

ANNUAL FINANCIAL REPORT

MARCH 31, 2019



SFU

CANADA'S ENGAGED UNIVERSITY

Find out more at sfu.ca

Simon Fraser University was founded in 1965 with a distinct Canadian west coast spirit. SFU challenges conventions, celebrates new ideas, and embraces unconventional partnerships.

SFU's students, faculty, staff and alumni come from around the world, and help inform our local and global perspectives. This diversity ensures relevant approaches to learning in the 21st century. Our students receive a world-class education that has lifelong value.

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SFU FAST FACTS

#1

**CANADIAN
COMPREHENSIVE
UNIVERSITY**

(Maclean's University Rankings)

ENGAGING STUDENTS

3

VIBRANT CAMPUSES



Burnaby Campus



Surrey Campus

37,000+ → 8,000+ → 133

STUDENTS ENROLLED (2018 calendar year)

INTERNATIONAL STUDENTS

COUNTRIES

8

100

UNDERGRADUATE PROGRAMS

40

GRADUATE PROGRAMS

FACULTIES

ONLY

**CANADIAN RESEARCH
UNIVERSITY ACCREDITED BY
THE U.S.-BASED NORTHWEST
COMMISSION ON COLLEGES
AND UNIVERSITIES**

ENGAGING RESEARCH

#2

**CANADIAN UNIVERSITIES
RESEARCH IMPACT**

(2019 QS World University Rankings)

70%

**INCREASE IN RESEARCH INCOME
IN THE LAST 10 YEARS**

*(Canadian Association of University
Business Officers)*

IN WORLD'S

TOP 55

**TECH
CHALLENGER
UNIVERSITIES**

(Times Higher Education)

**INTERNATIONAL RESEARCH
PARTNERSHIPS WITH**

3,100+

IN

128

COUNTRIES



Vancouver Campus

FISCAL 2019 FAST FACTS

\$781
MILLION
TOTAL REVENUES

\$2
BILLION
TOTAL ASSETS
*(financial and
non-financial)*

\$360
MILLION
ENDOWMENT
CAPITAL

ENGAGING COMMUNITIES

155,000+

PROUD ALUMNI

IN

143

COUNTRIES

99,000+

**LOCAL PARTICIPANTS IN OUTREACH
PROGRAMS** (2017/18 fiscal year)

9,200+

CO-OP STUDENTS
(peak participation in 2018/19 academic year)

2,600+

STUDENT VOLUNTEERS
(2018 calendar year)

PRESIDENT'S MESSAGE



2018-19 has been another exciting year for Simon Fraser University. We've made significant progress toward realizing our vision as Canada's engaged university, while extending our reach and reputation, and making a positive difference in the communities we serve.

Highlights include:

- Ranked as Canada's top comprehensive university for the fifth year in a row by *Maclean's* magazine;
- Growth of our annual research income to more than \$142 million, an increase of 70 per cent over the past ten years;
- Completing a new five-year Academic Plan for 2019-2024.

Major progress was also made on key capital projects over the past year. On Burnaby Mountain, the 111,000-square-foot Student Union Building is nearing completion. Together with a new SFU stadium scheduled to open in 2020, this stunning new facility will further enhance the student experience. We also made significant headway with a wide range of campus renewal projects, broke ground on the first phase of our student residence expansion plan and announced a gift from Marianne and Edward Gibson Trust for construction of a 12,000-square-foot SFU Art Museum.

In Surrey, our new Sustainable Energy Engineering (SEE) program will launch this fall in a 170,000-square-foot state-of-the-art facility designed by the late Bing Thom. We are grateful for support from all levels of government toward the \$126 million building which will benefit the community as well as SFU. The SEE program, funded by the Province as part of its province-wide tech expansion, is a first of its kind in Western Canada, and will help to position B.C. as a leader in clean-tech and sustainable energy technologies.

Meanwhile, SFU has continued to gain recognition for its commitments to economic and social innovation, and its national strength in big data. This strength was acknowledged and amplified last December with the opening of the Canadian Statistical Sciences Institute's national headquarters at SFU's Big Data Hub.

We have also been recognized for our leadership in promoting social responsibility and building social infrastructure. This past year, SFU became the first Canadian member of the University Social Responsibility Network, a select group of sixteen international institutions committed to promoting social betterment. In addition, SFU joined with BCIT, UNBC and VIU to establish the B.C. Collaborative for Social Infrastructure to share and advance best practices in university-community engagement.

We continue to make steady progress implementing the SFU Aboriginal Reconciliation Council's calls to action and the university's Aboriginal Strategic Plan by increasing Indigenous faculty and student representation, Indigenizing programs and facilities, expanding Indigenous student services, and strengthening relationships with Indigenous communities and groups. In January, the university signed a ground-breaking agreement with the Surrey Urban Indigenous Leadership Committee to advance educational opportunities for Indigenous students south of the Fraser.

Our accomplishments over the past year are due in large measure to the dedication and hard work of our talented faculty, devoted staff and gifted students. They also are a product of the commitment and support we receive from our alumni and supporters, as well as our government, industry and community partners. These contributions have helped to drive us forward in many wonderful ways, establishing us as an engaged university that is truly on the move.

A handwritten signature in black ink that reads "Andrew Petter".

Professor Andrew Petter
President and Vice-Chancellor

VICE-PRESIDENT'S MESSAGE



We are committed to supporting SFU's vision of engaging students, research and communities, as well as fostering engaged employees within the context of an exemplary, sustainable university.

Our financial results this year were positive. The university's Consolidated Statement of Operations for the year ended March 31, 2019 is indicative of strong financial performance. We maintained an excellent credit rating, the highest among our Canadian comprehensive university peers as assessed by credit rating agencies, Moody's and DBRS, as a result of our solid financial position. We continue to diligently manage our administrative expenses and deliver outstanding investment returns as benchmarks against peer universities indicate.

Our new Sustainable Energy Engineering Building represents the university's first major step in expanding SFU's Surrey campus beyond its current home in the Central City complex. We are thankful for the incredible financial support we received from our provincial and federal governments toward this vital project.

Numerous other construction projects are underway at SFU's Burnaby campus, including the new 111,000-square-foot Student Union Building, new Stadium, Convocation Mall improvements, and Phase 1 of our Housing Master Plan – this phase will provide new on-campus housing to almost 500 first-year students. These projects are all possible through partnerships and financial support from our students, the provincial government and external supporters. In the coming year, we will continue development of our 2065 Campus Master Plan, a comprehensive plan that will provide a vision and decision-making framework to guide the evolution of SFU's Burnaby campus over the next 50 years. We are also working collaboratively with the City of Surrey as we plan out future phases of development.

The university's strategic vision is supported by our ability to attract and retain the best people. Employee engagement continues to be a key priority. We are proud to be recognized for the twelfth consecutive year as one of Canada's Top 100 Employers and for the tenth year as one of the Top 50 Employers in B.C. Over the past year, we launched our first leadership development program investing in our leaders of tomorrow.

SFU continues to be an institutional leader in pursuing ecological, social and economic sustainability through its operations, research, academics, and campus and community engagement. We renewed our Gold rating in our most recent submission to the Sustainability Tracking, Assessment & Rating System (STARS). The Burnaby Mountain District Energy Utility project, a collaboration between SFU and the SFU Community Trust, will be constructing a high-efficiency heating plant that uses biomass—urban wood waste—as a primary fuel source. It is expected to start distributing green energy to SFU and UniverCity residents in mid-2020, thereby reducing Burnaby campus and UniverCity greenhouse gas emissions by as much as 85 per cent. In 2016, SFU committed to reducing the carbon footprint of the university's investments by 30 per cent by the year 2030 – we have since surpassed that original commitment, and recently announced our intention to reduce our footprint further, to a total reduction of 40 per cent by 2030.

Moving forward, we will continue to effectively manage SFU's financial position and make impactful, sustainable investments in the university's infrastructure and initiatives as we take further steps toward realizing our shared vision of engagement.

A handwritten signature in dark ink, reading "M. Pochurko".

Martin Pochurko
Vice-President, Finance & Administration

OUR HIGHLIGHTS

ENHANCING STUDENT EXPERIENCE

SFU's Student Experience Initiative (SEI) supports strategic and sustainable initiatives aimed at enhancing student experience. Areas of action include ensuring SFU is welcoming, safe, equitable and inclusive; creating vibrant and exciting campus spaces; developing a university-wide communications strategy using channels students prefer to use; and creating a healthier campus community with an emphasis on student mental health and well-being. Recent SEI projects that have helped build community include creation of a student mural – an event that involved over 600 students crafting individual tiles to complete a larger mosaic – and establishment of new spaces on the Burnaby campus where students can relax and connect. A free counselling service called My SSP was also launched this year, in partnership with the Simon Fraser Student Society. My SSP focuses on student mental health and well being by providing immediate, confidential support in multiple languages, accessible from anywhere in the world by phone or downloadable app.



ENABLING RESEARCH

SFU's 2016-2020 Strategic Research Plan, spearheaded by Joy Johnson, vice-president, research and international, provides direction for solidifying the university's interdisciplinary research strengths while building critical mass in areas that are globally relevant and strategically important. Johnson also provides leadership for SFU's Big Data Initiative, which empowers industry, government and community partners to unlock data for research, training, and community impact; and SFU Innovates, a university-wide strategy and action plan to inspire, develop and support impact-driven innovation and entrepreneurship. With SFU as a named partner university for Canada's Digital Technology Supercluster, Johnson also continues to work closely with other university participants – the University of British Columbia, University of Victoria, and University of Northern British Columbia – as the Supercluster looks to develop and deploy digital technologies that will improve the health and lives of Canadians.

SFU ART MUSEUM

Thanks to the generosity of the Marianne and Edward Gibson Trust and family, a dynamic new art museum is expected to open atop Burnaby Mountain in 2022. The 12,000 square-foot interdisciplinary facility will be a flagship for arts and culture at SFU, providing enriched opportunities to learn, teach, research and exhibit. The art museum will offer diverse exhibitions, outreach and public programming through SFU Galleries, faculties and other organizations, as well as showcase the existing SFU Art Collection. The collection consists of more than 5,500 works spanning the last century and includes artists such as Emily Carr, Marianne Nicolson, Susan Point, Bill Reid, Jack Shadbolt, Gordon Smith and Jeff Wall.



RECONCILIATION AT SFU

Implementation of the calls to action detailed in the SFU Aboriginal Reconciliation Council's 2017 report, *Walk This Path With Us*, is underway. Along with the expansion of the university's Indigenous Student Centre, plans for creating a First Peoples' Gathering Place have been reinvigorated. To support cultural awareness preparation San'yas: Indigenous Cultural Safety Training has been made available to SFU's continuing staff, faculty, and administrators. In addition, curriculum innovation and Indigenization initiatives have begun, including the Decolonizing Teaching Integrated Seminar Series and Grant Program and the Indigenizing Curriculum Grants Program. Other notable events include an Honouring Feast that was hosted for Indigenous graduates and their families in 2018, and continuing development of a broader Indigenous Pathways initiative and framework under the leadership of Indigenous Scholars and staff, and three SFU faculty deans.

BUILDING SOCIAL INFRASTRUCTURE

As one of the four founding partners of the B.C. Collaborative for Social Infrastructure (BCCSI), SFU is establishing itself as a national and international leader in championing the capacities of post-secondary education (PSE) institutions to engage communities and build social infrastructure. The BCCSI initiative, supported by the McConnell Foundation, will enable the partners to test strategies, share best practices and act as resources for other PSE institutions looking to enhance their societal contributions. The BCCSI collaboration will focus on action areas such as green and sustainable campus and community building, Indigenous entrepreneurship and social finance, social procurement, and library outreach and community scholar programs.

COLLABORATION WITH CANSSI

The university celebrated its new collaboration with the Canadian Statistical Sciences Institute (CANSSI) at the opening of CANSSI's national headquarters at SFU's Big Data Hub last December. CANSSI, a not-for-profit organization that promotes statistical sciences research and training both nationally and internationally, and SFU are committed to a vision focused on research excellence and nation-wide capacity building. With the support of SFU's Big Data Initiative, this collaboration further solidifies the university's leadership in big data innovation and data science excellence, as well as SFU's continued support of researchers across Canada. "We are thrilled to collaborate with CANSSI, an organization that aligns perfectly with SFU's engaged vision and our research priorities," says Joy Johnson, SFU's vice-president, research and international. "We look forward to the many opportunities that lie ahead."



Reconciliation at SFU

LEARNING AND TEACHING PORTFOLIO

Elizabeth Elle, SFU's new vice-provost and associate vice president, learning and teaching, is leading a number of initiatives aimed at improving and enhancing the educational experience for SFU students and instructors. Among the university's major initiatives in this area is transition of SFU's traditional online education system to a more contemporary, flexible model. Flexible education was the theme of the university's fourth annual DEMOfest last fall, an interactive event where faculty, instructional staff, sessionals and TAs/TMs had the opportunity to share and discuss educational practices. Elle has also been instrumental in gaining funding for FUSION, the Future Skills Innovation Network, a collaboration with five other universities. This initiative will involve radical sharing among the six partners to integrate more skills development into formal and informal learning; create more flexible learning formats to better facilitate skills acquisition; and increase access to, and success within, post-secondary education for underrepresented students. Also within Learning and Teaching, SFU welcomed news of the provincial government's commitment to support 17 additional seats in the university's PDP program for French immersion teachers – an exciting development that will help address the teacher shortages B.C. currently faces.



Collaboration with CANSSI



WE EDUCATE

NEW SUSTAINABLE ENERGY ENGINEERING PROGRAM

SFU's new Sustainable Energy Engineering (SEE) program will reinforce B.C.'s emergence as an internationally-recognized centre for cleantech innovation, investment and job creation. The first of its kind in Western Canada, the SEE program will prepare graduates to pursue technical careers in areas such as cleantech, renewable energy, smart cities, sustainable manufacturing, clean power generation and utilization, and sustainable food and water solutions. The program builds on SFU's current research strengths in fuel cell technologies, renewable energy and big data analytics.

The SEE program will be housed in the university's new five-storey, 170,000 square-foot state-of-the-art building, which completed construction at SFU's Surrey campus in 2019. One of the last designs by the late architect Bing Thom, the building has drawn industry praise for design excellence, receiving the Canadian Precast/Prestressed Concrete Institute's 2018 CPCI Roy Willwerth Architectural Recognition Award.

SEE aligns with the Province's commitment to support training for high demand occupations in B.C.'s tech sector. The provincial and federal governments have invested a combined \$90 million toward building construction for the \$126 million project.

RADIUS

2018 marked five years since the launch of RADIUS, SFU's innovation hub located in the heart of Vancouver at the Charles Chang Innovation Centre. Established by SFU's Beedie School of Business to advance social innovation and entrepreneurship, while delivering capacity development programs for students and community to step into this complex work, RADIUS and SFU have emerged as key national social innovation leaders. SFU's designation as an Ashoka U Changemaker Campus speaks to the university's deep commitment to social innovation and community engagement – there are less than 50 institutions worldwide that have obtained this designation.

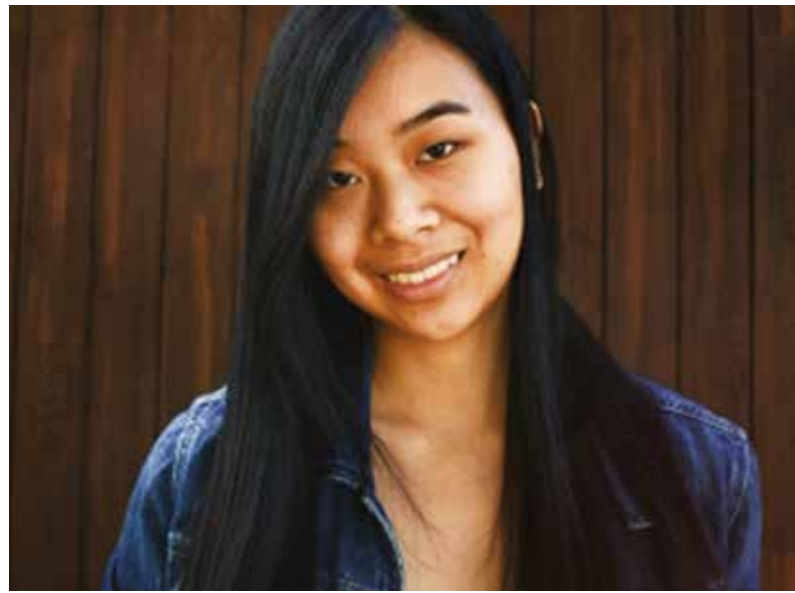
To date, RADIUS has successfully incubated over 200 social ventures, supported well over 200 Change Lab students, funded over 50 student social innovation projects and 50 paid internships, amplified the work of 97 RADIUS Fellows, and hosted more than 100 workshops and events reaching more than 7,500 participants.

Among the most exciting projects RADIUS is currently rolling out are a three-year Health Promotion Lab generating new solutions that promote healthier lives for Canadians, which includes a recent \$950,000 commitment from the Public Health Agency of Canada, and a three-year Refugee Livelihood Lab working with the City of Surrey and Province of British Columbia to improve social and economic outcomes for refugees.

NATALIE LIM

SFU undergraduate student Natalie Lim's poem, *Arrhythmia*, is poignant, loving and complex. And it surpassed more than 2,500 entries in the 2018 CBC Poetry Prize competition to take first place.

Exploring feelings of loss, love and gratitude, *Arrhythmia* illuminates the beautiful but challenging relationship between a granddaughter and grandmother who do not share the same mother tongue, alongside the experiences of Chinese labourers on the Canadian Pacific Railway. Says Lim, "I was born and raised in Canada. I know almost nothing about Chinese culture. I wrote *Arrhythmia* as a way of working through what it means to lose a part of yourself — or to never have known that part in the first place."



In her academic and creative work, Lim says the support she's received from the SFU English department has been particularly meaningful. Upon learning she was preparing a poem for submission to the CBC Poetry Prize, professor Michael Everton encouraged her to take her writing to fellow faculty member and acclaimed B.C. poet Stephen Collis for review. Lim says Collis' feedback was invaluable. Says Collis, "I'm pretty sure we will hear more from Natalie Lim."





WE DELIVER

DISTINGUISHED FACULTY MEMBERS

The SFU community congratulates three faculty members, Fiona Brinkman, Jin-me Yoon, and Richard Lockhart, on being named 2018 Royal Society of Canada (RSC) Fellows, and two faculty members, Deanna Reder and Hugo Cardoso, on being named 2018 RSC College of New Scholars, Artists and Scientists Members. Award recipients were officially recognized at the RSC's Celebration of Excellence and Engagement in Halifax, Nova Scotia last November.

The RSC recognizes leaders and their work in order to help them build a better future in Canada and around the world. The fellowship of the RSC comprises over 2,000 Canadian scholars, artists and scientists, peer-elected as the best in their field. These are distinguished individuals from all branches of learning who have made remarkable contributions in the arts, humanities and sciences, as well as in Canadian public life.

The College of New Scholars, Artists and Scientists is Canada's first national system of multidisciplinary recognition for the emerging generation of Canadian intellectual leadership. Members of the College have demonstrated a high level of achievement at an early stage in their career.

CANADA 150 RESEARCH CHAIRS

The Canada 150 Research Chairs Program has the goal of enhancing Canada's reputation as a global centre for science, research and innovation excellence. It provides Canadian institutions with a one-time investment to attract top-tier, internationally-based scholars and researchers.

Caroline Colijn, Imperial College mathematician and Chair in Mathematics for Infection, Evolution and Public Health, was the first of two Canada 150 Research Chairs to arrive at SFU. Colijn's research is focused on building mathematical and statistical tools to optimize use of the rich data available from sequencing technologies, with the ultimate aim of improving how infections are controlled.

Wendy Hui Kyong Chun joined the SFU Faculty of Communication, Art and Technology (FCAT) this past winter as the Canada 150 Research Chair in New Media. Inspired by her interdisciplinary background in engineering and English literature, Chun's research focuses on breaking down barriers to solve the most pressing issues of our time. Her research group will work to build connections across disciplines and combat hostile online interactions, fake news, and echo chambers.





NEW ACADEMIC PLAN

The university's Academic Plan for 2019-2024, developed this year, is designed to ensure that SFU is taking the necessary steps to be the university it wants to be in 2024 and beyond. The university's goals, as described by the plan, include providing exceptional and distinctive academic programming and an outstanding student experience, continuing to grow SFU's world-class scholarship and creativity, advancing the university's mutually beneficial relationships with the community, and contributing to social infrastructure for a better world.

The plan addresses five challenges:

- advancing the curricular, co-curricular, physical and virtual environments to make the student experience at SFU the best it can be;
- taking a hard look at the university's curriculum and associated practices to ensure that they are meaningful, easy to navigate and that they meet student needs;
- furthering connections between SFU and the broader community;
- removing barriers and actively seeking opportunities to work across the disciplines and administrative boundaries; and
- recruiting and hiring the best talent for tomorrow's needs while supporting SFU's equity and diversity objectives.



WE MOBILIZE

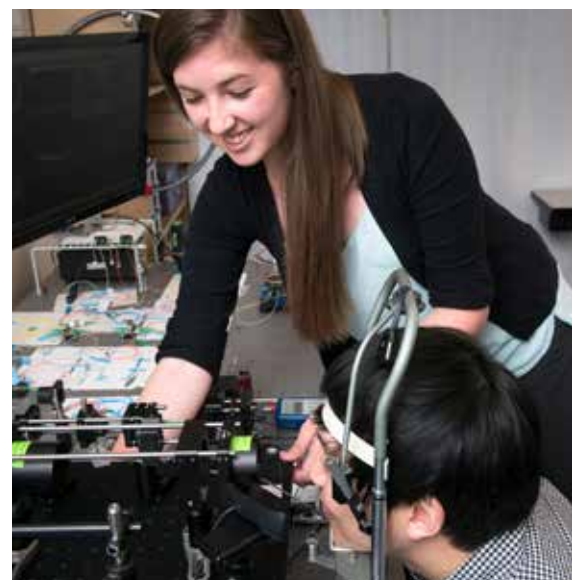
4D LABS

SFU's core facility, 4D LABS, has received a generous investment of over \$1.9 million from Western Economic Diversification Canada. The funding will be used to equip 4D LABS' new Centre for Advanced Manufacturing and Integration with state-of-the-art machinery to help prototype and manufacture advanced micro and nanotechnologies. The sectors that will benefit from this technology include information and communication technology, energy, healthcare, transportation and security.

The investment will further contribute to the resources 4D LABS offers to the innovation community. The multi-million dollar state-of-the-art materials science and engineering facility allows researchers, engineers and industry to develop prototypes and leverage characterization and testing

equipment to understand and resolve product issues. 4D LABS provides comprehensive expertise and equipment under one roof, while bringing a variety of industry clients together.

As part of the university's innovation strategy—SFU Innovates—4D LABS is contributing to bridging the gap to create innovations that benefit society. The interaction between industry, researchers and 4D LABS' material experts has fostered an environment that has successfully transformed research into world-class companies, such as Nanotech Security Corporation.



2018 #BCTECH SUMMIT

With 21 countries and four continents represented, the 2018 #BCTECH Summit showcased B.C. innovation on a global stage – and SFU was proud to be an Innovation Partner for the event.

Held May 2018 at the Vancouver Convention Centre, the summit saw SFU's leadership in innovation on display, with 16 researchers showcasing their groundbreaking projects. From a researcher making virtual reality a collective experience, to another making full mobility a reality for paralyzed and mobility-disabled people, it was apparent that SFU is accelerating innovative research to deliver breakthroughs across the full spectrum of science and social sciences.

The university is building on a decade of leadership in the field of big data, and Joy Johnson, SFU's vice-president, research and international spoke in a session called *Harnessing the Power of Data for Innovation*. She inspired attendees and discussed the truth about big data – that it is disruptive, and the conversations that convene from partnerships are fundamental.

Startup companies supported by the SFU Innovates programs Coast Capital Savings Venture Connection®, SFU VentureLabs®, and RADIUS were also showcased at the summit.

COMMUNITY ENGAGED RESEARCH

Canadian post-secondary institutions are already well recognized for the contributions they make to society through their education and research mandates – preparing the workers, entrepreneurs and leaders of tomorrow, as well as generating discoveries and innovations that increase prosperity, improve sustainability and enhance our quality of life. Yet, while our institutions already contribute significant social value to the communities we serve, we have capacity to do more.

As one of the four founding partners of the B.C. Collaborative for Social Infrastructure, SFU is establishing itself as a leader in championing the capacities of post-secondary education institutions to engage communities and build social infrastructure. In keeping with this commitment, the university is planning to expand its presence across all three campuses, including a research hub at 312 Main Street in downtown Vancouver.

The Community Engaged Research initiative at SFU will strengthen the capacity of SFU researchers and students to engage with community members and develop and strengthen meaningful, ethical and productive research partnerships and networks in areas such as rights, justice and reconciliation, Indigenous research, health, social innovation and economic development.



OUR PRINCIPLES

In addition to the core themes of engaging students, engaging research, and engaging communities, we are committed to six principles which underpin all strategic activities at Simon Fraser University.



ACADEMIC AND INTELLECTUAL FREEDOM

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

DIVERSITY

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

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.

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 in its faculty and staff.

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

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.



MANAGEMENT DISCUSSION AND ANALYSIS

(unaudited)

INTRODUCTION

Our vision to be Canada's 'engaged university' drives the strategic planning, budgeting and fiscal management processes we use to allocate finite financial resources and optimize service results. Our governance context, as described in the following pages, culminates with a description of the accountability methods we use. This Annual Financial Report is the leading measure of the university's financial accountability.

Achievement of our vision hinges on SFU's financial health. A comprehensive perspective of the university's financial well-being is provided by this Annual Financial Report, which includes this unaudited Management Discussion and Analysis (MD&A) as management's perspective on SFU's financial health. The MD&A is to be read in conjunction with the audited Consolidated Financial Statements.

KEY FINANCIAL PERFORMANCE INDICATORS

- Revenue grew 7.4% to \$781 million demonstrating sustained demand.
- Expenses grew 7.4% and were fully covered by revenue growth, providing a net annual surplus.
- Debt burden is low, bond rating is high and financial assets fully cover all liabilities.
- Operating reserves are stable and are within the prudent range to support operational stability.
- Employee benefit obligations are challenging but manageable.
- Facilities infrastructure deferred maintenance funding is growing to support service sustainability.
- Endowment capital grew 7.0% to \$360 million.

The Financial Health and Comparative Financial Information sections of this report provide substantive information on the foregoing.

This year's revenue of \$781 million exceeded expenses of \$731 million, resulting in an Annual Operating Surplus Before Restricted Contributions of \$50 million for the year ended March 31, 2019. These funds are utilized to support the university's operational and capital plans, which are directed to sustaining and improving service delivery.

Operational plans include: execution of multi-year academic, research and service support plans; maintenance of financial reserves to preserve programs as well as uphold financial and academic credibility; and generation of sufficient working capital to sustain operations in the face of growth and inflationary pressures.

Capital plans include:

- *Renewal of the university's existing facilities infrastructure:* SFU's 434,000 square metres of owned and leased facilities (insured replacement value of \$1.7 billion). Since capital borrowing is effectively prohibited, significant upfront funds must be generated from operations to maintain the university's infrastructure. SFU-generated funds paid for \$49 million of building renewal expenditures in 2019.
- *Development of new facilities infrastructure:* Externally restricted capital contributions often only cover a portion of the costs necessary to develop new facilities, necessitating funding from operations.

CONTEXT OF FINANCIAL ACCOUNTABILITY

As described in the preceding pages, the university's vision, mission and underlying principles drive strategic and operational planning, including financial planning. The university's Budget and Financial Plan advances SFU's vision through allocating and utilizing resources based on the university's strategic priorities.

The Budget and Financial Plan assists in guiding service delivery within the framework of financial accountability. Empowerment of the university's personnel is key to achieving results and is provided through delegation of authority, responsibility, and accountability pursuant to financial management roles. To this end, personnel are informed with accessible, reliable and relevant information, as well as equipped with effective business processes and financial transaction standards. Internal controls of finances are established by management in the context of their roles, with internal oversight and accountability as the means to achieve reasonable assurance of the reliability and effectiveness of the university's financial operations.

SFU is accountable for its service performance against standards including government-identified indicators and external university rankings systems. The university must also provide accountability in terms of its finances, both internally and externally. This Annual Financial Report is set in the overall context of the university's vision, goals, plans, budgets and service accountability as described in the accompanying chart.

GOVERNANCE CONTEXT SETTING OF THE ANNUAL FINANCIAL REPORT

STRATEGIC VISION

- Mission and Values
- Core Themes and Goals:
 - Engaging Students
 - Engaging Research
 - Engaging Communities

STRATEGIC PLAN

- University Planning Framework
- Academic Plan
 - Faculty and Department Plans
 - Enrolment Plan
- Research Plan
- Community Engagement Plan
- Other Supporting Plans

UNIVERSITY BUDGET

- Budget Review Committee
- University Priority Fund
- University-Wide Strategic Investments
- Capital Planning Steering Committee
- Budget Model
- Budget Guiding Principles

SERVICE DELIVERY

- Assignment Delegation of Authority and Resources
- Expenditure Transaction Standards
- Internal Oversight and Accountability

FINANCIAL ACCOUNTABILITY

- **Annual Financial Report**
- Budget Book
- Sponsor and Government Reports
- Sponsor and Government Audits
- Bond Ratings

SERVICE ACCOUNTABILITY

- Accreditation Reviews
- Peer Reviews
- Government Letter of Expectations
- University Rankings

FINANCIAL HEALTH PERSPECTIVE AND PROSPECTS

1. DO REVENUES COVER EXPENSES AND PROVIDE FOR STRATEGIC AND INFRASTRUCTURE RENEWAL?

A key indicator of financial health is the ability of an organization to generate sufficient revenue to cover expenses and fund strategic operational improvement and infrastructure renewal. This was achieved by the \$50 million Annual Operating Surplus Before Restricted Contributions.

The university is in compliance with the Government of British Columbia's no annual deficit requirement.

2. IS REVENUE RESILIENT?

Revenue growth, as well as diversity and stability of revenue sources, are primary indicators of revenue resiliency. These factors will be considered in the following discussion.

Revenue growth

Revenue growth is essential to consistent multi-year service delivery and financial health. The university has experienced steady, modest growth of total revenue over the past five years. Total annual revenue has grown from \$653 million in 2015 to \$781 million in 2019.

2019 Revenue by Type

- Tuition
- Province of British Columbia
- Government of Canada
- Donations, grants, contract and other
- Sales of goods and services
- Amortization of deferred capital contributions
- Investment income

Revenue stability

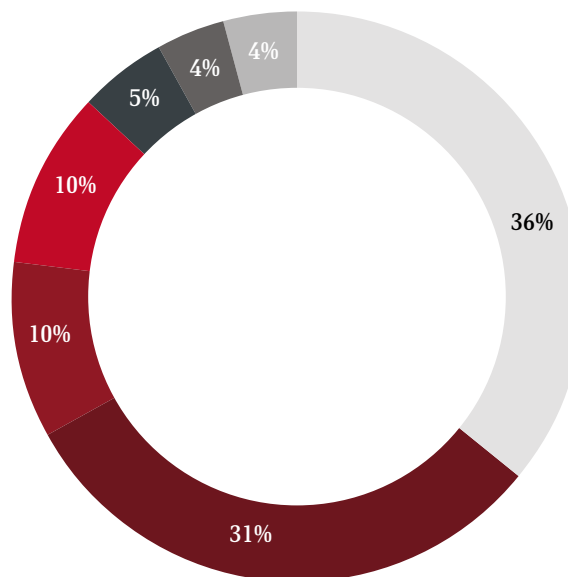
Government funding

The Province of British Columbia provides operating funding to deliver credit courses to eligible students and sets enrolment targets for Full Time Equivalent domestic undergraduate and graduate students (including co-op students). Both of these types of enrolments are stable and consistently exceed the targets.

Future prospects to achieve target requirements are strong, considering there is a large diverse population adjacent to SFU's campuses in British Columbia's three largest cities: Vancouver, Surrey and Burnaby.

Revenue diversity

Multiple sources of revenue minimize dependency risk and contribute to financial stability. The university's diverse revenue sources are summarized in the following chart.



Additionally, the provincial government's B.C. Labour Market Outlook anticipates that the majority of job openings within the next 10 years will require post-secondary education. Continuity of provincial government funding is dependent on achieving alignment with the Ministry of Advanced Education, Skills and Training's mandate for post-secondary education. The university is strategically directing its future growth towards programs and operations that align with the Ministry's mandate.

Tuition revenue

Domestic undergraduate and graduate enrolments have been stable, and domestic tuition revenue increases are primarily attributable to annual tuition increases of 2%, which is the limit mandated by the provincial government.

International undergraduate revenue has grown as a result of both enrolment and fee increases, and this growth has been a primary contributing factor toward the increase in total tuition revenue of the university.

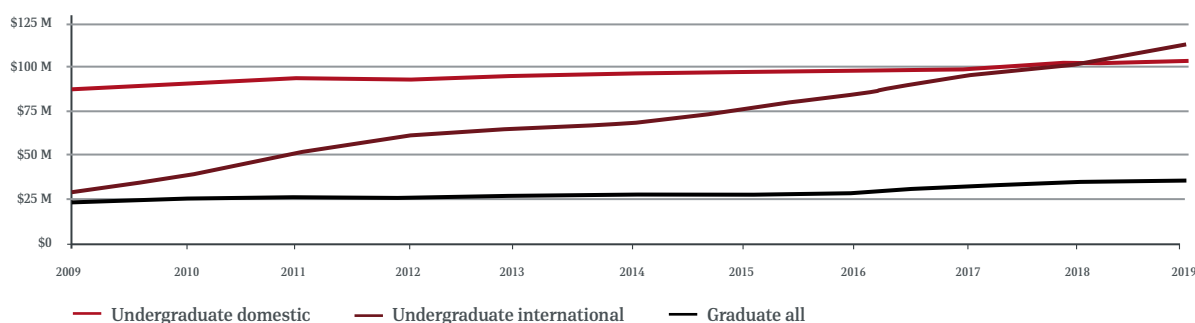
Tuition fees for international students are higher than those for domestic students, as there is no associated provincial government funding provided for international students. The

fees are set in the context of a competitive global market and are not subject to government restrictions.

Future prospects for attracting and retaining international undergraduate students are strong, considering the strength of global demand for university education, SFU's international reputation and long involvement in international education marketing and delivery, and the desirable location of Metro Vancouver.

Since 2015, annual tuition revenue has exceeded provincial operating funding, and continues to trend upwards.

Credit Tuition Revenue by Type



Provincial Operating and Total Tuition Revenue



Research revenue

SFU is one of Canada's top 20 research universities on Research Infosource's 2018 Top Research Universities List. Among Canadian comprehensive universities, SFU places within the top three in total sponsored research income and number one in terms of its publication impact (2018 Research Infosource ranking). The Government of Canada is the leading funder of research at the university, contributing 66% of SFU's total research funding in 2019.

Future research funding is anticipated to remain strong given the federal government's innovation agenda. The Government of Canada's 2020 Innovation Fund will provide up to \$520 million to support innovative initiatives that

will allow institutions to accelerate current research and technology development. The federal government also invests in research excellence through the Research Support Fund, which currently has a base budget of \$369 million and serves 125 post-secondary institutions across the country.

The university's future funding is further influenced by the success rate of SFU faculty in research competitions and its ability to source matching funds from corporations, governments and institutions. The operational model of research is designed to adapt quickly to variable funding levels.

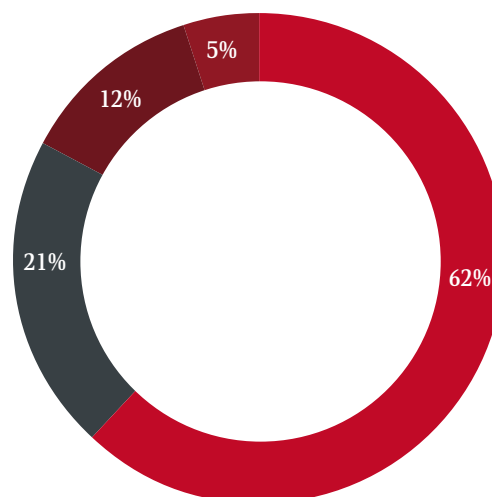
3. IS THE COMPOSITION OF EXPENSE BY TYPE STABLE?

SFU's fiscal management system of setting goals, allocating budgets, and streamlining operations is intended to achieve optimal expenditure of financial resources within the confines of the university's available revenue. Expenditure budgets required to deliver the associated services are linked to key revenues, such as tuition, research awards and contracts revenue.

SFU's largest expense is salaries and employee benefits. Despite multiple factors impacting remuneration expenses, such as rate changes, retroactive labour settlement payments and changes to accounting standards, the expenses have remained relatively stable. For the last 20 years, salaries and benefits expenses as a percentage of total expenses has been within the range of 60% to 65%, with 2019 at 62%.

2019 Expense by Type

- Salaries and employee benefits
- Supplies and services
- Amortization, interest and utilities
- Scholarships and bursaries



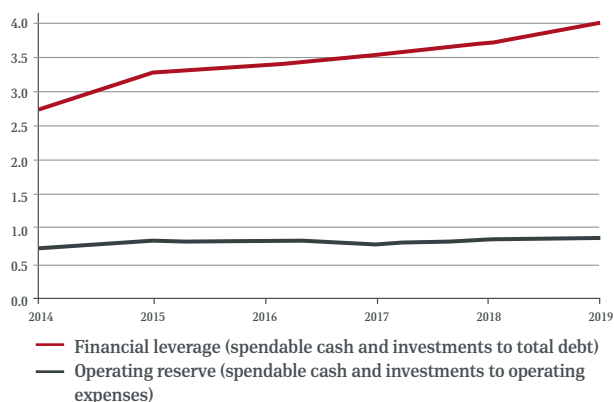
4. CAN FINANCIAL OBLIGATIONS BE MET?

Capital markets utilize independent credit rating agencies to assess an organization's ability to manage debt. Moody's Investors Service has provided a credit rating of Aa1 on SFU's senior unsecured debt, with a stable outlook. This rating is the highest among SFU's comprehensive university peers, as assessed by Moody's Investors Service.

Moody's tracks SFU's financial leverage which is the ratio of expendable cash and investments (excluding endowments) to total debt. This ratio has increased since 2014 as SFU is restricted from taking on further debt.

Spendable cash and investments to operating expenses has remained stable.

Debt Burden Ratio and Spendable Assets Coverage of Expense Ratio



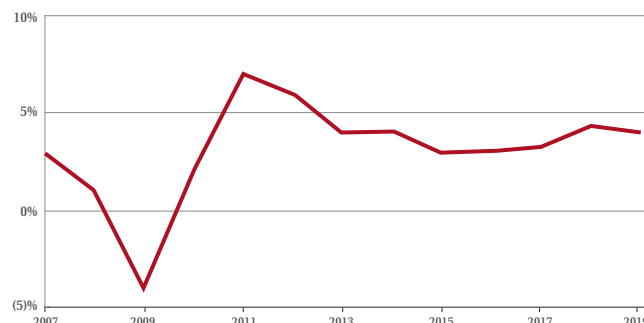
As at March 31, 2019, SFU's tangible capital assets net book value is effectively financed 13.2% (2018: 14.4%) by long-term debt. This means that future students will benefit from access to assets with low associated debt obligations. Interest on long-term debt, at 1.1% of total revenue for the year ended March 31, 2019, is sufficiently low so as not to restrict the flexibility of operations.

The university has net financial assets of \$133 million, as measured by Public Sector Accounting Standards. This is a strong indicator of the university's ability to discharge its financial obligations.

5. ARE OPERATING RESERVES REASONABLE?

Reserves are essential to protect operations from variability in revenue and expenses, and to follow through on commitments not completed by the fiscal year end. At the same time, reserves should not be excessive such that they are detrimental to the delivery of current services. The university's operating reserve financial performance measure is Net Operating Accumulated Surplus as a Percentage of Total Consolidated Revenue. A positive operating reserve level of up to 9% of consolidated revenues represents a reasonable operating reserve level for SFU. Except for the 2009 year, where there was a significant negative impact due to the global financial crisis, this indicator has operated within the acceptable range.

Net Operating Accumulated Surplus as a Percentage of Total Consolidated Revenue



6. ARE OBLIGATIONS ASSOCIATED WITH ONGOING EMPLOYEE BENEFITS SUSTAINABLE?

Employee compensation includes defined benefit pensions, post-retirement benefits, and long-term disability benefits, which the university is obligated to provide after active service. The expenses of providing these plans are determined through actuarial measurements. As there is a financial risk to the university related to the obligation to make future payments, it is relevant to review the financial sustainability of these contractual commitments.

Defined benefit pensions plans

The defined benefit pension plans (Administrative/Union Plan and Academic Formula Retirement Benefit Plan) have Boards of Trustees who manage the plans' investment assets and administer the benefits. The university is responsible for funding the pension plans.

The university's net pension asset increased \$18 million during the year to reach \$38 million at year end. The university's contributions to the plans of \$22 million, determined pursuant to the B.C. Pension Benefits Standards Act, exceeded the current period benefit costs of \$16 million.

The Pension Benefits Standards are more conservative assumptions than the assumptions used in the accounting valuation prepared in accordance with Public Sector Accounting Standards.

This has resulted in contributions exceeding expenses, and thus an increase in the pension asset. The manner in which actuarial gains and losses are applied in determining contributions and expenses further impacts these amounts.

The unamortized gain in 2019 is \$20 million. When amortized, this will reduce future pension expenses.

As SFU bears the financial and actuarial risks associated with the defined benefit pension plans, the university engages with stakeholders to establish an appropriate, balanced and sustainable approach going forward.

Post-retirement and long-term disability benefits

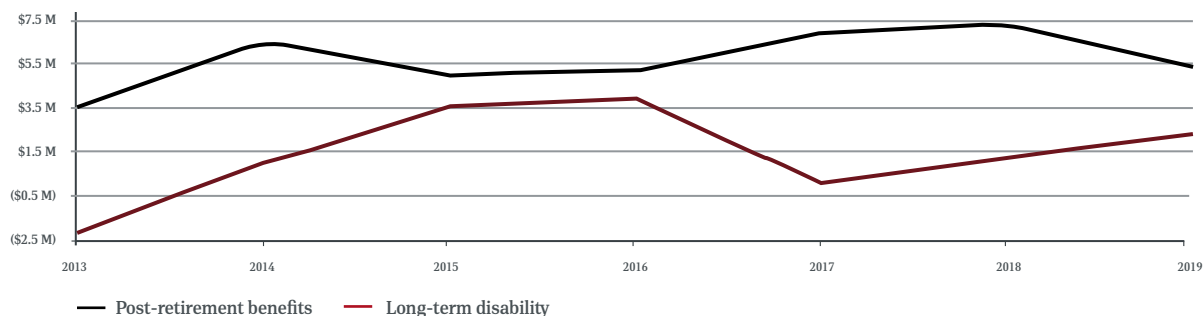
The university provides employee future benefits in the form of post-retirement (medical and early retirement) and long-term disability benefits, for which the expenses, obligations and liabilities are determined by actuarial methods. These plans are unfunded, but the university has sufficient liquid assets to cover the recognized liabilities.

The long-term disability benefits expenses are fully recognized in the year in which the event occurs. As an event-driven compensated absence benefit, immediate recognition results in greater variances and less predictability year to year as the number and nature of claims occur.

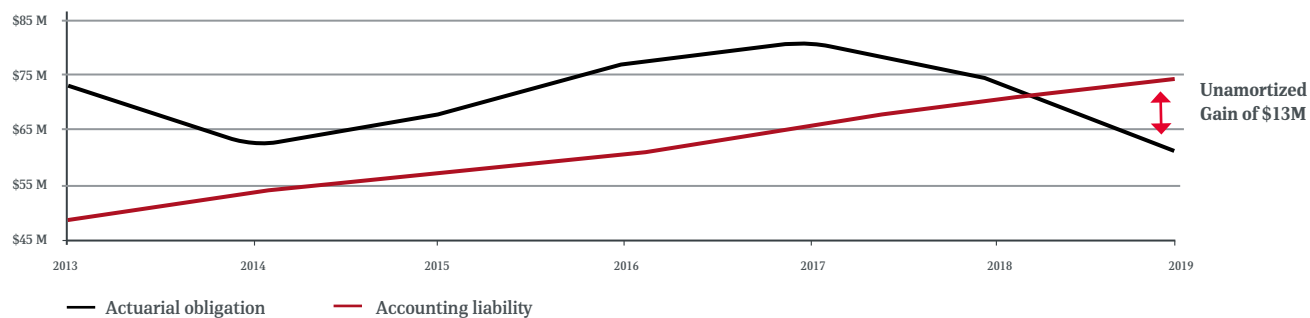
Accounting for post-retirement benefits involves the deferral and amortization of actuarial gains and losses. This accounting method results in a more predictable recognition of expenses and an unamortized actuarial gain or loss.

The difference between the post-retirement accrued benefit obligation of \$61 million and the liability of \$74 million at year end is a \$13 million unamortized gain, which will be recognized by the university as revenue over the Expected Average Remaining Service Lifetime (EARS�) of active employees.

Post-Retirement and Long-Term Disability Benefits Expense



Post-Retirement Benefits Unamortized Gain



7. ARE FACILITIES BEING SUSTAINED?

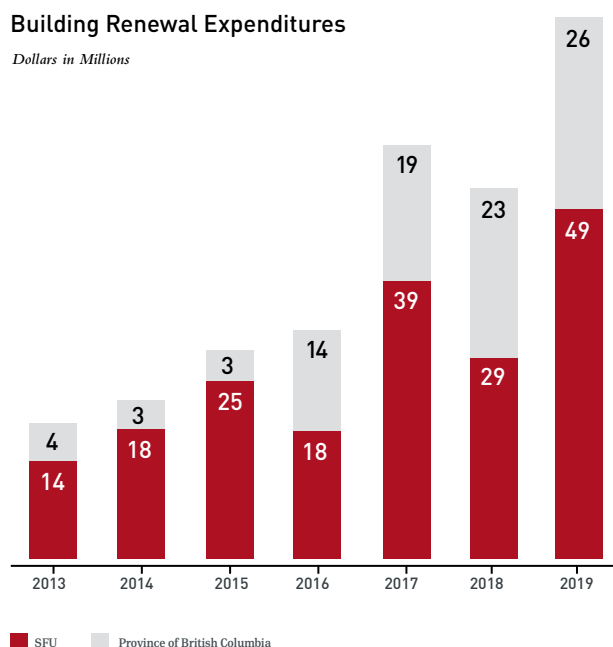
The university has substantial facilities across its three campuses to support high-quality education and research. SFU's Burnaby campus has an aging physical infrastructure that is experiencing physical deterioration and functional obsolescence, resulting in deferred maintenance requirements.

Extending the useful lives and updating the functional utility of buildings and related infrastructure involves considerable cost. Significant funding challenges arise from limitations on acquiring debt, availability of government capital contributions and capacity of the university to fund capital renewal from operations.

In recent years, with increased routine capital support from the Province of British Columbia (\$26 million in 2019) along with SFU's efforts toward building renewal, the university is beginning to make significant progress on the deferred maintenance issue.

Building Renewal Expenditures

Dollars in Millions



The remainder of the MD&A provides five-year comparative analyses of key aspects of the university's financial position and operations.

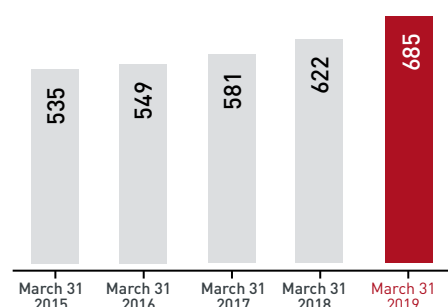
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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.

COMPARATIVE FINANCIAL INFORMATION

FINANCIAL ASSETS

Dollars in Millions



Financial assets increased 10.1% to \$685M.

Dollars in Thousands	2019	2018
Cash and cash equivalents	30,778	67,656
Accounts receivable	16,994	9,864
Inventories for resale	1,547	1,919
Due from related parties	13,217	23,100
Pensions	38,110	19,935
Portfolio investments	560,690	480,289
Investment in Great Northern Way Campus Trust	12,148	9,192
Investment in SFU Community Trust	11,215	10,000
Total Financial Assets	684,699	621,955

Cash and cash equivalents decreased as management's estimate of amounts required to meet short-term obligations was lowered.

Accounts receivable increased because of a higher Build SFU receivable as the new student union building is in the final stages of completion.

Due from related parties decreased because the university received \$6M from Great Northern Way Campus Trust. This was the final payment from their \$15M distribution declared in 2018.

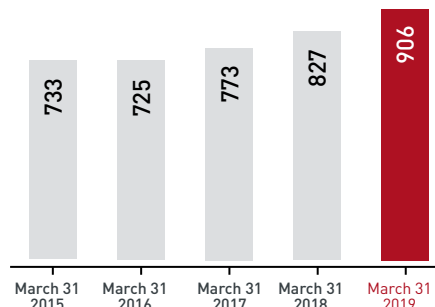
Pensions increased primarily because contributions to the defined benefit plans as required by the Pension Benefits Standard Acts continue to exceed the related expense determined by Public Sector Accounting Standards.

Portfolio investments increased due to a reduction in cash and cash equivalents. Additionally, investments have grown by \$50M, driven primarily by strength in both domestic and foreign equity markets.

Investment in Great Northern Way Campus Trust has increased due to the net income reported by Great Northern Way of \$3M.

NON-FINANCIAL ASSETS

Dollars in Millions



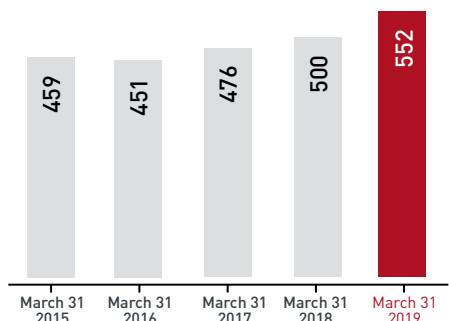
Non-financial assets increased 9.6% to \$906M.

Dollars in Thousands	2019	2018
Tangible capital assets	1,119,961	1,027,581
Less Deferred capital contributions	(578,590)	(540,347)
Restricted investments	361,153	337,711
Prepaid expenses	3,233	1,442
Inventories held for use	471	475
Total Non-Financial Assets	906,228	826,862

Tangible capital assets Tangible capital assets include land, buildings, leasehold improvements, library acquisitions, computers, and equipment and furnishings. The increase in the net book value of tangible capital assets of \$92M is the result of \$160M of capital additions, partially offset by \$67M of amortization. Significant additions include a new building and improvements \$105M, equipment and furnishings \$11M, and computer equipment \$20M.

Deferred capital contributions increased by \$72M of funding during the year, partially offset by \$34M of amortization. The largest contributions during the year were \$30M in Canadian and BC government funding for the Sustainable Energy and Environmental Engineering building in Surrey and \$25M in other provincial capital funding.

Restricted investments relate primarily to the endowment. These investments are not available for use in university operations. The \$23M increase from the prior year resulted primarily from donations of \$8M and capitalized investment income of \$15M.

LIABILITIES*Dollars in Millions*

Liabilities increased 10.4% to \$552M.

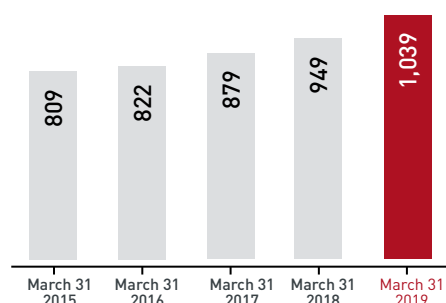
<i>Dollars in Thousands</i>	2019	2018
Accounts payable and accrued liabilities	88,877	65,487
Employee future benefits	83,717	79,230
Long-term debt	148,247	147,961
Deferred revenue	181,420	161,555
Deferred lease proceeds	49,483	45,602
Total Liabilities	551,744	499,835

Accounts payable and accrued liabilities increased primarily because of \$15M in additional accruals of holdbacks and liens for various construction projects.

Employee future benefits liability increased \$4M as a result of the \$16M increase in unamortized net actuarial gain, offset by a \$12M decrease in the accrued benefit obligation.

Deferred revenue increased \$20M because of improved net endowment returns \$8M and increased activity in research and specific purpose projects.

Deferred lease proceeds is the amount of income from prepaid 99-year leases of university land which will be recognized in future years over the term of the respective leases. The net increase of \$4M consists of \$5M net proceeds from leasing less \$1M amortized and transferred over to net restricted endowment contributions.

NET ASSETS*Dollars in Millions*

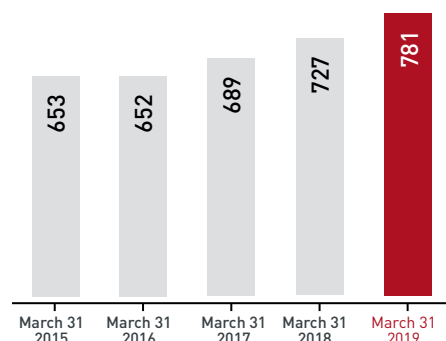
Net assets increased 9.5% to \$1,039M.

<i>Dollars in Thousands</i>	2019	2018
Internally restricted for operating commitments	80,453	74,439
Investment in tangible capital assets	549,445	505,614
Endowment	360,153	336,711
Total Accumulated Operating Surplus	990,051	916,764
Accumulated remeasurement gains	49,132	32,218
Net Assets	1,039,183	948,982

Internally restricted for operating commitments \$80M consists of net operating surplus of \$32M and university project commitments of \$49M.

Investment in tangible capital assets represents the amount of net assets related to the university's physical infrastructure.

Endowment increased as a result of \$8M of donations and \$15M of capitalized funds.

REVENUE*Dollars in Millions*

Revenue increased 7.4% to \$781M.

<i>Dollars in Thousands</i>	2019	2018
Government grants and contracts	323,541	303,400
Tuition	276,841	261,408
Sale of goods & services	41,737	40,415
Donations, non-government grants and contracts	58,287	52,394
Investment income	28,017	20,834
Investment income - GNWCT	2,988	3,915
Amortization of deferred capital contributions	34,079	28,426
Other revenue	15,166	15,946
Total Revenue	780,656	726,738

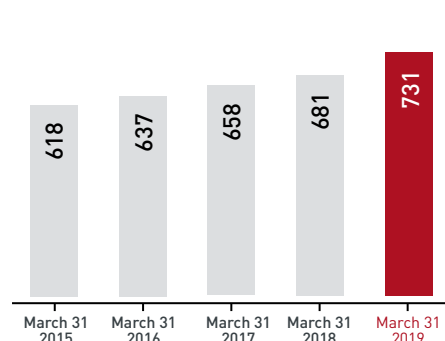
Government grants and contracts is higher than last year primarily because of increased research infrastructure funding of \$17M and a \$3M increase to the operating grant to cover salary increases and the new SEE program in Surrey.

Tuition increased by \$15M because of a 2% increase in domestic tuition rates and a 4% increase in international tuition rates.

Donations, non-government grants and contracts increased by \$6M primarily because of higher non-government contracts for both research and non-research purposes.

Investment income increased because of improved realized returns of \$3M and an increase of \$4M in the amounts transferred from income stabilization.

Amortization of deferred capital contributions is the recognition in revenue of restricted contributions for the purchase of tangible capital assets over the estimated useful lives of the related assets. The increase of \$6M is primarily due to government funded capital assets for research infrastructure.

EXPENSE*Dollars in Millions*

Expense increased 7.4% to \$731M.

<i>Dollars in Thousands</i>	2019	2018
Salaries	387,462	364,316
Employee benefits	62,681	59,727
Supplies and operating	79,998	73,686
Amortization of tangible capital assets	67,455	63,407
Professional and contracted services	48,659	42,221
Scholarships and bursaries	38,419	33,909
Travel and personnel	19,377	18,179
Cost of goods sold	6,374	6,298
Interest on long-term debt	9,143	9,138
Utilities	11,243	9,628
Total Expense	730,811	680,509

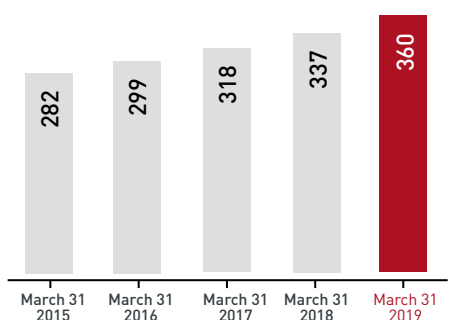
Salaries expense grew by 6% as compared to the prior year from a combination of general wage increases, job evaluations, retroactive payments, step increases, progress through the ranks and new positions.

Supplies and operating increased by \$6M primarily because of research payments to collaborating institutions.

Amortization of tangible capital assets increased by \$4M due to the commencement of amortization upon the completion of major rehabilitation projects and accelerated research infrastructure capital acquisitions.

Professional and contracted services increased by \$6M because of project activity both in operations and research.

Scholarships and bursaries increased due to additional awards for bursaries \$2M and scholarships \$2M.

ENDOWMENT*Dollars in Millions*

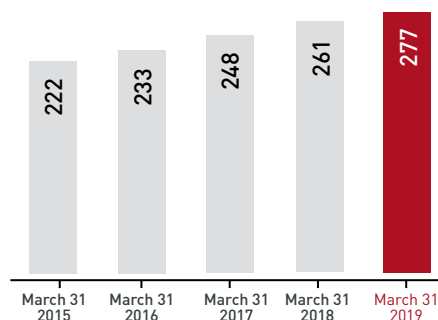
Endowment increased 7.0% to \$360M.

<i>Dollars in Thousands</i>	2019	2018
Faculty, academic & other programs	122,070	113,768
Student financial aid	108,168	101,142
Research chairs	94,780	89,489
Professorships	24,838	22,827
Library collections	6,589	6,230
Athletics	3,708	3,255
Total Endowment	360,153	336,711

Endowments consist of externally restricted donations received by the university, the principal of which is required to be maintained intact in perpetuity to support the activities of the university. The investment income generated from endowments must be used in accordance with the purposes stipulated by the donors. There were 933 (2018: 915) individual endowments that provided \$19M (2018: \$18M) in funding support during the year.

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. Donations of \$8M, reinvestment of \$4M of earnings, and capitalization of \$11M helped the endowment surplus grow to \$360M.

The income stabilization account, which is a component of deferred contributions, protects endowment spending against market fluctuations in the endowment investment fund, has a surplus of \$95M (2018: \$84M).

TUITION AND STUDENT FEES*Dollars in Millions*

Tuition and student fees increased 5.9% to \$277M.

<i>Dollars in Thousands</i>	2019	2018
Undergraduate - domestic	103,614	102,163
Undergraduate - international	112,414	101,122
Graduate	34,641	32,982
Non-credit courses and student fees	26,172	25,141
Total Tuition and Student Fees	276,841	261,408

Undergraduate domestic tuition relates to student revenue, including co-op students. Current year enrolment exceeds the Province of B.C. targets. The undergraduate domestic tuition rate has increased at 2% per year since government established a tuition limit policy in 2005.

Undergraduate international tuition revenue has increased as a result of strong enrolment demand and the tuition rate increasing by 4% over the 2018 rate. International undergraduate students are not supported by government funding and, as a result, pay the full cost of education at competitive rates in the international education market.

Graduate tuition revenue is derived from students enrolled in a range of academic and professional graduate programs which have different rates based on the types of program. Graduate students are supported by government funding and tuition rates for domestic graduate students are subject to the 2% tuition limit policy.

Non-credit courses and other student fees revenue grew by 4% overall, as a result of increases in non-credit course revenue and an increase in student fees related to credit courses.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT RESPONSIBILITY

The university is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it. The regulations require the consolidated financial statements to be prepared in accordance with Canadian Public Sector Accounting Standards except that the contributions received or receivable by the university for the purpose of acquisition of tangible capital assets are accounted for as deferred capital contributions as described in note 2c(v) of the consolidated financial statements. The consolidated financial statements present the financial position of the university as at March 31, 2019 and the results of its operations, changes in net debt, remeasurement gains and losses, and its cash flows for the year then ended.

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

The Board of Governors carries out its responsibility for review of the consolidated financial statements and oversight of management's performance of its financial reporting responsibilities principally through the Board's Audit, Risk and Compliance Committee. The committee members are neither officers nor employees of the university.

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

The audited consolidated financial statements for the year ended March 31, 2019 have been reported on by BDO Canada LLP. The Independent Auditor's Report outlines the scope of the examination and provides the firm's opinion on the presentation of the information in the statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Burnaby, BC
May 22, 2019



Professor Andrew Petter
President and Vice-Chancellor



Martin Pochurko
Vice-President,
Finance & Administration



Tel: 604 688 5421
 Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
 600 Cathedral Place
 925 West Georgia Street
 Vancouver BC V6C 3L2 Canada

Independent Auditor's Report

To the Board of Governors of Simon Fraser University, and

To the Minister of Finance, British Columbia

Opinion

We have audited the consolidated financial statements of *Simon Fraser University* and its controlled entities (the "Consolidated Entity"), which comprise the Consolidated Statement of Financial Position as at *March 31, 2019*, and the Consolidated Statements of Operations, remeasurement gains and losses, changes in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Consolidated Entity as at and for the year ended March 31, 2019 are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia (the "Act").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Consolidated Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the consolidated financial statements which describes the basis of accounting. The consolidated financial statements are prepared in order for the Consolidated Entity to meet the reporting requirements of the Act referred to above. Note 17 to the Consolidated Financial Statements discloses the impact of these differences between such basis of accounting and Canadian public sector accounting standards. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the Act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Entity, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 22, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at March 31, 2019*

<i>Dollars in Thousands</i>	Note	2019	2018
Financial Assets			
Cash and cash equivalents	4	30,778	67,656
Accounts receivable	5	16,994	9,864
Inventories for resale		1,547	1,919
Due from related parties	6	13,217	23,100
Pensions	7	38,110	19,935
Portfolio investments	8	560,690	480,289
Investment in Great Northern Way Campus Trust	9	12,148	9,192
Investment in SFU Community Trust	10	11,215	10,000
Total Financial Assets		684,699	621,955
Liabilities			
Accounts payable and accrued liabilities	11	88,877	65,487
Employee future benefits	12	83,717	79,230
Long-term debt	13	148,247	147,961
Deferred revenue	14	181,420	161,555
Deferred lease proceeds	15	49,483	45,602
Total Liabilities		551,744	499,835
Net Financial Assets		132,955	122,120
Non-Financial Assets			
Tangible capital assets	16	1,119,961	1,027,581
Less: deferred capital contributions	17	(578,590)	(540,347)
Restricted investments	8	361,153	337,711
Prepaid expense		3,233	1,442
Inventories held for use		471	475
Total Non-Financial Assets		906,228	826,862
Net Assets	18	1,039,183	948,982
Net Assets is comprised of			
Internally restricted for operating commitments		80,453	74,439
Investment in tangible capital assets		549,445	505,614
Endowment		360,153	336,711
Accumulated Operating Surplus		990,051	916,764
Accumulated Remeasurement Gains		49,132	32,218
Net Assets		1,039,183	948,982

The accompanying notes are an integral part of these financial statements

Approved:



Fiona K. Robin

Chair, Board of Governors



Martin Pochurko

Vice-President, Finance & Administration

CONSOLIDATED STATEMENT OF OPERATIONS*For the year ended March 31, 2019*

<i>Dollars in Thousands</i>	Note	Budget Note 28	2019	2018
Revenue				
Government grants and contracts				
Province of British Columbia	19	246,145	244,188	239,692
Less: portion restricted for capital	19	(15,500)		
Government of Canada	19	70,035	77,120	61,347
Other governments	19	2,723	2,233	2,361
Tuition				
Credit courses		245,987	250,669	236,267
Non-credit courses and student fees		27,130	26,172	25,141
Sales of goods and services		39,338	41,737	40,415
Donations, non-government grants and contracts		53,415	58,287	52,394
Investment income	20	34,065	28,017	20,834
Investment income - Great Northern Way Campus Trust	9		2,988	3,915
Amortization of deferred capital contributions	17	36,000	34,079	28,426
Other revenue		12,418	15,166	15,946
		751,756	780,656	726,738
Expense				
Instruction		573,057	562,312	534,549
Research		136,780	144,948	125,096
Community engagement		24,951	23,551	20,864
	21	734,788	730,811	680,509
Annual Operating Surplus Before Restricted Contributions		16,968	49,845	46,229
Net restricted endowment contributions	22	19,000	23,442	19,023
Annual Operating Surplus		35,968	73,287	65,252
Accumulated Operating Surplus, Beginning of Year		916,764	916,764	851,512
Accumulated Operating Surplus, End of Year		952,732	990,051	916,764
Annual Surplus was allocated to increase Net Assets for				
Internally restricted for operating commitments	18		6,014	10,971
Investment in tangible capital assets	18		43,831	35,258
			49,845	46,229
Endowment	22		23,442	19,023
Annual Operating Surplus			73,287	65,252

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES*For the year ended March 31, 2019*

<i>Dollars in Thousands</i>	2019	2018
Accumulated Remeasurement Gains, Beginning of Year	32,218	27,223
Unrealized Gains (Losses) Attributable to		
Portfolio investments	13,440	4,801
Designated fair value financial instruments	6,817	(2,296)
Foreign currency translation	(26)	260
(Gains) Losses Reclassified to Consolidated Statement of Operations		
Portfolio investments	(1,920)	(3,334)
Designated fair value financial instruments	(1,765)	5,214
Foreign currency translation	431	78
Other Comprehensive Income - Great Northern Way Campus Trust	(63)	272
Net Remeasurement Gains for the Year	16,914	4,995
Accumulated Remeasurement Gains, End of Year	49,132	32,218

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS*For the year ended March 31, 2019*

<i>Dollars in Thousands</i>	Note	Budget Note 28	2019	2018
Annual Operating Surplus		35,968	73,287	65,252
Net restricted endowment contributions	22	(19,000)	(23,442)	(19,023)
Net effect of remeasurement gains			16,914	4,995
		(19,000)	(6,528)	(14,028)
Acquisition of tangible capital assets	16	(197,000)	(159,835)	(160,839)
Amortization of tangible capital assets	16	69,018	67,455	63,407
Deferred capital contributions	17	105,000	72,322	90,739
Amortization of deferred capital contributions	17	(36,000)	(34,079)	(28,426)
		(58,982)	(54,137)	(35,119)
Net effect of prepaid expense		114	(1,791)	114
Net effect of prepaid lease				236
Net effect of inventories held for use		11	4	11
		125	(1,787)	361
Increase (Decrease) in Net Financial Assets in the Year		(41,889)	10,835	16,466
Net Financial Assets, Beginning of Year		122,120	122,120	105,654
Net Financial Assets, End of Year		80,231	132,955	122,120

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS*For the year ended March 31, 2019*

<i>Dollars in Thousands</i>	2019	2018
Operating Transactions		
Annual operating surplus	73,287	65,252
Items not involving cash		
Amortization of tangible capital assets	67,455	63,407
Amortization of deferred capital contributions	(34,079)	(28,426)
Employee future benefits	4,487	5,215
Income from investment in Great Northern Way Campus Trust	(2,988)	(3,915)
Income from investment in SFU Community Trust	(1,215)	(2,106)
Amortization of deferred lease proceeds	(547)	(503)
Amortization of long-term debt discount	286	285
	106,686	99,209
Changes in non-cash operating balances		
Accounts receivable	(7,130)	954
Due from related parties	9,883	(10,381)
Pensions	(18,175)	(16,479)
Inventories for resale and held for use	376	37
Prepaid expense	(1,791)	114
Prepaid lease		236
Accounts payable and accrued liabilities	23,390	7,040
Deferred revenue	19,865	3,069
Deferred lease proceeds	4,428	8,904
Cash Provided by Operating Transactions	137,532	92,703
Investing Transactions		
Decrease (increase) in investments, net of remeasurement gains/losses	(86,929)	202
Net distribution from Great Northern Way Campus Trust	32	14,124
Cash Provided by (Used in) Investing Transactions	(86,897)	14,326
Financing Transactions		
Deferred capital contributions received	72,322	90,739
Cash Provided by Financing Transactions	72,322	90,739
Capital Transactions		
Acquisition of tangible capital assets	(159,835)	(160,839)
Cash Used in Capital Transactions	(159,835)	(160,839)
Net Increase (Decrease) in Cash and Cash Equivalents	(36,878)	36,929
Cash and Cash Equivalents, Beginning of Year	67,656	30,727
Cash and Cash Equivalents, End of Year	30,778	67,656

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

1. AUTHORITY AND PURPOSE

Simon Fraser University (the 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 Province of British Columbia. The academic governance of the university is vested in its Senate. The university is a registered charity and is exempt from income taxes under section 149 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

Financial Reporting Framework

The consolidated financial statements have been prepared in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it; the Financial Reporting Framework (FRF).

The Budget Transparency and Accountability Act requires that the consolidated financial statements be prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) except as modified by regulation 198/2011. The regulation requires that contributions received or receivable by the university for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are to be accounted for as deferred capital contributions as described in note 2c(v). Note 17c summarizes the impact of FRF versus PSAS on the consolidated financial statements.

Revenue recognized in the Consolidated Statement of Operations and certain related deferred capital contributions are recorded differently under FRF as described herein than under PSAS.

b. Basis of consolidation

Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of organizations which are controlled by the university. Government business enterprises are accounted for by the modified equity method. Other controlled organizations are consolidated or proportionately consolidated and inter-organizational transactions, balances and activities have been eliminated on consolidation.

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

- Consolidation: SFU Foundation (100%); SFU Community Corporation (100%); and SF Univentures Corporation (100%).
- Proportionate consolidation: TRIUMF (7.14% interest); Western Canadian Universities Marine Sciences Society (20% interest); and Innovation Boulevard Corporation (50% interest).

The university's proportionate interest in TRIUMF changed from 7.69% in 2018 to 7.14% after McMaster University became a full member of TRIUMF.

Investment in government business enterprises

Government business enterprises are accounted for by the modified equity method. Under this method, the university's investment in the business enterprise and its net income and other changes in equity are recorded as earned. No adjustment is made to conform the accounting policies of the government business enterprise to those of the university. Other comprehensive income is accounted for as an adjustment to net assets of the university. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions involving assets that continue to be controlled by the university.

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

- SFU Community Trust (SFUCT) (100% interest).
- Great Northern Way Campus Trust (GNWCT) (25% interest).

c. Revenue recognition

(i) Operating government grants not restricted in use are recognized when received or receivable. Such grants, if contributed for a future period, are deferred and reported as deferred revenue until that future period.

(ii) Other unrestricted revenue, including tuition and sales of goods and services, is reported as revenue at the time the service or product is provided.

(iii) Unrestricted contributions and donations are recognized as revenue when received.

(iv) Gifts-in-kind are recorded at fair market value on the date of their donation or at nominal value if the fair market value cannot be reasonably determined.

(v) Externally restricted contributions (grants and donations) are recorded as deferred revenue and then recognized as revenue when the restrictions specified by the contributors are satisfied.

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

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

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

d. Financial instruments

Financial instruments are classified into two categories: (i) fair value and (ii) cost/amortized cost.

(i) Fair value category: portfolio instruments that are quoted in an active market and derivatives are reflected at fair value as at the reporting date. Other investments held by the university which are managed on a fair value basis have been designated to be recorded at fair value, with the exception of the long-term annuity and residual interest in real property. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are immediately recorded as an expense. Unrealized gains and losses on unrestricted financial assets are recognized in the Consolidated Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to sale or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Consolidated Statement of Operations and related balances are reversed from the Consolidated Statement of Remeasurement Gains and Losses.

Financial instruments are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category, as described below:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

(ii) Cost/amortized cost category: cash and cash equivalents are recorded at cost. Other financial instruments including residual interest in real property, accounts receivable, due from related parties, accounts payable and accrued liabilities, and long-term debt are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Consolidated Statement of Operations upon derecognition or impairment.

e. Inventories for resale

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

f. Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Non-financial assets includes deferred capital contributions as no cash is required to dispose of this contra-asset that is required to be recorded pursuant to the Budget Transparency and Accountability Act (note 2a). Presentation of deferred capital contributions as a part of non-financial assets also enables net financial assets to be presented in accordance with Canadian PSAS.

g. Foreign currency translation

The university's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the consolidated financial statements in equivalent Canadian dollars at the exchange rate in effect on the date of the consolidated financial statements. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or consolidated financial statement date is recognized in the Consolidated Statement of Remeasurement Gains and Losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the Consolidated Statement of Remeasurement Gains and Losses, and the exchange gain/loss in relation to the exchange rate at the date of the item's initial recognition is recognized in the Consolidated Statement of Operations.

h. Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and that affect the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include: the useful life of tangible capital assets, estimated pension and employee future benefits, liability for contaminated sites, and impairment of assets.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available.

Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

i. New accounting standards

Effective April 1, 2022 the university will be required to adopt PS3400 Revenue. Under the standard, transactions that include performance obligations are identified as "exchange contracts" while those that do not have performance obligations are identified as "non-exchange contracts". Revenues from exchange contracts are to be recognized when the underlying performance obligations have been satisfied while revenues from non-exchange contracts are to be recognized when received or receivable. This standard may be applied retroactively or prospectively and early adoption is permitted. The impact of adopting this standard on the university's financial results cannot be determined at this time.

Effective April 1, 2021 the university will be required to adopt PS3280 Asset Retirement Obligations. This standard establishes when to recognize and how to measure an asset retirement obligation. This standard may be applied retroactively or prospectively and early adoption is permitted. The impact of adopting this standard on the university's financial results cannot be determined at this time.

3. FINANCIAL INSTRUMENTS 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:

Financial Instrument Risks	Market Risk				
	Credit Risk	Liquidity Risk	Foreign Exchange	Interest Rate	Other Price
Cash and cash equivalents	X		X		
Accounts receivable	X		X		
Due from related parties	X	X			
Investments - portfolio and restricted	X	X	X	X	X
Accounts payable and accrued liabilities		X	X		
Long-term debt		X		X	X

Credit risk

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

Cash and cash equivalents

Credit risk associated with cash and cash equivalents is minimized by ensuring that these assets are invested in Schedule 1 Canadian chartered banks.

Accounts receivable

The Province of British Columbia is the largest single source of revenue for the university. Management believe that the concentration of accounts receivable for other sources is limited.

- Student accounts receivable is made up of a large population of limited amounts. The university has leverage to stop further enrolment and the granting of transcripts until payment is made. Additionally, the university personnel manage the collection of overdue accounts proactively.
- Other receivables, advances and tax recoveries are generally with governments, major institutions and other credit worthy institutions.

The university maintains allowances for potential credit losses and such losses to date have been within the university's expectations. In making estimates in respect of the allowance for doubtful accounts, current economic conditions, historical information, reasons for the accounts being past due and line of business from which the receivable arose are all considered in the determination of when to

allow for past due accounts. The same factors are considered when determining whether to write off amounts charged to the allowance account against the amounts receivable.

Due from related parties

The university believes its receivable from SFU Community Trust and Great Northern Way Campus Trust are collectible based on its understanding of the business plans of the Trusts.

Investments - portfolio and restricted

The university has investment policies to ensure investments are managed appropriately in order to balance preservation of capital, liquidity requirements and investment returns. The university retains several external investment management firms to invest funds in accordance with its investment policies, utilizing diverse agreed upon investment strategies primarily in active trading markets. The fair value hierarchy for fair value measurements provides an indication of the overall types of investments held at March 31, 2019: 96% quoted prices in active markets for identical investments (level 1) and 4% 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 that funding for significant capital projects be secured before expenditures are incurred.

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 factors affecting financial instruments traded in the market. The significant market risks to which the university is exposed are foreign exchange risk, interest rate risk and other price risk.

Foreign exchange risk

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

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

The university uses foreign exchange forward contracts only as a defensive strategy for any significant known future obligations to manage foreign exchange transaction exposures. There were no forward contracts outstanding at March 31, 2019 and March 31, 2018.

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 debentures.

The university's cash and cash equivalents includes amounts on deposit that earn interest at market rates. The university manages its exposure to the interest rate risk of its cash in order to maximize the interest income earned on funds available for investment while maintaining the liquidity at levels necessary to conduct operations on a day to day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the university's results of operations.

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

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from foreign exchange 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 Schedule 1 Canadian chartered banks, held primarily in Canadian currency, and are presented net of outstanding items including cheques written but not cleared by the bank as at the date of the Consolidated Statement of Financial Position.

5. ACCOUNTS RECEIVABLE

<i>Dollars in Thousands</i>	2019	2018
Revenue receivable	7,687	6,394
SFSS - Build SFU	6,444	1,921
Other receivables	2,029	2,426
GST receivable	1,410	1,095
Provision for doubtful accounts	(576)	(1,972)
Accounts Receivable	16,994	9,864

Revenue receivable relates to services to students, ancillary services and government grants. Other receivables relate to employee travel advances and third party billings.

SFSS - Build SFU pertains to a receivable related to the construction of a new student union building by the Simon Fraser Student Society (SFSS).

6. DUE FROM RELATED PARTIES

<i>Dollars in Thousands</i>	2019	2018
SFU Community Trust receivable		
Distribution receivable, non-interest bearing, to be settled within one year	3,213	6,798
Promissory note, interest at prime rate less 0.5% per annum, due December 31, 2020	5,149	5,149
Accrued interest receivable on promissory note	44	
Parking agreement receivable, interest at prime rate, due December 31, 2021	4,474	4,474
Accrued interest receivable on parking agreement	143	116
Due from SFU Community Trust	13,023	16,537
Great Northern Way Campus Trust receivable		
Distribution receivable, non-interest bearing, unsecured to be settled within one year	194	
Promissory note, unsecured with no fixed payment terms		6,400
Note receivable, non-interest bearing, unsecured with no fixed repayment terms		163
Due from Great Northern Way Campus Trust	194	6,563
Due from Related Parties	13,217	23,100

Pursuant to a parking agreement, the university and SFUCT have agreed to the total amount of the obligation of \$15,000,000, of which \$526,000 (2018: \$526,000) has been received. Recognition of the receivable from SFUCT occurs in relation to phases of development; \$10,000,000 remains to be recognized in relation to future phases of development.

SFUCT repaid in full the \$6,798,000 non-interest bearing distribution receivable and declared a distribution of \$3,213,000 which is reported as a distribution receivable, non-interest bearing, to be settled within one year.

GNWCT declared a non-interest bearing distribution of \$194,000 during the year. The distribution receivable is unsecured to be settled within one year. SFU's share of distributions declared by GNWCT in 2018 was \$14,563,000.

7. PENSIONS

Accounting policy

The university has two registered pension plans providing pension benefits to its employees.

For accounting purposes, the defined benefit FRB (Formula Retirement Benefit) pension obligations and cost of pension benefits earned by employees are recognized using annual accounting valuations from each of the plans' tri annual actuarial funding valuations. A variety of assumptions factor into the results: including expected investment performance, inflation rates, compensation levels, retirement age and life expectancy. The resulting actuarial gains and losses arising from changes in assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of active employees for the Administrative/Union Plan and Average Remaining Pension Payment Period for the Academic FRB plan.

Description of pension plans

The two registered pension plans are the Pension Plan for Members of the Academic Staff (Academic FRB Plan) and the Pension Plan for Administrative/Union Staff (Administrative/Union Plan). The Academic FRB Plan is comprised of both a defined contribution plan as well as a grandfathered FRB Plan. The Administrative/Union Plan is a FRB Plan. The provisions of these plans stipulate that the university has no formal claim to any pension plan surplus or asset; accordingly, the pension plans have separate financial statements.

The Boards of Trustees for each of these plans represent both the 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.

Actuarial valuations are required by the B.C. Pension Benefits Standards Act (PBSA) for each of the defined benefit FRB Plans at intervals of not more than three years. Such valuations determine the employer contribution rate necessary to provide adequate funding of the plan liabilities. The valuations are prepared using the projected unit cost method, pro-rated on service. The Plans' actuaries prepare both going concern and solvency valuations for each plan. The most recent actuarial valuation for the Academic FRB Plan is being prepared with an effective date of December 31, 2018, while the Administrative/Union Plan was prepared as at December 31, 2016.

Annual accounting valuations are prepared for the purposes of determining the present value of the accrued pension benefit obligation and pension expense to be recorded in the financial statements. An extrapolation is performed from the most recent actuarial valuation of each FRB plan, using assumptions determined by management in consultation with the Plans' actuaries and in accordance with PSAS. Accounting valuations are prepared on a going concern basis which assumes the plans will continue indefinitely. Assets are measured at market value, and liabilities measured using an appropriate discount rate. Accounting valuations were performed for both FRB plans as at December 31, 2018 using data from each of their most recent actuarial valuations.

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

The Academic Plan provides pension benefits primarily on a defined contribution basis whereby funding is directed to individual Money Purchase Accounts (MPA). Benefit payments are based upon the asset value within the individual MPA at the time of retirement. While all required contributions to the plan are made by the university, additional contributions may also be made by employees to their individual MPA. As the Academic MPA Plan is not an FRB plan, an actuarial valuation is not required.

During the 2018 calendar year, contributions made by the university to the Academic MPA Pension Plan were 9.7% (2017 calendar year: 9.6%) of pensionable earnings, totaling \$13,959,000 (2017 calendar year: \$13,378,000).

The Academic Plan also includes a grandfathered FRB plan. The Academic FRB Plan is a defined benefit plan which provides benefits based on earnings and years of service at SFU, indexed relative to the increase in the Consumer Price Index (CPI) up to a maximum of 3% per annum. A summary of changes in net pension asset is included in note 7a and contributions to the plan are summarized in note 7b.

The gains and losses are recognized by the university over the Average Remaining Pension Payment Period, currently 13 years.

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

The Administrative/Union Plan is a defined benefit FRB plan based on a combination of years of service and the average of the plan member's highest sixty consecutive months' salary. Pensions are indexed to the CPI up to a maximum of 3% per annum. Additional voluntary contributions to the Administrative/Union Plan may be made to an employee's MPA. 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. If applicable, these payments would be directed to the individual MPA. No contributions were directed to the Administrative/Union MPA Plan by the university in the current or prior year. A summary of changes in net pension asset is included in note 7a and contributions to the plan are summarized in note 7b.

Contributions to the Administrative/Union Pension Plan made by the university during the 2018 calendar year were at a rate of 15.83% (2017 calendar year: 15.83%) of pensionable earnings, totaling \$19,028,000 (2017 calendar year: \$17,785,000). In addition, contributions of \$2,994,000 (2017 calendar year: \$4,050,000) were made in respect of commuted value solvency holdbacks.

The gains and losses are recognized by the university over EARSL, currently 10 years.

Defined benefit pension plan liability and expense

The liabilities of the FRB pension plans and current service costs for the year have been based on accounting valuations performed from the most recent actuarial valuation of each plan.

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

7a/ Net pension asset (liability)

<i>Dollars in Thousands</i>	Administrative / Union	Academic FRB	2019	2018
Accrued benefit obligation, beginning of year	290,100	26,248	316,348	311,863
Current period benefit cost (net of employee contributions)	15,477		15,477	14,152
Employee contributions / transfer from MPA	58		58	38
Interest cost	17,969	1,559	19,528	19,130
Benefit payments	(20,721)	(2,613)	(23,334)	(25,762)
Actuarial loss (gain)		995	995	(3,073)
Accrued Benefit Obligation, End of Year	302,883	26,189	329,072	316,348
Fair value of plan assets, beginning of year	368,090	29,458	397,548	368,902
Employer contributions	22,022	116	22,138	21,835
Employee contributions / transfer from MPA	58		58	38
Actual return on plan assets	(8,652)	(258)	(8,910)	32,535
Benefit payments	(20,721)	(2,613)	(23,334)	(25,762)
Fair Value Plan Assets, End of Year (*)	360,797	26,703	387,500	397,548
Funded Status, Pension Plan Surplus	57,914	514	58,428	81,200
Unamortized net actuarial gain, beginning of year	56,325	4,940	61,265	53,583
Actuarial gain (loss) on pension plan assets	(31,701)	(2,021)	(33,722)	9,600
Actuarial gain (loss) on pension plan obligation		(995)	(995)	3,073
Amortization of net actuarial gain	(5,876)	(354)	(6,230)	(4,991)
Unamortized Net Actuarial Gain, End of Year	18,748	1,570	20,318	61,265
Net Pension Asset (Liability)	39,166	(1,056)	38,110	19,935

* Defined benefit pension plan assets consist of:

	Administrative / Union		Academic FRB	
	2019	2018	2019	2018
Equity securities	63%	61%	63%	67%
Debt securities	37%	39%	37%	33%
	100%	100%	100%	100%

7b/ Defined benefit pension expense

<i>Dollars in Thousands</i>	Administrative / Union	Academic FRB	2019	2018
Current period benefit cost (including employee contributions)	15,534		15,534	14,190
Less: employee contributions	(58)		(58)	(38)
Amortization of net actuarial gain	(5,876)	(354)	(6,230)	(4,991)
Expected interest cost on pension obligation	17,969	1,559	19,528	19,130
Expected earnings on average pension assets	(23,048)	(1,763)	(24,811)	(22,935)
Pension Expense (Income)	4,521	(558)	3,963	5,356

7c/ Significant actuarial assumptions

	Administrative/Union		Academic FRB	
	2019	2018	2019	2018
Effective date of most recent actuarial valuation report for funding purposes	31-Dec-16	31-Dec-16	31-Dec-18	31-Dec-15
Measurement date of plan assets / accrued benefit obligation	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Expected future inflation rate	2.00%	2.00%	n/a	n/a
Post-retirement inflation increase	n/a	n/a	2.00%	2.00%
Expected Average Remaining Service Lifetime of active employees (EARS�)	10 yrs	10 yrs	n/a	n/a
Average remaining pension payment period	n/a	n/a	13 yrs	13 yrs
Beginning of period				
Discount rate	6.25%	6.25%	6.25%	6.25%
Expected long-term rate of return on plan assets	6.25%	6.25%	6.25%	6.25%
Rate of compensation increase	2.50%	2.50%	n/a	n/a
End of period				
Discount rate	6.25%	6.25%	6.25%	6.25%
Expected long-term rate of return on plan assets	6.25%	6.25%	6.25%	6.25%
Rate of compensation increase	2.50%	2.50%	n/a	n/a

Actual return on plan assets

	December 31, 2018	December 31, 2017
Administrative/Union	(2.3%)	8.7%
Academic FRB	(0.92%)	10.3%

7d/ Life expectancy assumptions

Years	December 31, 2018				December 31, 2017			
	Life expectancy at 65 for a member currently				Life expectancy at 65 for a member currently			
	Age 65		Age 45		Age 65		Age 45	
	Male	Female	Male	Female	Male	Female	Male	Female
Administrative/Union and Academic FRB								
2014 Private Sector Mortality Table	21.7	24.1	22.8	25.1	21.6	24.1	22.7	25.0

Defined benefit pension plan solvency

Pursuant to the BC Pension Benefits Standards Act, instead of making solvency deficiency payments, the university

chose to arrange Letters of Credit (LOC) to satisfy solvency contribution requirements (note 24).

7e/ Defined benefit pension plans: solvency deficiency payment and Letter of Credit requirements

Dollars in Thousands Calendar Year	Cumulative Letter of Credit Requirements		
	Administrative / Union	Academic FRB	Total
2018	95,140	13,553	108,693
2019	106,640	13,905	120,545
2020	118,450	*	118,450*
2021	*	*	*
2022	*	*	*

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

7f/ Sensitivity to actuarial assumptions, as at December 31, 2018

<i>Dollars in Thousands</i>	Administrative / Union Obligation		Academic FRB Obligation	
	\$	%	\$	%
Estimated increase				
0.5% decrease in discount rate	25,485	8.4	943	3.6
0.5% increase in inflation on post retirement	18,116	6.0	922	3.5
0.5% increase in compensation	6,188	2.0		
10% reduction to mortality rates (0.8 years for a 65 year old)	6,276	2.1	953	3.6

These amounts have been determined assuming all other assumptions remain unchanged.

8. INVESTMENTS

8a/ Consolidated Statement of Financial Position presentation of investments

<i>Dollars in Thousands</i>	Reported Value	
	2019	2018
Financial assets presentation category		
Portfolio investments	560,690	480,289
Non-financial assets presentation category		
Endowment investments (note 18a)	360,153	336,711
Non-endowment investment	1,000	1,000
Restricted investments	361,153	337,711
Total Investments	921,843	818,000

8b/ Investments

<i>Dollars in Thousands</i>	Reported Value		Cost
	2019	2018	2019
Investments Recorded at Fair Value			
Designated to the fair value category (level 1)			
Actively managed bond fund			
Federal bonds	67,470	72,375	67,594
Provincial and municipal bonds	76,092	54,512	76,098
Corporate bonds	203,179	95,480	202,242
	346,741	222,367	345,934
Indexed bond fund		77,109	
Sinking fund investments	3,386	3,207	2,600
Term deposits	2,383	1,966	2,383
Total Fixed Income Investments	352,510	304,649	350,917
Equity instruments quoted in an active market (level 1)			
Canadian equities	247,600	227,303	194,889
Foreign equities	287,632	258,531	209,557
Total Level 1 Category Financial Instruments	887,742	790,483	755,363
Designated to the fair value category (level 3)			
Private equities	26,942	24,322	19,645
Other investments	6,159	2,195	5,558
Total Level 3 Category Financial Instruments	33,101	26,517	25,203
Investments Valued at Cost/Amortized Cost			
Residual interest in real property	1,000	1,000	1,000
Total Investments Valued at Cost/Amortized Cost	1,000	1,000	1,000
Total Investments	921,843	818,000	781,566

Bonds in the actively managed bond fund mature between 2020 and 2108 and the yields to maturity range between 0.01% and 11.7% (2018: 0.34% and 11.8%).

During the 2019 fiscal year the indexed bond fund was transferred into an actively managed fixed income universe bond strategy. In 2018, the indexed bond fund was benchmarked to the FTSE TMX Canada Universe Bond Index which included 36% federal government bonds, 36% provincial and municipal government bonds, and 28% corporate bonds and debentures. The fund's one year return in 2018 was 1.4% and the duration was 7.4 years.

Sinking fund investments are held and invested by the Province of British Columbia. These funds will provide for the retirement of debentures issued to the Province at maturity in 2022.

Term deposits consist of a \$2,383,000 in redeemable and non-redeemable GIC's with maturities in April, September, October and December 2019 held by TRIUMF.

Canadian equities are managed by two investment management firms, each with their own investment strategy. One uses a blend of fundamental analysis and quantitative models, while the other is strictly based on a fundamental bottom-up approach.

Foreign equities are invested approximately 59% (2018: 56%) in U.S. markets and 41% (2018: 44%) outside of the U.S.

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

Other investments consist of hedge funds, real estate and mortgages. There are three hedge funds: one follows a Canada-focused diversified strategy, the second follows a diversified liquid multi-strategy and the third is a global diversified fixed income portfolio. Real estate and mortgages consist of pooled real estate funds and direct mortgages secured by real estate, all of which relate to properties located in Canada.

Other investments valued at cost/amortized cost include the residual interest in a charitable gift of real property.

8c/ Reconciliation of investment cost to reported value

<i>Dollars in Thousands</i>	2019	2018
Investments at cost	781,566	718,596
Unrealized amounts reported in the Consolidated Statement of Remeasurement Gains and Losses		
Balance, beginning of year	31,243	26,858
Change in the year	16,572	4,385
Balance, End of year	47,815	31,243
Deferred revenue related to restricted endowments		
Balance, beginning of year	68,161	61,611
Change in the year (note 14c)	24,301	6,550
Balance, End of year	92,462	68,161
Total Investments at Reported Value	921,843	818,000

9. INVESTMENT IN GREAT NORTHERN WAY CAMPUS TRUST

GNWCT was established under the laws of the Province of British Columbia for the benefit of the British Columbia Institute of Technology, Emily Carr University of Art + Design, Simon Fraser University and the University of British Columbia. GNWCT offers a Masters of Digital Media degree program. Additionally, GNWCT is engaged in short-term property management and site development of land in the City of Vancouver that was 80% gifted by Finning International Inc. to the partner institutions in 2001.

Great Northern Way Campus Ltd., a company 25% proportionately owned by the four beneficiaries of GNWCT, has the sole purpose of being the Trustee of GNWCT and has no business operations.

The university's proportionate interest in GNWCT is classified as a government business enterprise, accounted for on the modified equity basis utilizing the annual audited financial statements of GNWCT prepared as at December 31. As the fiscal periods of GNWCT and the university are not coterminous, any significant financial transactions that occur during the intervening period are recorded in these consolidated financial statements based on the fiscal year of the university.

Other comprehensive income from GNWCT is included in the Consolidated Statement of Remeasurement Gains and Losses.

9a/ Investment in Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2019	2018
Great Northern Way Campus Trust equity, December 31	48,590	36,767
SFU proportionate interest	25%	25%
Investment in GNWCT, End of Year	12,148	9,192

9b/ Change in investment in Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2019		2018	
	100%	25%	100%	25%
Net income reported by GNWCT	11,953	2,988	15,663	3,915
Other comprehensive income			1,087	272
Net distributions from GNWCT to institutions	(130)	(32)	(56,498)	(14,124)
Change in GNWCT	11,823	2,956	(39,748)	(9,937)
GNWCT, beginning of year	36,767	9,192	76,515	19,129
GNWCT, End of Year	48,590	12,148	36,767	9,192

9c/ Life-to-date investment in Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	2019	2018
Initial settlement upon GNWCT	33,787	33,787
GNWCT cumulative comprehensive income	71,794	59,842
Distributions from GNWCT	(75,017)	(74,238)
Contributions by partner institutions	18,026	17,376
	48,590	36,767
SFU proportionate interest	25%	25%
SFU Investment in GNWCT	12,148	9,192

9d/ Financial summary - Great Northern Way Campus Trust

<i>Dollars in Thousands</i>	December 31, 2018	December 31, 2017
Financial Position		
Total assets	60,356	69,668
Total liabilities	11,766	32,901
Trust Balance, End of Year	48,590	36,767
Results of Operations & Trust Balance		
Revenue	26,114	38,969
Expense	14,161	23,306
Net Income for the Year	11,953	15,663
Comprehensive income		1,087
Net distributions to beneficiaries	(130)	(56,498)
Net changes in the year	11,823	(39,748)
Trust balance, beginning of year	36,767	76,515
Trust Balance, End of Year	48,590	36,767
Cash Flows		
Operating transactions	18,358	17,012
Investing transactions	(822)	(1,843)
Financing transactions	(19,200)	(24,000)
Decrease in Cash During the Year	(1,664)	(8,831)

10. INVESTMENT IN SFU COMMUNITY TRUST

SFUCT was established in 2002 to develop land adjacent to the Burnaby campus. This development is known as UniverCity. The university granted SFUCT the ability to sell to real estate developers rights to enter into 99-year leases on land that is owned by the university.

SFUCT is a taxable business trust and must pay income taxes on any taxable income not allocated to beneficiaries. The beneficiaries are the university and Simon Fraser University Foundation, whose beneficiary is also the university.

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

The university's 100% interest in SFUCT is classified as a government business enterprise, accounted for on the modified equity basis utilizing the annual audited financial statements of SFUCT prepared as at December 31. As the fiscal periods of SFUCT and the university are not coterminous, any significant financial transactions

that occur during the intervening period are recorded in these consolidated financial statements based on the fiscal year of the university.

In applying the modified equity basis of accounting to its interest in SFUCT, the university makes adjustments for related party transactions where the underlying assets remain under the university's control. The inter-entity rights to grant 99-year leases that were recorded by the SFUCT at fair market values are eliminated from equity/investment in SFUCT until realized by third party transactions. The ultimate sale to developers of these 99-year lease rights represents the culmination of the transaction for SFUCT who then report such amounts as sales. The university, as the grantor of the 99-year leases, adjusts these sales to amortize the net sales revenue on a straight-line basis over a 99-year lease period as further described in note 15.

10a/ Investment in SFU Community Trust

<i>Dollars in Thousands</i>	2019	2018
Net income reported by SFUCT	3,335	7,585
Reduction in the cost of sales to reflect SFU's original cost of leases	1,093	1,319
Interest in SFUCT Income for the Year	4,428	8,904
Distributions from SFUCT in the year	(3,213)	(6,798)
Investment in SFUCT, beginning of year	10,000	7,894
Investment in SFUCT, End of Year	11,215	10,000

10b/ Trust equity reconciled to investment in SFU Community Trust

<i>Dollars in Thousands</i>	2019	2018
Trust equity as reported by SFUCT	16,146	16,023
Less: adjustment to eliminate the inter-entity gain on the 99-year lease rights		
First rights settlement	(9,418)	(9,418)
Second rights settlement	(8,126)	(8,126)
Lease rights recognized through sales to third parties	12,613	11,521
	(4,931)	(6,023)
Investment in SFUCT, End of Year	11,215	10,000

10c/ Life-to-date investment in SFU Community Trust

<i>Dollars in Thousands</i>	2019	2018
Settled on formation at fair market value	14,339	14,339
Adjustment to eliminate the inter-entity gain on the 99-year lease rights	(9,418)	(9,418)
Settled upon SFUCT at university cost	4,921	4,921
Second settlement	8,126	8,126
Adjustment to eliminate the inter-entity gain on the 99-year lease rights	(8,126)	(8,126)
Settled upon SFUCT at university cost		
Cumulative income as reported by SFUCT	38,960	35,624
Lease rights recognized through sales to third parties	12,613	11,521
Interest in SFUCT cumulative income (note 15c)	51,573	47,145
Distributions from SFUCT:		
Applied to accounts receivable	(4,882)	(4,882)
Derived from SFUCT net income	(40,397)	(37,184)
	(45,279)	(42,066)
Investment in SFUCT (note 15c)	11,215	10,000

In addition to an equity interest in the net income of SFUCT, the university is entitled to base rent under certain conditions.

10d/ Life-to-date base rent continued

<i>Dollars in Thousands</i>	2019	2018
Balance, beginning of year	1,095	1,095
Base rent earned in the year		
Balance, End of Year	1,095	1,095

10e/ Financial summary - SFU Community Trust

<i>Dollars in Thousands</i>	December 31, 2018	December 31, 2017
Financial Position		
Total assets	66,670	68,045
Total liabilities	50,524	52,022
Trust Balance, End of Year	16,146	16,023
Results of Operations & Trust Balance		
Revenue	12,552	22,904
Expense	9,216	15,319
Net Income for the Year	3,336	7,585
Distributions to beneficiaries	(3,213)	(6,798)
Trust balance, beginning of year	16,023	15,236
Trust Balance, End of Year	16,146	16,023
Cash Flows		
Operating transactions	(5,441)	15,907
Investing transactions	(373)	(2,791)
Financing transactions	2,330	(5,170)
(Decrease) Increase in Cash During the Year	(3,484)	7,946

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<i>Dollars in Thousands</i>	2019	2018
Trade payables and accruals	51,107	33,788
Salaries and benefits payable	18,160	15,636
Accrued vacation pay	11,280	8,463
Other	8,330	7,600
Accounts Payable and Accrued Liabilities	88,877	65,487

12. EMPLOYEE FUTURE BENEFITS

Accounting policy

The university provides retirement and compensated absence benefits to employees.

For accounting purposes, the university measures the accrued benefit obligation, liability and expense of the fiscal period through actuarial and accounting valuations. Adjustments arising from changes in actuarial assumptions and actuarial gains and losses are amortized over the Expected Average Remaining Service Lifetime (EARSL) of active employees, except for long-term disability which, as an event driven compensated absence benefit, is recognized immediately.

The university does not segregate assets to specifically offset this liability.

Description of benefit plans

The university operates three employee future benefit plans providing: non-pension retiree medical, extended health and dental benefits; early retirement benefits; and provisions for long-term disability.

Actuarial Valuations are performed for both of the retirement benefit plans at least every three years, while the event driven compensated absence benefit plan is performed annually. Such valuations determine the employer contribution rate necessary to provide adequate funding of the plan liabilities and are prepared using the projected benefit method, pro-rated on services. The most recent actuarial valuations for the retirement benefits plans and the compensated absence benefit plan are being prepared as at December 31, 2018.

Annual accounting valuations have the primary purpose of determining the liability and expense to be recorded in the financial statements. Assumptions are determined congruent with relevant PSAS on a best estimate basis and are reviewed on an annual basis. This valuation assumes the plan will continue indefinitely and extrapolates the present value of accrued liabilities and benefit expenses from the most recent actuarial valuations. Given the absence of plan assets, the discount rate applied is equal to the relevant cost of borrowing.

Retirement benefits

Retirement benefits represent the liabilities of the university to provide non-pension retiree benefits and early retirement benefits to the employees in return for their services. As employees render services, the value of the retirement benefits are attributed to those services and recorded as liabilities and expenses. Gains or losses resulting from accounting valuations are amortized over EARSL using the straight line method, commencing the following fiscal year.

Non-pension retiree benefits

Non-pension retiree benefits represent the liabilities for portions of future premiums payable on behalf of eligible current employees and retirees for medical, extended health and dental benefits. Only employees hired before dates between July 1, 2001 and May 1, 2003, depending on employee group, are eligible for this benefit. The most recent accounting valuation reported an actuarial gain of \$14,155,000 (2018 gain: \$8,771,000) to be amortized over EARSL.

Early retirement benefits

Early retirement benefits represent the liabilities to employees who took early retirement in the mid 1990's and other employees who receive supplementary pensions. The most recent accounting valuation reported an actuarial gain of \$108,000 (2018: actuarial loss of \$77,000) to be amortized over EARS.

Event driven liabilities

Compensated absence and long-term disability benefits represent liabilities that are created when events that obligate the university occur. Actuarial valuations are performed each year for these event driven liabilities. The expected costs of providing the benefits are recognized immediately in the period when such events occur. An insurance company administers the long-term disability plans and is reimbursed for disability claim payments plus service fees.

12a/ Liability for employee future benefits

	Retirement Benefits		Compensated Absence Benefit	2019	2018
	Non-Pension Retiree	Early Retirement	Long-Term Disability		
<i>Dollars in Thousands</i>					
Accrued benefit obligation, beginning of year	71,009	3,020	8,709	82,738	89,531
Current period benefit cost	814	66	2,485	3,365	2,117
Interest cost	2,471	102	327	2,900	3,376
Benefit payments	(1,642)	(303)	(1,228)	(3,173)	(3,430)
Actuarial gain	(14,155)	(108)	(465)	(14,728)	(8,856)
Accrued Benefit Obligation, End of Year	58,497	2,777	9,828	71,102	82,738
Unamortized net actuarial loss on liability, beginning of year	(3,115)	(393)		(3,508)	(15,516)
Actuarial gain on liability	14,155	108	465	14,728	8,856
Amortization of net actuarial (gain) loss	1,726	134	(465)	1,395	3,152
Unamortized Net Actuarial Gain (Loss) on Obligation, End of Year	12,766	(151)		12,615	(3,508)
Liability for Employee Future Benefits, End of Year	71,263	2,626	9,828	83,717	79,230

12b/ Employee future benefits expense

	Retirement Benefits		Compensated Absence Benefit	2019	2018
	Non-Pension Retiree	Early Retirement	Long-Term Disability		
<i>Dollars in Thousands</i>					
Current period benefit cost	814	66	2,485	3,365	2,117
Recognition of actuarial loss (gain)	1,726	134	(465)	1,395	3,152
Interest cost on unfunded benefit obligation	2,471	102	327	2,900	3,377
Employee Future Benefits Expense	5,011	302	2,347	7,660	8,646

12c/ Significant actuarial assumptions

	Retirement Benefits				Compensated Absence Benefit	
	Non-Pension Retiree		Early Retirement		Long-Term Disability	
	2019	2018	2019	2018	2019	2018
Measurement date of accrued benefit obligation	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Expected future inflation rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Expected Average Remaining Service Lifetime of active employees (EARS�)	6 yrs	6 yrs	8 yrs	8 yrs	n/a	n/a
Weighted average remaining years until last payment	n/a	n/a	n/a	n/a	5 yrs	5 yrs
Beginning of period discount rate	3.50%	3.80%	3.50%	3.80%	3.50%	3.80%
End of period discount rate	3.90%	3.50%	3.90%	3.50%	3.90%	3.50%
Assumed health care cost trend rates						
Medical Services Plan	0.00%	4.00%	n/a	n/a	0.00%	4.00%
Dental	4.04%	4.25%	n/a	n/a	4.00%	4.25%
Extended Health Benefits (EHB)	4.04%	7.00%	n/a	n/a	6.80%	7.00%

12d/ Sensitivity to actuarial assumptions, as at December 31, 2018

	Retirement Benefits				Compensated Absence Benefit	
	Non-Pension Retiree		Early Retirement		Long-Term Disability	
<i>Dollars in Thousands</i>	\$	%	\$	%	\$	%
Estimated increase in accrued benefit obligation						
0.5% decrease in discount rate	4,653	8.0	113	4.1	303	3.0
0.5% increase in MSP, Dental and EHB cost trend rates	4,441	7.6				
10% reduction to mortality rates (0.8 years for a 65 year old)	2,318	4.0	144	5.2		
0.5% increase in inflation rate			92	3.3	263	2.6
0.5% increase in compensation			148	5.0		

The amounts above have been determined assuming all other assumptions remain unchanged.

13. LONG-TERM DEBT

Long-term debt reported on the Consolidated Statement of Financial Position is recorded at amortized cost and is comprised of the following:

13a/ Long-term debt

<i>Dollars in Thousands</i>	2019	2018
Debentures, senior unsecured	143,273	142,995
Debenture, Province of British Columbia	4,974	4,966
Total	148,247	147,961

Senior unsecured debentures issued at a discount by the university in 2003 for \$150,000,000 with a coupon rate of 5.613%, interest paid semi-annually, due June 10, 2043, and are recorded using the effective interest method. Net proceeds of the issue were used to finance capital projects. The debentures are neither obligations of, nor guaranteed by, the Province of British Columbia.

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

Sinking fund investments are held and invested by the Province of British Columbia. These funds totaling \$3,386,000 (2018: \$3,207,000) will provide for the retirement at maturity of debentures issued to the Province. The amount forms part of the investment balance shown on the Consolidated Statement of Financial Position. Annual sinking fund payments due within the next five years are included in the annual payments table. Annual payments of principal, sinking fund installments and interest due over the next five years and thereafter are as follows:

13b/ Annual payments on long-term debt

<i>Dollars in Thousands</i>	Principal	Sinking Fund	Interest	Total Payments
2020		44	8,857	8,901
2021		44	8,857	8,901
2022		44	8,857	8,901
2023		44	8,638	8,682
2024			8,420	8,420
2025 to 2042			151,551	151,551
2043	150,000		8,420	158,420

14. DEFERRED REVENUE

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

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

- Sponsored research and specific purpose amounts received are restricted to specific expenditures or class of expenditure.
- Endowment investment earnings are restricted until expended per donor terms of reference.

Deferred revenue represents an opportunity to, in the future, earn revenue by incurring qualified expenditures. Additionally, pursuant to multi-year research funding contracts, the university has the opportunity to earn further revenue by incurring qualified expenditures. Any one contract does not abnormally impact the university's financial position or operations and does not define the level of revenue for a considerable time into the future. The university manages risk exposure to fluctuations in this type of revenue by structuring expenses to be short-term and variable in relation to related revenue. If the nature, extent or timing of such contractual rights were individually or collectively abnormal, disclosure would be provided.

14a/ Changes in deferred revenue

<i>Dollars in Thousands</i>	Sponsored Research	Endowment	Specific Purpose	2019	2018
Balance, beginning of year	42,719	94,930	23,906	161,555	158,486
Donations and grant revenue received	68,960		31,870	100,830	91,971
Transferred to revenue	(64,986)		(24,354)	(89,340)	(90,360)
Endowment investment income earned		41,010		41,010	24,234
Transferred to investment income (note 20)		(17,258)		(17,258)	(12,910)
Transferred to net endowment contributions (note 22)					
Endowment principal addition		(4,052)		(4,052)	(2,793)
Preserve purchasing power		(11,325)		(11,325)	(7,073)
Balance, End of Year	46,693	103,305	31,422	181,420	161,555

14b/ Source of deferred revenue, end of year

<i>Dollars in Thousands</i>	Sponsored Research	Endowment	Specific Purpose	2019	2018
Province of British Columbia	1,088		14,050	15,138	13,294
Government of Canada	43,057		1,865	44,922	37,211
Endowment income stabilization account		95,090		95,090	84,284
Other	2,548	8,215	15,507	26,270	26,766
Balance, End of Year	46,693	103,305	31,422	181,420	161,555

Endowment deferred revenue

Endowment contributions are recorded in the Consolidated Statement of Operations as net restricted endowment contributions (note 22). The related net assets are separately accounted for (note 18b). Endowment investments are reported within restricted investments (note 8a).

Allocations are also made from the endowment income stabilization account to net restricted endowment contributions in order to preserve the purchasing power of the individual endowments.

Endowment investment returns are initially recorded as deferred revenue in the endowment income stabilization account. Allocations are then made to individual endowment spending accounts for expenditure pursuant to the donor terms. When expenditures occur, the related investment income is recognized in the consolidated statement of operations (note 20).

14c/ Endowment income stabilization account

<i>Dollars in Thousands</i>	2019	2018
Balance, beginning of year	84,284	84,808
Endowment investment income externally restricted for the year		
Realized income	16,709	17,683
Unrealized income (note 8c)	24,301	6,550
Endowment income allocated to		
Individual endowment spending accounts	(18,879)	(17,684)
Preserve purchasing power (note 22)	(11,325)	(7,073)
Increase (Decrease) in the Year	10,806	(524)
Balance, End of Year	95,090	84,284

15. DEFERRED LEASE PROCEEDS

The university accounts for its 100% interest in SFU Community Trust (SFUCT) by the modified equity method as described in note 10. The net income from SFUCT determined by the modified equity method that relates to 99-year

leases of university land is then deferred and recognized over the terms of the leases. Pursuant to the terms of the distributions from SFUCT, the income so determined is recorded as restricted endowment contributions.

15a/ Change in deferred lease proceeds

<i>Dollars in Thousands</i>	2019	2018
Balance, beginning of year	45,602	37,201
SFUCT income to be deferred and amortized over lease terms	3,335	7,585
Adjustment of land value on transfer to the Trust realized through sale of leases	1,093	1,319
Amortized and transferred to net restricted endowment contributions	(547)	(503)
Balance, End of Year	49,483	45,602

15b/ SFUCT income recognized as restricted endowment contributions

<i>Dollars in Thousands</i>	2019	2018
Amortized to income in the year	547	503
Income Recognized in the Year as Restricted Endowment Contributions (note 22)	547	503

15c/ SFU Community Trust endowment component of net assets

<i>Dollars in Thousands</i>	2019	2018
Interest in SFUCT cumulative income (note 10c)	51,573	47,145
Less: deferred lease proceeds	(49,483)	(45,602)
Life-to-date SFUCT Income Recognized as Endowment Contributions	2,090	1,543
Base rent revenue earned (note 10d)	1,095	1,095
Initial settlement of investment into SFUCT	40	40
Life-to-date capitalized investment income	6,753	5,426
SFUCT Endowment Component of Net Assets	9,978	8,104
Total non SFUCT Endowment	350,175	328,607
Endowment	360,153	336,711

16. TANGIBLE CAPITAL ASSETS

16a/ Tangible capital assets - net book value

<i>Dollars in Thousands</i>	Cost	Accumulated Amortization	2019	2018
Buildings - concrete	1,054,802	247,674	807,128	677,054
Buildings - wood	37,770	16,573	21,197	22,283
Site services	69,508	18,315	51,193	42,444
Leasehold improvements	4,726	1,482	3,244	2,652
Computer equipment	63,181	31,977	31,204	29,037
Equipment & furnishings	114,972	62,260	52,712	60,582
Library books	93,623	46,457	47,166	46,869
Land	33,080		33,080	33,080
Assets under construction	73,037		73,037	113,580
Total	1,544,699	424,738	1,119,961	1,027,581

Accounting policy

Tangible capital assets are initially recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Contributed tangible capital assets are recorded at fair market value at the date of contribution. Amortization is recorded on a straight-line basis over the estimated useful life of the asset.

Estimated useful life of tangible capital assets

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

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the university's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. There were no write downs of tangible capital assets in 2019 (2018: nil).

Works of art and cultural assets are unrecognized as assets.

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

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

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. Where an estimate of value could not be made, contributed tangible capital assets are recognized at a nominal value. The value of contributed assets received during the year is approximately \$2,349,000 (2018: \$1,691,000).

Works of art include the university's art collection and the SFU Bill Reid Gallery collection. In 2019, additional donated works of art with an appraised value of \$834,000 (2018: \$1,276,000) were received. The art collections are insured at a replacement value of \$53,100,000.

Additions to buildings during the year include capitalized interest of \$nil (2018: \$nil).

16b/ 2019 Tangible capital asset cost - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Additions	Change in Assets Under Construction	Adjustments	2019
Buildings - concrete	905,872	105,299	43,631		1,054,802
Buildings - wood	37,615	2,490	(2,335)		37,770
Site services	59,463	9,606	439		69,508
Leasehold improvements	3,586	1,273	(133)		4,726
Computer equipment	44,293	20,756		(1,868)	63,181
Equipment & furnishings	116,898	10,754	(1,059)	(11,621)	114,972
Library books	93,565	9,657		(9,599)	93,623
Land	33,080				33,080
Assets under construction	113,580		(40,543)		73,037
Total	1,407,952	159,835		(23,088)	1,544,699

16c/ 2019 Tangible capital assets amortization - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Amortization	Adjustments	2019
Buildings - concrete	228,818	18,856		247,674
Buildings - wood	15,332	1,241		16,573
Site services	17,019	1,296		18,315
Leasehold improvements	934	548		1,482
Computer equipment	15,256	18,589	(1,868)	31,977
Equipment & furnishings	56,316	17,565	(11,621)	62,260
Library books	46,696	9,360	(9,599)	46,457
Total	380,371	67,455	(23,088)	424,738

16d/ 2018 Tangible capital asset cost - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Additions	Change in Assets Under Construction	Adjustments	2018
Buildings - concrete	863,071	98,906	(51,809)	(4,296)	905,872
Buildings - wood	37,418	326	(129)		37,615
Site services	57,013	3,011	(561)		59,463
Leasehold improvements	14,518	2,155	(815)	(12,272)	3,586
Computer equipment	31,828	23,257		(10,792)	44,293
Equipment & furnishings	103,959	24,858	398	(12,317)	116,898
Library books	94,679	8,326		(9,440)	93,565
Land	33,080				33,080
Assets under construction	60,664		52,916		113,580
Total	1,296,230	160,839		(49,117)	1,407,952

16e/ 2018 Tangible capital assets amortization - opening and closing balances

<i>Dollars in Thousands</i>	Opening	Amortization	Disposals and Adjustments	2018
Buildings - concrete	213,221	19,893	(4,296)	228,818
Buildings - wood	14,059	1,273		15,332
Site services	15,848	1,171		17,019
Leasehold improvements	12,265	941	(12,272)	934
Computer equipment	12,683	13,365	(10,792)	15,256
Equipment & furnishings	51,753	16,880	(12,317)	56,316
Library books	46,252	9,884	(9,440)	46,696
Total	366,081	63,407	(49,117)	380,371

16f/ Assets under construction by asset class

<i>Dollars in Thousands</i>	2019	2018
Buildings - concrete	60,544	104,176
Buildings - wood	3,105	770
Site services	4,040	4,478
Leasehold improvements	4,243	4,110
Equipment & furnishings	1,105	46
Assets Under Construction	73,037	113,580

The two largest concrete buildings under construction as at March 31, 2019 were the: Plaza Renewal initiative \$20,152,000 and the SFU Residence Tower \$9,644,000.

17. DEFERRED CAPITAL CONTRIBUTIONS

Accounting policy

Funding received or contributed for the acquisition of depreciable tangible capital assets is recorded as deferred capital contributions and is amortized to income at the same rate that the related tangible capital assets are amortized to expense. This is not consistent with the requirements of Canadian Public Sector Accounting Standards which require that government transfers be recognized when approved and eligibility criteria have been met, unless the transfer contains a stipulation that creates a liability, in which case the transfer is recognized over the period that the liability is extinguished. Note 17c quantifies the impact of this difference.

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

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

17a/ Change in deferred capital contributions

<i>Dollars in Thousands</i>	2019	2018
Balance, beginning of year	540,347	478,034
Contributions in the year	72,322	90,739
Amortized to revenue	(34,079)	(28,426)
Balance, End of Year	578,590	540,347

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

<i>Dollars in Thousands</i>	2019	2018
Province of British Columbia	420,963	400,035
Government of Canada	104,312	88,074
Other	53,315	52,238
Balance, End of Year	578,590	540,347

The impact of the difference between FRF and PSAS on the consolidated financial statements of the university would be as follows:

17c/ Difference between FRF and PSAS

	FRF	PSAS	FRF	PSAS
<i>Dollars in Thousands</i>	2019		2018	
Non-financial assets				
Less deferred capital contributions	578,590		540,347	
Net Assets				
Net Assets	1,039,183	1,617,773	948,982	1,489,329
Revenue				
Government grants and contracts	323,542	395,864	303,400	394,139
Amortization of deferred capital contributions	34,079		28,426	
Annual Operating Surplus				
Annual operating surplus	73,287	111,530	65,252	127,565

18. NET ASSETS**18a/ Net assets**

<i>Dollars in Thousands</i>	2019	2018
Internally restricted for operating commitments		
Departmental operating budget carryover	35,459	39,321
Internal advance for tangible capital assets	(28,000)	(29,000)
	7,459	10,321
Internally funded research	24,060	21,377
Net operating	31,519	31,698
Ancillary operations	26,299	23,495
Specific purpose	22,635	18,736
Self-insurance		510
Internally Restricted for Operating Commitments	80,453	74,439
Investment in tangible capital assets, before internal advance	521,445	476,614
Internal advance for tangible capital assets	28,000	29,000
Investment in tangible capital assets	549,445	505,614
Endowment (note 8a)	360,153	336,711
Accumulated Operating Surplus, End of Year	990,051	916,764
Accumulated remeasurement gains	49,132	32,218
Net Assets, End of Year	1,039,183	948,982

18b/ Change in endowment

<i>Dollars in Thousands</i>	2019	2018
Balance, beginning of year	336,711	317,688
Net restricted endowment contributions in the year (note 22)	23,442	19,023
Balance, End of Year	360,153	336,711

18c/ Change in accumulated operating surplus

<i>Dollars in Thousands</i>	Internally Restricted for Operating Commitments	Investment in Tangible Capital	Restricted for Endowment Principal
Accumulated Operating Surplus, beginning of year	74,439	505,614	336,711
Annual surplus	73,287		
Increase in investment in tangible capital assets	(43,831)	43,831	
Net restricted endowment contributions (note 22)	(23,442)		23,442
Accumulated Operating Surplus, End of Year	80,453	549,445	360,153

Investment in tangible capital assets is comprised of

Tangible capital assets	1,119,961
Sinking fund investment	3,386
Long-term debt	(148,247)
Deferred capital contributions	(578,590)
Other net assets invested in capital	140,787
Net asset interest in GNWCT	12,148
Investment in Tangible Capital Assets	549,445

19. GOVERNMENT GRANTS AND CONTRACT REVENUE

<i>Dollars in Thousands</i>	2019	2018
Province of British Columbia		
Operating	232,440	224,989
Sponsored research	1,717	2,014
Specific purpose	9,051	11,709
Minor maintenance and rehabilitation	980	980
	244,188	239,692
Government of Canada		
Operating	8,757	8,922
Sponsored research	64,026	40,217
Specific purpose	8,311	8,680
Net deferred sponsored research	(3,974)	3,528
	77,120	61,347
Other governments		
Operating	24	39
Sponsored research	1,473	1,889
Specific purpose	736	433
	2,233	2,361
Government Grants and Contract Revenue	323,541	303,400

20. INVESTMENT INCOME

<i>Dollars in Thousands</i>	Operating	Endowment	2019	2018
Interest and dividend income	7,504		7,504	9,882
Realized gains (losses) transferred from Consolidated Statement of Remeasurement Gains and Losses	3,255		3,255	(1,958)
Income from deferred contributions (note 14a)		17,258	17,258	12,910
Investment Income	10,759	17,258	28,017	20,834

21. EXPENSE BY OBJECT

<i>Dollars in Thousands</i>	Budget	2019	2018
Salaries	383,016	387,462	364,316
Employee benefits	71,711	62,681	59,727
Supplies and operating	86,769	79,998	73,686
Amortization of tangible capital assets (note 16c)	69,018	67,455	63,407
Professional and contracted services	40,147	48,659	42,221
Scholarships and bursaries	38,203	38,419	33,909
Travel and personnel	19,605	19,377	18,179
Cost of goods sold	6,424	6,374	6,298
Interest on long-term debt	8,853	9,143	9,138
Utilities	11,042	11,243	9,628
Expense	734,788	730,811	680,509

22. NET RESTRICTED ENDOWMENT CONTRIBUTIONS

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

<i>Dollars in Thousands</i>	2019	2018
Donations	7,518	8,654
Capitalized investment income (note 14a)		
Endowment principal addition	4,052	2,793
Preserve purchasing power	11,325	7,073
Equity gain for the year from SFU Community Trust (note 15b)	547	503
Net Restricted Endowment Contributions in the Year (note 18b)	23,442	19,023

23. PLEDGES

Accounting policy

Pledges from donors (cash donations and gifts-in-kind) are not recognized as revenue in the consolidated financial statements until the donations are received since their collection cannot be reasonably assured until that time.

Pledges for future years include cash donations of \$35,225,000 (2018: \$42,454,000) and estimated gifts-in-kind of \$2,030,000 (2018: \$2,028,000).

24. CONTINGENT LIABILITIES

From time to time, the university is involved in litigation or proceedings relating to claims arising out of its operations in the ordinary course of business. It is expected that the ultimate outcome of these claims will not have a material effect on the financial position of the university. The majority of these claims are covered by the university's insurance coverage. Any university 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 the Canadian Universities Reciprocal Insurance Exchange

(CURIE), the university is required to share in any net losses experienced by CURIE beyond the reserves that CURIE has accumulated from member premiums. Members of CURIE have exposure to retroactive premium assessments should the premiums be insufficient to cover losses and expenses. No provision has been made for this potential liability. The university is committed to this insurance arrangement until December 31, 2022.

At March 31, 2019 the university is liable for Letters of Credit in the amount of \$121,533,000 (2018: \$110,590,000) which includes Letters of Credit related to pensions and development arrangements.

25. LIABILITY FOR CONTAMINATED SITES

Accounting policy

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the university is directly responsible or accepts responsibility; and
- (iv) a reasonable estimate of the amount can be made.

The university recognized and estimated a liability of \$3,675,000 (2018: \$3,500,000) for the remediation of a contaminated site resulting from salt leaking from a salt shed into nearby groundwater and surface water. The estimated

total future expenditures are \$3,675,000. The balance is recorded in accounts payable and accrued liabilities. No additional sites were identified in the year.

26. ASSET RETIREMENT OBLIGATIONS

Accounting policy

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of the discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in interest expense as part of determining the results of operations.

The university presently is unable to estimate future obligations related to the removal and disposal of asbestos which is believed to be prevalent throughout University owned buildings built prior to the mid 1980s. At present such estimates can only be provided for buildings that are in the process of being decommissioned. Over the period to the required implementation in 2022 of a new PSAS standard

PS3280 Asset Retirement Obligations the university will be working towards establishing reliable estimates in respect of asbestos removal and disposal throughout all relevant university buildings.

27. CONTRACTUAL OBLIGATIONS

The university has entered into multi-year contracts for property leases and the delivery of services. These contractual obligations will become liabilities in the future when the

terms of the contracts are met. Disclosure in the table below relates to the unperformed portion of the contracts.

<i>Dollars in Thousands</i>	2020	2021	2022	2023	2024	Thereafter
Long-term lease	5,937	5,949	6,031	6,080	6,080	18,101
Service contracts	7,625	7,717	7,811	527		
Construction contracts	94,446					
Total	108,008	13,666	13,842	6,607	6,080	18,101

28. FINANCIAL REPORTING FRAMEWORK BUDGET

Accounting policy

Budget figures have been provided for comparative purposes and were developed and approved in three phases:

- (a) the Consolidated Budget for 2018/19, approved by the Board of Governors on March 22, 2018;
- (b) the 2018/19 Carry Forward Plans approved by the Board of Governors on May 24, 2018;
- (c) other adjustments and re-classifications with the revised 2018/19 Consolidated Budget approved by the Board of Governors on March 21, 2019.

Financial reporting framework budget

<i>Dollars in Thousands</i>	Initial Consolidated Budget (a)	Carry Forward Spend Plan (b)	Adjustments to Consolidated Budget (b & c)	Final Consolidated FRF Budget
Revenue	742,256	(1,056)	10,556	751,756
Expense	724,074	1,153	9,561	734,788
Annual operating surplus before restricted contributions	18,182	(2,209)	995	16,968
Net restricted endowment contributions	19,000			19,000
Annual Operating Surplus	37,182	(2,209)	995	35,968

29. COMPARATIVE AMOUNTS

Certain amounts on the consolidated financial statements for the year ended March 31, 2018 have been restated in order to conform to the presentation adopted in the current year.

BOARD OF GOVERNORS



March 2019

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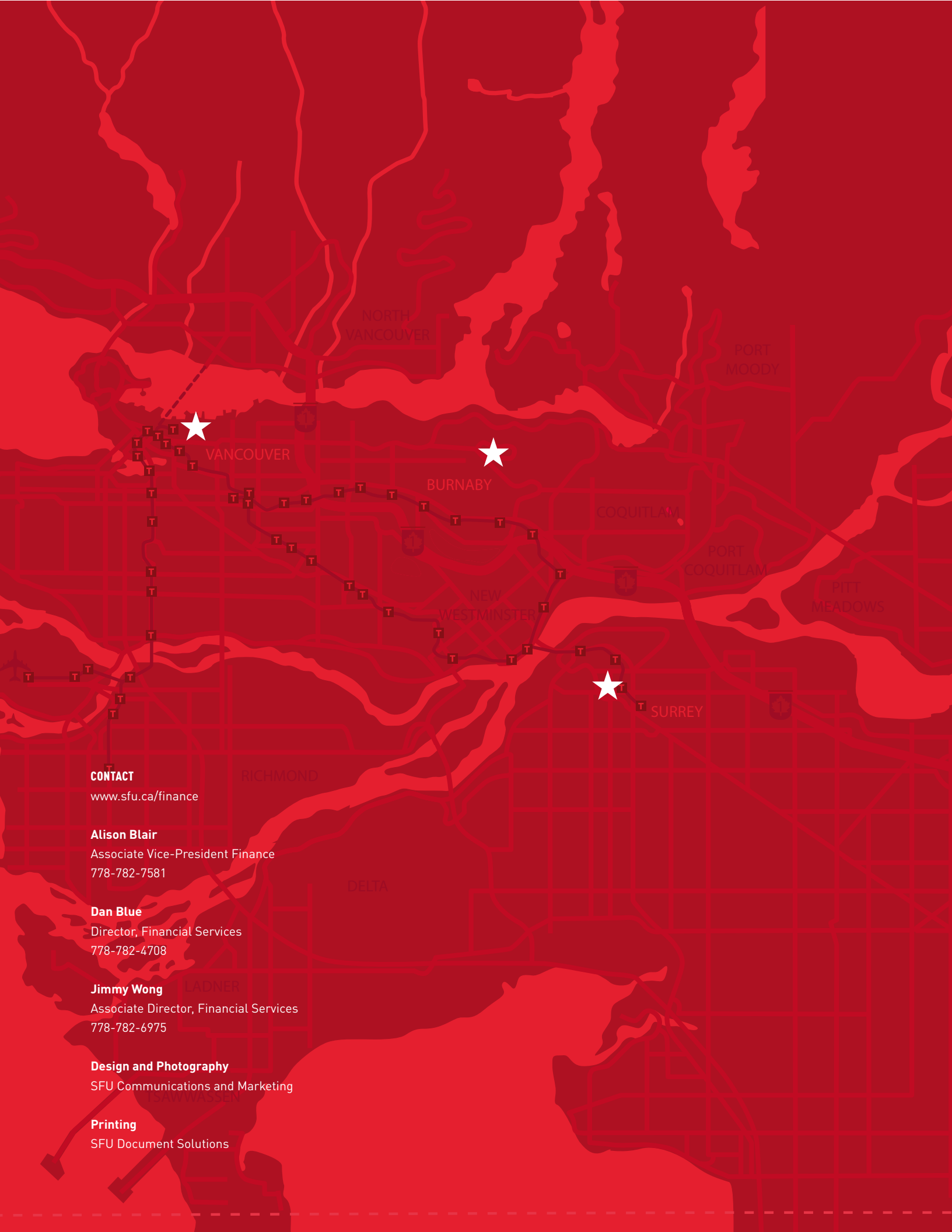
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Ms. Fiona Robin (Board Chair)
Dr. Mary-Catherine Kropinski
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CONTACT

www.sfu.ca/finance

Alison Blair

Associate Vice-President Finance
778-782-7581

Dan Blue

Director, Financial Services
778-782-4708

Jimmy Wong

Associate Director, Financial Services
778-782-6975

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