

**FINANCIAL REPORT**

**TO THE**

**BOARD OF GOVERNORS**

**2007-2008**

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GENERAL OPERATING FUND - INCOME, EXPENSES AND ACCUMULATED DEFICIT  
 CARLETON UNIVERSITY ANCILLARY OPERATIONS

SCHEDULE 1  
 SCHEDULE 2

## CARLETON UNIVERSITY

### NOTES ON FINANCIAL STATEMENTS 2007 – 2008

#### SUMMARY REPORT

#### 1. Consolidated Statement of Operations - Operating Fund

Operating revenues exceeded expenses by \$2.3 million in 2007-2008. This compares to a budgeted surplus of \$1.0 million, and is \$1.3 million more than the previous year. A breakdown and comparison follows:

	<i>2007-2008</i> <i>Actual</i> \$M	<i>2007-2008</i> <i>Budget</i> \$ M	<i>2006-2007</i> <i>Actual</i> \$ M
Deficit reduction for the year	2.3	1.0	1.0

The 2007-2008 approved Budget projected a reduction in the accumulated deficit of \$1.0 million, which the actual result exceeded by \$1.3 million. A summary of the individual budgetary improvements and shortfall is set out below. It excludes items where specific income was offset by related expenditure (section 2.1 of the Notes).

#### **Deficit Reduction: \$1.3 million above budget**

#### **Income: \$9.8 million above budget**

Income items over budget were: Grant income \$2.8 million, Tuition income \$3.0 million, Interest income \$2.2 million, Miscellaneous income \$1.8 million.

#### **Expenses and Appropriations: \$8.5 million above budget**

Allocations less than contingency funds -	\$(6.0) million savings
New appropriations -	\$16.4 million cost
Unspent and unappropriated allocations -	\$(1.9) million savings

#### 2. Accumulated Deficit: met original estimate

The accumulated operating deficit (excluding provisions for vacation pay and post retirement benefits) at April 30, 2008 was therefore \$9.9 million, \$1.3 million less than projected.

#### 3. Ancillary Operations and Non-Credit Course Operations: \$2.4 million deficit

Collectively, the ancillary and non-credit course operations finished the year with a net deficit of \$2.4 million. The ancillary operations posted a net deficit of \$2.0 million. The net deficit consists of a \$1.7 million draw on reserves accumulated by some operations, and \$0.3 million increase to accumulated deficits for other operations. Those ancillary services with accumulated deficits totalled \$2.9 million at April 30, 2008, down from \$3.6 million just seven years ago. The non-credit course operations posted a deficit of \$0.4 million in 2007-2008. The results of the individual services varied considerably. Each service is reviewed in section 2.3 and 2.4 of the Notes.

#### 4. Statement of Financial Position (balance sheet)

The most notable change in the balance sheet this year is the effect of the required accounting changes on our financial instruments, specifically our investments and interest rate swap loans. The effect of the changes are outlined in detail in Note 3 of the audited financial statements, but the essence of the change is that these items are now presented at "fair value" on the balance sheet, rather than the traditional historical cost used in the previous year's statements.

On the asset side of the balance sheet, the opening balance of the investments has been increased by \$49.1 million to reflect the prior year's net appreciation in fair value. The endowment fund holds the majority of our investments which accounted for \$48.8 million of the opening increase. During the year, the value of the fund was increased by \$5.9 million in gifts and \$7.9 million in realized capital gains and investment revenue in excess of funds distributed for spending but incurred \$13.8 million in unrealized losses to remain relatively static. A more complete analysis of the endowment fund is included in section 3.2.7.

For the interest rate swap liability, the fair value is determined to be the payment required to cancel the swap as at April 30<sup>th</sup>. The effect on our opening balances was to increase our long-term liabilities and decrease our net assets by \$6.7 million. By the end of the fiscal year, that liability had increased to \$8.1 million but would only require payment in the unlikely event that we cancelled the debt agreement.

The other notable change from the previous year's balance sheet is the \$11.7 million increase in capital assets which are analyzed on page 14 of the Audited Financial Statements. The majority of the increase is due to \$9.9 million in new construction for a student residence.



D.R. Watt  
Vice-President (Finance and Administration)



J.T. Sullivan  
Director of Finance

**CARLETON UNIVERSITY****NOTES ON FINANCIAL STATEMENTS 2007-2008**

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**1. INTRODUCTION****1.1 2007-2008 Operating Results**

The operating result for the year shows a reduction in the accumulated deficit of \$2,287,000. This compares to an original projection of \$1,000,000, and an increase of \$1,269,000 from the previous year.

The variation in the operating results is the result of increased grant, tuition, miscellaneous and short term interest income of \$9,763,000.

On the expenditure side, favourable budget variances in university budgets and contingencies increased the contribution towards the accumulated deficit by \$7,902,000 while new appropriations decreased the contribution by \$16,378,000.

The net result of \$9,763,000 in positive income adjustments, and \$8,476,000 in negative expenditure adjustments was therefore a \$2,287,000 reduction in the accumulated deficit, as opposed to the original projection of \$1,000,000.

**1.2 Accumulated Deficit**

The accumulated operating deficit (excluding provisions for vacation pay and post-retirement benefits) at April 30, 2008 was \$9,857,000. This compares to \$12,144,000 as at April 30, 2007 and the 2007-2008 opening budget projection of \$11,144,000.

**2. CONSOLIDATED STATEMENT OF OPERATIONS**

The Consolidated Financial Statements, which are presented at the beginning of this Report, record income and expenses in accordance with Generally Accepted Accounting Principles as defined by the Canadian Institute of Chartered Accountants. Beginning with the 1997-1998 fiscal year, these statements combined all the activities of the University (previously segregated into "funds") into one statement. As the general operating activities of the University require specific strategic financial analysis, operating income and expenses are highlighted and restated in Schedule 1 immediately following these notes. This restatement facilitates a comparison to the 2007-2008 operating budget as approved by the Board of Governors in Spring 2007.

In the sections 2.1, 2.2 and Schedule 1, which follow, the operating income and expenses are analyzed and compared to budget. The income and expenses of the Ancillary, Non Credit, Plant, and Research operations are reviewed in sections 2.3 to 2.5, and a reconciliation of these results to the Audited Financial Statements is provided in section 2.6.

## 2.1 Operating Income

Operating income totalled \$280,627,000 in 2007-2008. This compares to an original budget of \$265,726,000 and a total for the previous year of \$278,823,000. Total operating income was therefore \$14,901,000 (5.6%) above budget, and \$1,804,000 (0.6%) above the previous year.

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>Variance \$000</i>
Revenues	280,627	265,726	14,901
Items offset by Expenditures (2.2.1)	5,138	-	5,138
Net Revenues	<u>275,489</u>	<u>265,726</u>	<u>9,763</u>

Each category of income is reviewed in the following sections and a summary is provided on Schedule 1.

### 2.1.1 Government Operating Grants

The \$144,001,000 included in Schedule 1 is \$7,333,000 (5.4%) above the original estimate, and \$5,621,000 (3.8%) less than the previous year. A comparison to the estimate in the original budget is set out below:

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items Affecting the Operating Result</u>			
Basic Operating Grant	108,905	108,851	54
Research Overheads	5,439	5,632	(193)
Access to Higher Quality Education Fund	10,042	7,301	2,741
Quality Assurance Fund	3,909	3,909	-
Performance Funding	605	587	18
Tuition Increase Replacement	5,173	4,937	236
Accessibility Fund	4,890	4,899	(9)
Subtotal	<u>138,963</u>	<u>136,116</u>	<u>2,847</u>
<u>Items offset by expenses</u>			
Access for the Disabled	718	552	166
Graduate Support via Accessibility Funds	1,300	-	1,300
Student Aid Funds	3,090	-	3,090
Other Gov't Grants	(70)	-	(70)
Subtotal	<u>5,038</u>	<u>552</u>	<u>4,486</u>
Total Government Grants	<u>144,001</u>	<u>136,668</u>	<u>7,333</u>

Omitting special purpose grants, the operating revenue from the Ministry of Training, Colleges and Universities, was \$2,847,000 above the original projection. The increase from the original projection relates mainly to a \$2,790,000 one-time year-end grant from the Ministry for Higher Quality Education. This amount has been appropriated for use in the 2008-2009 fiscal year. The decrease in grant revenue as compared to the previous year, relates to \$10.9 million in one-time funds received in April 2007.

### 2.1.2 Tuition Fees – Credit Programs

Tuition income totalled \$118,858,000 in 2007-2008. This represents an increase of \$6,087,000 (5.4%) over the previous year, and \$2,979,000 (2.6%) above the original estimate. Details of the 5.4% increase over the previous year are as follows:

	<i>Enrolment (F.T.E.)</i>		<i>Total</i>	<i>Tuition Income \$000</i>
	<i>Undergraduate</i>	<i>Graduate</i>		
2006-2007	18,390	2,474	20,864	112,771
2007-2008	18,018	2,871	20,889	118,858
Increase (Decrease)	(372)	397	25	6,087
%	-2.0%	16%	0.1%	5.6

Tuition fees vary based on the discipline of study, as well as the immigration status of the student.

All of the \$2,979,000 additional tuition revenue, plus a \$6,000 formula adjustment to the Centre for Initiatives in Education, went to improve the operating result of the University.

### 2.1.3 Miscellaneous Income

Miscellaneous income totalled \$9,074,000 in 2007-2008, which is \$2,089,000 over the original budget, and \$973,000 above the previous year. Miscellaneous income consists of non-tuition administrative fees and charges to students and various recoveries from parties external to the University, as well as the Ancillary enterprises and Non-Credit Course operations. Details are as follows:

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items affecting the operating result</u>			
Application and admission fees (a)	1,542	1,225	317
Deferred payment and processing fees (b)	2,197	1,680	517
Omnibus fee	703	703	-
Internal overhead charges	1,631	1,616	15
Library and other fines	258	220	38
Facility rentals	818	815	3
Career and Placement Services	209	206	3
Univ of Ottawa exchange revenue (c)	20	300	(280)
Other miscellaneous (d)	1,409	220	1,189
Subtotal	8,787	6,985	1,802
<u>Items offset by additional expenditures</u>			
Commission income	130	-	130
Insurance recoveries	138	-	138
Other income	19	-	19
Subtotal	287	-	287
Total Miscellaneous Income	9,074	6,985	2,089

- a) The positive variation in application fee revenue, as compared to the opening budget of \$317,000 is due to a higher than projected number of applications.

- b) The increase in deferred payment and fee income is a result of the increase in the prime bank rate on which some of the income is based, as well as a continuing trend in students deferring payment.
- c) Under the Carleton-University of Ottawa exchange agreement, undergraduate students at one university may take courses at the other without having to incur additional fees at the other institution. Commencing in the 2006-2007 academic year, the institutions agreed to a formula that compensates the institution that teaches more incoming students than it sends, for which Carleton was the beneficiary in 2006-2007. The compensation formula does not provide such benefit in 2007-2008.
- d) The large variance in other miscellaneous income is mostly due to a \$611,000 water rebate cheque from the City of Ottawa for excess charges due to a faulty water meter. The rebate relates to overcharges from previous years so the item was recorded as miscellaneous income rather than a reduction in current year water charges.

#### 2.1.4 Interest Income

Interest income totalled \$5,407,000 in 2007-2008, which was \$2,157,000 above budget, and \$596,000 above the previous year. The main reason for the positive variance from the opening budget is higher than anticipated short term investment returns.

#### 2.1.5 Departmental Income

The following items are included in departmental income:

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items offset by additional expenditures</u>			
Instructional Media Services and CUTV	806	669	137
Computing	216	111	105
Pension plan administration	209	206	3
Centre for Initiatives in Education	448	467	(19)
Ombudsperson	89	90	(1)
Co-op office	579	576	3
Salary recoveries	155	148	7
Science and Technology Centre	177	160	17
Paul Menton Centre	100	100	-
Alumni affinity program	127	67	60
Other	369	310	59
Subtotal	3,275	2,904	371
<u>Items affecting the operating result</u>			
Benefit recoveries	12	40	(28)
Total Department Income	3,287	2,944	343

Departmental income relates to sales and rentals that are under the jurisdiction of the departmental managers. Generally, any shortfalls in income as compared to budget must be matched by a corresponding decrease in expenditures in the department concerned, while any income in excess of budget is available for additional expenditure. Variations in departmental income should not therefore generally affect the overall operating results of the University.

## 2.2 Operating Expenditures, Transfers, and Appropriations

Operating fund expenditures and transfers totalled \$263,037,000 in 2007-2008. This represents a \$1,689,000 (0.6%) decrease from the original expense budget, of \$264,726,000 and a \$3,902,000 (1.5%) decrease from the previous year's total of \$266,939,000. Total appropriations from the operating fund balance at the end of 2007-2008 amounted to \$62,808,000. This represents a net increase of \$15,303,000 in the appropriated fund balance returned from the previous year. The categories of changes are examined on the following pages.

### 2.2.1 Operating Expenditures and Transfers

Expenses and Transfers above the original budget are calculated as follows:

	<u>\$000</u>
Actual operating expenditures and transfers	263,037
Opening budget	264,726
Expenditures less than budget	<u>(1,689)</u>

The items included in the \$1,689,000 decrease in expenditures and transfers were:

	<u>\$000</u>	<u>\$000</u>
a) <u>Salary Increases</u>		
2007-2008 Cost	8,061	
Less: Contingency in opening budget	8,137	
Savings		(76)
b) <u>Mid-Year Allocations</u>		
Total allocations	934	
Less: Opening contingency	2,602	
Savings		(1,668)
c) <u>Summer Enrolment Incentive</u>		
2007-2008 cost	1,829	
Less: Opening contingency	1,780	
Cost in excess of contingency		49
d) <u>Sabbatical Leave Savings</u>		
Total 2006-07 savings	1,098	
Less: Planned savings	1,100	
Shortfall in savings		2
e) <u>Other Contingencies</u>		
2007-2008 cost	-	
Less: Opening contingency	4,276	
Savings		(4,276)
Total underspent contingencies		<u>(5,969)</u>

	\$000	\$000
<u>(Unspent) overspent balances not appropriated:</u>		
f) Staff benefits	92	
g) Provision for bad debt	291	
h) Utilities	(2,042)	
i) Transfers	(368)	
Other	94	
Subtotal		(1,933)
<u>Expenditures funded by additional income:</u>		
Government grant (section 2.1.1)	4,486	
Tuition income (section 2.1.2)	(6)	
Miscellaneous income (section 2.1.3)	287	
Departmental income (section 2.1.5)	371	
		5,138
Expenditures funded by returned appropriation	47,505	
Total appropriations in 2007-2008	62,808	
Net appropriations (section 2.2.2)	(15,303)	
Add: New appropriations (section 2.2.2)	16,378	
		1,075
Total expenditures and transfers below budget		(1,689)

## Notes:

- a) Salary Increases: The cost of compensation increases in 2007-2008 totalled \$8,061,000 against a contingency of \$8,137,000 in the opening budget. This represents a savings of \$76,000.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totalled \$934,000 in 2007-2008 as compared to a budget of \$2,602,000. An analysis of the allocations follows:

## Allocations from the Mid-Year Contingency Fund:

	\$000
Advancement initiatives	254
Presidential search	163
Inter-university sports	150
Faculty of Arts and Social Science instructors	130
Academic Dean position	129
Diploma in Public Administration	63
Other	45
Total allocations	934
Opening contingency	(2,602)
Savings	(1,668)

The Mid-Year Contingency Fund is managed by the Financial Planning Group, chaired by the President.

- c) Summer Enrolment Incentive Plan: In order to increase use of the facilities in the summer months, an incentive plan based on enrolment growth exists. In 2007-2008, the summer enrolment exceeded projections resulting in a total cost of the plan being \$49,000 higher than budgeted. The increased expenditures are more than offset by increased tuition and grant revenues related to these students.

- d) Sabbatical Leave Savings: The actual savings related to sabbatical leaves totalled \$1,098,000 as compared to the budget of \$1,100,000. The shortfall \$2,000 in planned savings decreases the operating results.
- e) Other Contingencies: Contingencies related to new initiatives and graduate support were unused in 2007-2008 and were carried forward as part of the new initiatives appropriations (see section 2.2.2)
- f) Staff Benefits: Staff benefit costs were \$92,000 over budget in 2007-2008. This variance represents less than 1% of the benefit budget.
- g) Provision for Bad Debt: The provision for bad debt relates mainly to student tuition fees. The total allowance for bad debt in 2007-2008 was \$918,000, which was \$291,000 over budget. It is worthy to note that the \$918,000 represents less than one percent of tuition fees.
- h) Utilities: The savings achieved this year are due largely to pricing in the hydro and oil/gas markets. The 2007-08 budget was set conservatively given the volatility in the markets such that actual costs were 10% lower for hydro and 18% for oil and gas.
- i) Interfund Transfers: The transfer budget exceeded the actual costs by \$368,000. This relates mainly to two items. A gain of \$240,000 was realized on the sale of investments related to the Parker Loan fund which is normally backed by the Operating fund. Secondly, contract overhead recoveries coming from the Research Fund which exceeded the original budget by \$143,000. As a general rule, the University charges overheads on research contracts and international contribution agreements. The distribution of the indirect costs recovery is generally 55% to the central operation budget and Vice-President (Research and International) and 45% to the faculty performing the contractual work. The distribution of overheads for 2007-2008 and 2006-2007 are as follows:

	<u>2007-2008</u> \$000	<u>2006-2007</u> \$000
General operating budget and contingency	581	467
Vice-President (Research and International)	204	163
<u>Faculties</u>		
Faculty of Arts and Social Sciences	94	88
Engineering	255	377
Science	238	54
Public Affairs and Management	99	172
Business	0	2
Total	<u>1,471</u>	<u>1,323</u>

### 2.2.2 Appropriations:

Appropriations represent commitments that are recognized as charges against the operating results in the current year, although expenditure has not taken place. The commitment can either be to an outside supplier (i.e. an outstanding encumbrance may exist based on a purchase order which has not yet been fulfilled), or an internal commitment to a departmental manager that budgetary balances available in the current year can be used for specific projects in the future. Generally, unspent budgetary balances are carried forward into the next year. This is seen as an effective institutional policy as it allows managers to plan expenditures over a period that extends beyond the fiscal year, and deters any potentially wasteful spending towards the year end that may arise if budgetary funds were no longer available.

The net increase in appropriations for the year is calculated as follows:

	<u>\$000</u>
Appropriated to fund balance 2007-2008	62,808
Returned from 2006-2007 fund balance	<u>47,505</u>
increase in appropriated fund balance	<u>15,303</u>

Details of the returned and new appropriations are as follows:

	<i>Returned</i> <u>\$000</u>	<i>Appropriated</i> <u>\$000</u>	<i>Difference</i> <u>\$000</u>
<u>RPC</u>			
Faculties	10,627	11,538	911
Academic Administration and Student Services	1,782	1,215	(567)
Library	720	980	260
President	502	533	31
Research and International	1,073	1,129	56
Finance and Administration	10,532	13,598	3,066
Advancement	33	262	229
Professional Development Allowances	63	58	(5)
Campus Network and Computing Infrastructure	3,508	4,941	1,433
Campus Master Plan	520	12	(508)
Mandated Student Aid	161	274	113
Library Commons	979	-	(979)
Academic Initiatives	346	-	(346)
HCI Building	345	716	371
Self-insurance fund	15	8	(7)
Pension Plan Reserve	-	7,800	7,800
President's Task Force	-	779	779
New Academic Buildings	-	2,587	2,587
New allocations	16,299	16,378	79
Total	<u>47,505</u>	<u>62,808</u>	<u>15,303</u>

In addition, \$24,810,000 in prior year appropriations were not returned during 2007-2008. The \$24,810,000 relates to:

	<u>\$000</u>
Pension liability reserve	7,102
New Academic Buildings	15,974
Deferred maintenance	1,065
Staff benefits equalization	475
Self-insurance fund	225
Other	(31)
Total appropriations not returned	<u>24,810</u>

New allocations consist of appropriations of unspent funds in addition to those included in the original budget. For 2007-2008 the new allocations consist of:

	<u>\$000</u>
Amount allocated in 2008-2009 budgets (a)	5,928
New initiatives	10,450
Net new appropriations	<u>16,378</u>

- a) When the 2008-2009 Operating Budget was struck, it was anticipated that a minimum of \$5,928,000 would be available to allocate from unspent balances in 2007-2008. This included an additional \$2,790,000 in unanticipated operating grant received from the Ministry in April 2008, while the balance related to additional unspent funds from 2007-2008.

### 2.2.3 Operating Result

As noted in section 1 above, the actual results show a reduction in the accumulated deficit of \$2,287,000, which represents an improvement of \$1,287,000 from the original \$1,000,000 estimate.

In the notes above, the increases in income and expenses have been reviewed in detail. Many of the items are offsetting, in that additional income was directed to specific areas of additional expense. In the analysis below, these offsetting items are excluded. The items shown are the major ones that resulted in the \$1,287,000 improvement in the operating results.

	Deficit Reduction	
	<i>Increase</i> \$000	<i>Decrease</i> \$000
<u>Income Variations</u>		
Government grants (section 2.1.1)	2,847	
Tuition fees (section 2.1.2)	2,985	
Miscellaneous income (section 2.1.3)	1,802	
Interest income (section 2.1.4)	2,157	
Departmental income (section 2.1.5)		(28)
Total income variations	9,791	(28)
<u>Expenditure Variations</u>		
Unspent contingencies (section 2.2.1)	5,969	
Unspent allocations (section 2.2.1)	1,933	
New appropriations (section 2.2.2)		(16,378)
Net effect of expense variations	7,902	(16,378)
Net increase of \$1,287,000 in deficit reduction	17,693	(16,406)

### 2.2.4 Accumulated Deficit

The accumulated operating deficit as at April 30, 2008 amounted to \$9,857,000. This compares to an original estimate of \$11,144,000 and previous year's total of \$12,144,000.

### 2.3 Ancillary Operations - Operating Results and Fund Balances

Schedule 2, at the end of this Report, details the 2007-2008 operations of the ancillaries as compared to the original budget. Overall the ancillary results can be summarized as follows:

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>2006-2007 Actual \$000</i>
Income and internal recoveries	42,419	42,016	41,322
Expenses and transfers	44,438	43,730	39,671
Surplus (deficit)	(2,019)	(1,714)	1,651

The fund balances of the ancillaries can be segregated along the line of those operations with accumulated deficits (unappropriated fund balances) and those in an accumulated surplus position (appropriated fund balances). The change in these balances is as follows:

	<i>Balance at April 2008 \$000</i>	<i>Balance at April 2007 \$000</i>	<i>Variance \$000</i>
Ancillaries with an accumulated surplus	4,821	6,528	(1,707)
Ancillaries with an accumulated deficit	(2,921)	(2,609)	(312)
	1,900	3,919	(2,019)

Of the \$2,019,000 deficit recognized in the ancillaries, \$1,707,000 represents a decrease to reserves established from previous surpluses, while \$312,000 represents a net increase of previously accumulated deficits. Each operation is reviewed in the following sections. Ancillaries are expected to break even over time after covering both direct and indirect expenses. The contribution to indirect expenses highlighted in the analysis below represents contributions to general University overheads, as well the central office of University Services (for those entities under the jurisdiction of this office).

#### 2.3.1 Recreation and Athletics

The 2007-2008 results and status of the Recreation and Athletics operations can be summarized as follows:

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>2006-2007 Actual \$000</i>
<u>Income</u>			
Athletic fees	3,104	3,109	3,039
Other income	5,345	4,986	4,657
	8,449	8,095	7,696
<u>Expenses and Transfers</u>			
Direct expenses	7,647	7,818	7,300
Renovations and alterations	557	232	504
Indirect expense contribution	-	-	-
	8,204	8,050	7,804
Surplus (deficit)	245	45	(108)
Opening fund balance (deficit)	(1,005)	(1,005)	(897)
Closing fund balance (deficit)	(760)	(960)	(1,005)

The Recreation and Athletics operations finished the year with a surplus of \$245,000, decreasing the accumulated deficit to \$760,000. Approximately \$400,000 of the increase in income and expenses over 2006-2007 relate to the Canadian Interuniversity Sports national men's basketball tournament hosted jointly by Carleton University and Senators Sports and Entertainment. A wide range of minor positive variations in income and expenditures lead to the increase of \$200,000 in the surplus for the year, as compared to budget. The Department of Recreation and Athletics will see various changes in 2008-2009 to improve operating results. In addition, the department will submit a proposal to the Ancillary Fee Committee for an annual Athletics fee increase tied to CPI, commencing in 2008-09, as is now in place for some of the other Ancillaries. Although the Department has tried not to increase the Athletics Fee in the past several years, it is becoming increasingly difficult to maintain facilities as well as provide quality programming without such an increase.

### 2.3.2 Bookstore

The 2007-2008 results and status of the Bookstore operations can be summarized as follows:

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>2006-2007 Actual \$000</i>
<u>Income</u>			
Commissions and reimbursements	1,248	1,371	1,264
<u>Expenses and Transfers</u>			
Direct expenses	1,090	1,102	1,158
Indirect expense contribution	153	153	153
	<u>1,243</u>	<u>1,255</u>	<u>1,311</u>
Surplus (deficit)	<u>5</u>	<u>116</u>	<u>(47)</u>
Opening fund balance (deficit)	307	307	354
Closing fund balance (deficit)	312	423	307

The Bookstore operations finished the year with a surplus of \$5,000. The store now has an accumulated surplus of \$312,000. In 2006-2007, the Bookstore expensed one-time fit up costs (\$128,000) related to the move to the University Centre.

### 2.3.3 Health and Counselling Services

The 2007-2008 results and status of the Health and Counselling Services operations can be summarized as follows:

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>2006-2007 Actual \$000</i>
<u>Income</u>			
Health Services fee	1,018	1,022	997
Staff use of services	80	80	80
Insurance recoveries / other	1,310	1,454	1,334
	<u>2,408</u>	<u>2,556</u>	<u>2,411</u>
<u>Expenses and Transfers</u>			
Direct expenses	2,532	2,526	2,557
Indirect expense contribution	20	22	20
	<u>2,552</u>	<u>2,548</u>	<u>2,577</u>
Surplus (deficit)	<u>(144)</u>	<u>8</u>	<u>(166)</u>

	<i>2007-2008</i> <i>Actual</i> <i>\$000</i>	<i>2007-2008</i> <i>Budget</i> <i>\$000</i>	<i>2006-2007</i> <i>Actual</i> <i>\$000</i>
Opening fund balance (deficit)	(51)	(51)	115
Closing fund balance (deficit)	(195)	(43)	(51)

The Health and Counselling Services operations finished the year with a deficit of \$144,000. The service now has an accumulated deficit of \$195,000. The loss in the year is mainly due to increased costs associated with the new electronic medical records system. Several changes have been put into place in 2007-2008 to improve their operating results over the next couple of years; one of which will entail walk-in services to complement the appointment stream. The walk-in service will be volume driven and the clinic will recover 30% of the income generated as a contribution to overhead.

### 2.3.4 Housing and Conference Services

The 2007-2008 results for the Housing and Conference Services operations can be summarized as follows:

	<i>2007-2008</i> <i>Actual</i> <i>\$000</i>	<i>2007-2008</i> <i>Budget</i> <i>\$000</i>	<i>2006-2007</i> <i>Actual</i> <i>\$000</i>
<u>Income</u>			
Residence fees	10,168	10,306	10,112
Conference operations	2,397	2,600	2,383
Commission income	3,809	3,250	3,596
Other income	1,439	1,175	1,418
	<u>17,813</u>	<u>17,331</u>	<u>17,509</u>
<u>Expenses and Transfers</u>			
Direct expenses	12,644	12,444	10,065
Capital debt (interest and principal)	4,959	4,987	4,891
Indirect expense contribution	98	86	90
Contribution to Ancillary Capital Fund	446	243	318
Contribution towards New Residence	2,375	2,375	-
	<u>20,522</u>	<u>20,135</u>	<u>15,364</u>
Surplus (deficit)	<u>(2,709)</u>	<u>(2,804)</u>	<u>2,145</u>
Opening fund balance (deficit)	4,163	4,163	2,018
Closing fund balance (deficit)	1,454	1,359	4,163

The Housing and Conference Services operations finished the year with a deficit of \$2,709,000. The service now has an accumulated surplus of \$1,454,000. The capital debt expense relates mainly to the repayment of mortgage costs for the residence buildings. The deficit is as a result of a one-time contribution towards the new residence building costs.

### 2.3.5 Parking Services

The 2007-2008 results and status of the Parking Services operations can be summarized as follows:

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>2006-2007 Actual \$000</i>
<u>Income</u>			
Parking charges	3,050	2,913	3,009
Other income	318	340	298
	<u>3,368</u>	<u>3,253</u>	<u>3,307</u>
<u>Expenses and Transfers</u>			
Direct operating	2,200	1,991	2,505
Indirect expense contribution	47	45	47
Contribution to operations	-	-	-
	<u>2,247</u>	<u>2,036</u>	<u>2,552</u>
Surplus (deficit)	<u>1,121</u>	<u>1,217</u>	<u>755</u>
Opening fund balance (deficit)	1,525	1,525	770
Closing fund balance (deficit)	2,646	2,742	1,525

The Parking Services operations finished the year with a surplus of \$1,121,000 in 2007-2008 compared to a budgeted surplus of \$1,217,000. In 2008-2009, the new academic building project calls for a \$3,600,000 contribution from Parking for underground stalls. The Parking surplus balance will be used as a contribution towards this.

### 2.3.6 University Centre

The 2007-2008 results and status of the University Centre operations can be summarized as follows:

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>2006-2007 Actual \$000</i>
<u>Income</u>			
Rents and other recoveries	1,214	1,214	1,168
<u>Expenses and Transfers</u>			
Direct operating	1,861	1,905	2,506
Surplus (deficit)	<u>(647)</u>	<u>(691)</u>	<u>(1,338)</u>
Opening fund balance (deficit)	(33)	(33)	1,305
Closing fund balance (deficit)	(680)	(724)	(33)

The University Centre operation is run on a cost recovery basis over time. Major renovations that had been postponed in prior years and planned for the current and future years were completed in 2007-2008. In 2006-2007, these included major maintenance costs (\$1,227,000) done in conjunction with the building expansion and fire alarm system upgrades (\$314,000). In 2007-08, there were additional renovation costs (\$724,000) for the 4<sup>th</sup> floor corridor link for elevator access. The overall deficit for 2007-2008 will be offset in future years when limited projects will be undertaken until the deficit is recovered.

### 2.3.7 Graphic Services

The 2007-2008 results and status of the Graphic Services operations can be summarized as follows:

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>2006-2007 Actual \$000</i>
<u>Income</u>			
Sales: External	1,611	1,741	1,816
Internal	2,585	2,934	2,739
Other	122	41	51
	4,318	4,716	4,606
Less: Cost of goods sold	(1,110)	(1,160)	(1,211)
Gross profit	3,208	3,556	3,395
<u>Expenses and Transfers</u>			
Direct operating	2,773	3,225	3,115
Indirect expense contribution	82	91	81
Contribution to Ancillary Capital Fund	168	180	181
	3,023	3,496	3,377
Surplus (deficit)	185	60	18
Opening fund balance (deficit)	162	162	144
Closing fund balance (deficit)	347	222	162

The Graphics Services operations finished the year with a surplus of \$185,000. The service now has an accumulated surplus of \$347,000.

### 2.3.8 Ancillary Property Rentals

The 2007-2008 results and status for the Ancillary Property Rental operations can be summarized as follows:

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>2006-2007 Actual \$000</i>
<u>Income</u>			
Rents	3,003	2,893	2,765
Interest and sundry income	32	32	37
Occupancy cost	734	1,010	968
	3,769	3,935	3,770
<u>Expenses and Transfers</u>			
Direct Operating expenses	1,167	924	705
Occupancy Costs	734	1,010	968
Capital debt (interest and principal)	1,634	1,679	1,815
	3,535	3,613	3,488
Surplus (deficit)	234	322	282
Opening fund balance (deficit)	(1,520)	(1,520)	(1,802)
Closing fund balance (deficit)	(1,286)	(1,198)	(1,520)

The Ancillary Property Rentals include the Carleton Technology and Training Centre (CTTC), the National Wildlife Research Centre (NWRC) and the Pearson Peacekeeping Centre (PPC). The operations results for 2007-2008 show a decrease in the accumulated deficit of \$234,000.

Of the 2007-2008 \$1,286,000 closing fund deficit, \$1,426,000 relates to CTTC which is offset by a closing fund surplus of \$140,000 for NWRC. The closing fund deficit of \$1,426,000 for CTTC is the balance of a \$4,200,000 building de-valuation and required write down that was expensed to their operations in 1996. The closing fund surplus of \$140,000 for NWRC relates to timing differences between rental payments and corresponding costs.

### 2.3.9 Ancillary Capital Fund

The 2007-2008 results and status for the Ancillary Capital Fund operations can be summarized as follows:

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>2006-2007 Actual \$000</i>
<u>Income</u>			
Contributions	942	705	802
<u>Expenses and Transfers</u>			
Direct operating	1,251	692	692
Surplus (deficit)	(309)	13	110
Opening fund balance (deficit)	371	371	261
Closing fund balance (deficit)	62	384	371

The Ancillary Capital Fund operation has been established to support future capital projects that may be required in the Ancillary operations. The Athletics Master Plan (2001) recommended that three new facilities be constructed to meet the current demand for quality recreational, intramural and competitive programming opportunities. The 4,500 square metre Field House was opened in February 2003, the Alumni Hall and Sports Centre was opened in Fall 2004 and the Ice Arena was opened in Fall 2005. A total of \$5,500,000 in costs for the Alumni Hall and Sports Centre and \$1,500,000 in costs for the Ice Arena will be supported by contributions received from the Ancillary operations to the Ancillary Capital Fund. The direct operating expenses of \$1,251,000 represent \$692,000 in annual Ancillary Capital Fund payment towards these projects, plus a \$559,000 contribution towards the covered Tennis Court infrastructure.

## 2.4 Non-Credit Course Operations – Operating Results and Fund Balances

The Non-Credit Operations are currently under review and more non-credit divisions will be added as these operations are identified, and incorporated into the operating budget process.

### 2.4.1 Centre for Intensive Language Education (CILE)

The 2007-2008 results and status for the Centre of Intensive Language Education operations can be summarized as follows:

	<i>2007-2008 Actual \$000</i>	<i>2007-2008 Budget \$000</i>	<i>2006-2007 Actual \$000</i>
<u>Income</u>			
Tuition fees	1,620	1,754	2,444
<u>Expenses and Transfers</u>			
Direct operating	1,871	1,589	2,359
Indirect expense contribution	121	163	199
	<u>1,992</u>	<u>1,752</u>	<u>2,558</u>
Surplus (deficit)	<u>(372)</u>	<u>2</u>	<u>(114)</u>
Opening fund balance (deficit)	395	395	509
Closing fund balance (deficit)	23	397	395

In its fourth year of operations under the new Non-Credit Course Operations division, CILE had a deficit of \$372,000. The Centre for Intensive Language Education has been experiencing a substantial decline in its enrolments over the past few years and the current outlook for 2008-2009 did not provide any significant improvement. As per the Meeting of the Board of Governors on April 30, 2008, this non-credit unit has been closed and will be phasing out its activities in 2008-2009.

## 2.5 Other Income and Expenditures

As explained in section 2 above, the 2007-2008 audited financial statements include, in one column, all the activity of the University which used to be segregated into funds. The following sections extract the more significant non-operating activities from the Consolidated Statement of Operations for analysis.

### 2.5.1 Plant Income and Expenses

The Plant income and expenses represent those for non-capital and renovation projects, which are specifically funded from external sources, as well as those non-capital expenditures being funded from operations (e.g. general, ancillary, research) over a period of time. The following summarizes the activity for 2007-2008:

	<i>2007-2008</i> <i>Actual</i> <i>\$000</i>	<i>2006-2007</i> <i>Actual</i> <i>\$000</i>	<i>Increase</i> <i>(Decrease)</i> <i>\$000</i>
<u>Income and Transfers</u>			
Government grants	1,363	2,036	(673)
Transfers from ancillary	26	43	(17)
Transfers from research	19,405	7,429	11,976
Transfers from operating	1,240	31	1,209
Net income	22,034	9,539	12,495
<u>Expenses</u>			
Additions	21,102	9,475	11,627
Surplus (deficit)	932	64	868
Opening fund balance (deficit)	(26)	(90)	(64)
Closing fund balance (deficit)	906	(26)	932

The accumulated surplus of \$906,000 represents committed unrestricted funding provided to non-capital projects in advance of the expenditures.

## 2.5.2 Research Funding and Expenditures

The following provides an analysis of Research receipts and disbursements by Funding Agency. In 2007–2008 there was a net increase of \$4,204,000 in the Research Fund, from \$36,523,000 to \$40,727,000. Research receipts total \$83,673,000. Disbursements and net transfers out total \$79,469,000. Following Generally Accepted Accounting Principles, all restricted receipts in excess of restricted expenditures are deferred for use in future years. Deferred research revenue for 2007–2008 is \$27,026. (Key to acronyms is on the next page).

<u>Funding Source</u>	<i>Balance April 30, 2007 \$000</i>	<i>2007-2008 Funding \$000</i>	<i>2007-2008 Expenditure \$000</i>	<i>Balance April 30, 2008 \$000</i>
<u>Canadian Government</u>				
<u>Departments and Agencies</u>				
CIDA	350	913	1,071	192
Citizenship	0	215	215	0
National Defence	55	562	562	55
Energy, Mines and Resources	96	639	553	182
Environment Canada	127	129	184	72
FAIT	140	(58)	59	23
HRDC	0	95	100	(5)
Indian & Northern Affairs	63	63	57	69
Industry Canada	10	343	328	25
IDRC	257	323	287	293
Health and Welfare	27	291	114	204
NRC	48	127	88	87
Canada Customs & Revenue	6	452	456	2
Canadian Heritage	3	4	5	2
Other Federal	182	531	577	136
<u>Tri-Agency Sponsored</u>				
<u>Research</u>				
CIHR	249	1,144	956	437
NSERC	7,050	13,513	11,632	8,931
SSHRC	4,716	3,064	4,320	3,460
Canada Research Chairs	359	3,300	3,134	525
Indirect Cost Program	0	4,299	4,299	0
<u>Other Sponsored Research</u>				
COE	374	2,194	2,238	330
Provincial and Municipal				
Governments	297	623	492	428
CFI	(451)	21,177	17,672	3,054
Ontario Research Fund	(938)	4,817	3,411	468
Ontario ERAP	160	636	220	576
OIT	3,186	881	3,019	1,048
ORDCF	626	1,225	1,410	441
NOHFC	(83)	1,767	1,683	1
Businesses and Foundations	5,178	5,234	5,204	5,208
Foreign Governments	224	93	286	31
Research Partnership				
Agreements	1,424	2,316	2,989	751
<u>Total Sponsored Research</u>	<u>23,735</u>	<u>70,912</u>	<u>67,621</u>	<u>27,026</u>

<u>Funding Source – continued</u>	<i>Balance April 30, 2007</i>	<i>2007-2008 Funding</i>	<i>2007-2008 Expenditure</i>	<i>Balance April 30, 2008</i>
SNO and TRIUMF Internally Restricted Research	0	12,061	12,061	0
	12,788	700	(213)	13,701
<b>Total Restricted Research</b>	<b>36,523</b>	<b>83,673</b>	<b>79,469</b>	<b>40,727</b>

Notes: Key to acronyms

CFI	Canadian Foundation for Innovation
CIDA	Canadian International Development Agency
CIHR	Canadian Institutes for Health Research
COE	Federal/Provincial Centres of Excellence
ERAP	Early Research Award Program (Ontario)
FAIT	Foreign Affairs and International Trade
HRDC	Human Resources and Development Canada
IDRC	International Development Research Centre
NOHFC	Northern Heritage Research Fund Corporation
NRC	National Research Council
NSERC	Natural Science and Engineering Research Council
OIT	Ontario Innovation Trust
ORDCF	Ontario Research Development Challenge Fund
SNO	Sudbury Neutrino Observatory Institute
SSHRC	Social Science and Humanities Research Council
TRIUMF	National Laboratory for Particle and Nuclear Physics

## 2.6 Reconciliation of Operating Results

The accumulated deficits for the operating, ancillary and plant funds described in the above sections match those shown on the Consolidated Statement of Changes in Net Assets. The operating results discussed above do not, however, coincide with those shown on the Consolidated Statement of Operations. The following explains the differences in presentation:

		<u>\$000</u>
<u>Operating result per Consolidated Statement of Operations</u>		20,997
Adjustments:	a) Capital purchases in excess of amortization	(12,355)
	b) Increase in operating appropriations (2.2.2)	(15,303)
	c) Research surplus (internally restricted) increase (2.5.2)	(913)
	d) Enterprise surplus (internally restricted) decrease	1,140
	e) Scholarship surplus (internally restricted) increase	(2)
	f) Vacation pay decrease	(441)
	g) Gain on unrestricted endowment	(67)
	h) Employee future benefit expense in excess of cash payment	8,144
	<b>Total</b>	<b>1,200</b>
Represented by:	Operating surplus (section 1.1)	2,287
	Ancillary deficit (section 2.3)	(2,019)
	Plant deficit decrease (section 2.5.1)	932
	<b>Total</b>	<b>1,200</b>

## Notes:

- a) Capital purchases in excess of amortization: Under the new accounting guidelines, fixed asset additions are capitalized and amortized, as are the funds received to pay for the assets. The result of this change is that expenditures incurred during the year for capital assets are removed from the statements of operations and a calculated amount for amortization expenditure is recognized. Any restricted funds received during the year for capital purchases in excess of the amortization expense, are deferred and brought into income as the expense is recognized. The net result of these manipulations will depend on whether the calculated amortization expense is greater than the sum of the current year expenses and the amortization of deferred contributions (i.e. revenue recognized). During 2007-2008 the following entries were made:

	<u>\$000</u>
Amortization of capital assets	21,640
Less: Amortization of deferred contributions	(9,486)
2007-2008 capital assets additions	(33,298)
Increase in financing of capital assets	8,789
	<u>(33,995)</u>
Difference	<u>(12,355)</u>

The \$12,355,000 difference increases the deficit shown on the Consolidated Statement of Operations, but does not affect the accumulated deficits of various activities as it is shown on the Consolidated Statement of Changes in Net Assets. The \$12,355,000 is shown as an increase to the investment in capital assets on this statement.

- b) Increase in appropriations: Under the new accounting guidelines, appropriations are not accounted for on the face of the Statement of Operations, but are shown as a change in internally restricted net assets on the Consolidated Statement of Changes in Net Assets.
- c) Research surplus: As shown in section 2.5.2 above, internally restricted research balances increased by \$913,000 during 2007-2008. As these funds are earmarked for the continuation of the research activity being funded, this \$913,000 (\$13,701,000 - \$12,788,000) is shown as an addition to the internally restricted amounts on the Consolidated Statement of Changes in Net Assets.
- d) Enterprise deficit: As shown on the Consolidated Statement of Changes in Net Assets, enterprise balances have decreased by \$1,140,000 (\$2,481,000 - \$3,621,000) during 2007-2008. As these funds are earmarked for the continual development of such entrepreneurial activities such as professional development and ESL courses, this decrease is shown as a reduction to the internally restricted amounts on the Consolidated Statement of Changes in Net Assets.

The enterprise deficit of \$1,140,000 relates to two areas: Enterprise operations and Non-Credit Course operations. The Enterprise operation balances have decreased by \$768,000 (\$2,458,000 - \$3,226,000) and the Non-Credit Course operation balances have decreased by \$372,000 (\$23,000 - \$395,000). Details for the Non-Credit Course operations are reported in section 2.4.

- e) Scholarship surplus: As shown on the Consolidated Statement of Changes in Net Assets, scholarship balances have increased by \$2,000 (\$6,000 - \$4,000) during 2007-2008. Although these scholarships do not have donor placed restrictions on them, the funds have been earmarked for student support in future years. This increase is shown as an addition to the internally restricted amounts on the Consolidated Statement of Changes in Net Assets.

- f) Vacation pay increase: As explained in section 3.2.4, a liability for accrued vacation pay must be recognized in the University's financial statements. The change in the liability during 2007-2008 resulted in a decrease of \$440,000, thus increasing the surplus on the financial statements by this amount.
- g) Gain on unrestricted endowment: The undistributed portion of the gain on the unrestricted endowment is recognized as income in the unrestricted fund, thus increasing the surplus. As this amount is not actually made available for spending, it does not affect the operating result as reported on Schedule 1.
- h) Employee future benefits: As explained in section 3.2.5, a liability for future benefits owing to employees must be recognized in the University's financial statements. Actuarial assumptions are used to calculate the accrual-based expense to be recognized in the statement of operations and the related contributions that must be removed. During 2007-2008 the following entries were made:

	<u>\$000</u>
Employee future benefits	11,254
Less: 2007-2008 contributions removed from expenditure	(3,110)
Difference	<u>8,144</u>

### 3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Some items in the Consolidated Statement of Financial Position do not require further analysis or explanation. The notes that follow provide detail, or highlight situations, where it is thought necessary or useful.

#### 3.1 Source and Application of University Resources

The source and application of University resources at April 30, 2008 were as follows:

	<i>2008</i> <i>Actual</i> <i>\$000</i>	<i>2007</i> <i>Actual</i> <i>\$000</i>	<i>Increase</i> <i>(Decrease)</i> <i>\$000</i>
<u>Sources</u>			
Short term liabilities:			
Accounts payable	26,838	23,768	3,070
Deferred revenue	58,198	43,113	15,085
Current portion of long term debt	1,528	1,433	95
Long term liabilities:			
Accrued vacation pay	7,223	7,664	(441)
Employee future benefits	85,462	77,318	8,144
Long term debt	61,588	63,129	(1,541)
Net assets:			
Endowment fund	231,335	182,575	48,760
Internally restricted funds	108,625	95,254	13,371
	<u>339,960</u>	<u>277,829</u>	<u>62,131</u>
Total – Sources	<u>580,797</u>	<u>494,254</u>	<u>86,543</u>

	<i>2008</i> <i>Actual</i> \$000	<i>2007</i> <i>Actual</i> \$000	<i>Increase</i> <i>(Decrease)</i> \$000
<b>Applications</b>			
Short term assets:			
Cash and short-term investments	96,976	86,356	10,620
Accounts receivable	39,517	19,763	19,754
Prepaid expenses	2,738	1,773	965
Current portion of new investment in lease	398	373	25
Long term assets:			
Accounts receivable	-	573	(573)
Net investment in lease	14,190	14,589	(399)
Investments	241,446	189,836	51,610
Capital assets:			
	348,345	336,687	11,658
Less: Investment in capital assets	(133,895)	(121,024)	(12,871)
Deferred capital contributions	(131,891)	(132,849)	958
Net assets:			
General operating fund (deficit)	9,857	12,144	(2,287)
Other funds (deficits)	431	1,051	(620)
Provision for employee future benefits	85,462	77,318	8,144
Provision for vacation pay	7,223	7,664	(441)
	102,973	98,177	4,796
Total - Applications	580,797	494,254	86,543

### 3.2 Source of University Resources

#### 3.2.1 Accounts Payable: \$26,838,000

The accounts payable as at April 30, 2008 comprised:

	<i>2008</i> \$000	<i>2007</i> \$000	<i>Increase</i> <i>(Decrease)</i> \$000
Due to suppliers	4,471	3,185	1,286
Construction accruals and holdbacks	7,989	2,431	5,558
Payroll taxes and pension	7,751	12,965	(5,214)
Amounts held on deposit	1,458	1,518	(60)
Other taxes payable	550	522	28
Other payables and accrued liabilities	4,619	3,147	1,472
Total	26,838	23,768	3,070

### 3.2.2 Deferred Revenue: \$58,198,000

Deferred revenue as at April 30, 2008 comprised:

	2008 \$000	2007 \$000	Increase (Decrease) \$000
a) Government grants	15,658	3,701	11,957
b) Research	27,026	23,735	3,291
c) Scholarships	6,459	6,401	58
d) Parker loans	1,035	1,035	-
e) Donations	4,663	2,972	1,691
f) Other items	3,357	5,269	(1,912)
Total	58,198	43,113	15,085

Notes:

- a) Of the \$15,658,000 in deferred grant revenue, \$6,900,000 relates to Facility Renewal funds, \$5,000,000 in one-time capital funds, \$1,089,000 in access to higher education and \$648,000 relates to graduate expansion grants.
- b) Research funds are the unexpended restricted grants and contracts to be spent in the future. The detailed composition of the balance is shown in section 2.5.2.
- c) Represents restricted scholarship accounts.
- d) Represents funds available to loan to students in need of financial aid.
- e) Donations are the unexpended portion of donor restricted gifts.
- f) Other deferred revenue relates mainly to advance payments received for projects earmarked for future years and summer programs in the Recreation and Athletics operation and Housing and Conference Services operation.

### 3.2.3 Current Portion of Long Term Debt: \$1,528,000

The current portion of long-term debt is defined as the amount coming due within the next fiscal year. This totalled \$1,528,000 as at April 30, 2008, a increase of \$95,000 over last year.

### 3.2.4 Accrued Vacation Pay: \$7,223,000

The \$7,223,000 compares to \$7,664,000 one year earlier for an decrease of \$441,000. Generally Accepted Accounting Principles require that accumulated, but unpaid, vacation must be recognized as an expense and an amount payable at each year end. The University's resource management policies are such that, any payments of accrued vacation, upon a staff member's departure, must be funded by existing departmental resources in the year the event occurs. The strategic impact of the payable and the deficit created by the expense recognition is therefore not highly significant.

**3.2.5 Employee Future Benefits Liability:  
\$85,462,000**

During 2001, the University adopted the recommendations of the CICA Handbook Section 3461, Employee Future Benefits. Under these recommendations, the University accrues its obligations under employee benefits plans as the employees render the services necessary to earn post-retirement and post-employment benefits. Prior to the adoption of these recommendations, these costs (other than the pension plan liability, if any, was previously recognized) were recognized on a "pay as you go" basis. While this represents a large, unfunded obligation, the ongoing cash demands of these benefits remain unchanged. As such, the deficit created by this accounting policy change does not have a significant impact on the operations of the University. Refer to note 17 of the audited financial statements at the beginning of this report for further information.

**3.2.6 Long Term Debt:  
\$61,588,000**

The loans and mortgages payable are described in some detail in note 12 of the audited financial statements at the beginning of this report.

**3.2.7 Net Assets, providing a source of resources:  
\$339,960,000**

The net assets that constitute a source of resources are:

	<i>2008</i>	<i>2007</i>	<i>Increase (Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Internally restricted funds	108,625	95,254	10,371
Endowment fund	231,335	182,575	48,760
Total	<u>339,960</u>	<u>277,829</u>	<u>62,131</u>

Notes:

- a) The internally restricted net assets as at April 30, 2008, consist of the following:

	<u>\$000</u>
Appropriated operating funds (section 2.2.2)	87,616
Appropriated ancillary funds (section 2.3)	4,821
Internally restricted research balances (section 2.5.2)	13,701
Enterprise funds	2,481
Scholarship funds	6
	<u>108,625</u>

- b) An analysis of the Endowment Fund is as follows:

	<u>\$000</u>
Market Value at April 30, 2008	231,335
Nominal Value at April 30, 2007	182,575
Increase in Value	<u>48,760</u>

The \$48,760,000 increase was achieved as follows:

	<u>\$000</u>
Accounting change for financial instruments (Note 3 of audited statements)	48,834
Unrealized gain (loss) on sale of investment	(13,847)
Gifts, bequests and other additions (per below)	5,866
Gain on sale of investments	11,245
Investment income	8,789
	<u>60,887</u>
Less: Distributed for endowed spending	(8,462)
Direct and indirect operating costs	(940)
Investment management fees	(2,725)
Increase in nominal value	<u>48,760</u>

The additions, by endowment fund, are composed of the following:

	<u>\$000</u>
Azrieli School of Architecture and Urbanism Endowment	1,000
Bhanu Vishnubhatla Memorial Bursary	100
Carleton University Engineering Students Equipment Fund	101
Centre for Initiatives in Education Endowment Fund	125
CSA Pat Keindel Graduate Scholarship in Climate Change	100
Donald R. Yeomans Bursary	100
Hamlin Graduate Bursary	500
Hamlin Graduate Fellowship	250
Hilda Irene Lief Memorial Bursary	126
Ina Hutchison Memorial Bursary	430
Laurel Fund Leadership Award	501
MacOdrum Library Endowment	372
Max and Tessie Zelikovitz Centre for Jewish Studies	413
Ontario Trust for Student Support	361
Scotiabank Scholarship in International Business	100
The Ina Hutchison Award in Geography	115
Other additions (<\$100,000)	1,172
Total additions	<u>5,866</u>

The realized investment returns for the year totalled \$20,034,000. The amount distributed for endowed spending in 2007-2008 was \$8,462,000. This represents a distribution of \$4.31 per unit held in the investment pool. In addition, \$2,725,000 was paid to investment managers during the year and \$940,000 in direct and indirect expenditures were charged to the fund.

A more complete analysis of the University's endowment investments is provided in the quarterly report to the Board on investment performance.

### 3.3 Application of University Resources

#### 3.3.1 Cash and Short Term Investments: \$96,976,000

The cash and short term investment balance is as follows:

	2008 \$000	2007 \$000	Increase (Decrease) \$000
Cash balance	(7,255)	(6,624)	(631)
Short term investments	104,231	92,980	11,251
Total	96,976	86,356	10,620

#### 3.3.2 Accounts Receivable: \$39,517,000

	2008 \$000	2007 \$000	Increase (Decrease) \$000
a) Student accounts	5,940	4,800	1,140
b) Student associations	115	629	(514)
c) General accounts receivable	1,338	1,359	(21)
d) Staff computer loans	20	55	(35)
e) G.S.T. receivable	1,337	947	390
f) Municipal taxes	480	479	1
g) Bookstore	46	142	(96)
h) Union groups	96	107	(11)
i) Research funds	26,586	8,833	17,753
j) Student loans	14	11	3
k) Food service provider	422	382	40
Other receivables	4,205	2,888	1,317
Sub-total	40,599	20,632	19,967
l) Less: Allowance for doubtful accounts	(1,082)	(869)	(213)
Total	39,517	19,763	19,754

Notes:

- a) Student accounts: These accounts record activity relating to tuition fees, residence fees and other miscellaneous charges. The elimination, during 2004-2005, of the process whereby students are automatically deregistered if fees are owed has led to greater flexibility for payments by the students. This change has also led to a higher accounts receivable balance as at April 30, 2008. Students cannot however register for additional courses if a balance is outstanding. As at August 15, 2008, the student account receivable balance has been reduced to \$3,331,000 from the \$5,940,000 as at April 30, 2008. The \$5,940,000 represents 4.15% (2007 – 3.50%) of the 2007-2008 fee assessments.
- b) Student associations: The various student groups use University services on a recovery basis.

- c) General accounts receivable: These amounts relate to services rendered by certain departments (e.g. Science Technology Centre, Graphic Services) to external clients. The receivables are generally current, and no specific problems exist.
- d) Staff computer loans: During 1996-1997, the University introduced a program whereby staff could acquire computers from the Computer Store on a credit basis. The loans bear interest and are recovered through payroll deduction.
- e) G.S.T. receivable: Typically represents the amount due from the government for the April GST return. Furthermore, \$850,000 is receivable from Partner Universities.
- f) Municipal taxes: The University receives reimbursement from the Provincial Government for Municipal Taxes. The balance represents unpaid claims at year end.
- g) Bookstore: The 2007-2008 amount receivable is due from Follett Books and represents commission income related to 2007-2008 operations.
- h) Union groups: The various union groups use the University services on a recovery basis. The accounts are generally kept up to date.
- i) Research funds: The receivables related to research funds consist of two different types of balances, contract research and grants receivable. The nature of contractual research is such that expenditures must be incurred before progress billings can be made and income received. Most granting agencies make multi-year research awards with payment being spread over the period (usually three years). In many cases however, the nature of the project is such that a greater proportion of the expenses must be incurred in the earlier periods of the grant. For the sake of continuity, and given that research activity as a whole is in a net cash surplus position, the University allows reasonable advanced spending on multi-year research grants. The increase in the current year's balance relates mostly to the SNO Lab and VSIM projects and by the end of June 2008, \$13,881,000 had been received for those two receivables.
- j) Student loans: Student loans outstanding are issued under the Parker Loan fund, which funds the interest and guarantees the principal of the loans.
- k) Food services provider: The 2007-2008 amount receivable from Aramark represents commission and profit share income related to the 2007-2008 operations.
- l) Allowance for doubtful accounts: The allowance includes \$1,004,000 for student fees, while the balance is for items written off in the normal course of University business.

### 3.3.3 Prepaid Expenses: \$2,738,000

Prepaid Expenses as at April 30, 2008 comprised:

	2008	2007	<i>Increase (Decrease)</i>
	\$000	\$000	\$000
Insurance	567	520	47
Licences	1,067	245	822
Physical Plant supplies	509	556	(47)
Other	595	452	143
Total	<u>2,738</u>	<u>1,773</u>	<u>965</u>

Prepaid expenses represent payments to third parties for services to be provided in future periods (e.g. insurance, licenses), as well as any significant stock of materials and supplies for internal use (e.g. Physical Plant supplies).

### 3.3.4 Current Portion of Net Investment in Lease: \$398,000

The current portion of net investment in lease is defined as the amount collectible within the next fiscal year. This totalled \$398,000 at April 30, 2008 and represents the non-financing income portion of the \$1,300,000 annual National Wildlife Research Centre (NWRC) lease payment. Further detail is provided in section 3.3.5 and in note 8 of the audited financial statements.

### 3.3.5 Net Investment in Lease: \$14,190,000

In 2002-2003, Carleton University entered into an agreement with Environment Canada under which the University constructed the NWRC building on its property, which was then leased to Environment Canada. The lease term is for 99 years starting May 1, 2002, which exceeds 75% of the estimated useful life of the building. Under the guidance of CICA Handbook Section 3065: Lease, this fact indicates that the NWRC lease should be accounted for as a direct-financing lease.

The accounting treatment for the direct-financing lease began in fiscal 2003 when the building became operational. The University removed the building's construction cost from capital assets and the difference between the cost of the capital asset and the long-term receivable for the future lease payments was recorded as unearned financing income, and is presented as Net Investment in Lease on the consolidated financial statements.

The calculation of this amount is presented in detail in note 8 of the audited financial statements.

### 3.3.6 Investments: \$241,446,000

The nature of most investments has been detailed in preceding sections. They are summarized below:

	2008	2007	<i>Increase (Decrease)</i>
	\$000	\$000	\$000
Investments held for:			
Endowment	234,086	183,113	50,973
Residence sinking fund	5,157	4,713	444
Parker Loan fund	1,318	1,063	255
CRPP fund	277	382	(105)
NWRC capital reserve	556	565	(9)
Sprott Student fund	52		52
Total	241,446	189,836	51,610

Investments are shown at Fair Market Value and cost on the balance sheet for 2008 and 2007 respectively. The Market value as at April 30, 2007 was \$239,585,000, for an increase of \$1,861,000.

**3.3.7 Capital Assets: \$348,345,000**  
**Investment in Capital Assets: \$133,895,000**  
**Deferred Capital Contributions: \$131,891,000**

The net value of capital assets as at April 30, 2008 comprised:

	2008 \$000	2007 \$000	Increase (Decrease) \$000
<b>Capital Assets:</b>			
Land and buildings	348,210	333,747	14,463
Building improvements	30,359	25,209	5,150
Equipment and furnishings	83,301	74,142	9,159
Computers and software	23,106	21,694	1412
Automobile	456	409	47
Leasehold improvements	-	-	-
Library and art collections	53,989	50,922	3,067
	<u>539,421</u>	<u>506,123</u>	<u>33,298</u>
Less: Accumulated depreciation	(191,076)	(169,436)	(21,640)
Net capital assets	<u>348,345</u>	<u>336,687</u>	<u>11,658</u>
<b>Funding:</b>			
Investment in capital assets	133,895	121,024	12,871
Deferred capital contributions	131,891	132,849	(958)
Total funding	<u>265,786</u>	<u>253,873</u>	<u>11,913</u>
Unfunded assets	<u>82,559</u>	<u>82,814</u>	<u>(255)</u>
<b>Financed by:</b>			
Mortgages payable	14,148	14,343	(195)
Less: Sinking fund	(11,097)	(10,651)	(446)
	<u>3,051</u>	<u>3,692</u>	<u>(641)</u>
Bank borrowing	79,508	79,122	386
Total	<u>82,559</u>	<u>82,814</u>	<u>(255)</u>

The specific capital assets funded through financing are as follows:

	2008 \$000	2007 \$000	Increase (Decrease) \$000
<b><u>Mortgage financing:</u></b>			
Glengarry residence	1,450	1,531	(81)
Stormont- Dundas residence	703	1,149	(446)
Grenville and Russell residences	536	585	(49)
Lanark and Renfrew residences	362	427	(65)
	<u>3,051</u>	<u>3,692</u>	<u>(641)</u>
<b><u>External loan financing:</u></b>			
Prescott residence	17,434	17,842	(408)
Leeds residence	16,945	17,412	(467)
	<u>34,379</u>	<u>35,254</u>	<u>(875)</u>

	2008 \$000	2007 \$000	Increase (Decrease) \$000
<u>Internal loan financing:</u>			
Ice Arena	11,020	11,701	(681)
Frontenac residence *	7,524	773	6,751
Housing and Food Services renovations	6,969	7,381	(412)
Alumni Hall and Sports Centre	5,586	6,019	(433)
University Centre	4,667	5,125	(458)
CTTC building	3,399	3,399	-
Field House	3,148	3,308	(160)
Tory retrofit	1,208	1,605	(397)
Computing infrastructure	606	2,376	(1,770)
Other assets	1,002	2,181	(1,179)
	<u>45,129</u>	<u>43,868</u>	<u>1,261</u>
Financed assets	<u>82,559</u>	<u>82,814</u>	<u>(255)</u>

\* The Frontenac residence is construction-in-process and will be converted to external financing upon completion.

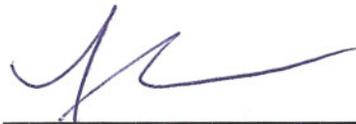
**3.3.8 Net Assets, requiring an application of resources:  
\$102,973,000**

The net assets classified as an application of resources include:

	2008 \$000	2007 \$000	Increase (Decrease) \$000
Operating deficit	(9,857)	(12,144)	2,287
Ancillary deficits	(1,337)	(1,025)	(312)
Plant (deficit)/surplus	906	(26)	932
	<u>(10,288)</u>	<u>(13,195)</u>	<u>2,907</u>
Provision for employee future benefits	(85,462)	(77,318)	(8,144)
Provision for vacation pay	(7,223)	(7,664)	441
Total	<u>(102,973)</u>	<u>(98,177)</u>	<u>(4,796)</u>



D.R. Watt  
Vice-President (Finance and Administration)



J.T. Sullivan  
Director of Finance

**GENERAL OPERATING FUND 2007-2008  
INCOME, EXPENSES AND ACCUMULATED DEFICIT  
COMPARISON TO BUDGET (MAY 2007) AND 2006-07 ACTUAL**

	2007-08		Actual to Budget		2006-07 Actual \$000's	Actual to Prior Year	
	Actual \$000's	Budget \$000's	\$000's	%		\$000's	%
<b><u>INCOME</u></b>							
Government Grant	144,001	136,668	7,333	5.4	149,622	(5,621)	(3.8)
Tuition Fees	118,858	115,879	2,979	2.6	112,771	6,087	5.4
Miscellaneous Income	9,074	6,985	2,089	29.9	8,101	973	12.0
Interest Income	5,407	3,250	2,157	66.4	4,811	596	12.4
Departmental Income	3,287	2,944	343	11.7	3,518	(231)	(6.6)
<b>Total Operating Income</b>	<b>280,627</b>	<b>265,726</b>	<b>14,901</b>	<b>5.6</b>	<b>278,823</b>	<b>1,804</b>	<b>0.6</b>
<b><u>EXPENSES</u></b>							
Faculty of Arts & Social Sciences	37,071	37,544	(473)	(1.3)	34,647	2,424	7.0
Faculty of Public Affairs and Management	23,657	23,575	82	0.3	23,834	(177)	(0.7)
Sprott School of Business	6,661	6,664	(3)	(0.0)	6,290	371	5.9
Faculty of Science	17,292	17,660	(368)	(2.1)	16,443	849	5.2
Faculty of Engineering	20,346	20,460	(114)	(0.6)	19,797	549	2.8
Academic Admin. & Student Services	49,667	43,048	6,619	15.4	43,839	5,828	13.3
Library	13,198	13,455	(257)	(1.9)	13,398	(200)	(1.5)
Research	1,551	1,607	(56)	(3.5)	1,728	(177)	(10.2)
Finance & Administration	28,096	30,456	(2,360)	(7.7)	30,611	(2,515)	(8.2)
President	3,420	4,216	(796)	(18.9)	4,084	(664)	(16.3)
Advancement	3,115	3,154	(39)	(1.2)	2,915	200	6.9
University Budgets	49,307	54,429	(5,122)	(9.4)	55,142	(5,835)	(10.6)
Interfund Transfers (net)	9,656	8,458	1,198	14.2	14,211	(4,555)	(32.1)
<b>Sub-Total Operating Expenses</b>	<b>263,037</b>	<b>264,726</b>	<b>(1,689)</b>	<b>(0.6)</b>	<b>266,939</b>	<b>(3,902)</b>	<b>(1.5)</b>
Net Appropriations	15,303	0	15,303		10,866	4,437	
<b>Total Expenses</b>	<b>278,340</b>	<b>264,726</b>	<b>13,614</b>	<b>5.1</b>	<b>277,805</b>	<b>535</b>	<b>0.2</b>
<b>Deficit Reduction for the Year</b>	<b>2,287</b>	<b>1,000</b>	<b>1,287</b>		<b>1,018</b>	<b>1,269</b>	
Opening Accumulated Deficit	(12,144)	(12,144)	0		(13,162)	1,018	
Closing Accumulated Deficit	(9,857)	(11,144)	1,287		(12,144)	2,287	

*Note: 2007-2008 budget figures reflect the opening May 1, 2007 budget. Reallocations have been made to assist in comparison.*

