SFU

SIMON FRASER UNIVERSITY

ENGAGING THE WORLD

ANNUAL FINANCIAL REPORT

March 31, 2018

SFU QUICK FACTS

1

RANKED #1 CANADIAN COMPREHENSIVE UNIVERSITY

Maclean's University Rankings

3 VIBRANT CAMPUSES

VANCOUVER | SURREY | BURNABY

ONE OF THE TOP 250 UNIVERSITIES IN THE WORLD

Per Times Higher Education University Rankings

37,000 STUDENTS ENROLLED

8,000 INTERNATIONAL STUDENTS

130 COUNTRIES

More than **37,000** students enrolled in the 2017 calendar year, including almost **8,000** international students from more than **130** different countries.

MORE THAN **150,000** ALUMNI ACROSS **141** COUNTRIES SINCE SFU WAS ESTABLISHED IN **1965**

Only Canadian research university accredited by the U.S.-based Northwest Commission on Colleges and Universities

KEY FISCAL **2018** FINANCIAL FIGURES

Total revenues: **$724** MILLION

Total assets: (financial and non-financial) **$2** BILLION

Endowment capital: **$337** MILLION

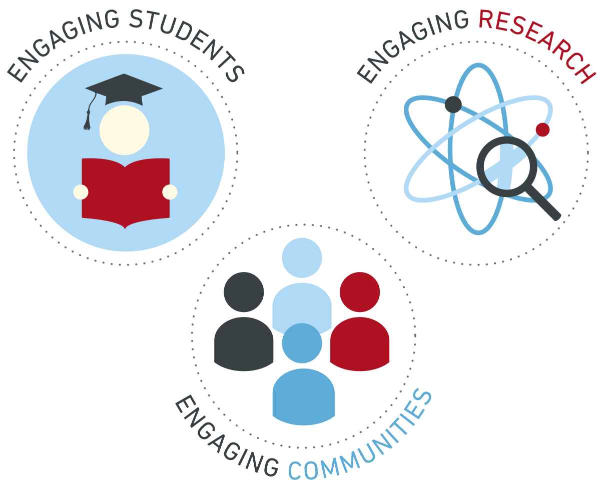
MEETS THE **HIGHEST CONTEMPORARY STANDARDS** AND PRACTICES IN ACADEMIC QUALITY

Per Ministry of Advanced Education, Skills & Training's Quality Assurance Process Audit

8 FACULTIES OFFERING NEARLY **100** UNDERGRADUATE PROGRAMS AND MORE THAN **45** GRADUATE PROGRAMS

CANADA'S ENGAGED UNIVERSITY

SFU is Canada's leading comprehensive university, with vibrant campuses in British Columbia's three largest municipalities and deep roots in partner communities throughout the province and around the world. SFU's objectives are guided by the university's strategic vision, which seeks to establish SFU as the leading engaged university defined by its integration of innovative education, cutting-edge research, and far-reaching community engagement.



SFU'S UNDERLYING PRINCIPLES

ACADEMIC AND INTELLECTUAL FREEDOM

DIVERSITY

INTERNATIONALIZATION

RESPECT FOR ABORIGINAL PEOPLES AND CULTURES

SUPPORTIVE AND HEALTHY WORK ENVIRONMENT

SUSTAINABILITY

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PRESIDENT'S MESSAGE

2017-18 has been another extraordinary year for SFU. We have made further progress in advancing our vision to be Canada's 'engaged university,' and our national and international reputation has continued to grow:

- *Maclean*'s again proclaimed SFU Canada's top comprehensive university, a position we have held for nine of the past ten years;

- Our research income rose to $139 million, and QS ranked us second in Canada for research impact, a testament to the productivity and quality of our research faculty;

- Times Higher Education named us one of the world's 55 'technology challengers,' a select group of universities that have innovation at the core of their strategies, strong industry links and research that excels in technological areas; and

- SFU was designated an Ashoka U Changemaker Campus, making us one of 45 institutions worldwide to be so recognized for leadership in social innovation and community engagement.

The university is also experiencing significant growth in its programs and facilities. We welcomed news of the Province's commitment to support 320 undergraduate and 120 graduate students in a new Sustainable Energy Engineering Program, to be housed in the engineering building currently under construction at our Surrey campus. This ground-breaking program and state-of-the-art facility will provide increased educational opportunities for the burgeoning student population south of the Fraser while helping to position B.C. as a leader in clean-tech and sustainable energy technologies.

SFU is now by far the largest post-secondary presence in downtown Vancouver with eight facilities, including our latest addition, the Charles Chang Innovation Centre. As well as providing much-needed residences for graduate students, the Centre is home to: RADIUS, our social innovation lab; the RBC First Peoples' Enterprise Accelerator; and an advanced entrepreneurship certificate program for graduate students in the STEM disciplines.

The Centre's programs are part of SFU Innovates, our university-wide innovation strategy. The strategy also supports SFU VentureLabs, which occupies two floors in the Harbour Centre tower and has become B.C.'s leading business accelerator for job creation, capital formation and revenue growth.

The Burnaby campus is experiencing positive change with major upgrades to existing facilities and further expansion of our new SFU Data Centre, which houses Canada's most powerful supercomputer. In addition, a Student Union Building, funded by undergraduate students, is due to open in September, and construction will soon commence on new student residences.

This year, as SFU graduated its 150,000th student, we have continued our work to enrich the student experience. One area of focus has been our commitment to expand experiential learning opportunities. As a result, over 9,500 students now participate annually in co-op education programs, an increase of 25 per cent over the past five years. And, more than 1,000 students now participate in university volunteer programs, a threefold increase from five years ago.

The university also took a major step forward this year in our commitment to reconciliation when the SFU Aboriginal Reconciliation Council (ARC) completed its consultations and presented its final report, *Walk This Path With Us*. Resources have been set aside and work is now underway to establish inclusive processes to respond to the ARC's 34 calls to action.

As Canada's 'engaged university,' we owe our success to the incredible support we receive from our community, academic and industry partners, from our alumni and supporters, and from all levels of government.

This support, combined with the extraordinary talents and commitments of our students, faculty and staff, makes me confident that SFU will continue to add social, economic and cultural value to the communities we serve, while keeping our spirit of engagement burning bright.

Professor Andrew Petter
President and Vice-Chancellor

VICE-PRESIDENT'S MESSAGE

Our goal is to support faculty, students, researchers and staff in realizing our shared vision to be Canada's 'engaged university'.

Our financial strength supports achievement of our vision by providing us the opportunity to invest in the academic, research, housing and recreation infrastructure of the university. Our Consolidated Statement of Operations for the year ended March 31, 2018 reflects strong financial performance. The Consolidated Statement of Financial Position as at March 31, 2018 shows a healthy accumulated surplus. SFU's credit rating remains the highest among our Canadian comprehensive university peers as assessed by Moody's and DBRS.

Great partners help make SFU a great university. We have received strong support from the provincial government to address the university's deferred maintenance concerns, which includes contributions to projects such as the Academic Quadrangle classroom upgrades, the Education Building revitalization, Convocation Mall skylights and roof glazing, and extensive building envelope repairs with mechanical, electrical and life safety systems upgrades at SFU's Burnaby campus. I would also like to acknowledge the support from our students, who are funding construction of their Student Union Building, and the provincial and federal governments, in partnership with SFU, for contributing $90 million to the Sustainable Energy and Environmental Engineering Building located at our Surrey campus.

In addition to the support we receive from our partners, we leverage our own financial strength to invest in our infrastructure. I am proud of our investment in Phase I of the university's Housing Master Plan, which will provide 482 new beds for first-year students at SFU's Burnaby campus. Additional investments are planned to improve our athletic facilities and expand space at our Vancouver campus.

While our financial success is important, employee engagement is also a key priority. We are pleased to be recognized for the eleventh consecutive year on the list of Canada's Top Employers and for the twelfth consecutive year as one of Canada's Top Family-Friendly Employers.

Finally, I would like to note our continued progress toward becoming a sustainable university. SFU advanced environmental sustainability this year through the development and launch of the university's 20-Year Sustainability Vision and Goals. This vision includes ambitious plans for SFU to be a globally recognized leader in sustainability. Additionally, the regulatory submission for the construction of a biomass plant servicing SFU's Burnaby campus was approved – this facility is expected to reduce Burnaby campus and UniverCity greenhouse gas emissions by 85 per cent. The university adheres to responsible investment through measuring and reducing the carbon footprint associated with our investment portfolio.

As we move into the next year, SFU will continue to enhance its financial sustainability in support of the university's commitment to innovative education, cutting-edge research, and far-reaching community engagement.

Martin Pochurko
Vice-President,
Finance & Administration

ITEMS OF INTEREST

1. Launch of KEY – KEY, SFU's Big Data Initiative is building on the university's growing strengths in big data research and education. Since its launch in February 2017, KEY has been creating opportunities for people to use data in their work and studies. From high demand hands-on workshops, graduate scholarships and undergraduate research opportunities, to state-of-the-art facilities and tools, KEY is empowering people to put data into action for research, innovation and community impact. This important initiative will enable SFU to expand its academic and research capacities by harnessing big data to acquire new knowledge, support economic and social development, and increase skills and expertise in the workforce.

2. Student Housing Development – SFU is undertaking significant renewal and expansion of its student housing facilities. The university's Housing Master Plan is a long-term strategy for the development of student communities that support learning and create healthy campus communities. Implementation of the Plan will add 1,826 new beds over five phases of development, bringing the total capacity of the housing system on SFU's Burnaby Campus to 3,380 beds, or approximately ten per cent of full-time students. When all phases are complete, the project will have effectively doubled the capacity of student housing at SFU. Phase 1 will provide 482 beds for first-year students at the university's Burnaby campus and is scheduled to open in September 2020.

3. Journey Towards Reconciliation – SFU has a long history of providing academic and support programs for First Nations, Inuit and Métis students. To continue this tradition, SFU President Andrew Petter established the Aboriginal Reconciliation Council (ARC) to facilitate and support broad discussions about how the university can address the calls to action of the Truth and Reconciliation Commission specific to post-secondary education. SFU took a major step forward on the road to reconciliation last fall when the ARC presented its final report, *Walk This Path With Us*, in a traditional Coast Salish witnessing ceremony.

4. Amazing Community Support for SFU Research – The B.C. Search and Rescue Association has committed $500,000 to support SFU communications professor Peter Anderson's work in developing and testing a rapid-deployable public safety broadband network. This new communications system, being developed in partnership with the Yukon Territory, Emergency Management B.C. and E-Comm, is critical for B.C.'s remote coastal communities in terms of emergency preparedness and tsunami warnings, and represents a pioneering initiative in using the internet for disaster prevention and reduction.

5. Student Experience Initiative – SFU will be investing $9 million in university funding supporting strategic and sustainable strategies aimed at enhancing student experience. The overarching goals of the initiative are to further empower students with the knowledge and skills to be successful in a dynamic and challenging world, strengthen campus community, and provide students with flexible, integrated, active learning environments offering high-engagement, high-impact academic activities.

6. Stadium Project – SFU has announced plans for a stadium project to be built on the north side of Terry Fox Field at the Burnaby campus by August 2020. Funding for the project includes a $10 million contribution from the Simon Fraser Student Society. The plans include 1,823 formal seats and more than 300 informal seats, a partial roof, and a press box. The project will raise the university's profile as Canada's only post-secondary institution with teams competing in the U.S. National Collegiate Athletic Association (NCAA).

7. First Ashoka U Changemaker Campus in B.C. – The university's commitment to social innovation leadership has been recognized with its designation as B.C.'s first Ashoka U Changemaker Campus. The designation acknowledges SFU's university-wide innovation strategy—SFU Innovates—which encourages students, faculty and staff to work with social innovators and business community leaders to devise solutions for a sustainable, just and healthy society. As a member of the Ashoka U Changemaker Campus global network, SFU will continue contributing to the growing body of work and best practices in social innovation education and research.

8. Supercomputer Cedar – SFU houses the most powerful academic supercomputer in Canada, Cedar. Serving many of the country's world-class researchers, Cedar provides the scale and capacity required for today's modern research needs. The supercomputer will help transcend previous possibilities of Canadian research and innovation in a number of key areas that directly benefit Canadians, including personalized medicine, green technologies and artificial intelligence.

ENGAGING STUDENTS

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

Fatima Jalali-Tehrani

Two years ago, Fatima Jalali-Tehrani, an American living in Dubai, encountered unexpected visa difficulties after registering at SFU to begin a master of education. Her supervisor, SFU lecturer Gillian Judson, adapted the course material so Jalali-Tehrani could learn it online until she received visas for her two children. "Fatima never wavered in her desire to complete the program," says Judson.

A single mom, Jalali-Tehrani rose early each morning to study before readying her children for daycare and school. In addition to her studies, she worked three jobs to make ends meet, yet also found time to volunteer her skills as an English as a second language (ESL) instructor, teaching Syrian refugees. Despite Jalali-Tehrani's busy schedule, her final comprehensive presentation detailing her master's program portfolio was described by Judson as "exceptional."

Having an immigrant background herself, Jalali-Tehrani understands the difficulty many immigrants experience adjusting to a new culture. She is now pursuing an SFU doctor of philosophy in education to develop ESL curriculum that can help students overcome cultural challenges.

David Walker

David Walker, 68, enjoyed an enviable career, touching down in more than 60 countries as part of his work leading charitable organizations. So why did he return to SFU to complete a bachelor of arts in philosophy after abandoning it 37 years ago when Walker was just seven credits shy of graduating? Completing his degree is just one of many goals on a bucket list he began compiling two years ago after Walker retired and then learned he has incurable kidney disease.

"It caused me to think about what I wanted to accomplish," Walker says, "like writing three books, setting some age records in running, and getting some significant joy from receiving my SFU degree." Walker believes SFU is one of the best environments in Canada for sustained learning. "So I put myself back in that environment to grow mentally," he says. Walker says the analytical skills he acquired during the program have helped him make decisions related to public health ethics and other complex issues.

Nicola Toffelmire

SFU Faculty of Health Sciences student Nicola Toffelmire graduated not only with a master of public health, but with the title of Canada's Youth Delegate to the World Health Assembly (WHA) and a completed internship with the World Health Organization (WHO).

As WHA's Canadian Youth Delegate, Toffelmire consulted with youth and young professionals across Canada on public health issues. She spent two weeks in Geneva where she delivered Canada's position statement on the draft *Global Action Plan on the Public Health Response to Dementia*, which was adopted by member states.

During her WHO internship, Toffelmire worked on the Commission on the Status of Women. "It was overwhelming, but every minute was amazing," she says. "It was surreal to have my United Nations employee badge." Toffelmire says her SFU education set her up for success. "I was in a field school with SFU health sciences professor Angela Kaida in South Africa and I think that was a pivotal moment in my educational experience."

ENGAGING RESEARCH

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

SFU professors Nick Blomley, John Harriss, and Nathalie Sinclair

Transformative Projects

Five SFU research projects will benefit from $21.7 million in new funding from the Canada Foundation for Innovation (CFI). CFI's Innovation Fund supports transformative infrastructure projects that underpin promising and innovative research or technology development in areas where Canada currently is, or has the potential to be, competitive on the global stage. The funding will help support SFU-led research such as creation of a new centre for wearable biomedical technologies and studies in immersive remote sensing communication.

"The success of this competition further exemplifies SFU's commitment to cutting-edge research and innovation," notes Joy Johnson, SFU's vice-president, research and international. "We applaud the Canada Foundation for Innovation for its investment and congratulate these researchers."

With the funding, SFU researchers can further conduct research and technology development that aligns with the university's strategic priorities, enhances research capacity by creating partnerships and collaborations, and generates social, environmental, health and economic benefits for Canadians.

Launch of the SFU ImageTech Lab

The SFU ImageTech Lab is a world-class research imaging facility. Located in Surrey Memorial Hospital, ImageTech is supported by funding from Western Economic Diversification Canada and the Canada Foundation for Innovation.

Developed in partnership with Surrey Memorial Hospital and the Fraser Health Authority, ImageTech is home to a new state-of-the-art 3.0 Tesla whole body magnetic resonance imaging (MRI) machine and an upgraded 275-channel magnetoencephalography (MEG) machine. The MEG is a long-established, SFU-driven advancement in medical technology. Representing the first combined MRI-MEG capability in Western Canada, ImageTech's technology offers the best possible ability to probe into the working brain in real-time.

The ImageTech Lab is an SFU facility that will greatly benefit researchers and their partners. The lab will enable health innovators to bring rapid advances in the treatment for devastating brain disorders and diseases, like brain tumours, epilepsy, dementia, depression and brain injury.

Top Researchers

Two SFU faculty members are among the class of 2017 Royal Society of Canada (RSC) Fellows, while another has been named to the RSC College. Professors Nick Blomley and John Harriss—both researchers who have made a profound impact on how we view the world around us—are among the society's latest class of fellows. Education professor Nathalie Sinclair joins the prestigious college.

The RSC fellowship is Canada's highest academic honour in the arts, humanities and sciences. It is bestowed on Canadian scholars, artists and scientists who have been peer-elected as being among the best in their fields. The college is Canada's first national system of multidisciplinary recognition for the emerging generation of intellectual leadership. Members are Canadians who, at an early age in their careers, have demonstrated a high level of achievement.

"These researchers embody SFU's spirit of innovative thinking to support positive change at home and abroad," says Joy Johnson, SFU's vice-president, research and international. "We will celebrate as they take their rightful place among Canada's intellectual leaders."

ENGAGING COMMUNITIES

Our goal: "To be Canada's most community-engaged research university."

C2UExpo

The question of how universities can build stronger communities was explored at C2UExpo 2017 – *For the Common Good*, a five-day event hosted by SFU in May 2017. An immersive, dialogue-centric conference experience, C2UExpo 2017 provided the opportunity to discuss, analyze and synthesize partnerships addressing community challenges.

Approximately half of the event participants were from universities, colleges and polytechnics, while the remainder represented governments, non-governmental organizations, businesses and concerned citizens. All involved shared a keen interest in and passion for empowering social betterment. The event featured delegates showcasing community-based research, social innovation, and experiential learning projects.

A key focus was exploring the role of campus-community partnerships in addressing social, health and environmental issues. To that end, the conference implemented the C2U Ambassadors Program, which involved training and employing local community members facing multiple barriers to employment to help facilitate the event. These community members' voices were welcome additions to the rich, collaborative conference sessions.

Warren Gill Award for Community Impact

SFU's Warren Gill Award for Community Impact was established in recognition of Warren's contributions to the larger community and efforts in advancing university relations. The annual award recognizes an SFU faculty or staff member who has demonstrated a significant, positive impact on the social, economic, environmental and/or cultural fabric of one or more of the communities the university serves.

SFU professor and archaeologist Dana Lepofsky's commitment to research partnerships with First Nations communities earned her SFU's inaugural Warren Gill Award. Lepofsky's teaching and research focus on the relationships of Northwest Coast Indigenous peoples to their environments. She was among the first archaeologists in the region to include First Nations communities as equal partners in research programs.

Significantly, First Nations communities with which Lepofsky has worked have supported her nomination for the Warren Gill Award. "This award recognizes the importance of community," says Lepofsky, "and I'm honoured to accept it on behalf of all the people I've worked with and learned from over the years."

SFU's Vancity Office of Community Engagement

SFU's Vancity Office of Community Engagement supports creative engagement, knowledge mobilization and public programming within the themes of arts and culture, social and environmental justice, and urban issues through public talks, dialogues, workshops, screenings, performances and community partnerships.

Working with students, faculty and the community, the Office of Community Engagement is committed to long-term relationship building and campus-community collaborations, and recognizes the arts as a catalyst in social change and transformative community engagement. The Office's impactful activities are supported by SFU and contributions from external funders such as Vancity Credit Union and the Goldcorp Community Endowment.

The Office of Community Engagement partnered with SFU Public Square this year to support the SFU Vancouver Speaker Series, which included an engaging presentation from Marina Kim, co-founder and executive director of Ashoka U, entitled *The Future of Learning*.

UNDERLYING PRINCIPLES

In addition to the core themes of engaging students, engaging research, and engaging communities, SFU is committed to the following principles which underpin all strategic activities at the 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 5.2% to $724M, demonstrating sustained demand.
- Expenses grew 3% 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 6% to $337M.

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

Sustainable Finances to Sustain Service Delivery

Revenue growth has exceeded expense growth, resulting in a strong Annual Operating Surplus Before Restricted Contributions of $46M for the year ended March 31, 2018. 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 416,000 square meters of owned and leased facilities (insured replacement value of $1.6 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 $29M of building renewal expenditures in 2018.

- *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.

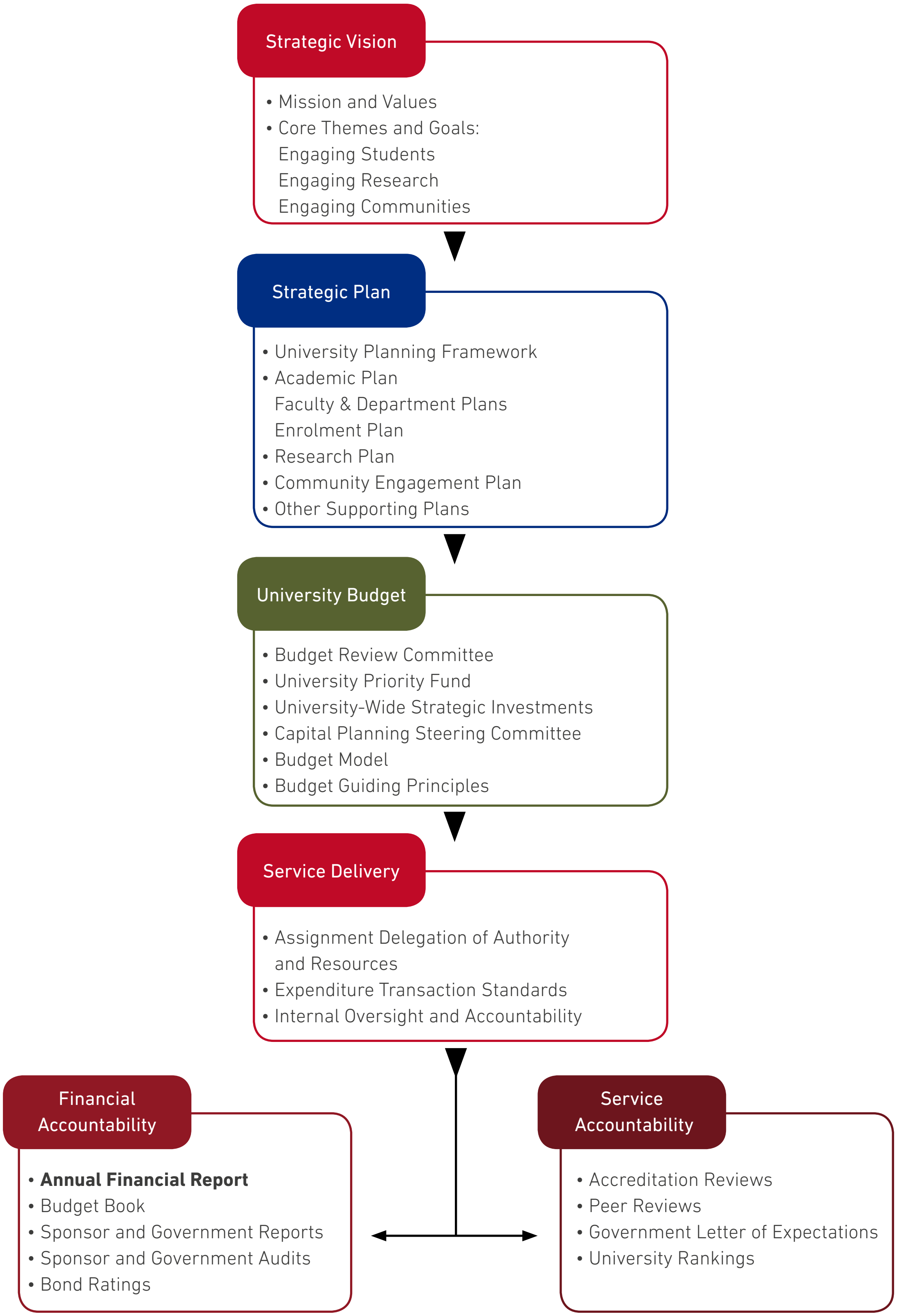
Context of Financial Accountability

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 is designed to support advancing SFU's vision through allocating and utilizing resources based on the university's strategic priorities.

The Budget and Financial Plan, in turn, 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



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 $46M 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

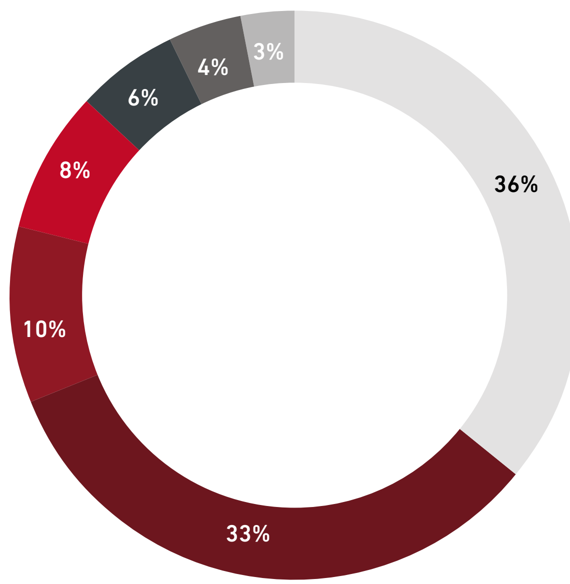
Revenue growth is essential to consistent multi-year service delivery and financial health. The university has experienced steady, modest growth of total revenue over the past five years. Total annual revenue has grown from $634M in 2014 to $724 million in 2018.

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.

2018 Revenue by Type

- Tuition
- Province of British Columbia
- Donations, grants, contract and other
- Government of Canada
- 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 for being able 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.

Additionally, the provincial government's B.C. Labour Market Outlook anticipates that the majority of future job openings projected to 2025 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

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

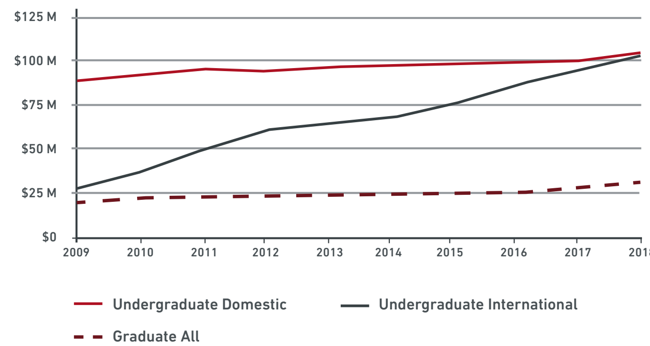
International undergraduate revenue has grown as a result of both enrolment and fee increases, and this growth has been a primary contributing factor towards the increase in total tuition revenue of the university.

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.

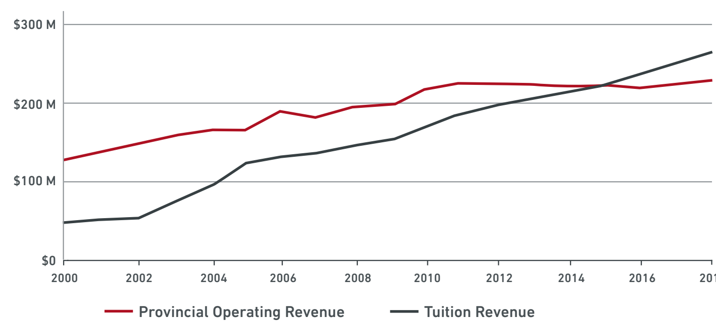
Future prospects for attracting and retaining international undergraduate students are strong, considering the strength of global demand for university education, SFU's international reputation and long involvement in international education marketing and delivery, and the desirable location of Metro 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 2017 Top Research Universities List. Among Canadian comprehensive universities, Research Infosource's 2017 annual ranking places SFU within the top three in total sponsored research income and number one in terms of its publication impact. The Government of Canada is the leading funder of research at the university, contributing 61% of SFU's total research funding in 2018.

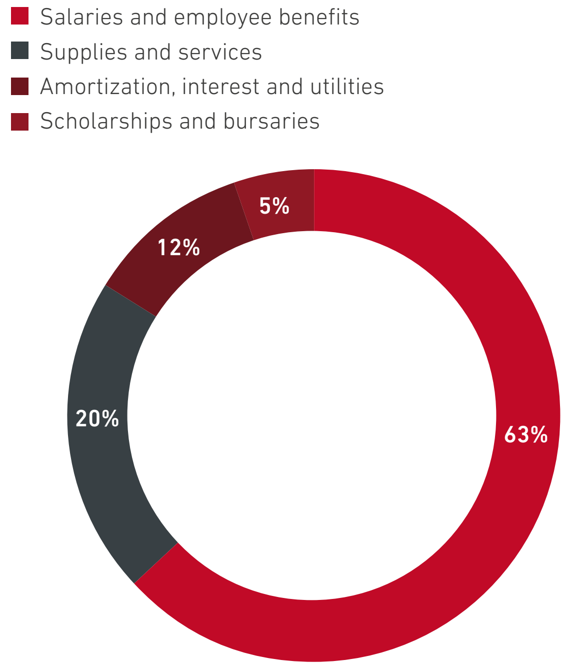
Future research funding is anticipated to remain strong given the federal government's innovation agenda. The Government of Canada's 2018 budget provides $925M in new funding for investigator-led research through Canada's three federal research councils over the next five years, along with $763M for the Canada Foundation for Innovation. 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 management of 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 2018 at 63% (2017: 63%).

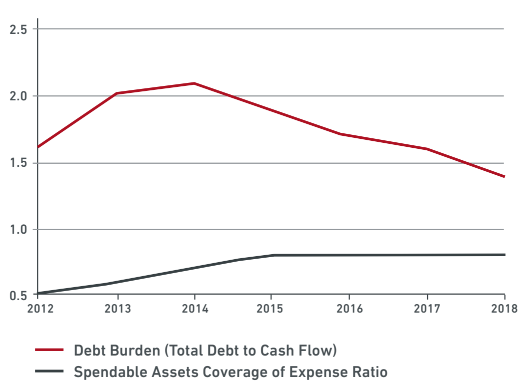
2018 Expense by Type



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. SFU is the only comprehensive university that received this high rating among the Canadian universities that Moody's Investors Service reviewed.

Debt Burden Ratio and Spendable Assets Coverage of Expense Ratio



The debt burden (total debt to cash flow) continues to decline, indicating that the university is increasing the amount of cash flow available to service debt.

The spendable assets coverage of expense (spendable cash and investments to operating expenses) has been stable for four years.

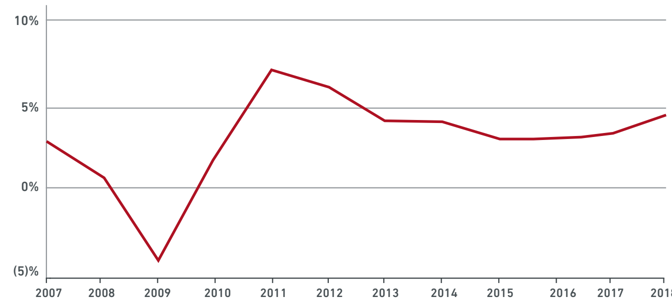
As at March 31, 2018, SFU's tangible capital assets net book value is effectively financed 14.4% (2017: 15.9%) by long-term debt. This means that future students will benefit from access to assets with low associated debt obligations. Interest on long-term debt, at 1.3% of total revenue for the year ended March 31, 2018, is sufficiently low so as not to restrict the flexibility of operations.

The university has net financial assets of $122M, 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 expense of providing these plans is recorded 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 position has improved by $16.4M, from $3.5M in 2017 to $19.9M this year as the university's contributions to the plans of $21.8M, determined pursuant to the B.C. Pension Benefits Standards Act, exceed the $5.4M expense for the plans, determined pursuant to Public Sector Accounting Standards.

The Pension Benefits Standards utilize more conservative assumptions than the best estimate assumptions requirements of the Public Sector Accounting Standards. This systemically results in contributions being greater than expense. The manner in which actuarial gains and losses are applied in determining contributions and expense further impacts these amounts.

The unamortized gain in 2018 is $61.3M. When amortized, this will reduce future pension expense.

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

Post-retirement and long-term disability benefits

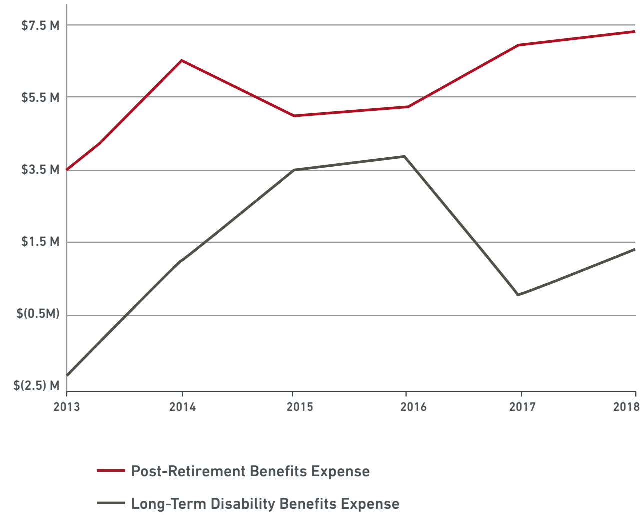
The university provides employee future benefits in the form of post-retirement (medical and early retirement) and long-term disability benefits, for which the expenses, obligations and liabilities are determined by actuarial methods. The university has assets in its investment portfolio to cover the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

The long-term disability benefits expense is 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.

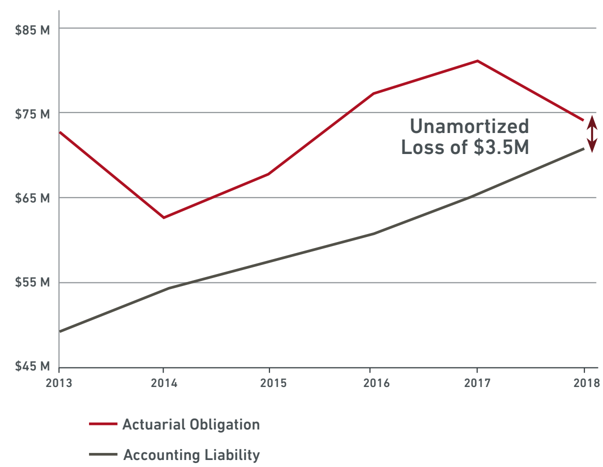
Accounting for post-retirement benefits involves the deferral and amortization of actuarial gains and losses. This accounting method results in a more predictable recognition of expense and an unamortized actuarial gain or loss.

The difference between the post-retirement accrued benefit obligation of $74.0M and the liability of $70.5M at year end is a $3.5M unamortized loss, which will be recognized by the university as expense over the Expected Average Remaining Service Lifetime (EARSL) of active employees.

Post-Retirement and Long-Term Disability Benefits Expense



Post-Retirement Benefits Unamortized Loss



7. Are facilities being sustained?

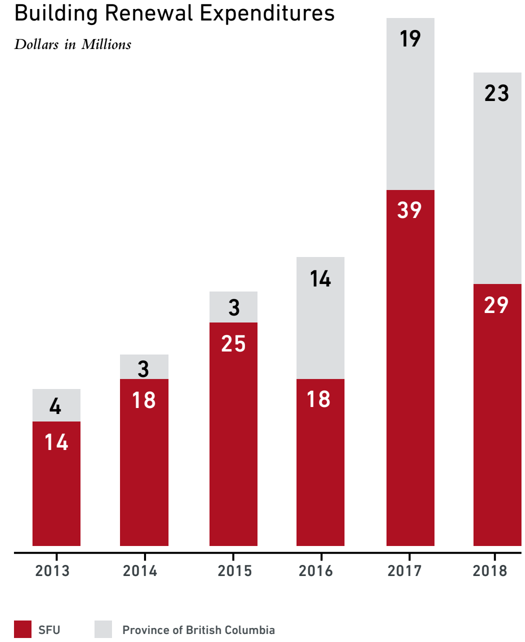
The university has substantial facilities across its three campuses to support high-quality education and research. SFU's Burnaby campus has an aging physical infrastructure that is experiencing physical deterioration and functional obsolescence, resulting in deferred maintenance requirements.

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 ($23M in 2018) 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.

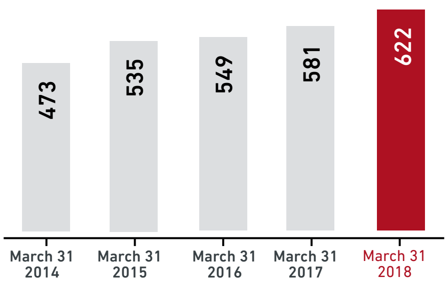
Cautionary Note on Forward-Looking Statements

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



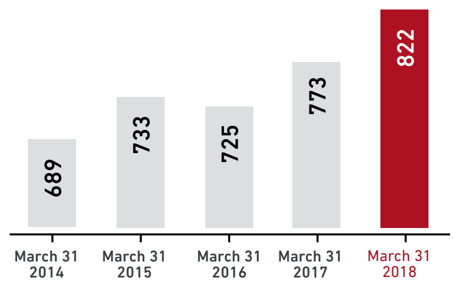
Financial assets increased 7% to $622M.

Dollars in Thousands	2018	2017
Cash and cash equivalents	67,656	30,727
Accounts receivable	9,864	10,818
Inventories for resale	1,919	1,945
Due from related parties	23,100	12,719
Pensions	19,935	3,456
Portfolio investments	480,289	494,791
Investment in Great Northern Way Campus Trust	9,192	19,129
Investment in SFU Community Trust	10,000	7,894
Total Financial Assets	**621,955**	**581,479**

Cash and cash equivalents increase is primarily attributable to funding for capital projects received in late March 2018.
Due from related parties has increased because of net increase in receivables $4.3M from SFU Community Trust and $6.1M from Great Northern Way Campus Trust.
Pensions has increased primarily because contributions to the defined benefit plans as required by the Pensions Benefits Standards Act continues to exceed the related expense determined by Public Sector Accounting Standards.
Portfolio investments decreased by $14.5M as a result of $28.5M of investments redeemed to support future capital expenditures; offset by investment income and net realized gains and losses reinvested.
Investment in Great Northern Way Campus Trust has been reduced $9.9M as a result of $4.2M of income, less a $14.1M distribution of which $8M was received and $6.1M is receivable.

Non-Financial Assets

Dollars in Millions



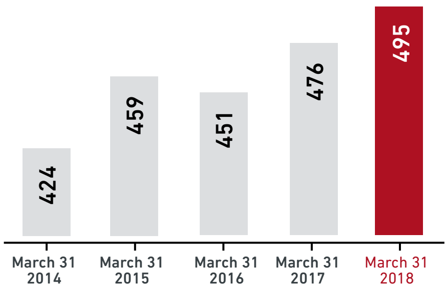
Non-financial assets increased 7% to $827M.

Dollars in Thousands	2018	2017
Tangible capital assets	1,027,581	930,149
Deferred capital contributions	(540,347)	(478,034)
Restricted investments	337,711	318,688
Prepaid expenses	1,442	1,556
Prepaid lease		236
Inventories of supplies	475	486
Total Non-Financial Assets	**826,862**	**773,081**

Tangible capital assets include land, buildings, leasehold improvements, library acquisitions, computers, and equipment and furnishings. The increase in the net book value of $97.4M is the result of $160.8M of capital additions, offset by $63.4M of amortization. Significant additions include buildings of $98.9M, equipment and furnishings of $24.8M, and computer equipment of $23.2M.
Deferred capital contributions increased due to $90.7M of additional funding during the year, offset by $28.4M of amortization. The largest contributions during the year were $35.4M of Canada and B.C. government funding for the Sustainable Energy and Environmental Engineering building in Surrey and $23.1M of other provincial capital funding.
Restricted investments relate to the Endowment accumulated surplus except for $1M. These investments are not available for use in University operations.
The $19.0M increase from the prior year resulted primarily from donations of $9.1M and capitalized investment income of $9.9M.

Liabilities

Dollars in Millions



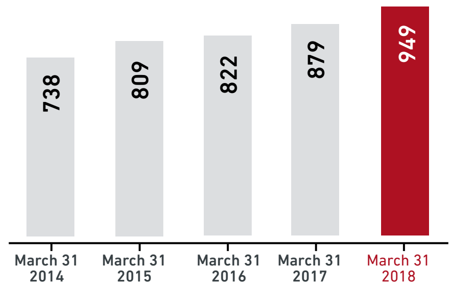
Liabilities increased 5.7% to $500M.

Dollars in Thousands	2018	2017
Accounts payable and accrued liabilities	65,487	58,447
Employee future benefits	79,230	74,015
Long-term debt	147,961	147,676
Deferred revenue	161,555	158,486
Deferred lease proceeds	45,602	37,201
Total Liabilities	**499,835**	**475,825**

Employee future benefit liabilities increased by $5.2M, the primary contributor to the change resulted from an actuarial gain related to Non-Pension Retiree benefits that reduced the unamortized losses to be recognized in future years.
Long-term debt increase of $0.3M is the result of amortization of discounts from original issuance of the debt.
Deferred revenue increase of $3M arises from increases in the endowment balance of $1.5M, specific purpose of $5.1M and offset by a decrease in sponsored research of $3.6M.
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 terms of the respective leases. The net increase of $8.4M consists of $8.9M net proceeds from leasing less $0.5M amortized and transferred to net restricted endowment contributions.

Accumulated Surplus

Dollars in Millions



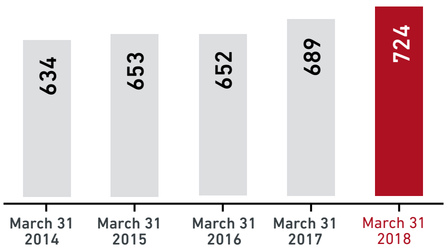
Accumulated surplus increased 8% to $949M.

Dollars in Thousands	2018	2017
Internally restricted for operating commitments	74,439	63,468
Invested in tangible capital assets	505,614	470,356
Endowment	336,711	317,688
Total Accumulated Operating Surplus	**916,764**	**851,512**
Accumulated remeasurement gains	32,218	27,223
Accumulated Surplus	**948,982**	**878,735**

Internally restricted for operating commitments $74.4M consists of net operating surplus of $31.7M and university project commitments of $42.7M.
Investment in tangible capital assets represents the amount accumulated surplus in the university's physical infrastructure.
Endowment accumulated surplus increased as a result of $9.1M of donations and $9.9M of capitalized funds.

Revenue

Dollars in Millions



Revenue increased 5.2% to $724M.

Dollars in Thousands	2018	2017
Government grants and contracts	303,400	278,426
Tuition	261,408	247,630
Sale of goods & services	40,415	38,904
Donations, non-government grants and contracts	52,394	54,922
Investment income	20,834	30,002
Investment income - GNWCT	3,915	3,478
Amortization of deferred capital contributions	28,426	21,779
Other revenue	13,684	13,605
Total Revenue	**724,476**	**688,746**

Government grants and contracts is higher than last year since there was an operating to capital deferral of $15M in 2017. Additionally, this year, there was increased B.C. Knowledge Development funding of $8.6M and increased funding of B.C. Campus of $2.7M

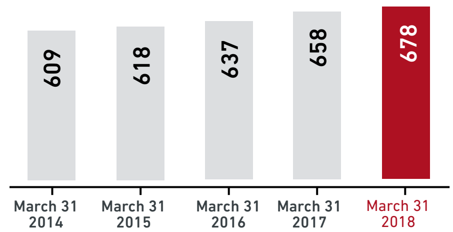
Tuition increased because of increased enrolments, a 10% tuition increase for international students, and a 2% tuition increase for domestic students.

Investment income decreased by $9.2M because of reduced realized returns of $10.4M from foreign equity and fixed income investments offset by an increase of $1.2M 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 $6.6M is primarily due to government funded capital assets for research infrastructure.

Expense

Dollars in Millions



Expense increased 3% to $678M.

Dollars in Thousands	2018	2017
Salaries	364,316	354,614
Employee benefits	59,727	58,515
Supplies and operating	71,424	69,572
Amortization of tangible capital assets	63,407	54,554
Professional and contracted services	42,221	42,142
Scholarships and bursaries	33,909	34,452
Travel and personnel	18,179	19,060
Cost of goods sold	6,298	6,478
Interest on long-term debt	9,138	9,158
Utilities	9,628	9,841
Total Expense	**678,247**	**658,386**

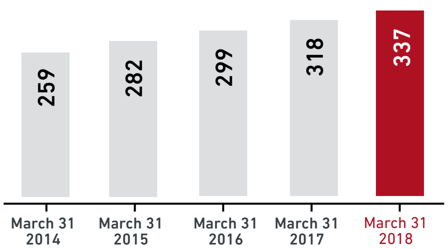
Salaries expense grew by 2.7% as compared to the prior year from a combination of general wage increases, retroactive payments, step increases, progress through the ranks and new positions.

Supplies and operating expenses increased primarily because of higher research transfers to other organizations of $3.6M offset by reduced program costs of $1.1M and maintenance costs such as snow and ice removal, and plumbing costs of $0.8M.

Amortization of tangible capital assets has increased by $8.8M due to the commencement of amortization upon the completion of relatively more major rehabilitation projects and accelerated research infrastructure capital acquisitions.

Accumulated Surplus – Endowment

Dollars in Millions



Accumulated surplus – endowment increased 6% to $337M.

Dollars in Thousands	2018	2017
Faculty, academic & other programs	113,768	104,609
Student financial aid	101,142	93,873
Research chairs	89,489	87,869
Professorships	22,827	22,365
Library collections	6,230	5,906
Athletics	3,255	3,066
Total Accumulated Surplus - Endowment	**336,711**	**317,688**

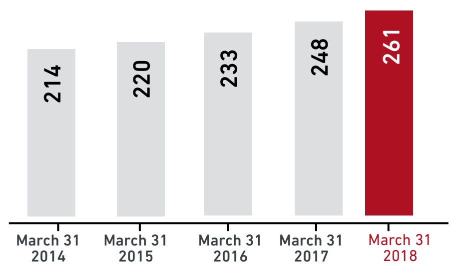
Endowments consist of externally restricted donations received by the university, the principal of which is required to be maintained intact in perpetuity to support the activities of the university. The investment income generated from endowments must be used in accordance with the purposes stipulated by the donors. There were 915 individual endowment funds that provided $17.7M (2017: $16.7M) in funding support.

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 $8.7M, reinvestment of $2.8M of earnings, and capitalization of $7.1M helped the endowment surplus grow to $337M.

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 $84.3M (2017: $84.8M).

Tuition and Student Fees

Dollars in Millions



Tuition and student fee revenue increased 5.6% to $261M.

Dollars in Thousands	2018	2017
Undergraduate - domestic	102,163	100,717
Undergraduate - international	101,122	91,692
Graduate	32,982	30,253
Non-credit courses and other student fees	25,141	24,968
Total Tuition and Student Fees	**261,408**	**247,630**

Undergraduate domestic tuition relates to student revenue, including co-op students, and exceeds the Province of B.C. target. 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 enrolment rising to an all-time high and the tuition rate increasing by 10% over the 2017 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 are subject to the 2% tuition limit policy.

Non-credit courses and other student fees revenue grew by 0.7% overall, as a result of increases in non-credit course revenue and an increase in student fees related to credit courses.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

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, 2018 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 audit examinations 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, 2018 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 24, 2018

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 Advanced Education, Skills and Training, Province of British Columbia

We have audited the accompanying consolidated financial statements of Simon Fraser University, which comprise the Consolidated Statement of Financial Position as at March 31, 2018, and the Consolidated Statements of Operations, Remeasurement Gains and Losses, Changes in Net Debt and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of Simon Fraser University as at March 31, 2018 and for the year then ended 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 of the Consolidated Financial Statements which describes the basis of accounting used in the preparation of these consolidated financial statements. Note 17 of the Consolidated Financial Statements discloses the impact of these differences between such basis of accounting and Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 25, 2018

Consolidated Statement of Financial Position

As at March 31, 2018

Dollars in Thousands	Note	2018	2017
Financial Assets			
Cash and cash equivalents	4	67,656	30,727
Accounts receivable	5	9,864	10,818
Inventories for resale		1,919	1,945
Due from related parties	6	23,100	12,719
Pensions	7	19,935	3,456
Portfolio investments	8	480,289	494,791
Investment in Great Northern Way Campus Trust	9	9,192	19,129
Investment in SFU Community Trust	10	10,000	7,894
Total Financial Assets		**621,955**	**581,479**
Liabilities			
Accounts payable and accrued liabilities	11	65,487	58,447
Employee future benefits	12	79,230	74,015
Long-term debt	13	147,961	147,676
Deferred revenue	14	161,555	158,486
Deferred lease proceeds	15	45,602	37,201
Total Liabilities		**499,835**	**475,825**
Net Financial Assets		**122,120**	**105,654**
Non-Financial Assets			
Tangible capital assets	16	1,027,581	930,149
Less: deferred capital contributions	17	(540,347)	(478,034)
Restricted investments	8	337,711	318,688
Prepaid expense		1,442	1,556
Prepaid lease			236
Inventories held for use		475	486
Total Non-Financial Assets		**826,862**	**773,081**
Accumulated Surplus	18	**948,982**	**878,735**
Accumulated Surplus is comprised of			
Internally restricted for operating commitments		74,439	63,468
Investment in tangible capital assets (restated)	**18d**	505,614	470,356
Endowment (restated)	**18d**	336,711	317,688
Accumulated Operating Surplus		**916,764**	**851,512**
Accumulated Remeasurement Gains		32,218	27,223
Accumulated Surplus		**948,982**	**878,735**

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, 2018

Dollars in Thousands	Note	Budget Note 28	2018	2017
Revenue				
Government grants and contracts				
Province of British Columbia	19	235,974	239,692	229,286
Less: portion restricted for capital	19	(18,500)		(15,000)
Government of Canada	19	67,237	61,347	61,720
Other governments	19	2,216	2,361	2,420
Tuition				
Credit courses		230,703	236,267	222,662
Non-credit courses and other student fees		26,766	25,141	24,968
Sales of goods and services		37,214	40,415	38,904
Donations, non-government grants and contracts		51,333	52,394	54,922
Investment income	20	26,991	20,834	30,002
Investment income - Great Northern Way Campus Trust	9		3,915	3,478
Amortization of deferred capital contributions	17	23,829	28,426	21,779
Other revenue		10,400	13,684	13,605
		694,163	**724,476**	**688,746**
Expense	21			
Instruction		530,472	528,961	501,894
Research		130,029	126,255	135,715
Community engagement		19,692	23,031	20,777
		680,193	**678,247**	**658,386**
Annual Operating Surplus Before Restricted Contributions		**13,970**	**46,229**	**30,360**
Net restricted endowment contributions	22	17,000	19,023	19,068
Annual Operating Surplus		**30,970**	**65,252**	**49,428**
Accumulated Operating Surplus, Beginning of Year		851,512	851,512	802,084
Accumulated Operating Surplus, End of Year		**882,482**	**916,764**	**851,512**
Annual Operating Surplus was allocated to increase Accumulated Surplus for				
Internally restricted for operating commitments	18		10,971	7,386
Investment in tangible capital assets	18		35,258	22,974
			46,229	**30,360**
Endowment	22		19,023	19,068
Annual Operating Surplus			**65,252**	**49,428**

The accompanying notes are an integral part of these financial statementss

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31, 2018

Dollars in Thousands	Note	2018	2017
Accumulated Remeasurement Gains, Beginning of Year		**27,223**	**20,172**
Unrealized Gains (Losses) Attributable to			
Portfolio investments		4,801	16,236
Designated fair value financial instruments		(2,296)	(384)
Foreign currency translation		260	434
(Gains) Losses Reclassified to Consolidated Statement of Operations			
Portfolio investments		(3,334)	(5,444)
Designated fair value financial instruments		5,214	(4,406)
Foreign currency translation		78	283
Other Comprehensive Income - Great Northern Way Campus Trust	9	272	332
Net Remeasurement Gains for the Year		**4,995**	**7,051**
Accumulated Remeasurement Gains, End of Year		**32,218**	**27,223**

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, 2018

Dollars in Thousands	Note	Budget Note 28	2018	2017
Annual Operating Surplus		**30,970**	**65,252**	**49,428**
Net restricted endowment contributions	22	(17,000)	(19,023)	(19,068)
Net effect of remeasurement gains (losses)		(13,000)	4,995	7,051
		(30,000)	**(14,028)**	**(12,017)**
Acquisition of tangible capital assets	16	(61,300)	(160,839)	(152,455)
Amortization of tangible capital assets	16	53,429	63,407	54,554
Deferred capital contributions	17		90,739	90,012
Amortization of deferred capital contributions	17		(28,426)	(21,779)
		(7,871)	**(35,119)**	**(29,668)**
Net effect of prepaid expense		415	114	140
Net effect of prepaid lease		315	236	314
Net effect of inventories held for use		64	11	(16)
		794	**361**	**438**
Increase (Decrease) in Net Financial Assets in the Year		**(6,107)**	**16,466**	**8,181**
Net Financial Assets, Beginning of Year		105,654	105,654	97,473
Net Financial Assets, End of Year		**99,547**	**122,120**	**105,654**

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended March 31, 2018

Dollars in Thousands	2018	2017
Operating Transactions		
Annual operating surplus	65,252	49,428
Items not involving cash		
Amortization of tangible capital assets	63,407	54,554
Amortization of deferred capital contributions	(28,426)	(21,779)
Employee future benefits	5,215	3,365
Income from investment in Great Northern Way Campus Trust	(3,915)	(3,478)
Income from investment in SFU Community Trust	(2,106)	(2,011)
Amortization of deferred lease proceeds	(503)	(413)
Amortization of long-term debt discount	285	286
	99,209	**79,952**
Changes in non-cash operating balances		
Accounts receivable	954	(4,398)
Due from related parties	(10,381)	1,270
Pensions	(16,479)	(14,844)
Inventories for resale and held for use	37	(191)
Prepaid expense	114	140
Prepaid lease	236	314
Accounts payable and accrued liabilities	7,040	(655)
Deferred revenue	3,069	31,787
Deferred lease proceeds	8,904	2,011
Cash Provided by Operating Transactions	**92,703**	**95,386**
Investing Transactions		
Decrease (increase) in investments, net of remeasurement gains/losses	202	(62,305)
Net distribution from Great Northern Way Campus Trust	14,124	4
Cash Provided by (Used in) Investing Transactions	**14,326**	**(62,301)**
Financing Transactions		
Deferred capital contributions received	90,739	90,012
Long-term debt principal repaid		(409)
Cash Provided by Financing Transactions	**90,739**	**89,603**
Capital Transactions		
Acquisition of tangible capital assets	(160,839)	(152,455)
Cash Used in Capital Transactions	**(160,839)**	**(152,455)**
Net Increase (Decrease) in Cash and Cash Equivalents	**36,929**	**(29,767)**
Cash and Cash Equivalents, Beginning of Year	30,727	60,494
Cash and Cash Equivalents, End of Year	**67,656**	**30,727**

The accompanying notes are an integral part of these financial statements

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

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, B.C. 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 (7.69% interest); Western Canadian Universities Marine Sciences Society (20% interest); and Innovation Boulevard Corporation (50% interest).

The University's proportionate interest in TRIUMF changed from 8.3% in 2017 to 7.69% after the University of Regina became a member of TRIUMF.

Investment in government business enterprises

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 accumulated surplus 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 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

The University has adopted the following new accounting standards effective for the fiscal year starting on April 1, 2017:

Related party disclosures defines a related party and established disclosures required for related party transactions. The standard has been prospectively applied. A disclosure will be presented when the following criteria are met:

(i) a related party exists;
(ii) a transaction occurs between related parties;
(iii) the transaction occurred at a value different from that which would have been arrived at if the parties were unrelated; and
(iv) the transaction has a material financial effect.

As a result of implementing this standard no new disclosures were identified.

Inter-entity transactions established how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and recipient perspective. The main features of the new section are:

(i) under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
(ii) transactions are measured at the carrying amount, except in specific circumstances;
(iii) a recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice;
(iv) the transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value;
(v) inter-entity transactions are considered in conjunction with, section PS 2200 Related Party Disclosures.

As a result of implementing this standard no new disclosures were identified.

Contingent Assets section defines contingent assets as possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when on or more future events not wholly with the University's control occurs or fails to occur. Disclosure of the nature, extent, reasons for non-disclosure of the extent, and an estimate of the amount is required when the occurrence of the confirming future event is likely.

As a result of implementing this standard no new disclosures were identified.

Contractual rights section defines and establishes disclosure standards on contractual rights. Disclosure of information about contractual rights is required including a description about their nature and extent and the timing.

As a result of implementing this section, disclosures in note 14 were enhanced.

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:

			Market Risk		
Financial Instrument	**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 A Canadian Chartered Banks.

Accounts receivable

Management believes concentrations of risk with respect to accounts receivable 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 is proactive in its management of collections.
- 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 receivables 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, 2018: 97% quoted prices in active markets for identical investments (level 1) and 3% 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, to assist with the management of capital the University requires authorizations of expenditures on projects.

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 significant known future obligations to manage foreign exchange transaction exposures. There were no contracts outstanding at March 31, 2018 and March 31, 2017.

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 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 minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant 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 A 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

Dollars in Thousands	2018	2017
Revenue receivable	6,394	6,199
Other receivables	2,426	2,751
GST receivable	1,095	2,214
SFSS - Build SFU	1,921	1,382
Provision for doubtful accounts	(1,972)	(1,728)
Accounts Receivable	**9,864**	**10,818**

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

Dollars in Thousands	2018	2017
SFU Community Trust receivable		
Distribution receivable, non-interest bearing, to be settled within one year	6,798	
Promissory note, interest at prime rate less 0.5% per annum, due December 31, 2020	5,149	5,149
Parking agreement receivable, interest at prime rate, due December 31, 2021	4,474	4,474
Accrued interest receivable on parking agreement	116	98
Promissory note, interest at 2.5% per annum, due on demand		2,560
Due from SFU Community Trust	**16,537**	**12,281**
Great Northern Way Campus Trust receivable		
Promissory note, unsecured with no fixed payment terms	6,400	
Note receivable, non-interest bearing, unsecured with no fixed repayment terms	163	438
Due from Great Northern Way Campus Trust	**6,563**	**438**
Due from Related Parties	**23,100**	**12,719**

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 (2017: $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 $2,560,000 promissory note, interest at 2.5% per annum, due on demand and declared a dividend of $6,798,000 which is reported as a distribution receivable, non-interest bearing with no fixed repayment terms during the year.

GNWCT declared a distribution of $14,563,000 of which the University received $8,000,000 during the year. The remaining distribution due from GNWCT is reported as a note receivable for $163,000 and a promissory note receivable for $6,400,000, both of which are non-interest bearing, unsecured with no fixed payment terms.

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 include; the Academic Plan and the Administrative/Union Plan. The Academic Plan is comprised of both a Defined Contribution Plan as well as a grandfathered FRB. 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

Actuarial valuations are required by BC 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 and are prepared using the projected unit cost method, pro-rated on service, providing two measurements: a going concern valuation and a solvency valuation. The most recent actuarial valuation for the Academic FRB Plan was prepared as at December 31, 2015, while the Administrative/Union Plan was as at December 31, 2016.

Going concern valuations, required by and pursuant to the PBSA, are used to determine funding requirements. This type of valuation has margins for conservatism included in the actuarial assumptions used to value the liabilities of the pension plan, resulting in a larger liability than that of an accounting valuation.

Solvency valuations, required by PBSA for single employer plans only, will consider the pension plan as if it were to be wound up on the valuation date. The assumptions used in solvency valuations are largely dictated by the Canadian Institute of Actuaries which requires that bond rate yields, typically less than plan asset earnings, be used in determining the liabilities. Solvency deficiencies must be funded over a maximum of five years, either by additional contributions or, as the University has chosen, by a Letter of Credit (note 24).

Annual accounting valuations have the primary purpose 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, with assumptions being congruent with relevant Public Sector Accounting Standards (PSAS) and reviewed on an annual basis. This is a going concern type valuation which assumes the plan will continue indefinitely and measures assets at market value, and liabilities on a best estimate basis, including the use of a discount rate equal to the expected rate of return on plan assets. Accounting valuations were performed for both FRB plans from each of their most recent actuarial valuations using a December 31, 2017 measurement date.

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 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 2017 calendar year, contributions made by the University to the Academic MPA Pension Plan were 9.6% (2016: 9.6%) of pensionable earnings, totaling $13,359,000 (2016: $12,877,000).

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. Contributions to the Academic FRB Plan in respect of a going concern deficit are made by the University and for the calendar year 2017 were $nil (2016: $361,000).

The 2015 actuarial valuation formed the basis of the annual accounting valuation as at December 31, 2017, where an actuarial gain of $1,246,000 resulted (2017 gain: $463,000). Contributing to the gains were returns on plan assets that were $1,143,000 more than expected (2017: $18,000) and an actuarial gain related to the obligation of $103,000 (2017: $445,000). These gains 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 highest sixty consecutive months' salary. Pensions are indexed to CPI up to a maximum of 3% per annum. Additional voluntary contributions to the Administrative/Union Plan may be made to the employees individual 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. In such circumstances, 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.

Contributions to the Administrative/Union Pension Plan made by the University during the 2017 calendar year were at a rate of 15.83% (2016: 17.14%) of pensionable earnings, totaling $17,785,000 (2016: $18,523,000). In addition, contributions of $4,050,000 (2016: $3,308,000) were made in respect of commuted value solvency holdbacks.

The 2016 actuarial valuation formed the basis of the annual accounting valuation as at December 31, 2017, where an actuarial gain of $11,427,000 resulted (2017: $9,732,000). Contributing to the gains were returns on plan assets that were $8,457,000 more than expected (2017: $9,732,000), while there were $2,970,000 gains related to the obligation (2017: nil). The gains and losses are recognized by the University over EARSL, currently 10 years.

The funding determined under the most recent going concern valuation, exceeds the pension expense resulting from the annual accounting valuation.

7a/ Net pension asset (liability)

Dollars in Thousands	Administrative / Union	Academic FRB	2018	2017
Accrued benefit obligation, beginning of year	284,269	27,594	311,863	304,077
Current period benefit cost (net of employee contributions)	14,152		14,152	13,841
Employee contributions / transfer from MPA	38		38	41
Interest cost	17,495	1,635	19,130	18,678
Benefit payments	(22,884)	(2,878)	(25,762)	(24,329)
Actuarial gain	(2,970)	(103)	(3,073)	(445)
Accrued Benefit Obligation, End of Year	**290,100**	**26,248**	**316,348**	**311,863**
Fair value of plan assets, beginning of year	339,460	29,442	368,902	340,059
Employer contributions	21,835		21,835	22,192
Employee contributions / transfer from MPA	38		38	41
Actual return on plan assets	29,642	2,893	32,535	30,939
Benefit payments	(22,885)	(2,877)	(25,762)	(24,329)
Fair Value Plan Assets, End of Year (*)	**368,090**	**29,458**	**397,548**	**368,902**
Funded Status, Pension Plan Surplus	**77,990**	**3,210**	**81,200**	**57,039**
Unamortized net actuarial gain, beginning of year	49,631	3,952	53,583	47,370
Actuarial gain on pension plan assets	8,457	1,143	9,600	9,750
Actuarial gain on pension plan obligation	2,970	103	3,073	445
Amortization of net actuarial gain	(4,733)	(258)	(4,991)	(3,982)
Unamortized Net Actuarial Gain, End of Year	**56,325**	**4,940**	**61,265**	**53,583**
Net Pension Asset (Liability)	**21,665**	**(1,730)**	**19,935**	**3,456**

* Defined benefit pension plan consists of:

	Administrative / Union		Academic FRB	
	2018	2017	2018	2017
Equity securities	61%	64%	67%	68%
Debt securities	39%	36%	33%	32%
	100%	100%	100%	100%

7b/ Defined benefit pension expense

Dollars in Thousands	Administrative / Union	Academic FRB	2018	2017
Current period benefit cost (including employee contributions)	14,190		14,190	13,882
Less: employee contributions	(38)		(38)	(41)
Amortization of net actuarial gain	(4,733)	(258)	(4,991)	(3,982)
Expected interest cost on pension obligation	17,495	1,635	19,130	18,678
Expected earnings on average pension assets	(21,185)	(1,750)	(22,935)	(21,188)
Pension Expense (Income) Recognized	**5,729**	**(373)**	**5,356**	**7,349**

7c/ Significant actuarial assumptions

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

7d/ Life expectancy assumptions

	December 31, 2017 Life expectancy at 65 for a member currently				December 31, 2016 Life expectancy at 65 for a member currently			
	Age 65		Age 45		Age 65		Age 45	
Years	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Administrative/Union and Academic (FRB)								
2014 Private Sector Mortality Table	21.6	24.1	22.7	25	21.6	24	22.7	25

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).

7.e/ Defined benefit pension plans: Letter of Credit requirements

Dollars in Thousands	Cumulative Letter of Credit Requirements	
Calendar Year	**Administrative / Union**	**Academic FRB**
2017	95,140	13,210
2018	95,140	13,553
2019	106,640	13,905
2020	118,450	*
2021	*	*

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

	Effective Date of Next Actuarial Valuation	Impact on LOC Requirements
Administrative/Union	31-Dec-19	2020 and beyond
Academic FRB	31-Dec-18	2019 and beyond

7f/ Sensitivity to actuarial assumptions, as at December 31, 2017

Dollars in Thousands	Administrative / Union Obligation $	%	Academic FRB Obligation $	%
Estimated increase				
0.5% decrease in discount rate	23,719	8.2	1,034	3.9
0.5% increase in inflation on post retirement	16,199	5.6	1,015	3.9
0.5% increase in compensation	5,217	1.8		
10% reduction to mortality rates (0.8 years for a 65 year old)	5,671	2.0	840	3.2

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

8. Investments

8a/ Consolidated Statement of Financial Position presentation of investments

Dollars in Thousands	Reported Value 2018	2017
Financial assets presentation category		
Portfolio investments (note 18d)	**480,289**	**494,791**
Non-financial assets presentation category		
Endowment investments (notes18a&d)	336,711	317,688
Non-endowment investment	1,000	1,000
Restricted investments (note 18d)	**337,711**	**318,688**
Total Investments	**818,000**	**813,479**

8b/ Investments

Dollars in Thousands	Reported Value 2018	2017	Cost 2018
Investments Recorded at Fair Value			
Designated to the fair value category (level 1)			
Actively managed bond fund			
Federal bonds	72,375	52,569	74,639
Provincial and municipal bonds	54,512	56,946	56,257
Corporate bonds	95,480	62,603	97,933
	222,367	**172,118**	**228,829**
Indexed bond fund	77,109	159,885	77,109
Sinking fund investments	3,207	3,164	2,556
Term deposits	1,966	2,178	1,966
Total Fixed Income Investments	**304,649**	**337,345**	**310,460**
Equity instruments quoted in an active market (level 1)			
Canadian equities	227,303	233,900	187,494
Foreign equities	258,531	208,404	198,303
Total Level 1 Category Financial Instruments	**790,483**	**779,649**	**696,257**
Designated to the fair value category (level 3)			
Private equities	24,322	23,328	19,718
Other investments	2,195	2,080	1,621
Total Level 3 Category Financial Instruments	**26,517**	**25,408**	**21,339**
Investments Valued at Cost/Amortized Cost			
Long-term annuity		7,422	
Residual interest in real property	1,000	1,000	1,000
Total Investments Valued at Cost/Amortized Cost	**1,000**	**8,422**	**1,000**
Total Investments	**818,000**	**813,479**	**718,596**

Bonds in the actively managed bond fund mature between 2019 and 2166 and the yields to maturity range between 0% and 11.8% (2017: 0% and 9.1%).

The indexed bond fund is benchmarked to the FTSE TMX Canada Universe Bond Index which includes 36% (2017: 36%) federal government bonds, 36% (2017: 32%) provincial and municipal government bonds, and 28% (2017: 32%) corporate bonds and debentures. As at March 31, 2018 the fund's one year return was 1.4% (2017: 1.5%) and the duration was 7.4 years (2017: 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 $1,966,000 proportionate share in redeemable and non- redeemable GIC's with maturities in April, May, September and October 2018 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 56% (2017: 56%) in United States markets and 44% (2017: 44%) outside of the United States.

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

Other investments consist of hedge funds, real estate and mortgages which are invested via the Vancouver Foundation. 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

Dollars in Thousands	2018	2017
Investments at cost	**718,596**	**725,010**
Unrealized amounts reported in the Consolidated Statement of Remeasurement Gains and Losses		
Balance, beginning of year	26,858	20,857
Change in the year	4,385	6,001
Balance, End of year	**31,243**	**26,858**
Deferred revenue related to restricted endowments		
Balance, beginning of year	61,611	35,306
Change in the year (note 14c)	6,550	26,305
Balance, End of year	**68,161**	**61,611**
Total Investments at Reported Value	**818,000**	**813,479**

9. Investment in Great Northern Way Campus Trust

The 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. SFU has a 25% proportionate interest in GNWCT. 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

Dollars in Thousands	2018	2017
Great Northern Way Campus Trust equity, December 31	36,767	76,515
SFU proportionate interest	25%	25%
Investment in GNWCT, End of Year	**9,192**	**19,129**

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

Dollars in Thousands	2018		2017	
	100%	25%	100%	25%
Net income reported by GNWCT	15,663	3,915	13,913	3,478
Other comprehensive income	1,087	272	1,326	332
Net distributions from GNWCT to institutions	(56,498)	(14,124)	(15)	(4)
Change in GNWCT	**(39,748)**	**(9,937)**	**15,224**	**3,806**
GNWCT, beginning of year	76,515	19,129	61,291	15,323
GNWCT, End of Year	**36,767**	**9,192**	**76,515**	**19,129**

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

Dollars in Thousands	2018	2017
Initial settlement upon GNWCT	33,787	33,787
GNWCT cumulative comprehensive income	59,842	43,091
Distributions from GNWCT	(74,238)	(15,988)
Contributions by partner institutions	17,376	15,625
	36,767	**76,515**
SFU proportionate interest	25%	25%
SFU Investment in GNWCT	**9,192**	**19,129**

9d/ Financial summary - Great Northern Way Campus Trust

Dollars in Thousands	December 31, 2017	December 31, 2016
Financial Position		
Total assets	69,668	92,124
Total liabilities	32,901	15,609
Trust Balance, End of Year	**36,767**	**76,515**
Results of Operations & Trust Balance		
Revenue	38,969	28,533
Expense	23,306	14,620
Net Income for the Year	**15,663**	**13,913**
Comprehensive income	1,087	1,326
Net distributions to beneficiaries	(56,498)	(15)
Net changes in the year	**(39,748)**	**15,224**
Trust balance, beginning of year	76,515	61,291
Trust Balance, End of Year	**36,767**	**76,515**
Cash Flows		
Operating transactions	17,012	20,407
Investing transactions	(1,843)	1,688
Financing transactions	(24,000)	5
Increase (Decrease) in Cash During the Year	**(8,831)**	**22,100**

10. Investment in SFU Community Trust

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

Dollars in Thousands	2018	2017
Net income reported by SFUCT	7,585	1,660
Reduction in the cost of sales to reflect SFU's original cost of leases	1,319	351
Interest in SFUCT Income for the Year	**8,904**	**2,011**
Distributions from SFUCT in the year	(6,798)	
Investment in SFUCT, beginning of year	7,894	5,883
Investment in SFUCT, End of Year	**10,000**	**7,894**

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

Dollars in Thousands	2018	2017
Trust equity as reported by SFUCT	**16,023**	**15,236**
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	11,521	10,202
	(6,023)	**(7,342)**
Investment in SFUCT, End of Year	**10,000**	**7,894**

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

Dollars in Thousands	2018	2017
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	35,624	28,038
Lease rights recognized through sales to third parties	11,521	10,202
Interest in SFUCT cumulative income (note 15c)	**47,145**	**38,240**
Distributions from SFUCT:		
Applied to accounts receivable	(4,882)	(4,882)
Derived from SFUCT net income	(37,184)	(30,385)
	(42,066)	**(35,267)**
Investment in SFUCT (note 15c)	**10,000**	**7,894**

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

Dollars in Thousands	2018	2017
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

Dollars in Thousands	December 31, 2017	December 31, 2016
Financial Position		
Total assets	68,045	52,022
Total liabilities	52,022	50,380
Trust Balance, End of Year	**16,023**	**1,642**
Results of Operations & Trust Balance		
Revenue	22,904	13,633
Expense	15,319	11,973
Net Income for the Year	**7,585**	**1,660**
Distributions to beneficiaries	(6,798)	
Trust balance, beginning of year	15,236	13,576
Trust Balance, End of Year	**16,023**	**15,236**
Cash Flows		
Operating transactions	15,907	10,007
Investing transactions	(2,791)	(17,002)
Financing transactions	(5,170)	6,461
Increase (Decrease) in Cash During the Year	**7,946**	**(534)**

11. Accounts payable and accrued liabilities

Dollars in Thousands	2018	2017
Trade payables and accruals	33,788	25,060
Salaries and benefits payable	15,636	17,479
Accrued vacation pay	7,600	7,210
Other	8,463	8,698
Accounts Payable and Accrued Liabilities	**65,487**	**58,447**

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

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 were performed as at December 31, 2015, while the compensated absence benefit plan was performed as at December 31, 2017.

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 Public Sector Accounting Standards (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. Accounting valuations have been performed as at December 31, 2017, from the 2015 actuarial valuations of the retirement benefit plans. The next actuarial valuations will be as at December 31, 2018.

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 $8,771,000 (2017 loss: $2,080,000) to be amortized over EARSL. The gain was primarily driven by the change in MSP rates implemented January 1, 2018.

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 loss of $77,000 (2017: $40,000). The loss, primarily due to the decrease in the discount rate from 3.8% to 3.5%, is to be amortized over EARSL, currently 8 years.

Compensated absence benefits

Compensated absence benefits represent a liability that is created when an event that obligates the University occurs. The expected cost of providing the benefit is recognized immediately in the period when the event occurs. Gains or losses resulting from actuarial valuations are accounted for using the immediate attribution method.

Actuarial valuations are performed each year for such event driven liabilities.

Long-term disability benefits

Long-term disability is an event driven compensated absence benefit representing the liability to employees who are being paid for claims pursuant to the University's self-insured long-term disability plans. An insurance company administers the plans and is reimbursed for disability claim payments plus service fees. The actuarial valuation, completed as at December 31, 2017, reported a gain of $162,000 (2017: $2,293,000), which has been fully recognized and reported by function within the Consolidated Statement of Operations.

12a/ Liability and benefit expense for employee future benefits

	Retirement Benefits		Compensated Absence Benefit		
Dollars in Thousands	**Non-Pension Retiree**	**Early Retirement**	**Long-Term Disability**	**2018**	**2017**
Liability for Employee Future Benefits					
Accrued benefit obligation, beginning of year	77,779	3,077	8,675	89,531	87,008
Current period benefit cost	878	59	1,180	2,117	2,874
Interest cost	2,937	112	327	3,376	3,465
Benefit payments	(1,814)	(305)	(1,311)	(3,430)	(3,643)
Actuarial loss (gain)	(8,771)	77	(162)	(8,856)	(173)
Accrued Benefit Obligation, End of Year	**71,009**	**3,020**	**8,709**	**82,738**	**89,531**
Unamortized net actuarial loss on liability, beginning of year	(15,075)	(441)		(15,516)	(16,358)
Actuarial gain (loss) on liability	**8,771**	**(77)**	**162**	**8,856**	**173**
Amortization of net actuarial (gain) loss	3,189	125	(162)	3,152	669
Unamortized net actuarial loss on obligation, end of year	**(3,115)**	**(393)**		**(3,508)**	**(15,516)**
Liability for Employee Future Benefits, End of Year	**67,894**	**2,627**	**8,709**	**79,230**	**74,015**

12.b/ Employee future benefits expense

	Retirement Benefits		Compensated Absence Benefit		
Dollars in Thousands	**Non-Pension Retiree**	**Early Retirement**	**Long-Term Disability**	**2018**	**2017**
Employee Future Benefits Expense					
Current period benefit cost	878	59	1,180	2,117	2,874
Recognition of actuarial loss (gain)	3,189	125	(162)	3,152	669
Interest cost on unfunded benefit obligation	2,938	112	327	3,377	3,465
Employee Future Benefits Expense	**7,005**	**296**	**1,345**	**8,646**	**7,008**

12c/ Significant actuarial assumptions

	Retirement Benefits		Compensated Absence Benefit
	Non-Pension Retiree	**Early Retirement**	**Long-Term Disability**
Measurement date of accrued benefit obligation	31-Dec-17	31-Dec-17	31-Dec-17
Expected future inflation rate	2.00%	2.00%	2.00%
Expected Average Remaining Service Lifetime of active employees (EARSL)	6 yrs	8 yrs	n/a
Weighted average remaining years until last payment	n/a	n/a	5 yrs
Beginning of period discount rate	3.80%	3.80%	3.80%
End of period discount rate	3.50%	3.50%	3.50%
Assumed health care cost trend rates, including inflation of 2.00%			
Medical Services Plan	4.00%	n/a	4.00%
Dental	4.25%	n/a	4.25%
Extended Health Benefits (EHB)	7.00%	n/a	7.00%
EHB cost trend rate declines to	5.00%	n/a	5.00%
Year that EHB rate reaches the rate it is assumed to remain at	2028	n/a	2028

12.d/ Sensitivity to actuarial assumptions, as at December 31, 2017

	Retirement Benefits				Compensated Absence Benefit	
	Non-Pension Retiree		Early Retirement		Long-Term Disability	
Dollars in Thousands	**$**	**%**	**$**	**%**	**$**	**%**
Estimated increase in accrued benefit obligation						
0.5% decrease in discount rate	6,313	9.2	143	4.7	267	3.1
0.5% increase in MSP, Dental and EHB cost trend rates	5,326	7.8				
10% reduction to mortality rates (0.8 years for a 65 year old)	2,926	4.3	144	4.8		
0.5% increase in inflation rate			114	3.8	249	2.8
0.5% increase in compensation			169	5.6		

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

Dollars in Thousands	2018	2017
Debentures, senior unsecured	142,995	142,717
Debenture, Province of British Columbia	4,966	4,959
Total	**147,961**	**147,676**

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 $3,207,000 (2017: $3,164,000) 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

Dollars in Thousands	Principal	Sinking Fund	Interest	Total Payments
2019		44	8,857	8,901
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 to 2042			159,971	159,971
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

Dollars in Thousands	Sponsored Research	Endowment	Specific Purpose	2018	2017
Balance, beginning of year	46,248	93,472	18,766	158,486	126,699
Donations and grant revenue received	61,357		30,614	91,971	93,156
Transferred to revenue	(64,886)		(25,474)	(90,360)	(90,393)
Endowment investment income earned		24,234		24,234	50,379
Transferred to investment income (note 20)		(12,910)		(12,910)	(11,681)
Transferred to net endowment contributions (note 22)					
Endowment principal addition		(2,793)		(2,793)	(3,289)
Preserve purchasing power		(7,073)		(7,073)	(6,385)
Balance, End of Year	**42,719**	**94,930**	**23,906**	**161,555**	**158,486**

14b/ Source of deferred revenue, end of year

Dollars in Thousands	Sponsored Research	Endowment	Specific Purpose	2018	2017
Province of British Columbia	1,207		12,087	13,294	7,729
Government of Canada	35,216		1,995	37,211	42,044
Endowment income stabilization account		84,284		84,284	84,808
Other	6,296	10,646	9,824	26,766	23,905
Balance, End of Year	**42,719**	**94,930**	**23,906**	**161,555**	**158,486**

Endowment deferred revenue

Endowment contributions are recorded in the consolidated statement of operations as net restricted endowment contributions (note 22). The related accumulated surplus is separately accounted for (note 18b). Endowment investments are reported within restricted Investments (note 8a).

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).

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.

14c/ Endowment income stabilization account

Dollars in Thousands	2018	2017
Balance, beginning of year	**84,808**	**57,615**
Endowment investment income externally restricted for the year		
Realized income	17,683	24,074
Unrealized income (note 8c)	6,550	26,305
Endowment income allocated to		
Individual endowment spending accounts	(17,684)	(16,801)
Preserve purchasing power (note 22)	(7,073)	(6,385)
Increase (Decrease) in the Year	**(524)**	**27,193**
Balance, End of Year	**84,284**	**84,808**

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

Dollars in Thousands	2018	2017
Balance, beginning of year	37,201	35,603
SFUCT income to be deferred and amortized over lease terms	7,585	1,660
Adjustment of land value on transfer to the Trust realized through sale of leases	1,319	351
Amortized and transferred to net restricted endowment contributions	(503)	(413)
Balance, End of Year	**45,602**	**37,201**

15b/ SFUCT income recognized as restricted endowment contributions

Dollars in Thousands	2018	2017
Amortized to income in the year	503	413
Income Recognized in the Year as Restricted Endowment Contributions (note 22)	**503**	**413**

15c/ SFU Community Trust endowment component of accumulated surplus

Dollars in Thousands	2018	2017
Interest in SFUCT cumulative income (note 10c)	47,145	38,240
Less: deferred lease proceeds	(45,602)	(37,201)
Life-to-date SFUCT Income Recognized as Endowment Contributions	**1,543**	**1,039**
Base rent revenue earned (note 10d)	1,095	1,095
Initial settlement of investment into SFUCT	40	40
Life-to-date capitalized investment income	4,685	4,673
SFUCT Endowment Component of Accumulated Surplus	**7,363**	**6,847**
Total non SFUCT Endowment Accumulated Surplus	329,348	310,841
Endowment Accumulated Surplus	**336,711**	**317,688**

16. Tangible capital assets

16a/ Tangible capital assets - net book value

Dollars in Thousands	Cost	Accumulated Amortization	2018	2017
Buildings - concrete	905,872	228,818	677,054	649,850
Buildings - wood	37,615	15,332	22,283	23,359
Site services	59,463	17,019	42,444	41,165
Leasehold improvements	3,586	934	2,652	2,253
Computer equipment	44,293	15,256	29,037	19,145
Equipment & furnishings	116,898	56,316	60,582	52,206
Library books	93,565	46,696	46,869	48,427
Land	33,080		33,080	33,080
Assets under construction	113,580		113,580	60,664
Total	**1,407,952**	**380,371**	**1,027,581**	**930,149**

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

Life in Years	
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 2018 and 2017.

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 $1,691,000 (2017: $840,000).

Additions to buildings during the year include capitalized interest of $nil (2017: $nil).

Works of art include the University's art collection and the SFU Bill Reid Gallery collection. In 2018, additional donated works of art with an appraised value of $1,276,000 (2017: $334,000) were received. The art collections are insured at a replacement value of $49,100,000.

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

Dollars in Thousands	**Opening**	**Additions**	**Change in Assets Under Construction**	**Disposals and 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**

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

Dollars in Thousands	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**

16d/ 2017 Tangible capital asset cost - opening and closing balances

Dollars in Thousands	Opening	Additions	Change in Assets Under Construction	Disposals and Adjustments	2017
Buildings - concrete	808,362	66,175	(10,360)	(1,106)	863,071
Buildings - wood	23,192	14,866	(640)		37,418
Site services	52,554	5,626	(1,076)	(91)	57,013
Leasehold improvements	12,630	1,727	161		14,518
Computer equipment	20,803	20,594		(9,569)	31,828
Equipment & furnishings	93,566	21,132	1,577	(12,316)	103,959
Library books	94,873	8,554		(8,748)	94,679
Land	19,299	13,781			33,080
Assets under construction	50,326		10,338		60,664
Total	**1,175,605**	**152,455**		**(31,830)**	**1,296,230**

16e/ 2017 Tangible capital assets amortization - opening and closing balances

Dollars in Thousands	Opening	Amortization	Disposals and Adjustments	2017
Buildings - concrete	197,315	17,012	(1,106)	213,221
Buildings - wood	13,100	959		14,059
Site services	14,836	1,103	(91)	15,848
Leasehold improvements	11,391	874		12,265
Computer equipment	12,904	9,348	(9,569)	12,683
Equipment & furnishings	48,726	15,343	(12,316)	51,753
Library books	45,085	9,915	(8,748)	46,252
Total	**343,357**	**54,554**	**(31,830)**	**366,081**

16f/ Assets under construction by asset class

Dollars in Thousands	2018	2017
Buildings - concrete	104,176	52,367
Buildings - wood	770	640
Site services	4,478	3,917
Leasehold improvements	4,110	3,296
Equipment & furnishings	46	444
Assets Under Construction	**113,580**	**60,664**

The two largest concrete buildings under construction as at March 31, 2018 are: the Sustainable Energy and Environmental Engineering building on the Surrey campus $71,900,000; and, on the Burnaby campus, the Education building renewal $11,200,000.

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

Dollars in Thousands	**2018**	**2017**
Balance, beginning of year	478,034	409,801
Contributions in the year	90,739	90,012
Amortized to revenue	(28,426)	(21,779)
Balance, End of Year	**540,347**	**478,034**

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

Dollars in Thousands	**2018**	**2017**
Province of British Columbia	400,035	355,946
Government of Canada	88,074	71,125
Other	52,238	50,963
Balance, End of Year	**540,347**	**478,034**

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

Dollars in Thousands	**2018** FRF	**2018** PSAS	**2017** FRF	**2017** PSAS
Non-financial assets				
Less deferred capital contributions	540,347		478,034	
Accumulated Surplus				
Accumulated surplus	948,982	1,489,329	878,735	1,356,769
Revenue				
Government grants and contracts	303,400	394,139	278,426	368,438
Amortization of deferred capital contributions	28,426		21,779	
Annual Operating Surplus				
Annual operating surplus	65,252	127,565	49,428	117,661

18. Accumulated surplus

18a/ Accumulated surplus

Dollars in Thousands	2018	2017
Internally restricted for operating commitments		
Departmental operating budget carryover	39,321	35,742
Internal transfer for tangible capital assets	(29,000)	(30,000)
	10,321	**5,742**
Internally funded research	21,377	17,333
Net operating	**31,698**	**23,075**
Ancillary operations	23,495	18,236
Specific purpose	18,736	17,540
Long-term lease commitment		4,495
Self-insurance	510	122
Internally Restricted for Operating Commitments	**74,439**	**63,468**
Investment in tangible capital assets, before internal advance	476,614	440,356
Internal transfer for tangible capital assets	29,000	30,000
Investment in tangible capital assets	**505,614**	**470,356**
Endowment (note 8a)	**336,711**	**317,688**
Accumulated Operating Surplus, End of Year	**916,764**	**851,512**
Accumulated remeasurement gains (note 8c)	**32,218**	**27,223**
Accumulated Surplus, End of Year	**948,982**	**878,735**

18b/ Change in accumulated surplus - endowment

Dollars in Thousands	2018	2017
Balance, beginning of year - as restated (note 18d)	317,688	298,620
Net restricted endowment contributions in the year (note 22)	19,023	19,068
Balance, End of Year	**336,711**	**317,688**

18c/ Change in accumulated operating surplus

Dollars in Thousands	Internally Restricted for Operating Commitments	Investment in Tangible Capital	Restricted for Endownment Principal
Accumulated Operating Surplus, beginning of year - as restated (note 18d)	63,468	470,356	317,688
Annual surplus	65,252		
Increase in investment in tangible capital assets	(35,258)	35,258	
Net restricted endowment contributions (note 22)	(19,023)		19,023
Accumulated Operating Surplus, End of Year	**74,439**	**505,614**	**336,711**

Investment in tangible capital assets is comprised of	
Tangible capital assets	1,022,281
Sinking fund investment	3,207
Long-term debt	(147,961)
Deferred capital contributions	(540,347)
Other net assets invested in capital	159,242
Net asset interest in GNWCT	9,192
Investment in Tangible Capital Assets	**505,614**

18d/ Prior period adjustment

When the University adopted Public Sector Accounting Standards in 2012, a classification error occurred. Accordingly, the University has restated balances at April 1, 2017 by $4,250,000 as follows:

(a) increase Accumulated surplus - investment in tangible capital assets and decrease Accumulated surplus - endowment; and
(b) increase Portfolio investments and decrease Restricted investments.

19. Government grants and contract revenue

Dollars in Thousands	2018	2017
Province of British Columbia		
Operating	224,989	219,398
Less: portion restricted for capital projects *		(15,000)
Sponsored research	2,014	2,901
Specific purpose	11,709	6,007
Minor maintenance and rehabilitation	980	980
	239,692	**214,286**
Government of Canada		
Operating	8,922	8,612
Sponsored research	40,217	45,814
Specific purpose	8,680	9,075
Net deferred revenue	3,528	(1,781)
	61,347	**61,720**
Other governments		
Operating	39	
Sponsored research	1,889	1,871
Specific purpose	433	549
	2,361	**2,420**
Government Grants and Contract Revenue	**303,400**	**278,426**

*In 2017, $15,000,000 of the operating funding from the Province of British Columbia was restricted for capital deferred maintenance projects and was expended as stipulated by March 31, 2018. As a result, the funding was recorded as a deferred capital contribution in the year and will be amortized to revenue in alignment with the related amortization of tangible capital assets.

In 2018, $18,500,000 that was budgeted to be restricted for capital deferred maintenance projects was not restricted.

20. Investment income

Dollars in Thousands	Operating	Endowment	2018	2017
Interest and dividend income	9,882		9,882	8,753
Realized gains (losses) transferred from Consolidated Statement of Remeasurement Gains and Losses	(1,958)		(1,958)	9,568
Income from deferred contributions (note 14a)		12,910	12,910	11,681
Investment Income	**7,924**	**12,910**	**20,834**	**30,002**

21. Expense by object

Dollars in Thousands	2018	2017
Salaries	364,316	354,614
Employee benefits	59,727	58,515
Supplies and operating	71,424	69,572
Amortization of tangible capital assets (note 16c)	63,407	54,554
Professional and contracted services	42,221	42,142
Scholarships and bursaries	33,909	34,452
Travel and personnel	18,179	19,060
Cost of goods sold	6,298	6,478
Interest on long-term debt	9,138	9,158
Utilities	9,628	9,841
Expense	**678,247**	**658,386**

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.

Dollars in Thousands	2018	2017
Donations	8,654	8,981
Capitalized investment income (note 14a)		
Endowment principal addition	2,793	3,289
Preserve purchasing power	7,073	6,385
Equity gain for the year from SFU Community Trust (note 15b)	503	413
Net Restricted Endowment Contributions in the Year (note 18b)	**19,023**	**19,068**

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 $42,454,000 (2017: $44,039,000) and estimated gifts-in-kind of $2,028,000 (2017: $2,238,000).

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, 2018 the University is liable for Letters of Credit in the amount of $110,590,000 (2017: $92,856,000) which includes Letters of Credit related to pensions (note 7e) 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 $3,500,000 (2017: $3,135,000) 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 $3,500,000. 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 "Asset Retirement Obligations" the University will be working towards establishing reliable estimates in respect of asbestos removal and disposal throughout all relevant University buildings.

The University has recorded an asset retirement obligation for the removal of asbestos from the Madge Hogarth residence building for $2,000,000. The asset retirement obligation was fully amortized in the year.

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.

Dollars in Thousands	2019	2020	2021	2022	2023	Thereafter
Long-term lease	5,909	5,807	5,819	5,901	5,950	25,025
Service contracts	7,500	6,000	6,000	6,000		
Construction contracts	70,622					
Total	**84,031**	**11,807**	**11,819**	**11,901**	**5,950**	**25,025**

28. Financial reporting framework budget

Accounting policy

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

(a) the Consolidated Budget for 2017/18, approved by the Board of Governors on March 30, 2017.

(b) the 2017/18 Carry Forward Plans and other adjustments, with the revised 2017/18 Consolidated Budget approved by the Board of Governors on May 18, 2017.

(c) certain amounts have been reclassified in order to conform to the presentation adopted in the current year.

28a/ Financial reporting framework budget

Dollars in Thousands	Initial Consolidated Budget (a)	Adjustments to Consolidated Budget (b & c)	Final Consolidated FRF Budget
Revenue	695,857	(1,694)	694,163
Expense	680,786	(593)	680,193
Annual operating surplus before restricted contributions	**15,071**	**(1,101)**	**13,970**
Net restricted endowment contributions	17,000		17,000
Annual Operating Surplus	**32,071**	**(1,101)**	**30,970**

29. Comparative amounts

Certain amounts on the consolidated financial statements for the year ended March 31, 2017 have been restated in order to conform to the presentation adopted in the current year.

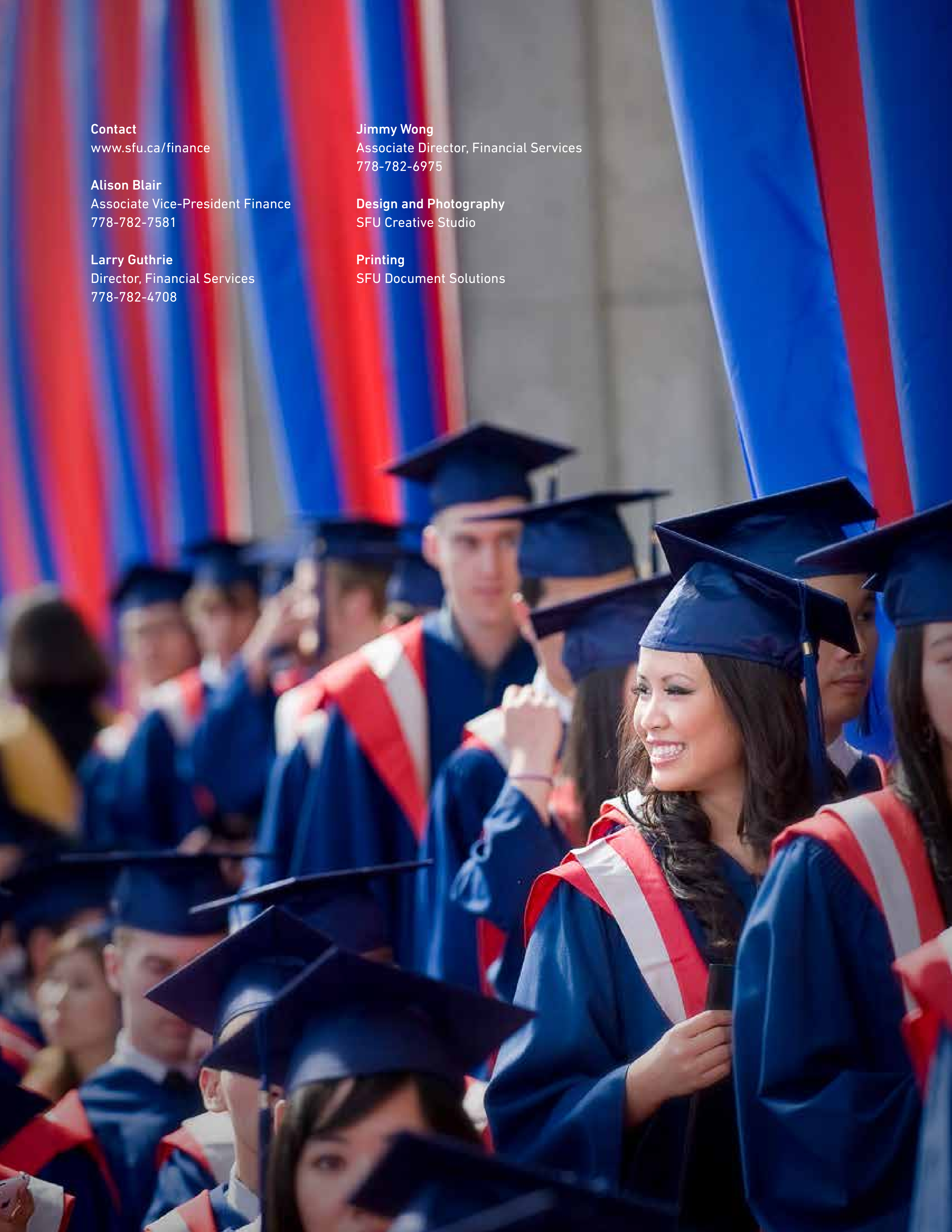
Board of Governors

March 2018

Standing (left to right):
Mr. Oliver Zihlmann
Mr. Mike Cordoba
Mr. Martin Mroz
Mr. James Stewart
Mr. Jimmy Dhesa

Seated (left to right):
Dr. June Francis
Mr. Christopher Lewis (Deputy Board Chair)
Ms. Fiona Robin (Board Chair)
Professor Andrew Petter (President and Vice-Chancellor)
Dr. Anke Kessler

Members not present:
Ms. Anne Giardini, O.C., Q.C. (Chancellor)
Ms. Jill Earthy
Ms. Denise Williams



Contact
www.sfu.ca/finance

Alison Blair
Associate Vice-President Finance
778-782-7581

Larry Guthrie
Director, Financial Services
778-782-4708

Jimmy Wong
Associate Director, Financial Services
778-782-6975

Design and Photography
SFU Creative Studio

Printing
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