

Tools for Bargaining - SFU's Ability to Pay

SFU Administrative & Professional Staff Association

Confidential Research

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Executive Summary

This Report refutes SFU's claims that its finances are tight. SFU's overall financial health is solid; measured by its total investments - portfolio and endowment - and SFU's total financial assets. As well, SFU's annual budgeting process and year-end reporting in its financial statements, demonstrates SFU's financial resilience.

Year-over-year SFU manages its finances to meet increases in expenses through revenue growth. Inflationary pressures will affect SFU like every other university. However, SFU's financial position is strong. Since 2007, SFU has had an annual operating surplus before restricted contributions in all but one year, 2009. So, in 15 of 16 years SFU has run a surplus at year-end. Even through the pandemic SFU had healthy surpluses.

A closer look at SFU revenue by source reveals that more than 2/3 of revenue is from two sources - tuition fees and BC government monies. Even through the pandemic, tuition revenue increased; between 2019 and 2022 tuition revenue from credit courses grew by 15%. Funding from the provincial government, over this 3 year period, also increased - by 23.5%.

SFU's total financial assets almost doubled in value between 2014 and 2022. Over the last two fiscal years, SFU's total financial assets grew by \$242 million, a 37.7% increase. SFU's total investments - portfolio and endowment - more than doubled in value between 2012 and 2022. In 2021, SFU's total investments hit the billion dollar mark for the first time. The SFU Foundation also saw a recent \$10 million increase in its net financial assets in just one year.

There is no evidence that SFU is facing a financial shortfall. In fact, SFU's finances are solid. Overall, the last few years have been good for SFU's assets and investments growth.

Highlights of Research Findings

- Since 2007, SFU has reported, in its Consolidated Financial Statements, an annual operating surplus before restricted contributions for all but one year, 2009. In 2022, the annual operating surplus before restricted contributions was \$27.1 million - in other words revenue exceeded expenses by twenty-seven million dollars (page 10).
- Between 2019 and 2022 tuition revenue for credit courses climbed from \$250.7 million to \$288 million, or by 15% (page 16).
- In comparing salary and benefits expenses as a percentage of total university expenses, SFU spent 67.1% of its revenue on salaries and benefits in 2022. Other comprehensive universities including the University of Victoria, Carleton, Waterloo and Guelph spent a lower percentage (page 13) - SFU spent proportionately more on salaries and benefits than these universities.
- Over the last 9 years the value of SFU's total financial assets has almost doubled to \$884.8 million in 2022, from \$469 million in 2014. Through the pandemic, SFU's total financial assets grew from \$642.5 million in 2020 to \$884.8 million in 2022, a 37.7% increase over 2 fiscal years (page 19).
- SFU's total investments - portfolio and endowment - have more than doubled in value between 2012 and 2022, from \$498.7 million to \$1.1 billion. Total investments hit the billion dollar mark for the first time in 2021 (page 20).
- Between 2007 and 2022, SFU's endowment has grown from \$147.7 million to \$470.6 million, or by 218.7% (page 21).
- The SFU Foundation's net financial assets have climbed from \$104,560 to \$10,861,912 between 2017 and 2022. The foundation's assets climbed \$10 million in just one year (page 26).

Section 1: SFU Consolidated Budgets

Section 1 of this Report challenges SFU's claims that the budget is tight. SFU's budget including its annual surpluses, increases to salaries and benefits line items, and revenues available under the General University Requirements portfolio, reveals that SFU had room in its budget to pay its staff more in 2022/23 and there is no reason to believe the same budgetary practices have not been built into the 2023/24 budget.

SFU focuses on the Operating Budget in its Budget and Financial Plan and draws conclusions based on its Operating Budget that are accurate, but include less available financial information. This Report references budget data contained in the Consolidated Budget. The Consolidated Budget is a more accurate projection of revenue and expenses for a given year. The Consolidated Budget is the comparator at year-end for actual SFU expenses in the Expense by Object table in the Consolidated Financial Statements. So let's have a look at SFU's Consolidated Budget.

Annual Operating Surplus - Projected and Year-End

The annual operating surplus reported in SFU's Consolidated Financial Statements at year-end, is significantly higher than the operating surplus projected at the beginning of the fiscal year in the Consolidated Budget. In other words, SFU's budgeted operating surplus at the beginning of the fiscal year, is consistently understated.

As the following Table indicates, in 2022, the operating surplus before restricted contributions was \$27.1 million, almost \$12 million more than the budgeted operating surplus of \$15.4 million. There is every reason to believe that SFU's 2023 year-end surplus will exceed the projected \$15,171,000 surplus outlined in the 2022/23 budget.

In 2015, 2017, 2018, 2019 and 2020 year-end surpluses were two to three times greater than what was projected in the Consolidated Budget. Only in 2016 was the projected operating surplus in the Consolidated Budget higher than the actual operating surplus at year-end. Even in the 2020/21 fiscal year, as the pandemic set in, SFU's surplus was almost \$9 million higher than projected in the budget.

Year	Consolidated Financial Statements Annual Operating Surplus before Restricted Contributions \$	Year	Consolidated Budget Operating Surplus before Restricted Contributions \$
2023	N/A	2022/23	15,171,000
2022	27,111,000	2021/22	15,381,000
2021	41,324,000	2020/21	32,486,000
2020	41,292,000	2019/20	21,587,000
2019	49,845,000	2018/19	18,182,000
2018	46,229,000	2017/18	15,071,000
2017	30,360,000	2016/17	13,169,000
2016	14,850,000	2015/16	16,379,000
2015	35,361,000	2014/15	10,761,000

Source: Consolidated Statement of Operations, SFU Consolidated Financial Statements; and Statement of Operations, SFU Consolidated Budget and Financial Plan.

Salaries and Benefits Line Items

Let's now compare the salaries and benefits line items in SFU's last two Consolidated Budgets. In the 2022-23 Budget and Financial Plan, the salaries line item is set at \$468.7 million and employee benefits at \$98.4 million (page 100). In the 2021/22 Consolidated Budget, the salaries line item was set at \$436.8 million and employee benefits at \$84 million (page 94).

Between these two years, the salaries line item is \$32 million higher and the benefits line item is \$14 million more. This means that SFU budgeted for increases in both benefits and salaries line items for the 2022/23 fiscal year. It is safe to assume SFU will do the same for the 2023/24 fiscal year to cover salaries and benefits increases under negotiation in the coming year.

GUR Discretionary Monies

SFU explains in the Budget and Financial Plan 2022-23 that the General University Requirements (GUR) portfolio includes "budget provisions and operating expenses that are attributable to the entire university" (page 90 and 91).

The GUR budget in the 2022/23 fiscal year totals \$90 million, in 2021/22 it was \$92.3 million. These monies are available to SFU for operating expenses for a range of university-wide costs that are “not readily attributable to specific units, or are highly variable and uncertain.” This includes expenses related to strategic initiatives; renewal of technologies; renewal of capital infrastructure; employee-related expenses; contingency; and other operational expenses.

The combined budgets for employee-related expenses, contingency and other operational expenses is more than \$60 million in the 2022/23 fiscal year.

Employee-related expenses is budgeted at \$25.7 million in 2022/23, up from \$19.5 million in 2021/22. This pot of money is used to cover a range of employee-related expenses including the expenses arising from collective agreements. Of the \$25.7 million in this fiscal year, SFU attributes \$7.3 million to cover collective agreement provisions. The GUR budget states: “A onetime budget provision is also included to capture the 2022/23 impact of the APSA collective agreement as the settlement was reached after budget reference points were distributed. The funding will be distributed to departments and areas in accordance with the settlement in 2022/23.”

SFU recently doubled its contingency fund. In the 2020/21 budget the Contingency available to SFU was \$6.6 million, it was doubled to \$12.8 million in 2021/22 and remained at \$12.8 million in 2022/23. The Contingency fund represents 2% of total operating revenues. The Contingency is used to “address issues approved by the Executive Team.”

Other operational expenses, which includes costs specific to a “long-term contractual agreement in place,” is budgeted at \$24.1 million in 2022/23 budget, down slightly from the previous year at \$24.4 million.

SFU, in negotiating contracts in 2023/24, could attribute salary and benefit costs to employee-related expenses, the contingency fund and other operational expenses under the General University Requirements portfolio.

2023-24 SFU Budget and Financial Plan

APSA may want a brief Report on the 2023-24 SFU Budget and Financial Plan which will be available in April 2023. The budget for the coming fiscal year will provide APSA

with insight into this year's budgeted monies available for negotiations - financial budgeting by management to absorb 2023/24 salaries and benefits increases.

There may also be more financial information about SFU's new medical school in the coming budget. To date, reference to the medical school in financial documents has focused on discussions, planning and budgeting, but not solid accounting of the costs of setting up a new medical school.

Section 2: SFU Consolidated Financial Statements

SFU asks the rhetorical question in its 2022 Annual Financial Report: Can SFU meet its financial obligations? The answer is yes. Moody's Investors Service, an independent credit rating agency, continues to provide SFU with a credit rating of Aa1. SFU is proud of the fact that its rating is "the highest among SFU's comprehensive university peers."

Furthermore, SFU emphasizes the university's "financial health" as measured by a number of key financial performance indicators for the fiscal year. SFU lists, on page 12 of the 2022 Annual Financial Report, its financial accomplishments:

- "Revenue grew by 4% to \$859 million demonstrating sustained demand.
- Expense grew 6.1% to \$832 million...
- Debt burden "remains" low, bond rating is high and financial assets fully cover all liabilities.
- Operating reserves grew and are within the prudent range to support operational stability.
- *Employee benefit obligations are challenging but manageable.*
- Endowment capital grew 19.8% to \$471 million as prior years' investment earnings were added to capital."

Martin Pochurko, Vice-President Finance & Administration, in his 2022 Message continues to express confidence about SFU's "sound fiscal management." As well, in reference to the pandemic Pochurko states: "Although the COVID-19 pandemic has challenged all of us over the past two years, we are proud of the way the SFU community has risen to the challenge of transitioning to online working, research, teaching and learning." Unlike two years earlier, in his 2020 Message Pochurko stressed the potential negative impact of COVID on investments, endowment returns and international student enrolment. In fact, over the last two years the growth rate of SFU investments including its endowment was impressive and overall tuition fee revenue has been robust.

a. Annual Operating Surplus

As the following Table indicates, back to 2007 SFU has run an annual operating surplus before restricted contributions for all but one year. In 2022, the annual operating surplus before restricted contributions was \$27.1 million. From 2018 through 2021, the surplus was in excess of \$40 million, each year. The only exception is 2009, when SFU had an operating loss of \$62.2 million, which it recovered from in one year.

The annual operating surplus, including net restricted endowment contributions, was \$104.8 million in 2022. This is the highest annual operating surplus that SFU has ever reported. The annual operating surplus almost doubled in one year, between 2021 and 2022. Again, year-over-year, SFU runs a significant annual operating surplus, although some monies are restricted. In 2022, net restricted endowment contributions totalled \$77.7 million, significantly higher than any other year back to 2012 when data was first available.

Year	Annual Operating Surplus before Restricted Contributions \$	Net Restricted Endowment Contributions \$	Annual Operating Surplus \$
2022	27,111,000	77,693,000	104,804,000
2021	41,324,000	12,161,000	53,485,000
2020	41,292,000	20,603,000	61,895,000
2019	49,845,000	23,442,000	73,287,000
2018	46,229,000	19,023,000	65,252,000
2017	30,360,000	19,068,000	49,428,000
2016	14,850,000	17,001,000	31,851,000
2015	35,361,000	22,678,000	58,039,000
2014	24,631,000	9,750,000	34,381,000
2013	31,286,000	17,327,000	48,613,000
2012	59,541,000	27,071,000	86,612,000
2011	52,320,000	-	-
2010	54,998,000	-	-
2009	(62,211,000)	-	-
2008	6,716,000	-	-
2007	23,602,000	-	-

Source: Consolidated Statement of Operations, SFU Consolidated Financial Statements.

Annual Operating Surplus - Revenue and Expenses

Let's take a closer look at SFU's annual operating surplus before restricted contributions. The following Table provides a bit more detail about SFU's revenue, expenses, and operating surplus, back to 2012. In the last 11 years, SFU has seen revenue mostly increase year-over-year, to more than meet expenses. Overall, SFU maintained healthy annual operating surpluses between 2012 and 2022 - revenue exceeded expenses each and every year for the last 11 years.

Year	Revenue \$	Expenses \$	Annual Operating Surplus before Restricted Contributions \$
2022	858,512,000	831,401,000	27,111,000
2021	825,369,000	784,045,000	41,324,000
2020	806,996,000	765,704,000	41,292,000
2019	780,656,000	730,811,000	49,845,000
2018	726,738,000	680,509,000	46,229,000
2017	688,746,000	658,386,000	30,360,000
2016	651,549,000	636,699,000	14,850,000
2015	653,301,000	617,940,000	35,361,000
2014	634,825,000	610,179,000	24,631,000
2013	622,814,000	591,533,000	31,286,000
2012	627,876,000	568,095,000	59,541,000

Source: Consolidated Statement of Operations, SFU Consolidated Financial Statements.

SFU's Annual Operating Surplus

So what does SFU do with this operating surplus? Often it allocates significant amounts, sometimes 100%, of its annual operating surplus before restricted contributions, to capital projects. In most years, SFU spent some or all of its surplus on capital projects. Over the last 4 fiscal years SFU has spent \$49 million in 2019, \$41 million in 2020, \$38 million in 2021 and \$43 million in 2022 on capital projects. SFU allocates its surplus to building renewal projects in part because infrastructure expenses must be covered through operational funds, due to prohibition of capital

borrowing - acquiring debt (page 12 and 19 of the 2022 Annual Financial Report.) That SFU spends the annual surplus on capital projects makes sense given borrowing restrictions, however SFU makes that choice - how to spend the surplus. The 2018 Tools for Bargaining Report last explored SFU's capital projects activity, in detail.

b. Expenses

SFU's accounting for expenses in the Consolidated Statement of Operations is not transparent. SFU groups expenses together and gives these expense categories broad titles. In 2021, there were only 3 categories which included: instruction; research; and community engagement. In 2022, the categories were expanded to 5: instruction; research; specific purpose and trust; facilities; and community engagement. SFU doesn't define these categories.

More details are provided about SFU expenses in Note 21. Expense by Object (page 58). For that reason, this Report explores expenses outlined in Expense by Object, which includes: salaries; employee benefits; supplies and operating; amortization of tangible capital assets; professional and contracted services; scholarships and bursaries; travel and personnel; cost of goods sold; interest on long-term debt; and utilities.

Let's have a look at a few of the employment-related expense categories explored in Note 21. Expense by Object, including salaries, benefits, and contracted services.

Expenses - SFU Salaries and Employee Benefits

"The university has, once again, been selected as one of Canada's Top 100 Employers, Canada's Top Family-Friendly Employers and BC's Top Employers."
-Martin Pochurko, Vice-President, Finance & Administration
2022 SFU Annual Financial Report

Like most universities, at SFU, salaries and benefits constitute the largest single expense in the university's budget. As the following Table indicates, between 2014 and 2020 salaries and benefits accounted for less than two thirds of total expenses at SFU. In 2021 and 2022, SFU salaries and benefits moved above 2/3 of total expenses.

Year	Salaries	Benefits	Total Salaries and Benefits	Total Expenses \$	S & B as a % of Total Expenses
2022	465,051,000	92,452,000	557,503,000	831,401,000	67.1
2021	448,325,000	83,266,000	531,591,000	784,045,000	67.8
2020	413,651,000	69,646,000	483,297,000	765,704,000	63.1
2019	387,462,000	62,681,000	450,143,000	730,811,000	61.6
2018	364,316,000	59,727,000	424,043,000	680,509,000	62.3
2017	354,614,000	58,515,000	413,129,000	658,386,000	62.7
2016	344,628,000	60,067,000	404,695,000	636,699,000	63.6
2015	329,200,000	68,804,000	398,004,000	617,940,000	64.4
2014	324,201,000	70,787,000	394,988,000	610,179,000	64.7

Source: Expense by Object, SFU Consolidated Financial Statements.

Expenses - Salaries and Benefits Expenses Across Universities

So how does SFU compare to other universities? As the following Table indicates, as a percentage of total expenses, in 2022 SFU is ranked #1, slightly ahead of the University of Victoria. By comparison, in the last Tools for Bargaining Report, SFU's 2019 data resulted in a 4th place ranking amongst its peers. SFU Vice-President Martin Pochurko's bold claims of SFU's successes as a top employer seem less boastful and more substantive in light of recent salary and benefits increases.

Rank	University 2022	Salaries	Benefits	Total Salaries and Benefits	Total Expenses \$	S & B as a % of Total Expenses
1	SFU	465,051,000	92,452,000	557,503,000	831,401,000	67.1
2	Victoria	363,199,000	60,399,000	423,598,000	640,160,000	66.2
3	Waterloo	612,584,000	136,841,000	749,425,000	1,137,076,000	65.9
4	Carleton*	367,778,000	73,101,000	440,879,000	684,947,000	64.4
5	Guelph*	430,361,000	116,234,000	546,595,000	879,460,000	62.2

*Note: Carleton University and University of Guelph list benefits data in two line items, the benefits data above is the total.

Source: Expense by Object, SFU 2022 CFS March 31, 2022; Expense by Object, Victoria 2022 Audited Financial Statements; Consolidated Statement of Operations, Carleton Consolidated Financial Statements April 30, 2022; Consolidated Statement of Operations, Guelph Annual Financial Report Fiscal Year 2022; and Statement of Operations, Waterloo Financial Statements April 30, 2022.

Expenses - Professional and Contracted Services

SFU spends money on consultants and contractors to get work done at the university. As the following Table indicates, SFU spent \$48.9 million in 2022 on contracted labour. Between 2014 and 2022, professional and contracted services increased by 58.5%. In 2021 SFU's professional and contracted services dropped to 2018 levels likely due to the pandemic.

Year	Professional and Contracted Services \$
2022	48,910,000
2021	43,412,000
2020	49,858,000
2019	48,659,000
2018	42,221,000
2017	42,142,000
2016	42,329,000
2015	36,052,000
2014	30,852,000

Source: Expense by Object, SFU Consolidated Financial Statements.

c. Revenue

SFU's "revenue resiliency" is explored in the Management Discussion and Analysis section in the 2022 Annual Financial Report (pages 14 to 15). In answer to the rhetorical question: Is SFU revenue resilient? The answer is yes. SFU states: "Revenue growth, as well as diversity and stability of revenue sources, are primary indicators of revenue resiliency." As noted by management, SFU has experienced "steady, modest growth of total revenue over the past five years." In fact, as the Table on page 11

illustrates, SFU's revenue has increased from \$627.9 million to \$858.5 million, or by 36.7%, between 2012 and 2022.

Revenue - By Source

A closer look at SFU revenue by source over the last four fiscal years, demonstrates the revenue resiliency of the university. SFU's revenue sources are diverse, however, more than 2/3 of revenue is from two sources - tuition fees and BC government monies.

As the following Table indicates, provincial government funding increased between 2019 and 2022, from \$244.2 million to \$301.5 million, or by 23.5%. During that period, tuition revenue for credit courses climbed by almost 15%. Non-credit courses and other student fees dropped in 2021 and then rebounded to \$25.1 million in 2022. Tuition revenue from credit courses is explored in more detail below.

Investment income, although a relatively smaller source of revenue, increased dramatically by more than \$10 million between 2019 and 2022, from \$28 million to \$38.7 million.

Revenue \$	2022	2021	2020	2019
Government Grants & Contracts				
Province of BC	301,484,000	277,499,000	259,953,000	244,188,000
Less: portion restricted for capital	(10,000,000)			
Government of Canada	66,032,000	73,501,000	56,043,000	77,120,000
Other Governments	4,127,000	3,777,000	4,878,000	2,233,000
Tuition				
Credit Courses	288,014,000	286,810,000	266,442,000	250,669,000
Non-Credit Courses & Other Student Fees	25,119,000	19,095,000	26,437,000	26,172,000
Sales of goods and services	26,594,000	13,102,000	40,157,000	41,737,000
Donations, non-government grants and contracts	66,539,000	65,433,000	68,902,000	58,287,000

Investment Income	38,739,000	33,892,000	29,694,000	28,017,000
Investment Income - Great Northern Way Campus Trust	737,000	333,000	581,000	2,988,000
Amortization of Deferred Capital Contributions	39,607,000	42,597,000	40,227,000	34,079,000
Other Revenue	11,520,000	9,330,000	13,682,000	15,166,000
Total Revenue	858,512,000	825,369,000	806,996,000	780,656,000

Source: Consolidated Statement of Operations, SFU Consolidated Financial Statements.

Revenue - Tuition Revenue from Credit Courses

Overall tuition revenue grew, even while COVID raged. As the following Table indicates, between 2019 and 2022 tuition revenue for credit courses climbed from \$250.7 million to \$288 million, or by almost 15%.

When you explore the details, as you see in the following Table, yes, international undergraduate student revenue, “contracted slightly” in 2022. However, international undergrad student revenue was on an upward trajectory between 2019 and 2021, jumping from \$112.4 million to \$143 million.

Overall the decline in international undergrad revenue for one fiscal year was offset by increased revenue in graduate programs and increases in domestic undergraduate revenue. Between 2019 and 2022, domestic undergrad revenue climbed \$6.5 million and revenue from graduate students increased by \$3.7 million.

Tuition Revenue - Credit Courses* \$	2022	2021	2020	2019
Undergrad - Domestic	110,133,000	110,985,000	105,320,000	103,614,000
Undergrad - International	139,584,000	143,007,000	124,354,000	112,414,000
Graduate	38,297,000	32,818,000	36,768,000	34,641,000
Total Revenue	288,014,000	286,810,000	266,442,000	250,669,000

*Note: Tuition revenue increases for credit courses at SFU is driven by enrolment numbers and also increases in international student fees.

Source: Comparative Financial Information, SFU Consolidated Financial Statements.

Revenue - Sales of Goods and Services

SFU raised concerns about the impact of COVID on revenue from the sales of goods and services. As the Table on page 15 illustrates, this revenue did decline in 2021 to \$13.1 million. Lost revenue in parking, dining services, residence and other ancillary services likely explains the one year drop. In 2019, total revenue from the sales of goods and services totalled \$41.7 million. In 2022 this revenue line item was at \$26.6 million. Again, its a relatively small revenue line item and it's recovering.

Revenue - Investment Income

Investment income is another smaller revenue line item, but this revenue offers growth potential beyond other revenue sources. As the following Table indicates, between 2007 and 2022 SFU's investment income almost doubled in value. Investment income jumped by over \$7 million dollars between 2018 and 2019. As well, SFU investment income saw healthy and steady growth during the pandemic; a more than \$9 million gain between 2020 and 2022.

Year	Investment Income \$
2022	38,739,000
2021	33,892,000
2020	29,694,000
2019	28,017,000
2018	20,834,000
2017	30,002,000
2016	30,245,000
2015	26,428,000
2014	21,533,000
2013	13,265,000
2012	20,879,000
2011	20,735,000
2010	24,194,000
2009	(37,048,000)

2008	19,185,0000
2007	20,492,000

Source: Consolidated Statement of Operations / Statement of Operations, SFU Consolidated Financial Statements.

d. Financial Assets

Operating Reserves

The Management Discussion and Analysis section of the 2022 SFU Annual Financial Report, explains that SFU’s reserves are essential to “protect operations from variability in revenue and expenses” (page 17). SFU’s operating reserve is calculated as net operating assets as a percentage of total consolidated revenue. For SFU, a “positive operating reserve level of approximately 4% to 9% of consolidated revenues represents a reasonable operating reserve level.”

In 2009, as SFU recovered from the global financial crisis, it still met this level, at 4%. In 2020, SFU’s net operating assets as a percentage of total consolidated revenue was 6.3%, In 2022, it was 5.4%. Overall, SFU reports a “positive operating reserve” year-over-year.

Total Financial Assets

Over the last 9 years, as the following Table illustrates, the value of SFU’s total financial assets has almost doubled to \$884.8 million, from \$469 million in 2014. Through the pandemic SFU’s total financial assets grew from \$642.5 million in 2020 to \$884.8 million in 2022, a 37.7% increase over 2 fiscal years.

The following Table also indicates that SFU’s financial assets include 9 categories. However, one category - portfolio investments - makes up the bulk of SFU’s financial assets. In 2022, portfolio investments comprised 72.6% of total financial assets. As the following Table indicates, portfolio investments grew from \$381.8 million in 2014 to \$642 million in 2022. Between 2020 and 2022, portfolio investments increased from \$479.9 million to \$642 million a \$162 million increase in value, which translate to a 33.8% increase. Clearly the last few years have been good for SFU’s portfolio investments as well as SFU’s total financial assets’ growth.

Financial Assets \$000	2022	2021	2020	2019	2018	2017	2016	2015	2014
Cash and Cash Equivalents	36,579	57,852	47,969	30,778	67,656	30,727	60,494	30,272	34,301
Accounts Receivable	67,623	47,578	16,534	22,140	9,864	10,818	6,420	8,644	7,757
Inventories for Resale	513	614	1,400	1,547	1,919	1,945	1,770	1,436	1,479
Due from Related Parties	18,722	17,647	17,703	13,217	23,100	12,719	13,989	14,668	20,227
Pensions	76,953	69,479	54,423	38,110	19,935	3,456	-	-	-
Portfolio Investments	641,983	630,448	479,947	560,690	480,289	494,791	440,585	453,990	381,785
Derivatives	20,926	17,638	-	-	-	-	-	-	-
Investment in GNWCT	13,740	13,086	12,643	12,148	9,192	19,129	15,323	14,586	15,397
Investment in SFUCT	7,741	6,842	11,906	11,215	10,000	7,894	5,883	7,047	8,077
Total Financial Assets	884,780	861,184	642,525	689,845	621,955	581,479	544,464	530,643	469,023

Source: Consolidated Statement of Financial Position, SFU Consolidated Financial Statements.

e. Investments

Another measure of SFU's robust financial health is the growth of its total investments. SFU accounts for its total investments in the Notes of the SFU Consolidated Financial Statements. SFU's investments include portfolio investments, discussed above, and endowment investments. Portfolio investments are "financial assets" while endowment investments are "non-financial assets" and are restricted.

The following Table indicates that SFU's total investments - portfolio and endowment - have more than doubled in value between 2012 and 2022, from \$498.7 million to \$1.1 billion. In 2020, as the pandemic set in SFU's total investments dropped in value, but rebounded in one year. In 2021, investments hit the billion dollar mark, climbing to \$1.1 billion in 2022.

Year	Total Investments \$
2022	1,113,593,000
2021	1,024,365,000
2020	861,703,000
2019	921,843,000
2018	818,000,000
2017	813,479,000
2016	744,455,000
2015	740,801,000
2014	644,976,000
2013	549,777,000
2012	498,738,000

Source: Note 8 or Note 7 Investments, SFU Consolidated Financial Statements.

Endowment - Non-Financial Assets

SFU's endowment monies are included in the above Table exploring total investments. When you look at SFU's endowment monies in isolation you see significant growth. It is important to remember that the endowment is a non-financial asset - it is restricted and must be used in "accordance with purposes established by donors." This means that SFU receives these donations which must be maintained "intact in perpetuity."

As the following Table indicates, the endowment has grown significantly in value between 2007 and 2022, from \$147.7 million to \$470.6 million, or by 218.7%. The endowment took a big bump in one year from \$392.9 million in 2021 to \$470.6 million in 2022, a 19.8%. Clearly the last few years were good for SFU's endowment.

Year	Endowment \$
2022	470,610,000
2021	392,917,000
2020	380,756,000

2019	360,153,000
2018	336,711,000
2017	317,688,000
2016	302,870,000
2015	285,869,000
2014	263,191,000
2013	253,441,000
2012	236,114,000
2011	209,043,000
2010	185,842,000
2009	148,971,000
2008	176,902,000
2007	147,667,000

Source: Consolidated Statement of Financial Position / Statement of Financial Position, SFU Consolidated Financial Statements.

Section 3: SFU Government Business Enterprises

The SFU Community Trust and Great Northern Way Campus Trust are SFU's two government business enterprises. The SFU Community Trust is a significantly greater earner - makes far larger financial distributions - to SFU than the GNWCT.

It is difficult, however, to fully assess the financial advantage to SFU in operating these Trusts, because SFU is unwilling to make the financial statements available for either of its businesses. What is in the public domain is only what is reported in the SFU Consolidated Financial Statements. Let's have a look at the financial information available about SFU's two businesses.

a. Great Northern Way Campus Trust

Great Northern Way Campus Trust Ltd. is a consortium of four academic institutions: SFU, UBC, BCIT, and Emily Carr University. It was established in 2021. SFU has a 25% proportionate interest in GNWCT. Great Northern Way Campus Ltd. is the trustee of the Great Northern Way Campus Trust. The Trust has two "principal activities" operating the Centre for Digital Media and revitalizing its land. GNWCT earns revenue from property development.

In the past, the financial reporting regarding Great Northern Way Campus Trust was more accessible, not through SFU, but by partner universities including the University of British Columbia. UBC is no longer posting the financial reports on its website. The last year GNWCT financial statements were made available was 2018.

Data available about the finances of GNWCT is found in Note 6 - Due from Related Parties - in SFU's Consolidated Financial Statements. What is reported as "Due from Great Northern Way Campus Trust" to SFU is outlined in the following Table. In 2018 and 2015 GNWCT distributed \$6.6 million and \$1.2 million to SFU. In other years the amounts due have been modest.

Year	Due from GNWCT \$
2022	83,000
2021	170,000
2020	280,000

2019	194,000
2018	6,563,000
2017	438,000
2016	434,000
2015	1,176,000

Source: Note 6. Due from Related Parties (Financial Summary), SFU Consolidated Financial Statements.

b. SFU Community Trust

The SFU Community Trust was established in 2002 by SFU to oversee planning and development of UniverCity on Burnaby Mountain. The SFU Community Trust is a taxable business trust and must pay income taxes on any taxable income not allocated to beneficiaries. The beneficiaries of the Trust are Simon Fraser University and its Foundation. The Foundation's beneficiary is also the University. SFUCT financial statements are not available to the public.

The SFU Community Corporation, a company wholly owned by SFU and the Trustee of the SFU Community Trust, is governed by an independent Board of Directors. The CEO and President of the SFU Community Trust is Gordon Harris. The Board acts as Trustee of the land owned by SFU and sets policy for the SFU Community Trust; shaping the development of UniverCity. SFU Community Trust, in partnership with private-sector developers, has built numerous residential buildings at UniverCity on leased land owned by SFU. The last in-depth examination of SFU property development activities was in the 2018 Tools For Bargaining report.

SFU's Consolidated Financial Statements report on two pieces of financial information relevant to this Report: the total assets of the SFU Community Trust; and what is "Due from SFU Community Trust."

Total Assets

Total assets of the SFU Community Trust have increased in value over time. As the following Table indicates, in 2014, the Trust's total assets were reported at \$54.3 million which climbed in value to \$82.4 million in 2022, a 51.7% increase. Notably the trust's assets grew in value by \$10 million in one year, between 2020 and 2021.

Year	Total Assets \$
2021	82,352,000
2020	72,319,000
2019	75,862,000
2018	66,670,000
2017	68,045,000
2016	52,022,000
2015	57,621,000
2014	54,279,000

Source: Note 10e. / 9e. (Financial Summary) SFU Community Trust, SFU Consolidated Financial Statements.

Due from Related Parties

As the following Table indicates, the total amount due to SFU from the SFU Community Trust was \$18.6 million in 2022. Year-over-year, SFU has seen a financial benefit from the SFU Community Trust of not less than \$12.2 million and as high as \$20.2 million. In the last 3 years, SFU has seen a notable and sustained increase in financial benefit from its Community Trust.

Year	Due from SFUCT \$
2022	18,639,000
2021	17,477,000
2020	17,423,000
2019	13,023,000
2018	16,537,000
2017	12,281,000
2016	13,555,000
2015	13,492,000
2014	20,227,000

Source: Note 6. Due from Related Parties (Financial Summary), SFU Consolidated Financial Statements.

Section 4: SFU Foundation

The purpose of the SFU Foundation is to “encourage support for Simon Fraser University.” The Foundation reports revenue derived from rental and other income, interest income, donations and amortization of deferred capital contributions. The Foundation’s assets also include portfolio investments. The Foundation is exempt from income tax. BDO Canada LLP audits the SFU Foundation’s financial statements.

Between 2020 and 2021, the SFU Foundation shifted its reporting from Financial Statements to Consolidated Financial Statements, without a clear explanation.

Beginning in 2020, the SFU Foundation also reported its financial assets at a significantly higher value. Why this has happened is also not explained in clear or understandable language. Regardless, the result is good for SFU’s financial health and therefore good for APSA members. The SFU Foundation’s financial assets jumped in value by \$10 million in one year.

Accounting at the SFU Foundation

There have also been changes in language in the BDO audit and in accounting practices at the Foundation, for example:

- The financial statements for the Foundation include a Statement of Management Responsibility on page 1. This Statement changed between 2020 and 2021.
- In Note 2. Summary of Significant Accounting Policies, specifically under 2 a) Basis of accounting - the statement changed between 2020 and 2021.
- Also in Note 2. there was no mention of new accounting standards in the 2020 financial statements, but then in 2021 and 2022 in 2. h) new accounting standards were detailed.

These accounting changes are explored in more detail in Appendix A on page 28.

Net Financial Assets

In 2020, the net financial assets of the Foundation were originally reported in the 2020 Financial Statements at \$411,042. In the 2021 *Consolidated* Financial Statements, as the following Table indicates, the Foundation’s net financial assets were restated at \$10,411,042 million. Between the revised 2020 data and 2022, the SFU Foundation

assets grew from \$10.4 million \$10.9 million, or by \$450 thousand. Significantly, between 2017 and 2022 the SFU Foundation's net financial assets have climbed from \$104,560 to \$10,861,912.

Reporting about the net financial assets of the Foundation raises questions. In past years, when SFU has restated data from one fiscal year to the next, due to error or correction, it has been noted in the financial documents. This financial practice was not followed by the Foundation in its 2020 and 2021 financial reporting of net financial assets.

Year	Net Financial Assets / Net Debt \$
2022	10,861,912
2021	10,617,756
2020*	10,411,042
2020**	411,042
2019	156,810
2018	118,903
2017***	104,560
2016	(300,253)
2015	(597,558)
2014	(895,909)

*Note: Data reported in the 2021 SFU Consolidated Foundation Financial Statements.

**Note: Data reported in the 2020 SFU Foundation Financial Statements.

***Note: In 2017, the SFU Foundation repaid in full a mortgage on its Verdant properties. Prior to that the Foundation was repaying its mortgage on the property and recorded a diminishing, but net debt.

Source: Consolidated/Statement of Financial Position, Simon Fraser University Foundation, Consolidated/Financial Statements.

Accumulated Surplus

As the following Table indicates, the SFU Foundation's accumulated surplus has almost doubled in the last decade. Between 2012 and 2022, the Foundation's accumulated surplus grew from \$2.6 million to \$5.1 million, or by 93.8%. The Foundation's accumulated surplus has grown at a steady pace for over a decade.

Year	Accumulated Surplus \$
2022	5,125,240
2021	4,978,849
2020	4,849,445
2019	4,663,861
2018	4,652,004
2017	4,728,582
2016	4,419,414
2015	4,212,948
2014	3,005,383
2013	2,815,400
2012	2,644,575

Source: Consolidated/Statement of Financial Position, Simon Fraser University Foundation, Consolidated/Financial Statements.

Appendix A: SFU Foundation Financial Reporting

If APSA wants further information about the changes in the SFU Foundation's financial reporting it should consult a tax lawyer or accountant. Perhaps the explanation lies in the shift from Financial Statements to Consolidated Financial Statements between 2020 and 2021. And/or the adherence to new accounting standards. Regardless, SFU has left it up to its Auditor, BDO Canada LLP, to report in accountant speak on financial changes at its Foundation.

The following is a comparison over 3 fiscal years of the changes to language - direct quotations of text - in the Foundation's BDO audited Financial Statements:

2020 SFU Foundation Report Financial Statements

"Statement of Management Responsibility

Simon Fraser University Foundation is responsible for the preparation of the financial statements and has prepared them in accordance with Canadian Public Sector Accounting Standards. The financial statements present the financial position of the Foundation as at March 31, 2020 and the results of its operations, changes in net financial assets and its cash flows for the year then ended." ...

"2 a) Summary of Accounting Policies - Basis of accounting

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) issued by the Canadian Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada."

"New Accounting Standards - no reference to new accounting standards."

2021 SFU Foundation Report Consolidated Financial Statements

"Statement of Management Responsibility

Simon Fraser University Foundation 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 Foundation for the purpose of acquisition of

tangible capital assets are accounted for as deferred capital contributions as described in note 2e(iii) of the consolidated financial statements. The consolidated financial statements present the financial position of the Foundation as at March 31, 2021 and the results of its operations, changes in net financial assets and its cash flows for the year then ended.” ...

“2 a) Summary of Accounting Policies - 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 Foundation for the purpose of acquiring or developing a depreciable tangible capital asset are to be accounted for as deferred capital contributions as described in note 2e(iii).”

“2 h) new Accounting Standards

Effective April 1, 2022 the Foundation will be required to adopt PS3280 Asset Retirement Obligations. This standard establishes when to recognize and how to measure an asset retirement obligation. This standard may be applied retroactively or prospectively and early adoption is permitted. The impact of adopting this standard on the Foundation’s financial results cannot be determined at this time.

Effective April 1, 2023 the Foundation will be required to adopt PS3400 Revenue. Under the standard, transactions that include performance obligations are identified as “exchange contracts” while those that do not have performance obligations are identified as “non-exchange contracts”. Revenues from exchange contracts are to be recognized when the underlying performance obligations have been satisfied while revenues from non-exchange contracts are to be recognized when received or receivable. This standard may be applied retroactively or prospectively and early adoption is permitted. The impact of adopting this standard on the Foundation’s financial results cannot be determined at this time.”

2022 SFU Foundation Report Consolidated Financial Statements

“Statement of Management Responsibility

Simon Fraser University Foundation 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 Foundation for the purpose of acquisition of tangible capital assets are accounted for as deferred capital contributions as described in note 2e(iii) of the consolidated financial statements. The consolidated financial statements present the financial position of the Foundation as at March 31, 2022 and the results of its operations, changes in net financial assets and its cash flows for the year then ended.” ...

“2 a) Summary of Accounting Policies - 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 Foundation for the purpose of acquiring or developing a depreciable tangible capital asset are to be accounted for as deferred capital contributions as described in note 2e(iii).”

"2 h) new Accounting Standards

The Foundation has adopted the following accounting standard effective for the current fiscal year beginning April 1, 2021:

PS 3400 Revenue established a standard on how to account for and report on revenue, differentiating between revenue arising from transactions that include performance obligations, identified as exchange contracts, and transactions that do not have performance obligations, identified as non-exchange contracts.

For transactions within the scope of PS 3400 the Foundation has evaluated the composition and characteristics of the transactions:

- Transactions with no performance obligations are recognized as revenue when the Foundation has the authority to claim or retain an inflow of economic resources and a past event has occurred.
- Transactions including performance obligations are recognized as revenue when each performance obligation is satisfied.

The adoption of this standard did not result in any changes to the Foundation's financial statements."

Appendix B: Difference between FRF and PSAS

As outlined in the 2020 Tools for Bargaining report, SFU, as well as other post-secondary institutions in BC, has diverged from the financial reporting framework adopted in 2012 by the BC government. Each year, since 2013, SFU has reported on this difference, in its Consolidated Financial Statements in Note 17c. Over the years, the Office of the Auditor General has publicly taken issue with universities regarding this matter.

SFU has not communicated in lay terms in its Annual Financial Report about this issue. Typically SFU talks about complex issues in accessible language in the “Management Discussion and Analysis” section of the Annual Financial Report. Regarding this matter, SFU has left it up to its Auditor, BDO Canada LLP, to report on these financial matters in its Consolidated Financial Statements, in accountant speak.

There are 3 things of note regarding this accounting feud - FRF vs. PSAS - between SFU and the Office of the Auditor General. As illustrated in Note 17c in the Consolidated Financial Statements, SFU needs to explain the following:

1. Annual Operating Surplus

SFU's 2020 annual operating surplus is under reported by SFU by \$20,722,000, in 2021 it is under reported by \$12,665,000, and in 2022 by \$23,269,000. This means that SFU has an annual operating surplus that is much higher, according to the Office of the Auditor General, than the annual operating surplus reflected in SFU's financial statements.

2. Accumulated Surplus in 2020 and 2022

SFU understated its accumulated surplus in 2020 and 2022. SFU's accumulated surplus, according to PSAS, is \$599.3 million more than SFU reports in 2020. In 2022, SFU's accumulated surplus is \$635.2 million more than SFU reports.

3. SFU's Accumulated Surplus reporting in 2021

In 2021, SFU's accumulated surplus under FRF is originally reported at \$11,999,100,000 in the 2021 SFU Consolidated Financial Statements. Without explanation in the 2022 Consolidated Financial Statements, SFU's accumulated surplus for 2021 is reported at \$1,172,700,000. This discrepancy is not explained.

Source Documents

- SFU Consolidated Financial Statements/SFU Annual Financial Report, March 31, 2008 to March 31, 2022
- SFU Budget and Financial Plan / SFU Operating Budget & Financial Plan, 2013-14 to 2022-23
- SFU Foundation Consolidated/Financial Statements, March 31, 2012 to March 31, 2022
- UniverCity, SFU Community Trust website
- University of Victoria Consolidated Financial Statements, March 31, 2022
- Carleton University Consolidated Financial Statements April 30, 2022
- University of Guelph Annual Financial Report Fiscal Year 2022
- University of Waterloo Financial Statements April 30, 2022