

Consolidated Financial Statements of

**CARLETON UNIVERSITY**

Years ended April 30, 2013 and 2012

# CARLETON UNIVERSITY

## Consolidated Financial Statements

Years ended April 30, 2013 and 2012

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Governors of Carleton University

We have audited the accompanying consolidated financial statements of Carleton University, which comprise the consolidated statements of financial position as at April 30, 2013, April 30, 2012 and May 1, 2011, the consolidated statements of operations, changes in net assets and cash flows for the years ended April 30, 2013 and April 30, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation 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 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Carleton University as at April 30, 2013, April 30, 2012 and May 1, 2011, and its consolidated results of operations, consolidated changes in net assets and its consolidated cash flows for the years ended April 30, 2013 and April 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

*Other Matter*

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of Carleton University taken as a whole. The supplementary information included in Schedules 1 to 2 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the right end.

Chartered Accountants, Licensed Public Accountants

October 8, 2013

Ottawa, Canada

# CARLETON UNIVERSITY

## Consolidated Statements of Financial Position

April 30, 2013, April 30, 2012 and May 1, 2011  
( in thousands of dollars)

|   | April 30,<br>2013   | April 30,<br>2012   | May 1,<br>2011      |
|---|---------------------|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |                     |
| Current assets:   |                     |                     |                     |
| Cash and cash equivalents   | \$ 253,770          | \$ 183,135          | \$ 162,367          |
| Accounts receivable (note 3)                                      | 20,502              | 24,172              | 26,787              |
| Prepaid expenses  | 3,588               | 3,535               | 3,040               |
| Current portion of net investment in lease (note 5)               | 554                 | 519                 | 487                 |
|   | <u>278,414</u>      | <u>211,361</u>      | <u>192,681</u>      |
| Investments (note 4)  | 192,417             | 217,704             | 274,069             |
| Net investment in lease (note 5)                                  | 11,753              | 12,306              | 12,823              |
| Tangible capital and intangible assets (notes 6 and 8)            | 571,276             | 563,871             | 533,848             |
|   | <u>\$ 1,053,860</u> | <u>\$ 1,005,242</u> | <u>\$ 1,013,421</u> |
| <b>Liabilities and Net Assets</b>                                 |                     |                     |                     |
| Current liabilities:  |                     |                     |                     |
| Accounts payable and accrued liabilities (note 7)                 | \$ 35,169           | \$ 29,291           | \$ 49,657           |
| Deferred revenue (note 9)   | 48,274              | 45,363              | 46,576              |
| Accrued leave   | 8,172               | 6,858               | 6,762               |
| Current portion of long-term debt (note 10)                       | 2,915               | 2,822               | 2,057               |
|   | <u>94,530</u>       | <u>84,334</u>       | <u>105,052</u>      |
| Long-term debt (note 10)  | 84,538              | 87,453              | 58,584              |
| Interest rate swaps (note 10(c))                                  | 17,324              | 15,047              | 10,837              |
| Deferred capital contributions (note 11)                          | 196,020             | 190,971             | 196,396             |
| Employee future benefits liability (note 12)                      | 116,518             | 106,171             | 111,984             |
| Net assets:   |                     |                     |                     |
| Unrestricted  | (114,659)           | (104,573)           | (120,481)           |
| Internally restricted (note 13)                                   | 244,085             | 184,879             | 159,254             |
| Investment in tangible capital and intangible<br>assets (note 14) | 242,338             | 239,506             | 234,698             |
| Endowments (note 15)  | 190,490             | 216,501             | 267,934             |
| Interest rate swaps (note 10(c))                                  | (17,324)            | (15,047)            | (10,837)            |
|   | <u>544,930</u>      | <u>521,266</u>      | <u>530,568</u>      |
| Contingent liabilities and commitments<br>(notes 16 and 17)       |                     |                     |                     |
|   | <u>\$ 1,053,860</u> | <u>\$ 1,005,242</u> | <u>\$ 1,013,421</u> |

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Consolidated Statements of Operations

Years ended April 30, 2013 and 2012  
(in thousands of dollars)

|  | 2013             | 2012             |
|--|------------------|------------------|
| Revenue:   |                  |                  |
| Government grants for general operations                 | \$ 163,467       | \$ 159,531       |
| Fees   | 219,938          | 200,551          |
| Research grants and contracts                            | 53,830           | 52,402           |
| Sales and services                                       | 22,441           | 22,318           |
| Donations  | 4,369            | 4,019            |
| Investment income  | 16,095           | 12,250           |
| Amortization of deferred capital contributions (note 11) | 12,526           | 13,672           |
| Other (note 18)  | 21,794           | 18,680           |
|  | <u>514,460</u>   | <u>483,423</u>   |
| Expenses:  |                  |                  |
| Salaries   | 238,348          | 231,106          |
| Benefits   | 47,891           | 45,727           |
| Supplies   | 8,356            | 9,145            |
| Minor equipment and furnishings                          | 7,709            | 7,274            |
| Externally contracted services and fees                  | 17,395           | 17,667           |
| Scholarships and bursaries                               | 36,645           | 37,888           |
| Utilities  | 11,781           | 11,683           |
| Travel   | 9,544            | 9,428            |
| Renovations  | 11,478           | 11,172           |
| Interest   | 4,954            | 4,302            |
| Amortization of tangible capital and intangible assets   | 28,853           | 26,773           |
| Employee future benefits (note 12)                       | 13,370           | (1,904)          |
| Other expenses (note 19)                                 | 26,620           | 26,887           |
|  | <u>462,944</u>   | <u>437,148</u>   |
| Excess of revenue over expenses                          | <u>\$ 51,516</u> | <u>\$ 46,275</u> |

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Consolidated Statements of Changes in Net Assets

Years ended April 30, 2013 and 2012  
(in thousands of dollars)

| April 30, 2013   | Unrestricted       | Internally<br>restricted<br>(note 13) | Investment<br>in tangible<br>capital and<br>intangible<br>assets<br>(note 14) | Endow-<br>ments<br>(note 15) | Interest<br>rate<br>swaps<br>(note 10(c)) | Total             |
|--|--------------------|---------------------------------------|---|------------------------------|---|-------------------|
| Net assets, beginning of year  | \$(104,573)        | \$ 184,879                            | \$ 239,506  | \$ 216,501                   | \$ (15,047)                               | \$ 521,266        |
| Excess of revenue over expenses  | 51,516             | -                                     | -   | -                            | -   | 51,516            |
| Internally imposed restrictions  | (59,202)           | 59,206                                | -   | (4)                          | -   | -                 |
| Net change in investment<br>in tangible capital and intangible<br>assets (note 14) | (2,400)            | -                                     | 2,400   | -                            | -   | -                 |
| Contributions to art collection (note 8)   | -                  | -                                     | 432   | -                            | -   | 432               |
| Endowment contributions and<br>investment income (note 15)                         | -                  | -                                     | -   | (6,386)                      | -   | (6,386)           |
| Unrealized gains (losses) on endowment<br>investments (note 15)                    | -                  | -                                     | -   | (19,621)                     | -   | (19,621)          |
| Change in fair value of interest rate swaps  | -                  | -                                     | -   | -                            | (2,277)                                   | (2,277)           |
| <b>Net assets, end of year</b>   | <b>\$(114,659)</b> | <b>\$ 244,085</b>                     | <b>\$ 242,338</b>   | <b>\$ 190,490</b>            | <b>\$ (17,324)</b>                        | <b>\$ 544,930</b> |
| Details of year-end balance:   |                    |                                       |   |                              |   |                   |
| Operating (note 13(a))   | \$ 498             | \$ -                                  | \$ -  | \$ -                         | \$ -                                      | \$ 498            |
| Plant  | (348)              | -                                     | -   | -                            | -   | (348)             |
| Ancillary  | 1,709              | -                                     | -   | -                            | -   | 1,709             |
| Provision for employee<br>future benefits obligation                               | (116,518)          | -                                     | -   | -                            | -   | (116,518)         |
| Appropriations   | -                  | 220,514                               | -   | -                            | -   | 220,514           |
| Research   | -                  | 18,785                                | -   | -                            | -   | 18,785            |
| Enterprise   | -                  | 3,344                                 | -   | -                            | -   | 3,344             |
| Scholarships   | -                  | 10                                    | -   | -                            | -   | 10                |
| Professional development   | -                  | 1,432                                 | -   | -                            | -   | 1,432             |
| Tangible capital and intangible assets   | -                  | -                                     | 242,338   | -                            | -   | 242,338           |
| Endowment  | -                  | -                                     | -   | 190,490                      | -   | 190,490           |
| Interest rate swaps  | -                  | -                                     | -   | -                            | (17,324)                                  | (17,324)          |
|  | <b>\$(114,659)</b> | <b>\$ 244,085</b>                     | <b>\$ 242,338</b>   | <b>\$ 190,490</b>            | <b>\$ (17,324)</b>                        | <b>\$ 544,930</b> |

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Consolidated Statements of Changes in Net Assets (continued)

Years ended April 30, 2013 and 2012  
(in thousands of dollars)

| April 30, 2012   | Unrestricted       | Internally<br>restricted<br>(note 13) | Investment<br>in tangible<br>capital and<br>intangible<br>assets<br>(note 14) | Endow-<br>ments<br>(note 15) | Interest<br>rate<br>swaps<br>(note 10(c)) | Total             |
|--|--------------------|---------------------------------------|---|------------------------------|---|-------------------|
| Net assets, beginning of year  | \$(120,481)        | \$ 159,254                            | \$ 234,698  | \$ 267,934                   | \$ (10,837)                               | \$ 530,568        |
| Excess of revenue over expenses  | 46,275             | -                                     | -   | -                            | -   | 46,275            |
| Internally imposed restrictions  | (25,645)           | 25,625                                | -   | 20                           | -   | -                 |
| Net change in investment<br>in tangible capital and intangible<br>assets (note 14) | (4,722)            | -                                     | 4,722   | -                            | -   | -                 |
| Contributions to art collection (note 8)   | -                  | -                                     | 86  | -                            | -   | 86                |
| Endowment contributions and<br>investment income (note 15)                         | -                  | -                                     | -   | 1,556                        | -   | 1,556             |
| Unrealized gains (losses) on endowment<br>investments (note 15)                    | -                  | -                                     | -   | (53,009)                     | -   | (53,009)          |
| Change in fair value of interest rate swaps  | -                  | -                                     | -   | -                            | (4,210)                                   | (4,210)           |
| <b>Net assets, end of year</b>   | <b>\$(104,573)</b> | <b>\$ 184,879</b>                     | <b>\$ 239,506</b>   | <b>\$ 216,501</b>            | <b>\$ (15,047)</b>                        | <b>\$ 521,266</b> |

### Details of year-end balance:

|  |                    |                   |                   |                   |                    |                   |
|--|--------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| Operating (note 13(a))                               | \$ -               | \$ -              | \$ -              | \$ -              | \$ -               | \$ -              |
| Plant  | 19                 | -                 | -                 | -                 | -                  | 19                |
| Ancillary  | 1,579              | -                 | -                 | -                 | -                  | 1,579             |
| Provision for employee<br>future benefits obligation | (106,171)          | -                 | -                 | -                 | -                  | (106,171)         |
| Appropriations                                       | -                  | 164,618           | -                 | -                 | -                  | 164,618           |
| Research   | -                  | 15,956            | -                 | -                 | -                  | 15,956            |
| Enterprise   | -                  | 3,056             | -                 | -                 | -                  | 3,056             |
| Scholarships   | -                  | 6                 | -                 | -                 | -                  | 6                 |
| Professional development                             | -                  | 1,243             | -                 | -                 | -                  | 1,243             |
| Tangible capital and intangible assets               | -                  | -                 | 239,506           | -                 | -                  | 239,506           |
| Endowment  | -                  | -                 | -                 | 216,501           | -                  | 216,501           |
| Interest rate swaps                                  | -                  | -                 | -                 | -                 | (15,047)           | (15,047)          |
|  | <b>\$(104,573)</b> | <b>\$ 184,879</b> | <b>\$ 239,506</b> | <b>\$ 216,501</b> | <b>\$ (15,047)</b> | <b>\$ 521,266</b> |

See accompanying notes to consolidated financial statements.



# CARLETON UNIVERSITY

## Consolidated Statements of Cash Flows

Years ended April 30, 2013 and 2012  
(in thousands of dollars)

|  | 2013              | 2012              |
|--|-------------------|-------------------|
| Cash provided by (used in):                                      |                   |                   |
| Operating activities:  |                   |                   |
| Excess of revenue over expenses                                  | \$ 51,516         | \$ 46,275         |
| Add (deduct) non-cash items:                                     |                   |                   |
| Increase (decrease) in employee future benefits liability        | 10,347            | (5,813)           |
| Amortization of tangible capital and intangible assets           | 28,853            | 26,773            |
| Amortization of deferred capital contributions                   | (12,526)          | (13,672)          |
| Net change in other non-cash operating working capital (note 20) | 13,720            | (19,363)          |
| Net cash provided by operating activities                        | 91,910            | 34,200            |
| Financing activities:  |                   |                   |
| Decrease in mortgages payable (note 10(a))                       | (240)             | (245)             |
| Increase (decrease) in loans payable (note 10(a))                | (2,582)           | 29,879            |
| Capital contributions received (note 11)                         | 17,575            | 8,247             |
| Contributions to art collection                                  | 432               | 86                |
| Endowment contributions and investment income                    | (6,386)           | 1,556             |
| Net cash used in financing activities                            | 8,799             | 39,523            |
| Investing activities:  |                   |                   |
| Net withdrawals of investments                                   | 5,666             | 3,356             |
| Decrease in net investment in lease                              | 518               | 485               |
| Tangible capital and intangible assets additions                 | (36,258)          | (56,796)          |
| Net cash used in investing activities                            | (30,074)          | (52,955)          |
| Increase in cash and cash equivalents                            | 70,635            | 20,768            |
| Cash and cash equivalents, beginning of year                     | 183,135           | 162,367           |
| Cash and cash equivalents, end of year                           | <u>\$ 253,770</u> | <u>\$ 183,135</u> |
| Consisting of:   |                   |                   |
| Cash on deposit  | \$ 3,037          | \$ 5,648          |
| Outstanding cheques  | (4,596)           | (8,686)           |
| Money market fund  | 255,329           | 186,173           |
|  | <u>\$ 253,770</u> | <u>\$ 183,135</u> |
| Interest paid  | <u>\$ 4,954</u>   | <u>\$ 4,302</u>   |

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Notes to Consolidated Financial Statements

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

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### 1. Description:

Carleton University was incorporated as a university in 1943 under the laws of the Province of Ontario. The University is dedicated to providing post-secondary and graduate education and to conducting research.

The University is a registered charity and therefore is, under section 149(1)(f) of the Income Tax Act (Canada), exempt from payment of income tax.

The consolidated financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations and organizations controlled by the University. Accordingly, these consolidated financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose endowment funds and ancillary operations. These consolidated statements also include the assets, liabilities, deficit and operations of the University's subsidiary and joint ventures as follows:

Sudbury Neutrino Observatory Institute is a joint venture of the University and three other Canadian universities, which performs research in sub-atomic physics. The University's proportionate share of the Institute's operations has been included in these consolidated financial statements.

TRIUMF is a joint venture of the University and 10 other Canadian universities, which performs research in particle and nuclear physics. The University's proportionate share of TRIUMF's operations has been included in these consolidated financial statements.

Carleton University Foundation (U.S.) was incorporated without share capital on February 12, 1996 under the District of Columbia Non-Profit Corporation Act. The Foundation is not included in these consolidated financial statements. The objects of the Foundation, as established by the Internal Revenue Code of 1986, are to accept, receive, manage and distribute money and other property to support education and research at the University. The Foundation had minimal activity in the year.

On May 1, 2012, the University adopted Canadian accounting standards for not-for-profit organizations in part III of the CICA Handbook. These are the first consolidated financial statements prepared in accordance with these Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in Canadian accounting standards for not-for-profit organizations, the University has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is May 1, 2011 and all comparative information provided has been presented by applying Canadian accounting standards for not-for-profit organizations.

A summary of transitional adjustments recorded to net assets is provided in note 22. There were no adjustments required to excess of revenue over expenses as a result of the transition to Canadian accounting standards for not-for-profit organizations.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

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## 2. Summary of significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, and include the following significant accounting policies.

### (a) Basis of presentation:

The University uses the deferral method of accounting for contributions for not-for-profit organizations.

These consolidated financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the University, or the Carleton University Foundation (U.S.).

### (b) Cash and cash equivalents:

Cash and cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty and short-term deposits with an original maturity of ninety days or less.

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The University has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

The University is party to certain derivative financial instruments, principally interest rate swaps.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

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## 2. Summary of significant accounting policies (continued):

### (c) Financial instruments (continued):

The University accounts for interest rate swaps as hedges. The University formally documents the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking various hedging transactions. The University also formally assesses, both at the hedge's inception and on an on-going basis, whether the interest rate swaps are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. The effective portion of any unrealized gain or loss on the interest rate swaps is recorded as a direct increase to net assets. Payments and receipts under the interest rate swaps are recognized as adjustments to interest expense on long-term debt.

### (d) Tangible capital and intangible assets:

Purchased tangible capital and intangible assets are recorded at cost. Donated tangible capital and intangible assets are recorded at an appraised value established by independent appraisal in the period received by the University. Land acquired prior to May 1, 2011 are recorded at deemed cost, being its fair value at May 1, 2011, the transition date to Canadian accounting standards for not-for-profit organizations (note 22). All subsequent purchases are recorded at cost.

Amortization is provided on a straight-line basis over the estimated useful lives as follows:

| Asset                    | Useful life |
|--------------------------|-------------|
| Tangible capital assets: |             |
| Buildings                | 40 years    |
| Building improvements    | 20 years    |
| Equipment and furniture  | 10 years    |
| Computer equipment       | 4 years     |
| Automobiles              | 5 years     |
| Library holdings         | 10 years    |
| Intangible assets:       |             |
| Software                 | 4 years     |

Construction costs are capitalized as work progresses and amortization commences in the period that the asset is available for use.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012

(Tabular amounts in thousands of dollars)

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## 2. Summary of significant accounting policies (continued):

### (d) Tangible capital and intangible assets (continued):

When a tangible capital or intangible asset no longer contributes to the University's ability to provide services, its carrying amount is written down to its residual value.

### (e) Deferred capital contributions:

Contributions received for tangible capital and intangible assets are deferred in the accounts and amortized over the same term and on the same basis as the related capital asset.

### (f) Art collection:

Purchases of items to be included in the collection are expensed. Donations of items to be included in the collection are recorded as direct increases in net assets at an appraised value established by independent appraisal in the period received by the University.

### (g) Recognition of revenue and other contributions:

(i) Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(ii) Contributions and investment income externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenses are recognized.

(iii) Endowment contributions and restricted investment revenue earned for re-endowment are recognized as direct increases in net assets in the period in which they are received or earned.

(iv) Student fees are recognized as revenue in the period that the courses and seminars are held. Sales revenue is recognized at point of sale.

(v) Contract revenue is recognized as the service is provided.

### (h) Internally imposed restrictions on net assets:

The University internally restricts the use of portions of its externally unrestricted net assets for specific future uses. When incurred, expenses are charged to operations, and the balance of internally restricted assets is reduced accordingly.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

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## 2. Summary of significant accounting policies (continued):

(i) Contributed services:

Volunteers, as well as members of the staff and faculty of the University, contribute an indeterminable number of hours per year to assist the University in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these consolidated financial statements.

(j) Employee benefit plans:

The University accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method prorated on service and administration's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Adjustments arising from plan amendments, including past service costs, are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment. The excess of the net actuarial gain or loss over 10% of the greater of the benefit obligation is amortized over the average remaining service period of the active employees.

(k) Employee pension plan:

The University has a defined contribution pension plan, which has a defined benefit component that provides a minimum level of pension benefits. The University accrues its obligations under these benefit plans and the related costs, net of plan assets. The costs and the obligations of the Plan are actuarially determined.

The benefit plan expense for the year consists of the current service cost, the interest cost, the expected return on plan assets, and the amortization of actuarial losses and gains. The calculation of the expected return on assets for the year is based on the fair value of plan assets.

The excess of the net actuarial loss or gain over 10% at the greater of the fair value of assets and the accrued benefit obligation is amortized over the average remaining service life of plan members.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

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## 2. Summary of significant accounting policies (continued):

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

Significant management estimates include assumptions used in determining the fair values of investments and interest rate swaps, and determining the employee future benefits liability.

## 3. Accounts receivable:

|                                      | April 30,<br>2013 | April 30,<br>2012 | May 1,<br>2011   |
|--------------------------------------|-------------------|-------------------|------------------|
| Research                             | \$ 5,986          | \$ 9,480          | \$ 12,593        |
| Student                              | 8,728             | 8,787             | 8,779            |
| Government                           | 1,661             | 2,385             | 3,468            |
| Other                                | 5,906             | 5,089             | 3,676            |
|                                      | <u>22,281</u>     | <u>25,741</u>     | <u>28,516</u>    |
| Less allowance for doubtful accounts | (1,779)           | (1,569)           | (1,729)          |
|                                      | <u>\$ 20,502</u>  | <u>\$ 24,172</u>  | <u>\$ 26,787</u> |

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 4. Investments:

(a) Carrying value, cost and fair values:

The cost and fair value of the investments are as follows:

|                       | April 30,<br>2013 |            | April 30,<br>2012 |            | May 1,<br>2011 |            |
|-----------------------|-------------------|------------|-------------------|------------|----------------|------------|
|                       | Fair<br>value     | Cost       | Fair<br>value     | Cost       | Fair<br>value  | Cost       |
| Marketable securities | \$ 192,417        | \$ 202,970 | \$ 217,704        | \$ 208,636 | \$ 274,069     | \$ 211,992 |

The carrying value of marketable securities is fair value.

(b) Purpose:

Investments held by the University include funds, which are permanently endowed or restricted in use as follows:

|                                | April 30,<br>2013 | April 30,<br>2012 | May 1,<br>2011    |
|--------------------------------|-------------------|-------------------|-------------------|
|                                | Carrying<br>value | Carrying<br>value | Carrying<br>value |
| Endowments                     | \$ 190,185        | \$ 215,463        | \$ 271,498        |
| Parker loans for students      | 1,080             | 1,103             | 1,344             |
| NWRC Capital renewal           | 563               | 576               | 665               |
| Sprott Student Investment Fund | 589               | 562               | 562               |
|                                | <u>\$ 192,417</u> | <u>\$ 217,704</u> | <u>\$ 274,069</u> |



# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 5. Net investment in lease:

Carleton University has entered into an agreement with Environment Canada under which Carleton University built the National Wildlife Research Centre (NWRC) on its property and leased the building to Environment Canada. The lease term is for 99 years starting May 1, 2002.

Carleton University's net investment in the direct financing lease consists of:

|   | April 30,<br>2013 | April 30,<br>2012 | May 1,<br>2011   |
|---|-------------------|-------------------|------------------|
| Minimum lease payments receivable               | \$ 18,200         | \$ 19,500         | \$ 20,800        |
| Unearned financing revenue                      | (5,893)           | (6,675)           | (7,490)          |
|   | 12,307            | 12,825            | 13,310           |
| Less current portion of net investment in lease | (554)             | (519)             | (487)            |
| Net investment in lease                         | <u>\$ 11,753</u>  | <u>\$ 12,306</u>  | <u>\$ 12,823</u> |

At April 30, 2013, future minimum lease payments receivable under the direct financing lease are as follows:

|            |                  |
|------------|------------------|
| 2013-14    | \$ 1,300         |
| 2014-15    | 1,300            |
| 2015-16    | 1,300            |
| 2016-17    | 1,300            |
| 2017-18    | 1,300            |
| Thereafter | 11,700           |
|            | <u>\$ 18,200</u> |

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 6. Tangible capital and intangible assets:

Tangible capital and intangible assets consist of the following:

|                          | April 30, 2013    |                             |                   |
|--------------------------|-------------------|-----------------------------|-------------------|
|                          | Cost              | Accumulated<br>amortization | Net book<br>value |
| Tangible capital assets: |                   |                             |                   |
| Land                     | \$ 89,000         | \$ –                        | \$ 89,000         |
| Buildings                | 466,110           | 158,453                     | 307,657           |
| Building improvements    | 103,194           | 13,108                      | 90,086            |
| Equipment and furniture  | 129,958           | 82,912                      | 47,046            |
| Computer equipment       | 16,810            | 14,369                      | 2,441             |
| Automobiles              | 646               | 513                         | 133               |
| Art collection           | 24,003            | –                           | 24,003            |
| Library holdings         | 42,697            | 32,253                      | 10,444            |
| Intangible assets:       |                   |                             |                   |
| Software                 | 13,080            | 12,614                      | 466               |
|                          | <b>\$ 885,498</b> | <b>\$ 314,222</b>           | <b>\$ 571,276</b> |
|                          |                   |                             |                   |
|                          | April 30, 2012    |                             |                   |
|                          | Cost              | Accumulated<br>amortization | Net book<br>value |
| Tangible capital assets: |                   |                             |                   |
| Land                     | \$ 89,000         | \$ –                        | \$ 89,000         |
| Buildings                | 464,284           | 148,232                     | 316,052           |
| Building improvements    | 80,196            | 9,167                       | 71,029            |
| Equipment and furniture  | 123,280           | 72,543                      | 50,737            |
| Computer equipment       | 15,659            | 13,258                      | 2,401             |
| Automobiles              | 573               | 489                         | 84                |
| Art collection           | 23,571            | –                           | 23,571            |
| Library holdings         | 40,106            | 29,257                      | 10,849            |
| Intangible assets:       |                   |                             |                   |
| Software                 | 12,571            | 12,423                      | 148               |
|                          | <b>\$ 849,240</b> | <b>\$ 285,369</b>           | <b>\$ 563,871</b> |

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 6. Tangible capital and intangible assets (continued):

Tangible capital and intangible assets consist of the following:

|                          | May 1, 2011       |                             |                   |
|--------------------------|-------------------|-----------------------------|-------------------|
|                          | Cost              | Accumulated<br>amortization | Net book<br>value |
| Tangible capital assets: |                   |                             |                   |
| Land                     | \$ 89,000         | \$ –                        | \$ 89,000         |
| Buildings                | 433,489           | 139,219                     | 294,270           |
| Building improvements    | 65,993            | 5,973                       | 60,020            |
| Equipment and furniture  | 113,804           | 62,032                      | 51,772            |
| Computer equipment       | 15,536            | 12,032                      | 3,504             |
| Automobiles              | 537               | 436                         | 101               |
| Art collection           | 23,485            | –                           | 23,485            |
| Library holdings         | 38,117            | 26,601                      | 11,516            |
| Intangible assets:       |                   |                             |                   |
| Software                 | 12,483            | 12,303                      | 180               |
|                          | <u>\$ 792,444</u> | <u>\$ 258,596</u>           | <u>\$ 533,848</u> |

Included in buildings is \$24,876,000 (April 30, 2012 - \$4,132,000; May 1, 2011 - \$34,032,000) of construction in progress. As construction in progress is not yet in use, these assets are not amortized.

## 7. Accounts payable and accrued liabilities:

As at year end, the University had \$Nil payable for government remittances.

## 8. Art collection:

The University has an art collection comprising approximately 29,500 pieces of art. In 2013, there were additions of donated pieces of art at an appraised value of \$432,000 (April 30, 2012 - \$86,000).

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

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## 9. Deferred revenue:

Deferred revenue includes deposits, prepayments on contracts and deferred contributions received by the University. Deferred contributions are unspent externally restricted grants and donations received in the current and prior years for expenditures in a future year.

Details of the year-end balances are as follows:

|             | April 30,<br>2013 | April 30,<br>2012 | May 1,<br>2011   |
|-------------|-------------------|-------------------|------------------|
| Research    | \$ 25,458         | \$ 24,828         | \$ 27,222        |
| Grants      | 1,207             | 1,111             | 1,589            |
| Student aid | 4,220             | 5,077             | 5,077            |
| Donations   | 10,147            | 8,408             | 7,274            |
| Other       | 7,242             | 5,939             | 5,414            |
|             | <u>\$ 48,274</u>  | <u>\$ 45,363</u>  | <u>\$ 46,576</u> |

Research includes the unexpended portion of restricted research grants and prepayments on research contracts.

Grants are unexpended restricted grants to be spent on specific items in future years.

Student aid is the unexpended donations and interest to be spent on student aid and other special purposes.

Donations are the unexpended portion of donor restricted gifts to be spent on specific items in future years.

Other deferred revenue includes deposits and prepayments on contracts.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 10. Long-term debt:

As at April 30, 2013, the University has principal outstanding of \$87,453,000 (April 30, 2012 - \$90,275,000; May 1, 2011 - \$60,641,000) under long-term mortgages and loans.

(a) Details of long-term debt:

|  | Maturity | Interest rate | Annual payment | April 30, 2013<br>Principal outstanding |
|--|----------|---------------|----------------|---|
| Mortgages payable:                     |          |               |                |   |
| Grenville and Russell Residences       | 2017     | 5.375%        | \$ 79          | \$ 250                                  |
| Glengarry Residence                    | 2019     | 6.375%        | 176            | 954                                     |
|  |          |               |                | 1,204                                   |
| Loans payable:                         |          |               |                |   |
| Leeds Residence                        | 2022     | 6.724%        | 1,607          | 14,124                                  |
| Prescott Residence                     | 2023     | 6.299%        | 1,520          | 14,966                                  |
| Frontenac Residence                    | 2018     | 4.660%        | 840            | 13,828                                  |
| Lennox & Addington Residence           | 2022     | 2.930%        | 850            | 31,034                                  |
| NWRC loan                              | 2028     | 6.460%        | 1,332          | 12,297                                  |
|  |          |               |                | 86,249                                  |
|  |          |               |                | 87,453                                  |
| Less current portion of long-term debt |          |               |                | 2,915                                   |
|  |          |               |                | \$ 84,538                               |

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 10. Long-term debt (continued):

(a) Details of long-term debt (continued):

|  |          | Interest rate | Annual payment | April 30, 2012<br>Principal outstanding |
|--|----------|---------------|----------------|---|
|  | Maturity |               |                |   |
| Mortgages payable:                                   |          |               |                |   |
| Lanark and Renfrew Residences and University Commons | 2013     | 5.375%        | \$ 86          | \$ 64                                   |
| Grenville and Russell Residences                     | 2017     | 5.375%        | 79             | 314                                     |
| Glengarry Residence                                  | 2019     | 6.375%        | 176            | 1,066                                   |
|  |          |               |                | 1,444                                   |
| Loans payable:                                       |          |               |                |   |
| Leeds Residence                                      | 2022     | 6.724%        | 1,607          | 14,757                                  |
| Prescott Residence                                   | 2013     | 6.299%        | 1,520          | 15,523                                  |
| Frontenac Residence                                  | 2018     | 4.660%        | 840            | 14,049                                  |
| Lennox & Addington Residence                         | 2022     | 2.930%        | 850            | 31,686                                  |
| NWRC loan  | 2028     | 6.460%        | 1,332          | 12,816                                  |
|  |          |               |                | 88,831                                  |
|  |          |               |                | 90,275                                  |
| Less current portion of long-term debt               |          |               |                | 2,822                                   |
|  |          |               |                | \$ 87,453                               |

|  |          | Interest rate | Annual payment | May 1, 2011<br>Principal outstanding |
|--|----------|---------------|----------------|--------------------------------------|
|  | Maturity |               |                |                                      |
| Mortgages payable:                                   |          |               |                |                                      |
| Lanark and Renfrew Residences and University Commons | 2013     | 5.375%        | \$ 86          | \$ 144                               |
| Grenville and Russell Residences                     | 2017     | 5.375%        | 79             | 374                                  |
| Glengarry Residence                                  | 2020     | 6.375%        | 176            | 1,171                                |
|  |          |               |                | 1,689                                |
| Loans payable:                                       |          |               |                |                                      |
| Leeds Residence                                      | 2012     | 6.724%        | 1,607          | 15,348                               |
| Prescott Residence                                   | 2013     | 6.299%        | 1,520          | 16,046                               |
| Frontenac Residence                                  | 2018     | 4.560%        | 840            | 14,256                               |
| NWRC loan  | 2028     | 6.460%        | 1,331          | 13,302                               |
|  |          |               |                | 58,952                               |
|  |          |               |                | 60,641                               |
| Less current portion of long-term debt               |          |               |                | 2,057                                |
|  |          |               |                | \$ 58,584                            |

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

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## 10. Long-term debt (continued):

(a) Details of long-term debt (continued):

Annual payment amounts include principal and interest.

(b) Long-term debt repayments:

Principal repayments under the mortgage and loan agreements are as follows:

|            |    |                  |
|------------|----|------------------|
| 2013-14    | \$ | 2,915            |
| 2014-15    |    | 3,088            |
| 2015-16    |    | 3,273            |
| 2016-17    |    | 3,423            |
| 2017-18    |    | 3,583            |
| Thereafter |    | 71,171           |
|            |    | <u>\$ 87,453</u> |

(c) Interest rate swaps:

The University has entered into interest rate swap agreements to manage the volatility of interest rates. The University converted a net notional \$101,758,000 of floating rate debt for fixed rate debt ranging from 2.930% to 6.724%. The related derivative agreements are in place until the maturity of the debts in 2023, 2018, 2022 and 2028.

These interest rate swaps qualify, and have been designated by the University, as cash flow hedging items against the floating rate long-term debt. The University has assessed the hedging relationship as effective. The fair value of the interest rate swaps of \$17,324,000 (2012 - \$15,047,000) is recorded on the statement of financial position. Because the hedging relationship is effective, the change in fair value of the interest rate swaps is recorded in the statement of changes in net assets, with no impact on the University's excess of revenue over expenses.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 11. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of tangible capital and intangible assets. The amortization of the deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

|   | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|
| Balance, beginning of year                          | \$ 190,971        | \$ 196,396        |
| Less amortization of deferred capital contributions | (12,526)          | (13,672)          |
| Add capital contributions received:                 |                   |                   |
| Grants for equipment and buildings                  | 17,088            | 7,518             |
| Donated assets                                      | 487               | 729               |
|   | <u>17,575</u>     | <u>8,247</u>      |
| Balance, end of year                                | <u>\$ 196,020</u> | <u>\$ 190,971</u> |

## 12. Employee future benefits:

(a) Employee future benefits liability:

|   | <u>April 30,</u><br><u>2013</u> | <u>April 30,</u><br><u>2012</u> | <u>May 1,</u><br><u>2011</u> |
|---|---------------------------------|---------------------------------|------------------------------|
| Post-employment and post-retirement benefit plans | \$ 116,861                      | \$ 108,230                      | \$ 101,282                   |
| Pension plan                                      | (343)                           | (2,059)                         | 10,702                       |
|   | <u>\$ 116,518</u>               | <u>\$ 106,171</u>               | <u>\$ 111,984</u>            |



# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 12. Employee future benefits (continued):

### (b) Post-employment and post-retirement benefit plans:

The University has defined post-retirement benefit plans (other than pensions) and defined post-employment benefit plans covering substantially all of its employees. These plans provide health, dental and severance benefits to eligible employees. The most recent actuarial valuation of employee future benefits was completed as at May 1, 2009.

### (i) Accrued benefit liability:

At April 30, 2013, the University's future employee benefits liability and accrued benefit obligations are as follows:

|                                  | April 30,<br>2013 | April 30,<br>2012 | May 1,<br>2011    |
|----------------------------------|-------------------|-------------------|-------------------|
| Accrued benefit obligation       | \$ 147,451        | \$ 120,632        | \$ 107,686        |
| Unamortized past service costs   | (609)             | (690)             | (800)             |
| Unamortized net actuarial loss   | (29,981)          | (11,712)          | (5,604)           |
| <b>Accrued benefit liability</b> | <b>\$ 116,861</b> | <b>\$ 108,230</b> | <b>\$ 101,282</b> |

Similar to many non-pension benefit plans in Canada, the University's plans are not pre-funded, resulting in plan deficits equal to the accrued benefit obligation.

The amount of \$11,654,000 (2012 - \$10,857,000) relating to non-pension employee future benefits is included in employee future benefits expense in the consolidated statement of operations. This expense includes the current service cost of employee benefits for the year and the interest cost for the unfunded accrued benefit obligation. During 2013, the University contributed \$3,023,000 (2012 - \$3,909,000) to cover pay-as-you-go disbursements incurred during the year for these employee future benefits.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 12. Employee future benefits (continued):

### (b) Post-employment and post-retirement benefit plans (continued):

#### (ii) Assumptions:

The significant actuarial assumptions adopted in estimating the University's accrued benefit obligations are as follows:

|                              | April 30,<br>2013 | April 30,<br>2012 | May 1,<br>2011 |
|------------------------------|-------------------|-------------------|----------------|
| Discount rate                | 4.50% - 5.00%     | 4.50% - 5.00%     | 5.25% - 5.75%  |
| Salary escalation            | 4.50%             | 4.50%             | 4.00%          |
| Dental benefits escalation   | 4.50%             | 4.50%             | 4.50%          |
| Drugs benefits escalation    | 4.50% to 9.00%    | 4.50% to 9.00%    | 4.50% to 9.00% |
| Hospital benefits escalation | 4.50%             | 4.50%             | 4.50%          |

#### (iii) Health care sensitivity analysis:

Assumed health care cost trend rates have a significant effect on the amounts reported for the health-care plans. A 1% change in assumed health care trend rates would have the following effects for 2013.

|                            | Increase     | Decrease     |
|----------------------------|--------------|--------------|
| Net benefit cost           | \$ 1,987,000 | \$ 1,496,000 |
| Accrued benefit obligation | 22,431,000   | 18,039,000   |

### (c) Pension plan and pension plan liability:

The University contributes to the Carleton University Retirement Plan which is a defined contribution pension plan with a defined benefit minimum guarantee, covering substantially all full-time employees of the University.

Upon retirement, plan members will receive payment out of their money purchase plan, which is supplemented from a minimum guarantee fund if the money purchase plan does not provide the minimum pension benefit.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 12. Employee future benefits (continued):

### (c) Pension plan and pension plan liability (continued):

An actuarial valuation of the Plan as of July 1, 2010 determined that the Plan had a \$47,571,000 unfunded going-concern liability and an unfunded \$59,132,000 solvency liability as at July 1, 2010. The going-concern liability is to be repaid over a period not to exceed 15 years as required under the Pension Benefits Act of Ontario. Generally the solvency valuation is to be repaid over a period not to exceed 5 years. However, there have been a number of changes to the Ontario Pension Benefits Act and Regulations that have an impact on the funding of the Plan. Specifically, for approved plans, solvency payments may be suspended for the four years following July 1, 2010. Instead, an annual interest charge on the solvency deficiency must be contributed to the Plan. Carleton University applied for and was determined to be an approved plan. As such, the annual special payment required towards the combined going concern and solvency deficiencies is \$7,035,000. The next actuarial valuation for funding purposes is required July 1, 2013. That valuation will determine the minimum funding requirement commencing July 1, 2014.

An actuarial valuation for accounting purposes was performed as at April 30, 2012, the measurement date for financial reporting purposes.

### (i) Accrued benefit liability:

The reconciliation of the funded status of the Plan to the amounts recorded in the financial statements is as follows:

|                                   | April 30,<br>2013 | April 30,<br>2012 | May 1,<br>2011 |
|-----------------------------------|-------------------|-------------------|----------------|
| Accrued benefit obligation        | \$ 1,075,669      | \$ 960,456        | \$ 912,825     |
| Less: fair value of Plan assets   | 849,506           | 766,693           | 788,710        |
| Plan deficit                      | 226,163           | 193,763           | 124,115        |
| Unamortized net actuarial loss    | (226,506)         | (195,822)         | (113,413)      |
| Accrued benefit liability (asset) | \$ (343)          | \$ (2,059)        | \$ 10,702      |

The accrued benefit liability balance is included in the employee future benefits liability on the consolidated statement of financial position. The increase of \$1,716,000 (2012 - decrease of \$12,761,000) relating to the change in the pension plan accrued benefit liability is included in the employee future benefits expense in the consolidated statement of operations.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 12. Employee future benefits (continued):

(c) Pension plan and pension plan liability (continued):

(i) Accrued benefit liability (continued):

The University contributed \$17,760,000 (2012 - \$26,136,000) to the pension plan during the year and this contribution is included in benefits expense in the consolidated statement of operations.

(ii) Plan assets:

The percentage of the Plan assets by major category are as follows:

|                                   | April 30,<br>2013 | April 30,<br>2012 | May 1,<br>2011 |
|-----------------------------------|-------------------|-------------------|----------------|
| Canadian equity securities        | 30%               | 30%               | 30%            |
| Non-Canadian equity securities    | 35%               | 35%               | 35%            |
| Fixed income debt securities      | 25%               | 25%               | 25%            |
| High yield debt instruments       | 5%                | 5%                | 5%             |
| Global infrastructure instruments | 5%                | 5%                | 5%             |

(iii) Assumptions:

The principal actuarial assumptions adopted in measuring the University's accrued benefit obligation of the Plan are as follows:

|  | April 30,<br>2013 | April 30,<br>2012 | May 1,<br>2011 |
|--|-------------------|-------------------|----------------|
| Pension benefit plans:                           |                   |                   |                |
| Discount rate, benefit cost                      | 5.00%             | 5.00%             | 5.75%          |
| Discount rate, benefit obligation                | 4.10%             | 5.75%             | 6%             |
| Rate of compensation increases                   | 4.50%             | 4.5%              | 4.5%           |
| Expected long-term rate of return on plan assets | 6.30%             | 6.75%             | 7.5%           |

## 13. Net assets:

(a) Capital management:

The University's overall objective for its capital is to fund tangible capital and intangible assets, future projects and ongoing operations. The University manages its capital by appropriating amounts to internally restricted net assets for anticipated future projects, contingencies and other capital requirements. These allocations are disclosed in note 13(b).

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 13. Net assets (continued):

### (a) Capital management (continued):

The University also considers its endowments, as disclosed in notes 4(b) and 15, as part of its capital. The University's objective with regards to endowments is to grow the endowment principal such that it preserves the original capital investment and provides the prescribed distribution rate described in note 15.

Under the direction of its Board of Governors, the University is required to present a balanced budget each year.

The University is not subject to any other externally imposed capital requirements and its approach to capital management remains unchanged from the prior year.

### (b) Internally restricted net assets:

Internally restricted net assets are funds restricted by the University for future commitments and projects to improve and invest in the University's campus facilities, information systems, equipment, programs and student aid.

Internally restricted net assets have been designated for the following purposes:

|                                | April 30,<br>2013 | April 30,<br>2012 | May 1,<br>2011    |
|--------------------------------|-------------------|-------------------|-------------------|
| General appropriations         | \$ 42,955         | \$ 49,145         | \$ 42,867         |
| Specific reserves:             |                   |                   |                   |
| Capital reserve                | 73,436            | 49,359            | 43,792            |
| Pension liability reserve      | 67,903            | 42,448            | 36,705            |
| Research initiatives           | 18,785            | 15,956            | 14,764            |
| Ancillary reserve fund         | 22,713            | 15,141            | 7,684             |
| Entrepreneurial initiatives    | 3,344             | 3,056             | 3,060             |
| Student aid funds              | 1,019             | 1,242             | 1,789             |
| Other projects and initiatives | 13,930            | 8,532             | 8,593             |
|                                | <u>\$ 244,085</u> | <u>\$ 184,879</u> | <u>\$ 159,254</u> |

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 14. Investment in tangible capital and intangible assets:

The investment in tangible capital and intangible assets consists of the following:

|   | April 30,<br>2013 | April 30,<br>2012 | May 1,<br>2011    |
|---|-------------------|-------------------|-------------------|
| Tangible capital and intangible assets                                      | \$ 571,276        | \$ 563,871        | \$ 533,848        |
| Less amounts financed by:   |                   |                   |                   |
| Deferred capital contributions  | (196,020)         | (190,971)         | (196,396)         |
| Mortgages payable   | (1,204)           | (1,444)           | (1,689)           |
| Loans payable (Leeds, Prescott,<br>Frontenac Lennox & Addington residences) | (73,952)          | (76,015)          | (45,650)          |
| Other short-term financing  | (57,762)          | (55,935)          | (55,415)          |
|   | <u>\$ 242,338</u> | <u>\$ 239,506</u> | <u>\$ 234,698</u> |

The net change in investment in tangible capital and intangible assets is calculated as follows:

|   | April 30,<br>2013 | April 30,<br>2012 |
|---|-------------------|-------------------|
| Tangible capital and intangible assets additions:                     |                   |                   |
| Total additions   | \$ 36,258         | \$ 56,796         |
| Less:   |                   |                   |
| Contributions to art collection                                       | (432)             | (86)              |
| Donated assets  | (487)             | (729)             |
| Additions financed with grants  | (17,088)          | (7,518)           |
|   | <u>18,251</u>     | <u>48,463</u>     |
| Financing:  |                   |                   |
| Mortgages payable   | 240               | 245               |
| Loans payable   | 2,063             | (30,365)          |
| Other short-term financing  | (1,827)           | (520)             |
|   | <u>476</u>        | <u>(30,640)</u>   |
| Amortization of deferred capital contributions                        | 12,526            | 13,672            |
| Amortization of tangible capital and intangible assets                | (28,853)          | (26,773)          |
|   | <u>(16,327)</u>   | <u>(13,101)</u>   |
| Net change in investment in tangible capital and<br>intangible assets | <u>\$ 2,400</u>   | <u>\$ 4,722</u>   |

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 15. Endowments:

Contributions restricted for endowment consist of monies received primarily as benefactions and which either the donor or the Board of Governors has designated as endowment. The annual income earned from funds designated as endowment by the donor may be expended only for the purpose designated. If no purpose is designated by the donor then the income is expended at the direction of the Board. Monies designated as endowment by the Board are unrestricted and the principal and annual income may be expended at its direction.

Investment income earned on endowed investments is distributed at a rate of 4.0% (2012 - 4.0%) of the moving average market value over four years of the endowment fund investments. Actual investment income earned in excess of the distributed amount is accumulated in the endowment fund for future distribution and to maintain capital.

|   | <u>Externally<br/>endowed</u> | <u>Board<br/>designated</u> | <u>Total<br/>2013</u> | <u>Total<br/>2012</u> |
|---|-------------------------------|-----------------------------|-----------------------|-----------------------|
| Donations and bequests                            | \$ 1,732                      | \$ -                        | \$ 1,732              | \$ 4,067              |
| Realized gains (losses) on<br>sale of investments | (131)                         | (2)                         | (133)                 | (4,027)               |
| Investment income                                 | 1,764                         | 77                          | 1,841                 | 11,033                |
| Income distributions                              | (9,751)                       | (79)                        | (9,830)               | (9,497)               |
|   | (6,386)                       | (4)                         | (6,390)               | 1,576                 |
| Unrealized gains (losses)<br>on investments       | (19,425)                      | (196)                       | (19,621)              | (53,009)              |
| Net change in year                                | (25,811)                      | (200)                       | (26,011)              | (51,433)              |
| Fund balance, beginning of year                   | 215,214                       | 1,287                       | 216,501               | 267,934               |
| Fund balance, end of year                         | <u>\$ 189,403</u>             | <u>\$ 1,087</u>             | <u>\$ 190,490</u>     | <u>\$ 216,501</u>     |

The endowment balance consists of:

|  | <u>April 30,<br/>2013</u> | <u>April 30,<br/>2012</u> | <u>May 1,<br/>2011</u> |
|--|---------------------------|---------------------------|------------------------|
| Cumulative endowment principal             | \$ 112,788                | \$ 111,056                | \$ 106,989             |
| Cumulative undistributed investment income | 88,289                    | 96,411                    | 98,902                 |
| Cumulative unrealized gains (losses)       | (10,587)                  | 9,034                     | 62,043                 |
| Endowment balance on endowment investments | <u>\$ 190,490</u>         | <u>\$ 216,501</u>         | <u>\$ 267,934</u>      |

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

## 16. Contingent liabilities and commitments:

At April 30, 2013, commitments for future acquisitions, construction and renovations amounted to approximately \$17,589,000 (April 30, 2012 - \$24,214,000; May 1, 2011 - \$35,469,000).

Letters of credit totaling \$10,442,000 (April 30, 2012 - \$10,665,000; May 1, 2011 - \$10,068,000) were issued on behalf of the University at year-end.

## 17. Canadian Universities Reciprocal Insurance Exchange:

The University is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE), a self-insurance co-operative comprised of Canadian universities and colleges. CURIE insures property damage, general liability and errors and omissions risks. If premiums collected are insufficient to cover expenses and claims, the University may be requested to pay additional amounts.

## 18. Other revenue:

|                               | 2013             | 2012             |
|-------------------------------|------------------|------------------|
| Commissions and sponsorships  | \$ 8,738         | \$ 8,273         |
| Medical insurance recoveries  | 1,764            | 1,755            |
| Salary and benefit recoveries | 1,174            | 1,581            |
| Miscellaneous                 | 10,118           | 7,071            |
|                               | <u>\$ 21,794</u> | <u>\$ 18,680</u> |

## 19. Other expenses:

|                              | 2013             | 2012             |
|------------------------------|------------------|------------------|
| Equipment rental             | \$ 3,785         | \$ 3,420         |
| Property taxes and insurance | 2,946            | 2,732            |
| Minor repair and upkeep      | 2,969            | 2,937            |
| Banking and bad debts        | 2,201            | 2,357            |
| Advertising and promotion    | 3,160            | 3,003            |
| Communication                | 1,255            | 1,524            |
| Miscellaneous                | 10,304           | 10,914           |
|                              | <u>\$ 26,620</u> | <u>\$ 26,887</u> |



# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

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## 20. Net change in non-cash operating working capital:

|   | <u>2013</u>      | <u>2012</u>        |
|---|------------------|--------------------|
| Decrease in accounts receivable                                 | \$ 3,670         | \$ 2,615           |
| Increase in prepaid expenses                                    | (53)             | (495)              |
| Increase (decrease) in accounts payable and accrued liabilities | 5,878            | (20,366)           |
| Increase (decrease) in deferred revenue                         | 2,911            | (1,213)            |
| Increase (decrease) in accrued leave                            | 1,314            | 96                 |
|   | <u>\$ 13,720</u> | <u>\$ (19,363)</u> |

## 21. Financial risks:

### (a) Credit risk:

The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The University's SIPG, which is reviewed annually, defines permitted investments and provides guidelines and restrictions on acceptable investment categories which minimize credit risk.

The maximum credit exposure of the University is represented by the fair value of the investments and accounts receivable as presented in the statement of financial position.

Credit risk concentration exists where a significant portion of the portfolio is invested in securities which have similar characteristics or similar variations relating to economic, political or other conditions. The University monitors the financial health of its investments on an on-going basis with the assistance of its Finance Committee and its investment advisors.

The University assesses on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. In 2013, \$1,774,000 (April 30, 2012 - \$1,569,000; (May 1, 2011 - \$1,729,000) is recorded as allowance for doubtful accounts.

### (b) Interest rate risk:

The University is exposed to interest rate risk with respect to its interest-bearing investments, long-term debt and interest rate swaps as disclosed in the statement of cash flows and notes 4 and 10.

### (c) Currency risk:

The University believes that it is not exposed to significant currency risks arising from its financial instruments.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Years ended April 30, 2013 and 2012  
(Tabular amounts in thousands of dollars)

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## 21. Financial risks (continued):

### (d) Liquidity risk:

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The University manages its liquidity risk by monitoring its operating requirements. The University prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no change to the risk exposures from 2012.

## 22. Transitional adjustments:

### (a) Net assets:

The following table summarizes the impact of the transition to Canadian accounting standards for not-for-profit organizations on the University's net assets as of May 1, 2011:

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#### Net assets:

|  |            |
|--|------------|
| As previously reported under Canadian generally accepted accounting principles, April 30, 2011 | \$ 448,274 |
| Transition election to record land at fair value   | 82,294     |

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|                       |            |
|-----------------------|------------|
| Restated, May 1, 2011 | \$ 530,568 |
|-----------------------|------------|

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In accordance with transitional provisions of Canadian accounting standards for not-for-profit organizations, the University has elected to measure its land at May 1, 2011 using the fair value election.

The fair value of the University's land at April 1, 2011 was determined to be \$89,000,000 by an independent appraisal. The original value of the land was \$6,706,000, resulting in an increase in net assets of \$82,294,000.

# CARLETON UNIVERSITY

## Schedule 1 - Consolidated Schedule of Changes in Ancillary Net Assets

Year ended April 30, 2013  
(in thousands of dollars)

| Unrestricted   | Athletics | Bookstore | Graphic Services | Health Services |
|--|-----------|-----------|------------------|-----------------|
| Revenues   | \$ 10,643 | \$ 906    | \$ 1,595         | \$ 3,123        |
| Expenses   | 10,047    | 902       | 1,177            | 3,349           |
| Excess (deficiency) of revenues over expenses            | 596       | 4         | 418              | (226)           |
| Net assets, beginning of year                            | -         | -         | -                | -               |
| Transfer from (to) non-ancillary unrestricted net assets | 714       | (2)       | (140)            | 326             |
| Appropriated to internally restricted net assets         | (1,310)   | (2)       | (278)            | (100)           |
| Return of funds from internally restricted net assets    | -         | -         | -                | -               |
| Unrestricted net assets, end of year                     | \$ -      | \$ -      | \$ -             | \$ -            |
| <b>Internally restricted net assets</b>                  |           |           |                  |                 |
| Net assets, beginning of year                            | \$ 2,488  | \$ 229    | \$ 177           | \$ 42           |
| Appropriated from unrestricted net assets                | 1,310     | 2         | 278              | 100             |
| Return of funds to unrestricted net assets               | -         | -         | -                | -               |
| Net assets, end of year                                  | \$ 3,798  | \$ 231    | \$ 455           | \$ 142          |

|    | Ancillary<br>Property<br>Rentals | Parking  | Residence<br>and Food<br>Services | University<br>Centre | Ancillary<br>Capital<br>Fund | Total<br>2013 | Total<br>2012 |
|----|----------------------------------|----------|-----------------------------------|----------------------|------------------------------|---------------|---------------|
| \$ | 2,278                            | \$ 4,493 | \$ 27,928                         | \$ 596               | \$ 551                       | \$ 52,113     | \$ 48,690     |
|    | 2,292                            | 1,933    | 24,491                            | 262                  | –                            | 44,453        | 40,986        |
|    | (14)                             | 2,560    | 3,437                             | 334                  | 551                          | 7,660         | 7,704         |
|    | 1,723                            | –        | –                                 | (144)                | –                            | 1,579         | 1,548         |
|    | –                                | (175)    | (1,326)                           | –                    | 645                          | 42            | (216)         |
|    | –                                | (2,385)  | (2,111)                           | (190)                | (1,196)                      | (7,572)       | (7,522)       |
|    | –                                | –        | –                                 | –                    | –                            | –             | 65            |
| \$ | 1,709                            | \$ –     | \$ –                              | \$ –                 | \$ –                         | \$ 1,709      | \$ 1,579      |
| \$ | –                                | \$ 4,722 | \$ 4,042                          | \$ –                 | \$ 3,441                     | \$ 15,141     | \$ 7,684      |
|    | –                                | 2,385    | 2,111                             | 190                  | 1,196                        | 7,572         | 7,522         |
|    | –                                | –        | –                                 | –                    | –                            | –             | (65)          |
| \$ | –                                | \$ 7,107 | \$ 6,153                          | \$ 190               | \$ 4,637                     | \$ 22,713     | \$ 15,141     |

# CARLETON UNIVERSITY

Schedule 2 - Ontario Student Opportunity Trust Fund (Phase I and Phase II) and Ontario Trust for Student Support

Year ended April 30, 2013  
(in thousands of dollars)

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## Ontario Student Opportunity Trust Fund (Phase I)

The externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund I matching program to award student aid as a result of raising an equal amount of endowed donations.

The University has recorded the following amounts under the program:

|  | 2013             | 2012             |
|--|------------------|------------------|
| <b>Schedule of Changes in Endowment Fund Balance<br/>for the year ended April 30, 2013</b> |                  |                  |
| Fund balance at beginning of year  | \$ 16,916        | \$ 16,916        |
| Fund balance at end of year  | <u>\$ 16,916</u> | <u>\$ 16,916</u> |

## Schedule of Changes in Expendable Funds Available for Awards for the year ended April 30, 2013

|   |               |               |
|---|---------------|---------------|
| Balance, beginning of year  | \$ 301        | \$ 655        |
| Realized investment income, net of direct investment-related expenses and preservation of capital contributions | 1,948         | 2,202         |
| Bursaries awarded (total number: 1,984)   | (1,987)       | (2,556)       |
| Balance, end of year  | <u>\$ 262</u> | <u>\$ 301</u> |

The market value of the endowment as at April 30, 2013 was \$51,999 (2012 - \$53,140).

# CARLETON UNIVERSITY

Schedule 2 - Ontario Student Opportunity Trust Fund (Phase I and Phase II) and Ontario Trust for Student Support (continued)

Year ended April 30, 2013  
(in thousands of dollars)

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## Ontario Student Opportunity Trust Fund (Phase II)

The externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund II matching program for the period of April 1, 2006 to April 30, 2008 to award student aid as a result of raising an equal amount of endowed donations.

The University has recorded the following amounts under the program:

|  | 2013            | 2012            |
|--|-----------------|-----------------|
| <b>Schedule of Changes in Endowment Fund Balance<br/>for the year ended April 30, 2013</b> |                 |                 |
| Fund balance at beginning of year  | \$ 4,775        | \$ 4,551        |
| Funds re-allocated to OTSS   | -               | 224             |
| Fund balance at end of year  | <u>\$ 4,775</u> | <u>\$ 4,775</u> |

## Schedule of Changes in Expendable Funds Available for Awards for the year ended April 30, 2013

|   |               |               |
|---|---------------|---------------|
| Balance, beginning of year  | \$ 371        | \$ 187        |
| Realized investment income, net of direct investment-related expenses and preservation of capital contributions | 261           | 353           |
| Bursaries awarded (total number: 130)   | (187)         | (169)         |
| Balance, end of year  | <u>\$ 445</u> | <u>\$ 371</u> |

The market value of the endowment as at April 30, 2013 was \$5,937 (2012 - \$6,067).

# CARLETON UNIVERSITY

Schedule 2 - Ontario Student Opportunity Trust Fund (Phase I and Phase II) and Ontario Trust for Student Support (continued)

Year ended April 30, 2013  
(in thousands of dollars)

## Ontario Trust for Student Support

The externally restricted endowments include monies provided by the Government of Ontario from the Ontario Trust for Student Support matching program for the period April 1, 2012 to March 31, 2013 to award student aid as a result of raising an equal amount of endowed donations.

The University has recorded the following amounts under the program:

|  | 2013        | 2012            |
|--|-------------|-----------------|
| <b>Schedule of donations received between April 1 and March 31</b> |             |                 |
| Cash donations matched between April 1 and March 31                | \$ –        | \$ 1,070        |
| Unmatched cash donations (received between April 1 and March 31)   | –           | –               |
| <b>Total cash donations</b>  | <b>\$ –</b> | <b>\$ 1,070</b> |

## Schedule of Changes in Endowment Fund Balance for the period April 1 to March 31

|  |                  |                  |
|--|------------------|------------------|
| Balance, beginning of year   | \$ 17,003        | \$ 15,425        |
| Funds re-allocated to OSOTF2   | –                | (224)            |
| Funds re-allocated to OTSS   | 20               | –                |
| Eligible cash donations received between April 1 and March 31 in compliance with the November 2005 Program Guidelines and Reporting Requirements | –                | 710              |
| Matching funds received/receivable from MTCU in 2010-11  | –                | 1,070            |
| Cash donations ineligible for match for the period between April 1 and March 31  | –                | 22               |
| <b>Fund balance at end of year</b>   | <b>\$ 17,023</b> | <b>\$ 17,003</b> |

## Schedule of Changes in Expendable Funds Available for Awards for the period April 1 to March 31

|   |               |               |
|---|---------------|---------------|
| Balance, beginning of year  | \$ 366        | \$ 445        |
| Realized investment income, net of direct investment-related expenses and preservation of capital contributions | 770           | 689           |
| Cash donations (received between April 1 and March 31)  |               | (87)          |
| Bursaries awarded (total number: 581)   | (703)         | (681)         |
| <b>Balance, end of year</b>   | <b>\$ 433</b> | <b>\$ 366</b> |