goals reflected in the vision document.

SFU remains dedicated to fostering a university environment in which there is positive and productive interplay amongst these goals, and the degree to which each goal contributes to the others will determine our success. The energy and motivation of undergraduate students - stimulated through intellectual engagement and academic enquiry resulting from exposure to accomplished scholars, talented graduate student mentors, and advanced research practices - reflects an interplay that enhances the dynamic exchange between students, research, and communities.

The University Planning Framework is the mechanism for communicating how SFU's vision and mission is to be achieved and supported through the contributions of other institutional plans and planning processes, and their alignment with **envision>SFU**.

Financial Highlights

Financial Health

Continuing last year's economic recovery, growth in revenues and effective cost control has allowed internally restricted net operating assets to grow to \$64.9 million. This level reflects a recovery from the market losses incurred in 2008/09, and provides the University with some reserves to fund one-time commitments and strategic project initiatives in order to sustain University operations and advance the University's strategic goals.

The Endowment Fund which supports faculty, academic and other programs, student financial aid, research chairs, professorships, library collections and athletics, has increased 58% since the market crash in 2008/09. This year's growth reflects a very successful year, as contribution levels exceed past amounts. Combined with the capitalization of a portion of investment income, the fund has reached an all-time high of \$235.0 million.

Investments

Investment balances grew by \$69.5 million reaching a total of \$498.7 million market value at year-end. The growth is mainly attributed to the strong performance of fixed income investments, and new long term investments converted from accumulated operating cash.

Operations and Fiscal Restraint

The University's academic operations are funded primarily by government grants and tuition fees. The provincial operating grant funded 17,766 undergraduate and 2,449 graduate program-based full-time equivalent student spaces. Total student enrolment exceeded plans particularly with international students, and resulted in tuition and student fee revenues of \$200.7 million (2010/11: \$190.2 million). A large gift-in-kind donation of 158 works of Northwest Coast art from the Bill Reid Foundation was received during the year and contributes to the overall increase in revenues. Research contributions benefited from increased activity, with \$68.2 million reported, while revenues from the sale of goods and services decreased by \$1.5 million.

While SFU continues to actively manage costs, increased student enrolments have led to increased sessions to meet student demand. The University's total expense, reflected an increase of 1.6% to \$572.5 million. Salary and benefits expense represents 63.1% of total expense remaining relatively stable year-over-year.

Government Grants

The provincial operating grants reflect a slight decrease to \$219.0 million, due primarily to additional one-time payments for French language programs received last year. There was no increase for student growth.

Capital

Capital investment in property and equipment was \$59.2 million for the year. Most of the expenditures relate to purchases for computers and other equipment, as well as renovations of space and classroom renewal.

Financial Information

ASSETS

Dollars in Millions

2012	1,399
2011	1,335
2010	1,200
2009	1,113
2008	1,173

Increased 4.8% to \$1,399M.

Dollars in Thousands	2012	2011
Current assets	35,818	51,399
Due from related party	9,581	9,663
Investments	498,738	429,270
Investment in related entity	13,309	11,438
Property & equipment	839,539	831,142
Prepaid lease	1,808	2,122
Total Assets	1,398,793	1,335,034

Current assets have significantly reduced as cash in the prior year included a \$20M cash equivalent which now appears in investments. Investments increased by \$70M to a market value of \$499M which is due to both a strong performance of fixed income investments and new investments from accumulated operating cash.

Property and equipment includes capital projects for buildings, leasehold improvements, library acquisitions, computers and furniture and equipment. The increase was due mainly to equipment purchases for operating and research purposes.

LIABILITIES

Dollars in Millions

2012	725
2011	753
2010	693
2009	693
2008	696

Decreased 3.7% to \$725M.

Dollars in Thousands	2012	2011
Current liabilities	39,551	49,549
Employee future benefits	61,043	54,970
Long term debt	150,913	154,202
Deferred contributions	44,943	68,117
Deferred contributions for property & equipment	403,709	402,873
Deferred lease proceeds	24,465	22,980
Total Liabilities	724,624	752,691

Current liabilities are lower due to the decrease in construction activity and related liabilities, and accounts payable and liability accruals.

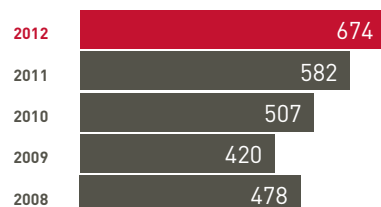
Employee future benefits liability increased by \$6M as a result of the actuarial valuation as of March 31, 2012, which included an actuarial loss of \$4.4M.

Deferred contributions are externally restricted resources not recognized as revenue until related expenses are incurred. The decrease is due to a reduction in deferred income related to endowment accounts as well as completion of several significant research projects.

Long term debt decreased by \$3.3M due to the payment of a \$3M debenture within the year.

NET ASSETS

Dollars in Millions



Increased 15.8% to \$674M

<i>Dollars in Thousands</i>	2012	2011
Internally restricted, operating	64,896	45,026
Internally restricted, lease & other commitments	34,673	33,380
Invested in property & equipment	339,589	295,344
Endowment	235,011	208,593
Total Net Assets	674,169	582,343

Internally restricted, operating include balances derived from operating budget carryforward amounts at the department level, as well as internally restricted funds for research and other projects. These funds increased due to positive net revenue for the year.

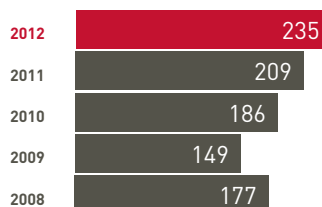
Internally restricted, lease and other are for non-operating commitments which relate to long term lease commitments for our Harbour Centre facility, and reserves designated for contracts for specific purpose activities.

Invested in property and equipment represents the amount of net assets that are not available for other purposes because they have been invested in capital assets.

Endowment net assets is the capital held in perpetuity to generate investment income in support of faculty programs, students, research chairs, professorships, library collections and athletics. The purchasing power of the endowment capital is preserved through reinvesting a portion of earnings.

ENDOWMENT NET ASSETS

Dollars in Millions



Increased 12.7% to \$235M

<i>Dollars in Thousands</i>	2012	2011
Faculty, academic & other programs	80,637	66,923
Student financial aid	69,283	60,318
Research chairs	64,472	61,939
Professorships	12,853	11,881
Library collections	4,883	4,713
Athletics	2,883	2,819
Total Endowment Net Assets	235,011	208,593

Donations of \$21.6M and reinvestment of \$6M of earnings helped grow the endowment net assets balance to \$235M.

Investment income earned on the endowment principal is externally restricted and must be spent as stipulated by donors. There are 760 individual endowment funds that provided \$9.4M (2011: \$8.4M) in funding support.

The income stabilization account, which is a component of deferred contributions, protects endowment spending against market fluctuations in the endowment investment fund, and has a deficit of \$1.6M (2011: \$12.1M).

REVENUE

Dollars in Millions

2012	638
2011	616
2010	591
2009	483
2008	519

Increased 3.6% to \$638M.

Dollars in Thousands	2012	2011	%
Government grants & contracts	302,278	300,336	0.6
Tuition & student fees	200,658	190,160	5.5
Sales of goods & services	42,992	44,463	(3.3)
Gifts, grants & contracts	47,703	35,435	34.6
Investment income	22,750	20,735	9.7
Amortization of deferred capital contributions	14,211	14,126	0.6
Other revenue	7,601	10,864	(30.0)
Total Revenue	638,193	616,119	3.6

Government grants and contracts including sponsored research revenue increased by 0.6% over the year. Provincial funding decreased by 1.5% offset by an increase of 8.9% in federal research funding.

Tuition and student fees increased by 5.5% as a result of a 2% domestic fee increase and an increase in both domestic and international enrolment.

Sales of goods and services are primarily sales from Ancillary Services. Bookstore sales are reduced due to the shift to electronic media.

Gifts, grants and contracts increased by 34.6% including a \$10M donation of works of art from the Bill Reid Foundation.

Other revenue includes fees for facility rental and other services. Last year's amount included a one time contribution from SFU Community Trust.

EXPENSE

Dollars in Millions

2012	573
2011	564
2010	536
2009	545
2008	512

Increased 1.6% to \$573M.

Dollars in Thousands	2012	2011	%
Salaries & benefits	361,021	351,042	2.8
Supplies & operating	54,891	54,197	1.3
Amortization of capital assets	50,067	51,687	(3.1)
Professional services	32,342	31,830	1.6
Scholarships & bursaries	29,160	28,606	1.9
Training & travel	15,792	14,470	9.1
Cost of goods sold	10,926	13,596	(19.6)
Interest on long term debt	9,920	10,090	(1.7)
Utilities	8,426	8,281	1.8
Total Expense	572,545	563,799	1.6

Salaries and benefits represent 63.1% of expenses; approximately the same proportion as the prior year. Compensation costs increased based on progression through the ranks, step increases, and minor growth in faculty and staff complements.

Amortization of capital assets is down by 3.1% because of a large pool of computer equipment now fully amortized.

Scholarships and bursaries were funded 64% from operating and 36% from endowments.

Training and travel includes travel for research, athletics and field schools. The increase is a result of increased activity in field schools and internally funded research.

Cost of goods sold decreased by 19.6% primarily as a result of reduced Bookstore sales.

SPONSORED RESEARCH CONTRIBUTIONS

Dollars in Millions

2012	68
2011	66
2010	62
2009	65
2008	67

Increased 4% to \$68M

Dollars in Thousands	2012	2011
Federal government	46,118	44,378
Canadian not-for-profit	10,658	8,807
BC government	4,437	5,687
Foreign not-for-profit	852	1,628
Industry	3,704	3,131
Other	2,470	1,985
Total Sponsored Research Contributions	68,239	65,616

Research is primarily funded by three federal granting agencies: Natural Sciences and Engineering Research Council, Social Sciences and Humanities Research Council, and Canadian Institutes of Health Research.

Sponsored research contributions, as they have an externally restricted purpose, are recorded as deferred contributions and are recognized as revenue in the year related expenditures are incurred. Thus sponsored research revenue and expenditures are equal.

Revenue recognition of sponsored research increased from \$63.5M to \$72.2M and deferred contributions for sponsored research at the end of the year decreased from \$40.2M to \$30.5M.

ANCILLARY REVENUE

Dollars in Millions

2012	44
2011	45
2010	45
2009	44
2008	43

Decreased 3.7% to \$44M

Dollars in Thousands	2012	2011
Residences	14,995	14,354
Bookstores	14,903	17,483
Meeting, Event & Conference Services (MECS)	6,960	6,236
Parking Services	3,990	4,256
Food Services	563	508
Document Solutions	2,120	2,357
Total Ancillary Revenue	43,531	45,194

Revenue is generated to cover operating expenses, debt service payments, and to provide reinvestment necessary to ensure long term financial viability. Ancillary Services has contributed \$3.1M to the University. Revenues reflected include both internal and external sources.

Residences have accommodation capacity for 1,766 students and provide 14 hotel rooms.

Bookstores have experienced a decline in consumer purchases due to competitive online vendors.

MECS provides comprehensive conference services.

Parking Services revenue declined due to reduced demand, which is in line with the University's sustainability strategy.

Document Solutions continues to experience a market shift away from print material and towards digital media. There has been a decrease in print volume within the campus community, but an increase in demand for external business and value added products.

Operating Environment

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

Student Demographic

According to Statistics Canada, BC's population experienced a growth of 9.6 per thousand for the period July 1, 2010 to June 30, 2011, with approximately 27.0% of BC's population comprising the age range 15-34.

Between 2011 and 2036, BC Statistics forecasts the population will increase by approximately 34% with international migration accounting for 53.9%, and the median age will increase from 41.1 to 45.4 years.

The changing demographic of BC's population creates a shift in demand for education. A decline in post-secondary school age population (18 – 24 years) is expected. Despite the population decline of our key student demographic, the Association of Universities and Colleges of Canada expects enrolment to increase as the participation rate rises (based on their historical trend data).

Our total planned enrolment for 2012/13 is 26,317 program-based FTEs, a 0.1% increase from 2011/12 planned enrolments but still well in excess of government funded targets.

SFU has experienced high international demand and our challenge is to manage international enrolment to ensure excellent education for all students. This year SFU will be developing a strategic enrolment management process.

Government Funding and Priorities

The mandate of the Ministry of Advanced Education is to help British Columbians develop the knowledge and skills needed to reach their full potential and to ensure that BC successfully competes in the global knowledge economy. The Ministry plays a crucial role in supporting the provincial government's new strategy Canada Starts Here: The BC Jobs Plan, by ensuring that the BC university system aligns with and supports the future needs of the workforce.

It is forecast that over 77% of all job openings up to 2019 will require a university degree, college credential, or trade certificate. Provincial funding for education is therefore focused on educational needs to align graduates with employers' demands for workers. The 2010/11 Annual Service Plan Report produced by the Ministry of Advanced Education highlighted that funding for student spaces will be targeted to graduate students, skilled trades, and to health care and medical education.

There is clear demand for post-secondary education; however, due to the financial realities of the current economy, there is no growth planned for SFU's operating grant in 2012/13. The 2012 Provincial Budget Speech announced a \$70 million reduction to the post-secondary budget, across the sector, with the first reduction occurring in 2013/14 and a further reduction in 2014/15. It was also announced that there would be an investment in the sector's deferred maintenance challenge, with additional funding directed to ensuring safe, functional and efficient facilities to support the delivery of post secondary programs. With Annual Capital Allowance funding reduced to \$0.5 million, additional government support for cyclical and preventative building maintenance is welcome.

Economy

The local economy experienced a large housing boom together with large infrastructure improvement projects undertaken in preparation for the Vancouver 2010 Olympic and Paralympic Winter Games. While the pace has slowed, looking ahead, the BC economy is expected to grow a modest 2.2% in 2012, based upon the projections of the BC Economic Forecast Council.

The 2011 Towers Watson survey of economists, strategists, market analysts, and investment managers, provides a modest economic outlook for the coming year. GDP growth of 2 – 2.5% combined with a low inflation expectation of 1 – 2% reflects the continuation of a slow economic recovery. A full economic recovery may take several years but will continue to trend upwards. Investment returns are anticipated to be marginal albeit positive. Similarly, interest rates will remain relatively low and are not expected to climb higher than 3.5%. Despite the positive predictions, the majority of survey respondents expect the economic recovery to continue to be slower than in previous cycles.

Overall, the economic forecast allows SFU to have an optimistic outlook both fiscally and with regard to our ability to continue successfully serving our communities.

Risks and Uncertainties

SFU manages risk through a framework of risk identification, measurement, and monitoring. The following is an overview of the most significant financial risks currently facing the University.

Deferred Maintenance

Provincial government funding for cyclical maintenance, renovations and upgrades to buildings has been progressively reduced over the last several years from \$6 million to \$0.5 million. This funding reached its lowest level in 2010/11 and is expected to remain unchanged through 2012/13. As a result, deferred maintenance on our Burnaby campus buildings has been growing. The renewal of existing facilities is an identified priority of government and is of particular concern for the Burnaby campus which is now over 45 years old. These aging facilities are beginning to experience lack of functionality, reliability and energy efficiency.

Affordability of Pensions

SFU has two pension plans:

- Pension Plan for Administrative/Union Staff (Administrative/Union Plan), and
- Pension Plan for Members of the Academic Staff (Academic Plan).

The Administrative/Union Plan is a defined benefit pension plan requiring an actuarial valuation at least every three years. A valuation was completed for the year ended December 31, 2010 reflecting a \$16.3 million going concern unfunded liability and a \$64 million solvency deficit. The University has elected to cover the solvency deficit by Letters of Credit.

The Academic Plan is primarily a defined contribution plan with comparatively lower risks and uncertainties than the Administrative/Union Plan.

Economic Environment and Investment Returns

The recession and decline of markets in 2008/09 caused SFU to experience significant market value losses in its investment portfolios. While investment returns were higher than expected in subsequent years, there continues to be ongoing volatility that threatens endowment fund market values, spending allocations, and income stabilization. While there were healthy operating returns in 2011/12, endowment returns, which are more heavily weighted in equities, did not fare as well.

International Students

As global forces reduce the size of the world and increase the need for culturally informed graduates, internationalization of higher education in Canada has become imperative. SFU has been successful in attracting international students, in part due to the contractual arrangement with Fraser International College (FIC), which is a private college adjacent to the Burnaby campus that provides transition programs for international students. In 2011/12, international enrolments exceeded our target of 17.5% of domestic students. Reliance upon international student revenues to help alleviate budgetary constraints has been integral, and with large numbers of international students arising from specific demographic regions, an exposure to international markets in a global economy is high.

IT Infrastructure Costs

With a constantly growing demand for easily accessible information, available at all times and from all global locations, the requirements for effective technologies and services becomes imperative. Combined with the desire from all departments for more streamlined and effective service delivery, the challenge is to advance SFU's capabilities with effective technologies and services within fiscal constraints, and balance that against the risks of not keeping current with technology.

Related Entities

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

Simon Fraser University Foundation

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

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

TRIUMF and WCUMSS

SFU participates with other universities in two research joint venture entities.

Tri-University Meson Facility (TRIUMF) is a joint operation of eleven Canadian universities that form Canada's national laboratory for particle and nuclear physics.

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

These two joint ventures are accounted for in the University's financial statements by proportionate consolidation of its interest.

SFU Community Trust

SFU Community Trust's mandate is to oversee the development of UniverCity, a compact, mixed-use residential neighbourhood founded on the Four Cornerstones of Sustainability: Equity, Economy, Education and Environment. The Official Community Plan (OCP) allows for up to 4,536 residential units in two distinct neighbourhoods to the south and east of SFU's Burnaby campus, each with its own elementary school and neighbourhood park. The OCP includes provisions for a commercial core, community facilities, and an extensive network of pedestrian paths and bike trails. The Trust oversees the development of UniverCity through the provision of zoned, serviced, subdivided sites to private sector developers on prepaid, long term (99-year) leasehold basis.

The Trust is presided over by a Board of Directors comprising key SFU stakeholders, faculty and student representatives as well as a number of prominent real estate and development professionals from in and around Vancouver and the Lower Mainland. The Board of Directors establishes policy for SFU Community Trust and plays a very active role in shaping the planning and development of UniverCity.

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

Great Northern Way Campus Trust

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

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



FINANCIAL STATEMENTS

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. The financial statements present fairly the financial position of the University as at March 31, 2012 and the results of its operations and its cash flows for the year then ended.

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

The Board of Governors carries out its responsibility for review of the financial statements and oversight of management's performance of its financial reporting responsibilities principally through its Audit Committee. Members of the Audit Committee are not officers or employees of the University.

The Committee meets with Management, the internal auditor 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, 2012 have been reported on by the Auditor General of British Columbia. The Independent Auditor's Report outlines the scope of their examination and provides their opinion on the fairness of presentation of the information in the statements.



PROF. ANDREW PETTER
PRESIDENT AND VICE-CHANCELLOR



DR. PAT HIBBITTS
VICE PRESIDENT, FINANCE AND ADMINISTRATION



INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Simon Fraser University ("the University"), which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Simon Fraser University as at March 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
May 31, 2012

John Doyle, MAcc, CA
Auditor General

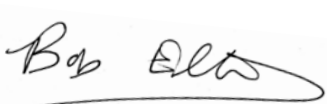
Statement of Financial Position

AS AT MARCH 31, 2012

<i>Dollars in Thousands</i>	2012	2011
Assets		
Current assets		
Cash & cash equivalents (notes 3, 4)	8,950	27,597
Accounts receivable (note 3)	22,451	19,351
Inventories	2,257	2,443
Prepaid expense	2,160	2,008
	35,818	51,399
Due from related party (notes 3, 5)	9,581	9,663
Investments (notes 3, 6)	498,738	429,270
Investment in related entity (note 7)	13,309	11,438
Property & equipment (note 8)	839,539	831,142
Prepaid lease (note 9)	1,808	2,122
Total Assets	1,398,793	1,335,034
Liabilities and net assets		
Current liabilities		
Accounts payable & accrued liabilities	35,568	45,676
Current portion of long term debt (note 10)	3,983	3,873
	39,551	49,549
Employee future benefits (note 11)	61,043	54,970
Long term debt (note 10)	150,913	154,202
Deferred contributions (note 13)	44,943	68,117
Deferred contributions for property & equipment (note 13)	403,709	402,873
Deferred lease proceeds (note 14)	24,465	22,980
	724,624	752,691
Net assets (note 15)		
Internally restricted for commitments		
Operating (note 16)	64,896	45,026
Lease & other (note 17)	34,673	33,380
	99,569	78,406
Invested in property & equipment	339,589	295,344
Endowment (note 18)	235,011	208,593
	674,169	582,343
Total Liabilities & Net Assets	1,398,793	1,335,034

The accompanying notes are an integral part of these financial statements

Approved:


ROBERT G. ELTON
 CHAIR, BOARD OF GOVERNORS


DR. PAT HIBBITTS
 VICE PRESIDENT, FINANCE AND ADMINISTRATION

Statement of Operations

FOR THE YEAR ENDED MARCH 31, 2012

<i>Dollars in Thousands</i>	2012	2011
Revenue		
Government grants & contracts (note 19)		
Province of British Columbia	229,319	232,918
Government of Canada	71,889	65,985
Other governments	1,070	1,433
Tuition		
Credit courses	176,367	167,060
Non-credit courses & other student fees	24,291	23,100
Sales of goods & services	42,992	44,463
Donations, non-government grants & contracts	47,703	35,435
Investment income (note 20)	22,750	20,735
Amortization of deferred contributions: property & equipment	14,211	14,126
Other revenue	7,601	10,864
	638,193	616,119
Expense		
Salaries	297,711	290,717
Employee benefits	63,310	60,325
	361,021	351,042
Supplies & other operational expense	54,891	54,197
Amortization of property & equipment	50,067	51,687
Professional & contracted services	32,342	31,830
Scholarships & bursaries	29,160	28,606
Training & travel	15,792	14,470
Cost of goods sold	10,926	13,596
Interest on long term debt	9,920	10,090
Utilities	8,426	8,281
	572,545	563,799
Net revenue from continuing operations	65,648	52,320
Loss on disposal of equipment	(240)	
Net Revenue for the Year	65,408	52,320
Net revenue for the year was applied to increase net assets internally restricted for:		
Operating commitments	19,870	35,709
Lease & other commitments	1,293	3,007
Investment in property & equipment	44,245	13,604

The accompanying notes are an integral part of these financial statements

Statement of Changes in Net Assets

FOR THE YEAR ENDED MARCH 31, 2012

<i>Dollars in Thousands</i>	General Operating	Internally Restricted Commitments		Invested in Property & Equipment	Restricted for Endowment Principal
		Operating	Lease & Other		
Net assets, beginning of year		45,026	33,380	295,344	208,593
Changes for the year					
Net revenue for the year	65,408				
Increase in investment in property & equipment	(44,245)			44,245	
Change in restricted for specific commitments	(21,163)	19,870	1,293		
Endowment transactions					26,418
Net Assets, End of Year		64,896	34,673	339,589	235,011
		(note 16)	(note 17)	below	(note 18)

Invested in property & equipment is represented by

Property & equipment	839,539
Sinking fund investment	4,884
Long term debt, before current portion	(154,896)
Deferred contributions for property & equipment	(403,709)
Net current assets & current liabilities invested in Capital Fund	46,132
Due from related party, parking displacement	4,549
Due from related party, sale proceeds	3,090
Invested in Property & Equipment	339,589

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2012

<i>Dollars in Thousands</i>	2012	2011
Operating activities		
Net revenue for the year	65,408	52,320
Items not involving cash		
Amortization of property & equipment	50,067	51,687
Loss on disposal of equipment	240	
Unrealized portion of investment losses (gains)	14,728	(12,113)
Amortization of deferred contributions - property & equipment	(14,211)	(14,126)
Employee future benefits increase	6,073	6,340
Investment income from related entity	(1,871)	(211)
	120,434	83,987
Changes in non-cash operating balances		
Accounts receivable	(3,100)	(525)
Due from related party	82	(4,630)
Inventories	186	(239)
Prepaid expense	(152)	88
Prepaid lease	314	315
Accounts payable & accrued liabilities	(10,108)	13,408
Deferred contributions, less unrealized gains	(23,174)	6,230
Cash Provided by Operating Activities	84,482	98,544
Investing activities		
Net increase in long term investments, net of market adjustment	(84,196)	(51,788)
Proceeds from sale of equipment	490	
Property & equipment acquisitions	(59,194)	(85,154)
Endowment contributions	26,418	22,751
Deferred lease contributions	1,485	1,447
Cash Used in Investing Activities	(114,997)	(112,744)
Financing activities		
Deferred contributions for property & equipment	15,047	41,524
Debt principal repaid	(3,179)	(2,975)
Cash Provided by Financing Activities	11,868	38,549
Net increase (decrease) in cash & cash equivalents	(18,647)	24,349
Cash & cash equivalents, beginning of year	27,597	3,248
Cash & Cash Equivalents, End of Year	8,950	27,597

SUPPLEMENTAL CASH FLOW INFORMATION

Cash interest paid during the year was \$9,695,000 (2011: \$9,821,000).

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED MARCH 31, 2012

1. Authority and Purpose

Simon Fraser University operates under the authority of the University Act of British Columbia. It is a comprehensive research university engaged in research and delivering a full range of undergraduate, graduate and Lifelong Learning programs from campuses in Burnaby, Vancouver and Surrey, BC. Simon Fraser University is a not-for-profit entity governed by a Board of Governors, the majority of whom are appointed by the provincial government of British Columbia. The academic governance of the University is vested in the Senate. The University is a registered charity and is therefore exempt from income taxes under section 149 of the Income Tax Act.

2. Significant Accounting Policies and Reporting Practices

Accounting Method

The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles using the not-for-profit organization reporting standards as recommended by the Canadian Institute of Chartered Accountants (CICA). These principles are consistent with those used in prior years.

The deferral method of accounting for contributions is used. Net assets are reported in relation to general operating, internally restricted, invested in property & equipment and endowments. Revenue and expense are recorded on a gross and accrual basis.

Related Entities

The financial statements include related entities that have been accounted for by the following methods:

- Consolidation: SFU Foundation (100% interest)
- Proportionate Consolidation: Tri-Universities Meson Facility (TRIUMF) (9% interest) and Western Canada Universities Marine Sciences Society (WCUMSS) (20% interest)
- Equity Method: SFU Community Trust (SFUCT) (100% interest) and Great Northern Way Campus Trust (GNWCT) (25% interest)

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

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

Revenue Recognition

Operating government grants not restricted in use are recognized when received or receivable. Such grants, if contributed for a future period, are deferred and reported as deferred contributions until that future period. Other unrestricted revenue, including student tuition and sales of goods and services, are reported as revenue at the time the services or products are provided. Unrestricted contributions and pledges are recognized as revenue when received.

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.

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

- Contributions for specific purposes other than endowment or the acquisition of property and equipment are recorded as deferred contributions and recognized as revenue in the year related expenses are incurred.
- Contributions restricted for capital purposes are recorded as deferred contributions for property and equipment until the amount is invested as such.
 - If the property and equipment acquired is land, property rights or a special collection item, the amount is recorded as a direct increase to net assets invested in property and equipment.
 - If the property and equipment has a limited life, the amount invested is recorded as a deferred capital contribution and amortized over the useful life of the asset to net assets invested in property and equipment. Amortization of deferred capital contributions for property and equipment is recorded once put into use on a straight-line basis over the estimated life of the related assets.
- Endowment contributions, matching contributions and investment income allocated for endowment capital preservation are recognized as direct increases in net assets held for endowments in the period in which they are received or earned.

Financial Instruments

The University has elected to apply CICA Handbook section 3861 in relation to reporting on financial instruments with some additional disclosures in relation to risk. The University's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and long term debt. These financial instruments are accounted for as follows:

Held-for-Trading

The University has designated cash, cash equivalents and investments, except for long term annuity and long term promissory note, as held-for-trading. These instruments are recognized at their fair value, determined by published price quotations in an active market. Transaction costs to buy or sell these items are recognized in income on the settlement date. Net gains and losses arising from changes in fair value are recognized immediately in income unless funds are externally restricted.

Loans and Receivables and Other Financial Liabilities

The University has classified accounts receivable and due from related party as loans and receivables. Accounts payable and accrued liabilities and long term debt are classified as other financial liabilities for financial reporting purposes.

These instruments are initially recognized at their fair value and are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment. Given the short term nature of accounts receivable, and accounts payable and accrued liabilities, their carrying value equates to their fair value.

Held-to-Maturity

The University has classified its investment in long term annuity as held-to-maturity for financial reporting purposes.

These financial instruments are initially recognized at their fair value and subsequently measured at their amortized cost, using the effective interest method.

Inventories

Inventories of merchandise held for resale in the Bookstores are recorded at the lower of acquisition cost and net realizable value.

Property and Equipment

Property and equipment acquisitions are recorded on the Statement of Financial Position at amortized cost. Donated assets are recorded at fair market value at the date of acquisition. Amortization of property and equipment is recorded on a straight line basis over the estimated life of the asset.

2a / Estimated Useful Life

<i>Time in Years</i>	
Buildings - concrete	50
Buildings - wood	30
Site services	50
Leasehold improvements	Term of Lease
Computer equipment	3
Equipment & furnishings	8
Library books	10

No amortization is taken on land, property rights or works of art and collections, which include that portion of library assets considered to have permanent value, as they are considered to have an unlimited useful life.

Impairment of Long-Lived Assets

Long-lived assets are tested for impairment whenever circumstances indicate that the service potential has declined. When events or circumstance indicate that the service potential has declined, the long-lived assets are written down based upon the relative loss of service potential and a related expense recognized in the Statement of Operations. A long-lived asset taken completely out of use is written down to its residual value. There was no write down of long-lived assets in 2011/12.

Prepaid Lease

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

Pension Plans

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

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

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

Employee Future Benefits

The University operates three employee future benefit plans providing post retirement medical and dental benefits, early retirement benefits and a long term disability plan. The cost of employee future benefits is determined using the projected benefit method prorated on employment services and is expensed to employee benefits expense as employees provide services. Adjustments arising from changes in assumptions and experience gains and losses are recognized immediately in the year in which they occur.

Use of Estimates

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the impairment of assets, provision for doubtful accounts, amortization period for property and equipment, and actuarial assumptions for employee future benefits and pension plans. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting & Regulatory Pronouncements

The University's financial reporting is currently based on the CICA Handbook's private enterprise standards which include the section 4400 series on not-for-profit accounting standards.

For the fiscal year commencing April 1, 2012, the University, as a government not-for-profit organization (GNPO), will be required to prepare financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS) established by the Canadian Public Sector Accounting Board (PSAB) with restatement of comparative figures. The change to public sector accounting standards will result in different financial measurement, format of financial statements, and financial disclosure as they are based on different principles and concepts.

PSAB enables GNPOs to apply or not apply the PSAS section 4200 series which are similar to the section 4400 series of the private enterprise standards. Pursuant to the Budget Transparency and Accountability Act, the British Columbia Treasury Board has issued directive 1/11 which instructs the University to adopt PSAS without the not-for-profit provisions contained in the PSAS section 4200 series, and to consult the Comptroller General in the following circumstances: prior to exercising an election or choice under accounting standards or guidelines and when adopting accounting policies and practices to implement applicable accounting standards or guidelines.

The effect of these future changes has not been determined at this time, as PSAS for GNPOs are continuing to be developed by PSAB, and the University is currently working through application of the standards with provincial authorities. The areas that may be most affected by the change in the reporting framework include accounting for: government transfers, endowment funds, employee future benefits, pension obligations, financial instruments and related entities.

3. Financial Instrument Risks

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

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

3a / Financial Instrument Risks

<i>Financial instrument</i>	Credit Risk	Liquidity Risk	Market Risks		
			Currency	Interest Rate	Other Price
Cash & cash equivalents	X				
Accounts receivable	X				
Due from related party	X				
Investments	X	X	X	X	X
Accounts payable & accrued liabilities		X	X		
Long term debt		X		X	X

Credit Risk

The University is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The University does not directly hold any collateral as security for financial obligations.

The University maintains allowances for potential credit losses, and such losses to date have been within the University's expectations. In making estimates in respect to the allowance for doubtful accounts, current economic conditions, historical information, reasons for the accounts being past due and the line of business from which the receivable arose are all considered in the determination of when to allow for past due accounts. The same factors are considered when determining whether to write off amounts charged to the allowance account against the amounts receivable.

Cash and Cash Equivalents

Credit risk associated with cash and cash equivalents investments is minimized substantially by ensuring that these assets are invested in Schedule A Canadian chartered banks.

Due from Related Party

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

Accounts Receivable

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

- Student accounts receivable being a large population of limited amounts, the leverage to stop further enrolment and the granting of transcripts until payment is made and pro-active collections management.
- Other receivables, advances and tax recoveries are generally with governments, major institutions and other credit-worthy institutions.

Investments

The University has investment policies to ensure investments are managed appropriately in order to balance preservation of capital, liquidity requirements and achieving returns. The University retains several external investment firms to invest funds in accordance with its investment policies utilizing diverse agreed upon investment strategies primarily in active trading markets. Applying the CICA fair value hierarchy for fair value measurements provides an indication of the overall types of investments held at March 31, 2012 being: 97% quoted prices in active markets for identical investments (level 1), 3% direct or indirect observable prices that are not quoted prices (level 2) and 0% inputs that are not observable market data (level 3).

Liquidity Risk

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

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

Market Risk

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

Currency Risk

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

The functional currency of the University is the Canadian dollar. The University transacts some revenue expenditure activity in US dollars and other currencies due to certain operating costs being denominated in US dollars and other currencies.

The University uses foreign exchange forward contracts only as a defensive strategy for known future obligations to manage foreign exchange transaction exposures.

Interest Rate Risk

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

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

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

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

Other Price Risk

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

4. Cash and Cash Equivalents

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

5. Due from Related Party

Due from related party is a receivable from SFU Community Trust and is without interest or fixed repayment terms except for \$4,549,000 that bears interest at the bank prime rate and is repayable on an event-driven basis. The University is a beneficiary of SFU Community Trust and accounts for it by the equity method as discussed in note 14.

6. Investments

Bonds in the actively managed bond fund mature between 2012 and 2049 and have coupon rates between 0.75% and 11.9%.

The indexed bond fund is based on the DEX Universe Bond index which references 1,159 bonds that are 43% federal government, 29% provincial and municipal government, and 28% corporate debentures. As at March 31, 2012, the portfolio's one year return was 9.69% and the duration was 6.67 years.

Canadian equities are managed by two investment management firms, each with a separate investment style. One manager uses a growth based stock selection process, while the other uses a combination of value and growth in a core selection process.

Foreign equity investments are invested approximately 51% in United States markets and 49% outside of Canada and the United States.

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

The long term annuity is receivable in installments of \$1,457,000 from 2012 to 2013, \$2,257,000 from 2014 to 2017 and \$8,257,000 in 2018.

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

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

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

Sinking fund investments are held and invested by the Province of British Columbia. These funds totalled \$4,884,000 (2011:\$7,145,000) and will provide for the retirement of debentures issued to the Province at maturity. Annual sinking fund payments due within the next five years are included in the note 10 annual payments schedule.

6a / Long Term Investments at Market

<i>Dollars in Thousands</i>	2012	2011
Actively managed bond fund	95,518	67,995
Indexed bond fund	94,373	97,005
Total bonds	189,891	165,000
Canadian equities	137,122	127,981
Foreign equities	116,885	86,371
Private equities	15,513	13,347
Long term annuity	11,837	11,925
Student investment advisory fund	11,043	10,793
Vancouver Foundation	6,571	6,708
Beedie endowment asset management fund	4,992	
Sinking fund	4,884	7,145
Total	498,738	429,270

6b / Actively Managed Bond Fund at Market

<i>Dollars in Thousands</i>	2012	2011
Government bonds		
Federal	20,231	21,493
Provincial & municipal	27,824	24,338
	48,055	45,831
Corporate debentures	47,463	22,164
Total	95,518	67,995

6c / Market Adjustment Analysis

<i>Dollars in Thousands</i>	2012	2011
Operating market adjustment		
Balance, beginning of year	13,532	8,553
Change in the year (note 20)	(338)	4,979
Balance, end of year	13,194	13,532
Endowment market adjustment		
Balance, beginning of year	35,788	21,068
Change in the year (note 20)	(14,390)	14,720
Balance, end of year	21,398	35,788
Total Market Adjustment End of Year	34,592	49,320
Investments, at cost, end of year	464,146	379,950
Investments, at Market, End of Year	498,738	429,270

7. Investment in Related Entity

The investment in related entity is the University's 25% interest in Great Northern Way Campus Trust (GNWCT) which is accounted for on the equity basis utilizing the annual audited financial statements of GNWCT prepared as at December 31. As the fiscal periods of GNWCT and SFU are not coterminous, significant financial transactions of GNWCT that occurred during the intervening period are recorded in these financial statements. Accordingly, \$1,915,000 has been recorded as investment income as a result of a sale of an investment property by GNWCT.

7a / Investment in Related Entity

<i>Dollars in Thousands</i>	2012	2011
Balance, beginning of year	11,438	11,227
Net revenue	1,871	211
Balance, End of Year	13,309	11,438

8. Property and Equipment

8a / Property, Plant and Equipment

<i>Dollars in Thousands</i>	Cost	Accumulated Amortization	Net Book Value	
			2012	2011
Buildings - concrete	813,178	195,337	617,841	553,329
Buildings - wood	21,352	10,190	11,162	10,174
Site services	37,792	13,368	24,424	24,829
Leasehold improvements	12,015	8,723	3,292	3,884
Computer equipment	27,962	12,232	15,730	9,978
Equipment & furnishings	121,321	61,014	60,307	60,522
Library books	86,829	39,348	47,481	47,358
Special collections	19,385		19,385	8,712
Land	19,974		19,974	19,974
Buildings under construction	19,943		19,943	92,382
Total	1,179,751	340,212	839,539	831,142

Space in the Central City complex for the Surrey campus is included in buildings. The Burnaby campus, 429 acres of land, is recorded in the financial statements at its 1965 assessed value of \$572,000. A portion of this land is set aside for development by the SFU Community Trust in the development known as UniverCity.

As at March 31, 2012, the University had committed to contracts for the construction and acquisition of buildings with future expenditures of approximately \$29,600,000.

Special collections include the University's art collection. The art collection, managed by a curator, primarily consists of donated art and is insured at a replacement value of \$28,000,000.

Gains and losses on disposals of property and equipment are recorded as the net difference between the carrying amount of the asset and the net sale proceeds. During the year, the University recorded a loss of \$240,000 on the disposal of printing equipment.

9. Prepaid Lease

The University prepaid a liability due on the expiry of the Harbour Centre lease in December 2017. The prepaid lease amount is being amortized over the remainder of the lease. Commitments in relation to the Harbour Centre lease are \$4,739,000 per year until the end of the lease in December 2017. See note 25.

10. Long Term Debt

10a / Long Term Debt

<i>Dollars in Thousands</i>	2012	2011
Debentures, senior unsecured	141,327	141,046
Debentures, Province of BC	7,920	10,912
Term loan	4,108	4,327
Mortgages, Verdant	1,541	1,790
	154,896	158,075
Current portion	(3,983)	(3,873)
Total	150,913	154,202

Debentures, senior unsecured issued by the University for \$150,000,000 bear interest at 5.613%, interest paid semi annually, due June 10, 2043, and are recorded using the effective interest method. Net proceeds of the issue were used to finance capital projects. The debentures are neither obligations of, nor guaranteed by, the Province of British Columbia.

Two debentures obtained from the Province of British Columbia are unsecured, bear interest at rates of 8.75% and 9.45% and are due in 2012 and 2022.

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

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

Annual payments of principal, sinking fund installments and interest due within the next five years are as follows:

10b / Annual Payments

<i>Dollars in Thousands</i>	Principal	Sinking Fund	Interest
2013	490	493	9,245
2014	514	44	9,080
2015	3,931	44	8,981
2016	305	44	8,888
2017	322	44	8,872

11. Employee Future Benefits

Some benefit plans for employees involve payments to be made after the provision of service and are described as employee future benefits. The immediate attribution method is utilized to recognize the expense and determine the accrued benefit obligation/liability. Estimating the expense for the current fiscal period of these future benefits involves an actuarial valuation to determine the accrued benefit obligation. As the immediate attribution method is utilized, there is no unamortized net actuarial gain or loss. The University does not segregate assets to specifically offset this liability.

Description of Benefit Plans

The University has three defined benefit plans that provide retirement and post-employment benefits to employees.

Non-Pension Benefits

Non-pension benefits represent the obligation/liability for portions of future premiums payable to eligible current employees and retirees for Medical Services Plan, Extended Health Benefits and Dental Benefits. Only employees hired before dates between July 1, 2001 and May 1, 2003, depending on employee group, are eligible for this benefit.

Early Retirement

Early Retirement represents the obligation/liability to employees that took early retirement in the mid-1990's and other employees that receive supplementary pensions.

Long Term Disability

Long Term Disability represents the obligation/liability to employees who are being paid or have made claims pursuant to the University's self insured long term disability plans. An insurance company administers the plans and is reimbursed for disability claims payments plus service fees.

Defined Employee Future Benefit Plans

The University measures the accrued benefit obligations for accounting purposes through actuarial valuations. The most recent actuarial valuations of all three plans was as of March 31, 2012 and reported an actuarial loss of \$4,385,000 which has been immediately recognized as expense.

The discount rate assumptions utilized in the actuarial valuations were 4.25% in 2012 and 5.25% in 2011.

11a / Accrued Benefit Obligation

<i>Dollars in Thousands</i>	Non-Pension Benefits	Early Retirement	Long Term Disability	Total	
				2012	2011
Current service cost	654	21	1,433	2,108	2,843
Interest cost	2,214	161	481	2,856	2,739
Actuarial loss (gain)	4,154	378	(147)	4,385	4,032
Expense for the year	7,022	560	1,767	9,349	9,614
Balance, beginning of year	42,384	3,203	9,383	54,970	48,630
Benefits paid	(1,093)	(301)	(1,882)	(3,276)	(3,274)
Balance, End of Year	48,313	3,462	9,268	61,043	54,970

11b / Health Care Cost Trend Rates

	Medical Services Plan	Extended Health Benefits	Dental
Initial trend rate including inflation at 2.25%	4.25%	8.25%	4.25%
Cost trend rate declines to	n/a	5.00%	n/a
Year rate reaches the rate it is assumed to remain at	n/a	2025	n/a

Sensitivity Analysis

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% change would have the following effects for the fiscal year:

11c / Non-Pension Benefits Sensitivity Analysis

	1% increase	1% decrease
Total of service & interest cost	549	(428)
Accrued benefit obligation, end of year	8,252	(6,556)

12. Pension Plans

SFU has two registered pension plans providing pension benefits to its employees: the Academic Plan, and the Administrative/Union Plan. The provisions of these plans stipulate that the University has no formal claim to any pension plan surplus or asset. The assets and liabilities of these pension plans are not included in the University's financial statements.

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

For funding purposes, and to determine the contribution rate, The BC Pension Benefits Standards Act (the Act) requires an actuarial valuation of plan liabilities of each defined benefit pension plan at intervals of not more than three years. The actuarial valuations provide two measurements, a going concern valuation and a solvency valuation. The going concern valuation considers liabilities for benefits earned up to the valuation date assuming the plan continues indefinitely; whereas the solvency valuation assesses whether all future liabilities would be fully funded if the plan was wound up immediately.

Going concern valuation actuarial gains and losses are amortized to employee benefits expense over the Estimated Average Remaining Service Lifetime of eligible employees (EARSL).

Solvency valuation deficits, under the Act, may be addressed by either: contributions over a maximum of five years, or by the provision of increasing Letters of Credit over the same period. The University has chosen to address solvency valuation deficits with Letters of Credit.

The last tri-annual valuation for the Academic Plan was carried out as at December 31, 2009, while the Administrative/Union Plan was December 31, 2010.

Pension Plan for Members of the Academic Staff (Academic Plan)

The Academic Plan provides pension benefits primarily as a defined contribution plan whereby funding is directed to individual Money Purchase Accounts (MPA). An actuarial valuation is not required for the MPA plan.

The Academic Plan also includes a grandfathered Formula Retirement Benefit plan (FRB). The Academic FRB plan is a defined benefit plan which provides benefits based on earnings and years of service at SFU, indexed relative to the increase in the Consumer Price Index (CPI) up to a maximum of 3% per annum. All contributions made to the Academic FRB plan are by the University.

During the 2011 calendar year, contributions made by the University to the Academic MPA Pension Plan were \$11,304,000 (2010: \$11,107,000), and \$204,000 (2010: \$8,000) to the Academic FRB plan.

The most recent actuarial valuation for the Academic FRB plan was completed as at December 31, 2009. Significant actuarial assumptions included investment return of 6.00%, salary increases of 2.3%, and price inflation of 2.30%. The next actuarial valuation of the Academic FRB plan will be completed as at December 31, 2012.

12a / Academic Plan

<i>Dollars in Thousands</i>	Actuarial Valuation as at December 31, 2009
Going concern financial position	
Adjusted value of assets (smoothed value)	26,763
Actuarial value of liabilities	27,526
Going Concern Surplus (Unfunded Liability)	(763)
Solvency financial position	
Market value of assets, net of wind-up expenses	24,230
Actuarial liabilities	32,868
Solvency Surplus (Deficit)	(8,638)

Pursuant to the Act, instead of making solvency deficiency payments of \$1,313,500 for five years commencing in 2010, the University chose to arrange Letters of Credit in the cumulative amount of \$2,731,436 (2010: \$1,340,000) to satisfy the Academic Plan solvency contribution requirements. In the calendar years 2012 to 2014, contributions or further Letters of Credit of \$1,313,500 per year will be required to satisfy solvency contribution requirements.

Pension Plan for Administrative/Union Staff (Administrative/Union Plan)

The Administrative/Union Plan provides a defined benefit, Formula Retirement Benefit plan (FRB), based on a combination of years of service, and the average of the highest sixty consecutive months' salary. Pensions are indexed to CPI up to a maximum of 3% per annum.

Additional contributions to the Administrative/Union Plan may be made to individual Money Purchase Accounts (MPA) by employees. Pursuant to an agreement between the University and the employee organizations, in certain circumstances, a portion of assets in excess of liabilities may be payable to plan members. In such circumstances, these payments would be directed to the MPA plan. No contributions were directed to the Administrative/Union MPA plan by the University in the current or prior year. An actuarial valuation is not required for the MPA plan.

The Administrative/Union FRB Plan had an actuarial valuation as of December 31, 2010 which was extrapolated to March 31, 2012.

12b / Significant assumptions

	Administrative/ Union Plan
Beginning of year	
Discount rate	5.60%
Expected long-term rate of return on plan assets	6.50%
Assumed rate of salary escalation	3.10%
End of year	
Discount rate	4.50%
Expected long-term rate of return on plan assets	6.50%
Assumed rate of salary escalation	2.50%
Other assumptions	
Estimated Average Remaining Service Lifetime of eligible employees (EARS�).	10 years
Price inflation	2.10%

All contributions to the Administrative/Union FRB Pension Plan are made by the University and for the fiscal year 2012 were \$15,991,000 (2011: \$12,159,000).

12c / Administrative/Union Pension Plan Expense

Dollars in Thousands

Current service cost (net of employee contributions)	12,667
Interest cost on accrued benefit obligation	12,715
Expected return on plan assets	(13,321)
Amortization of transitional balance	2,377
Pension Expense	14,438
University's contribution	15,991
Accrued Benefit Asset, End of Year	1,553

Pension expense is reported within employee benefits on the Statement of Operations, while the accrued pension benefit asset is reported within accounts receivable on the Statement of Financial Position.

12d / Administrative/Union FRB Pension Plan: Financial Summary

Dollars in Thousands

Plan assets	
Fair value, beginning of year	202,800
Actual return on plan assets	5,308
Employer contributions	15,991
Employees' contributions	22
Benefits paid	(11,724)
Fair value, end of year	212,397
Accrued benefit obligation	
Balance, beginning of year	226,572
Current service cost (net of employee contributions)	12,667
Employees' contributions	22
Interest cost	12,715
Actuarial losses	25,063
Benefits paid	(11,724)
Balance, end of year	265,315
Funded Status - Plan Deficit	(52,918)
Unamortized net actuarial loss	33,076
Unamortized transitional obligation	21,395
Accrued Benefit Asset	1,553

Pursuant to the Act, instead of making solvency deficiency payments the University chose to arrange Letters of Credit to satisfy the solvency contribution requirement in the cumulative amount as outlined below:

12e / Solvency Deficiency Payment and Letters of Credit Requirements as per 2007 and 2010 Actuarial Reports

Year Ending March 31 <i>Dollars in Thousands</i>	Annual Solvency Deficiency Payment	Cumulative LOC Requirements
2011	4,855	15,580
2012	15,213	48,500
2013	15,213	61,000
2014	10,358	73,900
2015	10,358	*
2016	10,358	*

* The next actuarial valuation, effective December 31, 2013, will establish the Letter of Credit requirements for 2015 and beyond.

13. Deferred Contributions

Under the deferral 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 \$403,709,000 of deferred contributions for property and equipment represents the unamortized portion of restricted capital advances relating to assets which were purchased with restricted contributions.

13a / Changes in Deferred Contributions

<i>Dollars in Thousands</i>	Sponsored Research	Specific Purpose	Subtotal	Property & Equipment	Total	
					2012	2011
Balance, beginning of year	40,192	27,925	68,117	402,873	470,990	429,776
Contributions in the year	61,156	25,314	86,470	15,047	101,517	134,363
Transferred to revenue	(70,855)	(25,092)	(95,947)	(14,211)	(110,158)	(105,214)
(Decrease)/increase in endowment income account in the year		(13,697)	(13,697)		(13,697)	13,940
Loss (gain) on endowment investments allocated to endowment principal						(1,875)
Balance, End of Year	30,493	14,450	44,943	403,709	448,652	470,990

The University's total research activities include the following:

- External research grants with stipulations recorded in deferred contributions for sponsored research and property and equipment as described in note 13b;
- External research grants without stipulations;
- Internally sponsored research activities; and
- Research joint ventures that are proportionately consolidated.

13b / Sponsored Research is Accounted for as Two Components of the Foregoing

<i>Dollars in Thousands</i>	Sponsored Research	Property & Equipment	Total	
			2012	2011
Balance, beginning of year	40,192		40,192	38,092
Contributions in the year	61,156	7,083	68,239	65,617
Transferred to revenue	(70,855)	(1,364)	(72,219)	(63,517)
Balance, End of Year	30,493	5,719	36,212	40,192

13c / Source of Deferred Contributions, End of Year

<i>Dollars in Thousands</i>	Sponsored Research	Specific Purpose	Subtotal	Property & Equipment	Total	
					2012	2011
Province of British Columbia	631	3,811	4,442	306,490	310,932	321,487
Government of Canada	30,406	3,066	33,472	50,229	83,701	82,733
Other	(544)	7,573	7,029	46,990	54,019	66,770
Balance, End of Year	30,493	14,450	44,943	403,709	448,652	470,990

13d / Deferred Contributions for Specific Purposes

<i>Dollars in Thousands</i>	2012	2011
External non-research contracts	7,373	7,194
Endowment spending accounts & other externally restricted funds	8,709	8,666
Endowment income stabilization account (note 13e)	(1,632)	12,065
Balance, End of Year	14,450	27,925

The endowment income stabilization account is externally restricted by donors and represents the cumulative difference between endowment investment income and the funding applied to: (a) individual endowment spending accounts and (b) the amounts applied to endowment principal to preserve the spending power of the capital.

13e / Endowment Income Stabilization Account

<i>Dollars in Thousands</i>	2012	2011
Endowment investment income for the year		
Realized income from portfolio (note 20)	14,085	14,844
Unrealized investment income (loss) (notes 6, 20)	(14,390)	14,720
	(305)	29,564
Endowment income allocated to		
Individual endowment spending accounts	(9,392)	(8,446)
Endowment principal to preserve purchasing power	(4,000)	(7,178)
Increase (decrease) in endowment income stabilization account during the year (note 20)	(13,697)	13,940
Balance, beginning of year	12,065	
Gain on endowment investments returned to endowment principal (note 18)		(1,875)
Balance, End of Year	(1,632)	12,065

14. Deferred Lease Proceeds / Related Entity Accounted for by the Equity Method

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

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

Since its inception, the Trust has distributed earnings of \$23,560,000 (2011: \$22,244,000), accrued \$1,095,000 (2011: \$1,095,000) of base rent to the University and distributed earnings of \$2,060,000 (2011: \$2,060,000) to the Foundation.

Cumulatively, the University has, on an equity accounting basis, recognized \$677,000 (2011: \$2,162,000) as income capitalized to the endowment. The funds received, \$23,560,000, are invested for the benefit of the endowment.

SFU Community Corporation, a company wholly-owned by the University, has the sole purpose of being Trustee of the Trust and has no business operations.

Audited financial statements of the Trust as at December 31st are separately prepared. Information on the equity accounting in the University and a financial summary of the Trust's activities are provided below.

Equity in SFU Community Trust

The University records its equity accounted interest in the income of the Trust as a direct increase in net assets held as endowment principal as described in note 18. This amounted to a net loss of \$1,485,000 (2011: net income \$271,000).

14a / Net Income (Loss) from Trust

<i>Dollars in Thousands</i>	2012	2011
Net income (loss) as reported by the Trust	(1,753)	1,287
Adjustment of land value on transfer to Trust realized through sale of leases		921
Adjustment of base rent expense in the Trust due to SFU		694
Deferred current net loss from the Trust		(2,873)
Income (loss) of current year recognized this year	(1,753)	29
Portion of Trust income of prior years recognized this year	268	242
Net Income (Loss) to University from Trust, Recorded as Increase (Decrease) in Net Assets Held as Endowment Principal (Note 18)	(1,485)	271

14b / Trust's Equity Reconciled to University's Deferred Lease Proceeds / Equity in Trust

<i>Dollars in Thousands</i>	Trust Equity	Consolidation Adjustments	Deferred Lease Proceeds	
			2012	2011
Net income (loss) reported by Trust	(1,753)		(1,753)	1,287
Adjustment of land value on transfer to Trust realized through sale of leases				921
Base rent elimination				694
Deferred current year's net income				(2,902)
Income of current year recognized in the year				29
Income of prior years recognized in the year		268	268	242
Prior year base rent receivable				(401)
Bad debts recognized	(176)		(176)	
Revised deferred income for bad debts		176	176	
Allocation to beneficiaries				(1,317)
Change in the year	(1,929)	444	(1,485)	(1,447)
Balance, beginning of year	11,846	(34,826)	(22,980)	(21,533)
Balance, End of Year	9,917	(34,382)	(24,465)	(22,980)

Consolidation adjustments relate to two factors: land was transferred to the Trust that was recorded at fair market value, but is retained in the University's records at cost until realized by third party transactions; and income from

the sale of leases by the Trust is recognized in the Trust at the same time of the lease sale, but is recognized by the University over the 99-year terms of the related leases.

14c / SFU Community Trust: Financial Summary

<i>Dollars in Thousands</i>	2012	2011
Financial Position		
Total assets	68,110	67,459
Total liabilities	58,193	55,613
Trust Balance, End of Year	9,917	11,846
Operation & Trust Balance		
Revenue	1,586	11,677
Expense	3,339	10,390
Net income (loss) for the year	(1,753)	1,287
Trust balance, beginning of year	11,846	11,876
Prior period adjustment	(176)	
Allocations to beneficiaries during the year		(1,317)
Trust Balance, End of Year	9,917	11,846
Cash Flows		
Operating activities	4,554	5,041
Investing activities	(6,334)	(6,122)
Financing activities	618	1,692
Increase (Decrease) in Cash During the Year	(1,162)	611

15. Capital Disclosures

The University considers its capital to be its net assets excluding endowments. The University's objective when managing its capital is to safeguard its ability to continue as a going concern so it can continue to provide services to its students and research funding agencies. Annual budgets are developed and monitored to ensure the University's capital is maintained at an appropriate level. The University has no external restrictions imposed on its capital.

16. Internally Restricted for Commitments : Operating

Internally restricted amounts are subject to funds being available.

16a / Internally Restricted for Commitments: Operating

<i>Dollars in Thousands</i>	2012	2011
Balance, beginning of year	45,026	9,317
Increase in the year	19,870	35,709
Balance, End of Year	64,896	45,026

16b / Components of Internally Restricted for Commitments: Operating

<i>Dollars in Thousands</i>	2012	2011
Operating budget carryover	35,826	20,255
Operating special projects	12,838	8,317
Internally funded research	16,232	16,454
Balance, End of Year	64,896	45,026

17. Internally Restricted for Commitments: Lease & Other

17a / Internally Restricted for Commitments: Lease & Other

<i>Dollars in Thousands</i>	2012	2011
Ancillary enterprises	8,944	5,803
Specific purpose	12,790	13,567
Long term lease commitment	12,154	13,227
Self insurance	785	783
Balance, End of Year	34,673	33,380

The Ancillary enterprises represent accumulated funds held for the ongoing operations of the Residences, Bookstores, Meeting, Event and Conference Services, Parking Services, Food Services, and Document Solutions. Specific purpose represents funds from various sources that are allocated internally to specific activities.

Long term lease commitment funds provide for obligations entered into for the occupancy of the University's Harbour Centre facility, which include: lease payments, tenant loan payments, a contribution towards operating costs, and funding for amortization of the prepaid lease that is reported as an asset on the University's Statement of Financial Position (note 9). Self insurance funds are held to pay self insured property and liability losses.

18. Endowment Net Assets

Endowment consists of restricted donations to the University. The investment income generated from endowments must be used in accordance with purposes established by donors. Donors, as well as University policy, stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended, and capitalizing a portion of investment income in order to maintain purchasing power.

18a / Endowment Net Assets

<i>Dollars in Thousands</i>	2012	2011
Donations	21,584	9,254
Capitalized investment income (note 20)	5,969	8,602
Equity income (loss) for the year from SFU Community Trust (note 14)	(1,485)	271
Rent receivable in SFU Community Trust		694
Matching & other funds capitalized	350	2,644
Capital reduction from loss on specific related investment		(589)
Recovery of endowment investments allocated to endowment principal (note 13)		1,875
Change in the year	26,418	22,751
Balance, beginning of year	208,593	185,842
Balance, End of Year	235,011	208,593

Income from the University's beneficial interest in SFU Community Trust is recognized as a direct increase in net assets held as endowment principal. Note 14 describes the Trust's sale of 99-year leases that result in recognition of deferred lease proceeds which are amortized to income over the remaining term of the leases. Funds from the Trust are invested to generate income for the benefit of the endowment.

19. Revenue: Government Grants and Contracts

During the year, the University recorded the following government grants and contracts as they became receivable in accordance with the deferral method of accounting for contributions:

19a / Revenue: Government Grants and Contracts

<i>Dollars in Thousands</i>	2012	2011
Province of British Columbia		
Operating	219,493	221,945
Sponsored research	2,250	5,687
Specific purpose	4,888	7,035
Property & equipment	4,844	19,063
Recorded as net deferred contributions	(2,156)	(20,812)
	229,319	232,918
Government of Canada		
Operating	6,776	6,571
Sponsored research	46,895	49,623
Specific purpose	10,886	11,646
Property & equipment	8,527	20,876
Recorded as net deferred contributions	(1,195)	(22,731)
	71,889	65,985
Other governments		
Sponsored research	1,070	637
Specific purpose		631
Property & equipment		165
	1,070	1,433
Total	302,278	300,336

20. Investment Income

20a / Investment Income

<i>Dollars in Thousands</i>	General Operating	Operating Other	Endowment	Total	
				2012	2011
Realized investment income (note 13)	11,255	4,385	14,085	29,725	23,466
Unrealized investment income (loss) (notes 6,13)	(338)		(14,390)	(14,728)	19,699
Change in deferred contributions for endowment specific purpose accounts			25	25	112
Income capitalization to endowment equity (note 18)			(5,969)	(5,969)	(8,602)
Change in deferred contributions for endowment income stabilization account (note 13)			13,697	13,697	(12,065)
Recovery of endowment income stabilization loss of prior years applied to endowment principal					(1,875)
Total	10,917	4,385	7,448	22,750	20,735

21. Pledges

Pledges are not recognized as revenue in the financial statements until the donations are received. Pledges for future years are estimated at: cash donations \$47,660,000 (2011: \$57,400,000) and gifts in kind \$3,910,000 (2011: \$780,000).

22. Contingencies

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

The University is a member in a self insurance cooperative in association with other Canadian universities to provide property and general liability insurance coverage. Under this arrangement, referred to as the Canadian University Reciprocal Insurance Exchange (CURIE), the University is required to share in any net losses experienced by CURIE, beyond the reserves that CURIE has accumulated from member premiums. Subscribers to CURIE have exposure to premium retroactive assessments should the premiums be insufficient to cover losses and expenses. The University is committed to this insurance arrangement until December 31, 2012.

The University is liable for Letters of Credit in the amount of \$51,231,436 in relation to its pension plans as further described in note 12.

23. Asset Retirement Obligation

In accordance with Canadian Generally Accepted Accounting Principles (GAAP), the University recognizes asset retirement obligations where a reasonable estimate of the fair market value of the obligation and the future settlement date of the retirement of the asset can be determined. The University has identified potential asset retirement obligations relating to removal and disposal of environmentally hazardous building materials in some facilities that may be incurred upon major upgrades or demolition in the future. At this time, the University has not recognized these asset retirement obligations as there is an indeterminate settlement date of any potential future demolition or renovation of the facilities and therefore the fair value cannot be reasonably estimated.

24. Comparative Amounts

Certain amounts on the financial statements for the year ended March 31, 2011 have been reclassified in order to conform to the presentation adopted in the current year.

25. Subsequent Event

In April 2012, the University extended its lease of the Harbour Centre facility. Minimum annual rent for the period January 1, 2018 to December 31, 2022 is \$2,900,000 and \$3,200,000 for January 1, 2023 to December 31, 2027.



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