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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 2005 – 2006

#### SUMMARY REPORT

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

Operating revenues exceeded expenses by \$1.8 million in 2005-2006. This represents an improvement of \$0.8 million over budget, and \$0.2 million less than the previous year. A breakdown and comparison follows:

	<i>2005-2006</i> <i>Actual</i> \$M	<i>2005-2006</i> <i>Budget</i> \$ M	<i>2004-2005</i> <i>Actual</i> \$ M
Deficit reduction for the year	1.8	1.0	2.0

The 2005-2006 approved Budget projected a reduction in the accumulated deficit of \$1.0 million. The actual results show a reduction in the deficit of \$1.8 million. A summary of the budgetary improvement of \$0.8 million is set out below. It excludes items where specific income was offset by related expenditure (section 2.1 of the Notes).

#### **Deficit Reduction: \$0.8 million above budget**

#### **Income: \$5.0 million above budget**

Income items over budget were: Grant income \$2.1 million, Tuition income \$1.0 million, Interest income \$0.6 million, Miscellaneous income \$1.3 million.

#### **Expenses and Appropriations: \$4.2 million above budget**

Allocations in excess of contingency funds -	\$2.1 million cost
New appropriations -	\$1.1 million cost
Overspent and unappropriated allocations -	\$1.0 million cost

#### 2. Accumulated Deficit: \$0.8 million lower than original estimate

The accumulated operating deficit (excluding provisions for vacation pay and post retirement benefits) at April 30, 2006 was therefore \$13.2 million as compared to an original projection of \$14.0 million.

#### 3. Ancillary Operations and Non-Credit Course Operations: breakeven

Collectively, the ancillary and non-credit course operations finished the year breaking even. The ancillary operations posted a net surplus of \$0.5 million. The net surplus consists of a \$0.7million addition to reserves accumulated by some operations, which was partially offset by \$0.2 million addition to accumulated deficits for other operations. Those ancillary services with accumulated deficits totalled \$2.7 million at April 30, 2006, down from \$3.6 million just five years ago. The non-credit course operations posted a deficit of \$0.5 million in 2005-2006. 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 from the previous year's balance sheet is the \$38.0 million increase in capital assets. The increase in capital assets is analyzed on page 11 of the Audited Financial Statements. The main buildings contributing to the increase are the HCI Institute, VSIM Building, Glengarry Residence, Twin Ice Arena and the University Centre.

The book value of the endowment fund increased by \$24.0 million during 2005-2006. The increase is the result of \$5.7 million in gifts and \$18.3 million in capital gains and investment revenue in excess of funds distributed for endowed spending. A more complete analysis of the endowment fund is included in section 3.2.7.

Long term investments increased by \$23.4 million during 2005-2006 to a new total of \$176.0 million. The increase in investments is due to the increase in the endowment fund as highlighted above.



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



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J.T. Sullivan  
Director of Finance

## CARLETON UNIVERSITY

### NOTES ON FINANCIAL STATEMENTS 2005-2006

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#### 1. INTRODUCTION

##### 1.1 2005-2006 Operating Results

The operating result for the year shows a reduction in the accumulated deficit of \$1,802,000. This compares to an original projection of \$1,000,000, and a reduction of \$2,005,000 the previous year.

The variation in the operating results is the result of increased grant, tuition, miscellaneous and short term interest income of \$5,030,000.

On the expenditure side, unfavourable budget variances in university budgets decreased the contribution towards the accumulated deficit by \$1,028,000 while allocations in excess of contingencies and new appropriations decreased the contribution by \$3,200,000.

The net result of \$5,030,000 in positive income adjustments, and \$4,228,000 in negative expenditure adjustments was therefore a \$1,802,000 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, 2006 was \$13,162,000. This compares to \$14,964,000 as at April 30, 2005 and the 2005-2006 opening budget projection of \$13,964,000.

#### 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 2005-2006 budget, as approved by the Board of Governors in Spring 2005.

In the sections 2.1 and 2.2, 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 \$252,430,000 in 2005-2006. This compares to an original budget of \$242,638,000 and a total for the previous year of \$237,129,000. Total operating income was therefore \$9,792,000 (4.0%) above budget, and \$15,301,000 (6.5%) above the previous year.

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>Variance \$000</i>
Revenues	252,430	242,638	9,792
Items offset by Expenditures (2.2.1)	4,762	-	4,762
Net Revenues	247,668	242,638	5,030

Each category of income is reviewed in the following sections.

### 2.1.1 Government Operating Grants

The \$131,595,000 included in Schedule 1 is \$5,611,000 (4.5%) above the original estimate, and \$12,608,000 (10.6%) above the previous year. A comparison to the estimate in the original budget is set out below:

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items Affecting the Operating Result</u>			
Basic operating grant	103,447	103,737	(290)
Research overheads	5,288	5,346	(58)
Quality Improvement Fund	7,072	6,170	902
Quality Assurance Funds	3,909	3,909	-
Performance Funding	516	454	62
Tuition Increase Replacement	4,717	4,500	217
Accessibility Fund	2,746	1,488	1,258
Subtotal	127,695	125,604	2,091
<u>Items offset by expenses</u>			
Access for the Disabled	411	380	31
Student Aid Funds	3,044	-	3,044
Other Gov't Grants	445	-	445
Subtotal	3,900	380	3,520
Total Government Grants	131,595	125,984	5,611

Omitting special purpose grants, the operating revenue from the Ministry of Training, Colleges and Universities, was \$2,091,000 above the original projection. The increase from the original projection relates mainly to an increase of \$1,258,000 in Accessibility Funds received, as well as an increase of \$902,000 in the Quality Improvement Fund.

### 2.1.2 Tuition Fees - Credit Programs

Tuition income totalled \$106,935,000 in 2005-2006. This represents an increase of \$1,810,000 (1.7%) over the previous year, and \$1,092,000 (1.0%) above the original estimate. Details of the 1.7% 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>		
2004-2005	17,986	2,415	20,401	105,125
2005-2006	18,198	2,343	20,541	106,935
Increase (Decrease)	212	(72)	140	1,810
%	1.2	(3.0)	0.6	1.7

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

All but \$75,000 of the additional tuition revenue, allocated by formula to the Centre for Initiatives in Education, went to improve the operating result of the University.

### 2.1.3 Miscellaneous Income

Miscellaneous income totalled \$7,148,000 in 2005-2006, which is \$1,401,000 over the original budget, and \$517,000 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>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items affecting the operating result</u>			
Application and admission fees (a)	1,343	725	618
Deferred payment and processing fees	1,248	1,025	223
Omnibus fee	670	625	45
Internal overhead charges	1,421	1,436	(15)
Library and other fines	239	180	59
Facility rentals	1,030	1,009	21
Career and Placement Services	206	200	6
Other miscellaneous	892	547	345
Total affecting the operating result	7,049	5,747	1,302
<u>Items offset by additional expenditures</u>			
Facilities rental	14	-	14
Insurance claims and other	85	-	85
Subtotal	99	-	99
Miscellaneous Income	7,148	5,747	1,401

- a) The positive variation in application fee revenue, as compared to the opening budget of \$725,000 is due to a higher than projected number of applications, as well as a 30% increase in the amount transferred to universities from the Ontario Universities Application Centre, per application. Although implemented in 2004-2005, the increase was not known at the time the 2005-2006 budget was struck.

### 2.1.4 Interest Income

Interest income totalled \$3,315,000 in 2005-2006, which was \$620,000 above budget, and \$310,000 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 Pension Plan Surplus

The final draw of the excess surplus (\$236,000) was in 2004-2005.

### 2.1.6 Departmental Income

The following items are included in departmental income:

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
Instructional Media Services and CUTV	784	353	431
Computing	207	115	92
Pension plan administration	198	192	6
Centre for Initiatives in Education	380	345	35
Ombudsperson	133	85	48
Co-op office	531	545	(14)
Salary recoveries	515	408	107
Science and Technology Centre	156	-	156
Paul Menton Centre	129	120	9
Other	404	206	198
<b>Total</b>	<b>3,437</b>	<b>2,369</b>	<b>1,068</b>

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 \$252,056,000 in 2005-2006. This represents a \$10,418,000 (4.3%) increase from the original budget of \$241,638,000 and a \$19,581,000 (8.4%) increase from the previous year's total of \$232,475,000. Total appropriations from the operating fund balance at the end of 2005-2006 amounted to \$48,077,000. This represents a net decrease of \$1,428,000 in the appropriated fund balance returned from the previous year. The categories of changes are examined below.



## 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	252,056
Opening budget	<u>241,638</u>
Expenditures above budget	<u>10,418</u>

The items included in the \$10,418,000 increase in expenditures and transfers were:

	<u>\$000</u>	<u>\$000</u>
a) <u>Salary Increases</u>		
2005-2006 Cost	6,226	
Less: Contingency in opening budget	<u>6,650</u>	
Savings		(424)
b) <u>Mid-Year Allocations</u>		
Total allocations	4,541	
Less: Opening contingency	<u>2,242</u>	
Cost in excess of contingency		2,299
c) <u>Summer Enrolment Incentive</u>		
2005-2006 cost	1,695	
Less: Opening contingency	<u>1,470</u>	
Cost in excess of contingency		225
Total overspent contingencies		2,100
<u>(Unspent) overspent balances not appropriated:</u>		
d) Scholarships	718	
e) Staff benefits	(100)	
f) Mandated Student Aid	114	
g) Convocation	45	
h) Faculty recruitment advertising	40	
i) Provision for bad debt	245	
j) Professional fees	213	
k) Transfers	(31)	
Other	<u>(216)</u>	
Subtotal		1,028
<u>Expenditures funded by additional income:</u>		
Government grant (section 2.1.1)	3,520	
Tuition income (section 2.1.2)	75	
Miscellaneous income (section 2.1.3)	99	
Departmental income (section 2.1.6)	<u>1,068</u>	
		4,762
Expenditures funded by returned appropriation	49,505	
Total appropriations in 2005-2006	48,077	
Net appropriations (section 2.2.2)	1,428	
Add: New appropriations (section 2.2.2)	<u>1,100</u>	
		2,528
Total expenditures and transfers above budget		<u>10,418</u>

## Notes:

- a) Salary Increases: The cost of compensation increases in 2005-2006 totalled \$6,226,000 against a contingency of \$6,650,000 in the opening budget. This represents a savings of \$424,000.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totalled \$4,541,000 in 2005-2006 as compared to a budget of \$2,242,000. Additional costs of \$2,299,000 were therefore incurred. An analysis of the allocations follows:

## Allocations from the Mid-Year Contingency Fund:

	<u>\$000</u>
Oracle License	1,679
Utilities	600
University Centre Renovation	600
Advertising Campaign	350
Staff Benefits- Athletics	234
Recruitment/Communications	405
Master Space Plan	200
Learning Commons	108
Science Fair	45
EDC/SLALS Communications Skills	43
Student Group Activities	30
IntelliResponse Agreement	25
Royal Society Membership	25
Other	197
Total allocations	<u>4,541</u>
Opening contingency	<u>(2,242)</u>
Shortfall	<u>2,299</u>

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 2005-2006 the summer enrolment exceeded projections resulting in a total cost of the plan being \$225,000 higher than budgeted. The increased expenditures are more than offset by increased tuition and grant revenues related to these students.
- d) Scholarships: Scholarship costs funded by general operations exceeded budget by \$718,000.
- e) Staff Benefits: Staff benefit costs were \$100,000 below budget in 2005-2006.
- f) Mandated Student Aid: The final calculation for student aid set aside as required by the Government resulted in a decrease. As the expenditures had already been incurred, the budget was exceeded by \$114,000.
- g) Convocation: The cost of the convocation expenses exceeded budget by \$45,000.
- h) Faculty Recruitment Advertising: The cost of advertising for faculty positions exceeded the 2005-2006 budget by \$40,000.
- i) Provision for Bad Debt: The provision for bad debt relates mainly to student tuition fees. The total allowance for bad debt in 2005-2006 was \$585,000, which was \$245,000 over budget. It is worthy of note that the \$585,000 represents approximately one-half of one percent of tuition fees.

- j) Professional Fees: The \$213,000 over expenditure in professional fees is mainly a result of rising legal fees. The general legal fees were over budget by \$ 75,000 while the human resource related legal fees exceeded budget by \$111,000.
- k) Interfund Transfers: The transfer budget exceeded the actual recovery costs by \$31,000. This relates mainly to contract overheads coming from the Research Fund which exceeded the original budget by \$59,000. 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 2005-2006 and 2004-2005 are as follows:

	<u>2005-2006</u> \$000	<u>2004-2005</u> \$000
General operating budget and contingency	436	390
Vice-President (Research and International)	155	132
<u>Faculties</u>		
Faculty of Arts and Social Sciences	61	76
Engineering	345	170
Science	94	205
Public Affairs and Management	207	81
Total	<u>1,298</u>	<u>1,054</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 reduction in appropriations for the year is calculated as follows:

	<u>\$000</u>
Appropriated to fund balance 2005-2006	48,077
Returned from 2004-2005 fund balance	49,505
Decrease in appropriated fund balance	<u>(1,428)</u>

Details of the returned and new appropriations are as follows:

	<u>Returned</u> \$000	<u>Appropriated</u> \$000	<u>Difference</u> \$000
<u>RPC</u>			
Faculties	10,346	9,876	(470)
Academic Administration and Student Services	1,016	1,466	450
Library	34	572	538
President	258	337	79
Research and International	807	904	97
Finance and Administration	7,388	10,800	3,412
Advancement	16	84	68
Undergraduate Scholarships	132	-	(132)
Professional Development Allowances	-	230	230
Campus Network and Computing Infrastructure	11,182	4,342	(6,840)
Campus Master Plan	10,216	520	(9,696)
Mandated Student Aid	290	290	-
Library Commons	2,335	1,113	(1,222)
Utilities Equalization Fund	-	475	475
HCI Building (PST Rebate)	1,730	-	(1,730)
Self-insurance fund	5	72	67
Pension Plan Reserve	-	3,000	3,000
Staff Benefits Equalization Fund	-	1,000	1,000
New allocations	3,750	12,996	9,246
Total	<u>49,505</u>	<u>48,077</u>	<u>(1,428)</u>

In addition, \$13,371,000 in prior year appropriations were not returned during 2005-2006. The \$13,371,000 relates to:

	<u>\$000</u>
Pension liability reserve	5,000
Administrative system replacement	3,584
Student aid	2,657
Deferred maintenance	1,065
Staff benefits equalization	475
HCI Building Cost	300
Self-insurance fund	159
Other	131
Total appropriations not returned	<u>13,371</u>

New allocations consist of appropriations of unspent funds in addition to those included in the original budget and not a result of additional income. For 2005-2006 the new allocations consist of:

	<u>\$000</u>
Amount allocated in 2006-2007 budgets (a)	9,600
New initiatives	3,396
Less: Lapsed 2005-2006 appropriations (b)	
New initiatives	(8,296)
2006-2007 Academic hires (fiscal component)	(3,600)
Net new appropriations	<u>1,100</u>

- (a) When the 2006-2007 budget was struck, it was anticipated that a minimum of \$9.6 million would be available to allocate from unspent balances in 2005-2006.
- (b) Amounts for new initiatives and the fiscal component of 2006-2007 academic hires were not allocated in 2005-2006.

### 2.2.3 Operating Result

As noted in section 1 above, the actual results show a reduction in the accumulated deficit of \$1,802,000, which represents an improvement of \$802,000 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 \$802,000 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)	2,091	
Tuition fees (section 2.1.2)	1,017	
Miscellaneous income (section 2.1.3)	1,302	
Interest income (section 2.1.4)	620	
Total income variations	5,030	
<u>Expenditure Variations</u>		
Overspent contingencies (section 2.2.1)		(2,100)
New appropriations (section 2.2.2)		(1,100)
Overspent allocations (section 2.2.1)		(1,028)
Net effect of expense variations		(4,228)
Net increase of \$802,000 in deficit reduction	5,030	(4,228)

### 2.2.4 Accumulated Deficit

The accumulated operating deficit as at April 30, 2006 amounted to \$13,162,000. This compares to an original estimate of \$13,964,000 and previous year's total of \$14,964,000.

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

Schedule 2 at the end of this Report details the 2005-2006 operations of the ancillaries as compared to the original budget. Overall the ancillary results can be summarized as follows:

	<i>2005-2006</i> <i>Actual</i> \$000	<i>2005-2006</i> <i>Budget</i> \$000	<i>2004-2005</i> <i>Actual</i> \$000
Income and internal recoveries	38,962	38,810	37,141
Expenses and transfers	38,435	38,303	36,221
Surplus (deficit)	527	507	920

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 2006 \$000</i>	<i>Balance at April 2005 \$000</i>	<i>Variance \$000</i>
Ancillaries with an accumulated surplus	4,967	4,278	689
Ancillaries with an accumulated deficit	(2,699)	(2,537)	(162)
	<u>2,268</u>	<u>1,741</u>	<u>527</u>

Of the \$527,000 surplus achieved by the ancillaries, \$689,000 represents an increase to reserves established from previous surpluses, while \$162,000 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 2005-2006 results and status of the Recreation and Athletics operations can be summarized as follows:

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>2004-2005 Actual \$000</i>
<u>Income</u>			
Athletic fees	2,992	3,006	2,953
Other income	4,061	4,014	2,584
	<u>7,053</u>	<u>7,020</u>	<u>5,537</u>
<u>Expenses and Transfers</u>			
Direct expenses	6,709	6,281	5,175
Renovations and alterations	646	652	842
Indirect expense contribution	-	59	52
	<u>7,355</u>	<u>6,992</u>	<u>6,069</u>
Surplus (deficit)	<u>(302)</u>	<u>28</u>	<u>(532)</u>
Opening fund balance (deficit)	(595)	(595)	(63)
Closing fund balance (deficit)	(897)	(567)	(595)

The Recreation and Athletics operations finished the year with a deficit of \$302,000, increasing the accumulated deficit to \$897,000. The loss in the year is mainly due to the higher than budgeted costs of externally contracted services used for the maintenance of the Athletics facilities and the Ice Arena (Actual - \$752,000 ; Budgeted - \$429,000). 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 2005-2006 results and status of the Bookstore operations can be summarized as follows:

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>2004-2005 Actual \$000</i>
<u>Income</u>			
Commissions and reimbursements	1,286	1,421	1,416
<u>Expenses and Transfers</u>			
Direct expenses	1,051	1,192	1,048
Indirect expense contribution	153	153	153
	1,204	1,345	1,201
Surplus (deficit)	82	76	215
Opening fund balance (deficit)	272	272	57
Closing fund balance (deficit)	354	348	272

The Bookstore operations finished the year with a surplus of \$82,000. The store now has an accumulated surplus of \$354,000.

### 2.3.3 Health and Counselling Services

The 2005-2006 results and status of the Health and Counselling Services operations can be summarized as follows:

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>2004-2005 Actual \$000</i>
<u>Income</u>			
Health Services fee	959	953	930
Staff use of services	80	80	79
Insurance recoveries / other	1,334	1,286	1,231
	2,373	2,319	2,240
<u>Expenses and Transfers</u>			
Direct expenses	2,401	2,257	2,173
Indirect expense contribution	20	19	18
	2,421	2,276	2,191
Surplus (deficit)	(48)	43	49
Opening fund balance (deficit)	163	163	114
Closing fund balance (deficit)	115	206	163

The Health and Counselling Services operations finished the year with a deficit of \$48,000. The service now has an accumulated surplus of \$115,000. The loss in the year is mainly due to increased salary costs associated with the data input requirements of the new electronic medical records system and are expected to be a one year charge only.

### 2.3.4 Housing and Conference Services

The 2005-2006 results for the Housing and Conference Services operations can be summarized as follows:

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>2004-2005 Actual \$000</i>
<u>Income</u>			
Residence fees	9,767	9,892	9,347
Conference operations	2,148	2,294	2,336
Commission income	3,205	3,100	3,102
Other income	1,206	1,176	1,131
	16,326	16,462	15,916
<u>Expenses and Transfers</u>			
Direct expenses	11,057	11,187	10,349
Capital debt (interest and principal)	4,756	4,879	4,839
Indirect expense contribution	84	80	79
Contribution to Ancillary Capital Fund	243	233	253
	16,140	16,379	15,520
Surplus (deficit)	186	83	396
Opening fund balance (deficit)	1,832	1,832	1,436
Closing fund balance (deficit)	2,018	1,915	1,832

The Housing and Conference Services operations finished the year with a surplus of \$186,000. The service now has an accumulated surplus of \$2,018,000. The capital debt expense relates mainly to the repayment of mortgage costs for the residence buildings.

### 2.3.5 Parking Services

The 2005-2006 results and status of the Parking Services operations can be summarized as follows:

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>2004-2005 Actual \$000</i>
<u>Income</u>			
Parking charges	2,768	2,723	2,883
Other income	276	250	265
	3,044	2,973	3,148
<u>Expenses and Transfers</u>			
Direct operating	3,046	2,734	2,639
Indirect expense contribution	42	42	40
Contribution to operations	-	-	450
	3,088	2,776	3,129
Surplus (deficit)	(44)	197	19
Opening fund balance (deficit)	814	814	795
Closing fund balance (deficit)	770	1,011	814



The Parking Services operations finished the year with a deficit of \$44,000 in 2005-2006 compared to a budgeted surplus of \$197,000. The deficit is mainly as a result of repairs to the Administration Garage (\$500,000), which included concrete repairs, investigation and repair of post tension cables and application of a new membrane to the surface to keep out salt and corrosion.

The Campus Masterplan identifies the need for a new parking structure in the order of \$8,000,000 to \$10,000,000 for a 500-stall facility. A reserve of \$5,000,000 is expected before starting construction.

### 2.3.6 University Centre

The 2005-2006 results and status of the University Centre operations can be summarized as follows:

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>2004-2005 Actual \$000</i>
<u>Income</u>			
Rents and other recoveries	1,372	1,397	1,357
<u>Expenses and Transfers</u>			
Direct operating	914	1,577	999
Surplus (deficit)	458	(180)	358
Opening fund balance (deficit)	847	847	489
Closing fund balance (deficit)	1,305	667	847

The University Centre operation is run on a cost recovery basis, with a reserve established for the purpose of renovations. Major renovations have been postponed until 2006-2007, thus the large variance in operating results. These include a new corridor and elevator to serve the 4<sup>th</sup> floor (\$570,000) and fire alarm system upgrades (\$290,000).

### 2.3.7 Carleton Technology and Training Centre (CTTC)

The 2005-2006 results and status of the Carleton Technology and Training Centre operations can be summarized as follows:

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>2004-2005 Actual \$000</i>
<u>Income</u>			
Rents	1,361	1,472	1,605
<u>Expenses and Transfers</u>			
Direct operating	661	701	898
Capital debt repayment	564	564	564
Surplus (deficit)	136	207	143
Opening fund balance (deficit)	(2,074)	(2,074)	(2,217)
Closing fund balance (deficit)	(1,938)	(1,867)	(2,074)

The Carleton Technology and Training Centre operations generated a surplus of \$136,000 in 2005-2006.

### 2.3.8 Graphic Services

The 2005-2006 results and status of the Graphic Services operations can be summarized as follows:

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>2004-2005 Actual \$000</i>
<u>Income</u>			
Sales: External	1,708	1,655	1,713
Internal	2,887	2,463	2,531
Other	50	41	51
	<u>4,645</u>	<u>4,159</u>	<u>4,295</u>
Less: Cost of goods sold	(1,232)	(1,000)	(1,018)
Gross profit	3,413	3,159	3,277
<u>Expenses and Transfers</u>			
Direct operating	3,124	2,891	2,974
Indirect expense contribution	89	82	84
Contribution to Ancillary Capital Fund	185	180	179
	<u>3,398</u>	<u>3,153</u>	<u>3,237</u>
Surplus (deficit)	<u>15</u>	<u>6</u>	<u>40</u>
Opening fund balance (deficit)	129	129	89
Closing fund balance (deficit)	144	135	129

The Graphics Services operations finished the year with a surplus of \$15,000. The service now has an accumulated surplus of \$144,000.

### 2.3.9 National Wildlife Research Centre (NWRC)

The 2005-2006 results and status for the National Wildlife Research Centre operations can be summarized as follows:

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>2004-2005 Actual \$000</i>
<u>Income</u>			
Rent	1,300	1,300	1,300
Interest and income	32	32	32
Occupancy cost	750	676	685
	<u>2,082</u>	<u>2,008</u>	<u>2,017</u>
<u>Expenses and Transfers</u>			
Operating expenses	750	676	685
Mortgage payment	1,328	1,332	1,328
	<u>2,078</u>	<u>2,008</u>	<u>2,013</u>
Surplus (deficit)	<u>4</u>	<u>-</u>	<u>4</u>
Opening fund balance (deficit)	132	132	128
Closing fund balance (deficit)	136	132	132

The National Wildlife Research Centre operations results for 2005-2006 show an increase in the accumulated surplus of \$4,000. The accumulated surplus is a result of timing differences as the rental payment began in May 2002 and the derivative payment commenced the following month. The surplus will be eliminated in June 2027 when the final payment is made.

### 2.3.10 Ancillary Capital Fund

The 2005-2006 results and status for the Ancillary Capital Fund operations can be summarized as follows:

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>2004-2005 Actual \$000</i>
<u>Income</u>			
Contributions	652	579	628
<u>Expenses and Transfers</u>			
Direct operating	612	532	400
Surplus (deficit)	40	47	228
Opening fund balance (deficit)	221	221	(7)
Closing fund balance (deficit)	261	268	221

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 \$12,900,000 Alumni Hall and Sports Centre was opened in Fall 2004 and the \$16,700,000 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 \$612,000 represent the annual Ancillary Capital Fund payment towards these projects amongst others.

## 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 School of Linguistics and Applied Language Studies (SLALS)

The 2005-2006 results and status for the School of Linguistics and Applied Language Studies operations can be summarized as follows:

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>2004-2005 Actual \$000</i>
<u>Income</u>			
Tuition fees	2,524	3,258	3,010
<u>Expenses and Transfers</u>			
Direct operating	2,887	2,772	3,114
Indirect expense contribution	207	291	265
	3,094	3,063	3,379

	<i>2005-2006 Actual \$000</i>	<i>2005-2006 Budget \$000</i>	<i>2004-2005 Actual \$000</i>
Surplus (deficit)	(570)	195	(369)
Opening fund balance (deficit)	1,079	1,079	1,448
Closing fund balance (deficit)	509	1,274	1,079

SLALS has both an academic department, delivering Linguistics degree programs and language and communications credit courses towards degrees in other Schools and Departments, and a separate division offering non-credit English Language courses. The largest program offered in this division is the non-credit Intensive English as a Second Language courses. In its third year of operations under the new Non-Credit Course Operations division, SLALS had a deficit of \$570,000. The deficit is a result of a decline in enrolment, a trend that appears to be universal across all ESL programs in Canada. The enrolment in SLALS Non-Credit programs was far below projections in 2005-2006. The strength in the Canadian dollar and global issues affecting travel are seen as the two main factors in the decline.

## 2.5 Other Income and Expenditures

As explained in section 2 above, the 2005-2006 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 2005-2006:

	<i>2005-2006 Actual \$000</i>	<i>2004-2005 Actual \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Income and Transfers</u>			
Government grants	3,558	1,762	1,796
Transfers from ancillary	37	100	(63)
Transfers from research	8,314	11,650	(3,336)
Transfers from operating	34	188	(154)
Net income	11,943	13,700	(1,757)
<u>Expenses</u>			
Additions	11,880	13,720	1,840
Surplus (deficit)	63	(20)	83
Opening fund balance (deficit)	(153)	(133)	(20)
Closing fund balance (deficit)	(90)	(153)	63

The accumulated deficit of \$90,000 represents expenditure on non-capital projects. The remittances are based on a pre-defined schedule.

## 2.5.2 Research Funding and Expenditures

The following provides an analysis of Research receipts and disbursements by Funding Agency. In 2005–2006 there was a net increase of \$1,959,000 in the Research Fund, from \$33,298,000 to \$35,257,000. Research receipts total \$73,563,000 and disbursements and net transfers out total \$71,604,000. Following Generally Accepted Accounting Principles, all restricted receipts in excess of restricted expenditures are deferred for use in future years. Deferred research revenue for 2005–2006 is \$24,390,000. (Key to acronyms is on the next page).

<u>Funding Source</u>	<i>Balance April 30, 2005 \$000</i>	<i>2005-2006 Funding \$000</i>	<i>2005-2006 Expenditure \$000</i>	<i>Balance April 30, 2006 \$000</i>
<u>Canadian Government</u>				
<u>Departments and</u>				
<u>Agencies</u>				
CIDA	929	1,493	1,608	814
Citizenship	13	296	300	9
National Defence	12	613	577	48
Environment Canada	164	287	209	242
FAIT	62	103	144	21
HRDC	6	63	69	0
Industry Canada	3	45	10	38
IDRC	218	302	288	232
Health and Welfare	12	20	21	11
NRC	79	122	139	62
Canadian Heritage	(93)	1,232	1,123	16
Other Federal	443	933	1,043	333
<u>Tri-Agency Sponsored</u>				
<u>Research</u>				
CIHR	254	841	864	231
NSERC	7,051	11,612	11,094	7,569
SSHRC	2,746	3,990	4,044	2,692
Canada Research Chairs	293	3,062	2,992	363
Indirect Cost Program	0	3,997	3,997	0
<u>Other Sponsored</u>				
<u>Research</u>				
COE	391	2,383	2,497	277
Provincial and Municipal Governments	106	447	282	271
CFI	1,850	11,472	12,100	1,222
OIT	2,163	7,062	5,743	3,482
ORDCF	460	4,239	4,441	258
NOHFC	1	585	1,057	(471)
Businesses and Foundations	4,705	4,544	3,933	5,316
Foreign Governments	534	184	540	178
Research Partnership Agreements	681	2,064	1,569	1,176
<u>Total Sponsored</u> <u>Research</u>	23,083	61,991	60,684	24,390
SNO and TRIUMF Internally Restricted Research	0	10,805	10,805	0
<u>Total Restricted</u> <u>Research</u>	10,215	767	115	10,867
<u>Total Restricted</u> <u>Research</u>	33,298	73,563	71,604	35,257

## Notes: Key to acronyms

CIDA	Canadian International Development Agency
FAIT	Foreign Affairs and International Trade
HRDC	Human Resources and Development Canada
IDRC	International Development Research Centre
NRC	National Research Council
CIHR	Canadian Institutes for Health Research
NSERC	Natural Science and Engineering Research Council
SSHRC	Social Science and Humanities Research Council
COE	Federal/Provincial Centres of Excellence
CFI	Canadian Foundation for Innovation
OIT	Ontario Innovation Trust
ORDCF	Ontario Research Development Challenge Fund
NOHFC	Northern Heritage Research Fund Corporation
SNO	Sudbury Neutrino Observatory Institute
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>	19,326
Adjustments:	
a) Capital purchases in excess of amortization	(24,074)
b) Decrease in operating appropriations (2.2.2)	1,428
c) Research surplus (internally restricted) increase (2.5.2)	(652)
d) Enterprise surplus (internally restricted) increase	(91)
e) Scholarship surplus (internally restricted) decrease	34
f) Vacation pay increase	184
g) Gain on unrestricted endowment	(517)
h) Employee future benefit expense in excess of cash payment	6,754
	<u>6,754</u>
Total	<u>2,392</u>
Represented by:	
Operating surplus (section 1.1)	1,802
Ancillary surplus (section 2.3)	527
Plant deficit decrease (section 2.5.1)	63
	<u>63</u>
Total	<u>2,392</u>

## 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 2005-2006 the following entries were made:

	<u>\$000</u>
Amortization of capital assets	20,489
Less: Amortization of deferred contributions	(8,395)
2005-2006 capital assets additions	(58,547)
Increase in financing of capital assets	<u>22,379</u>
	(44,563)
Difference	<u>(24,074)</u>

The \$24,074,000 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 \$24,074,000 is shown as an increase to the investment in capital assets on this statement.

- b) Decrease 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 \$652,000 during 2005-2006. As these funds are earmarked for the continuation of the research activity being funded, this \$652,000 (\$767,000 - \$115,000) is shown as an addition to the internally restricted amounts on the Consolidated Statement of Changes in Net Assets.
- d) Enterprise surplus: As shown on the Consolidated Statement of Changes in Net Assets, enterprise balances have increased by \$91,000 (\$3,725,000 - \$3,634,000) during 2005-2006. As these funds are earmarked for the continual development of such entrepreneurial activities such as professional development and ESL courses, this increase is shown as an addition to the internally restricted amounts on the Consolidated Statement of Changes in Net Assets.

The enterprise surplus of \$91,000 relates to two areas: Enterprise operations and Non-Credit Course operations. The Enterprise operation balances have increased by \$661,000 (\$3,216,000 - \$2,555,000) and the Non-Credit Course operation balances have decreased by \$570,000 (\$509,000 - \$1,079,000). 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 decreased by \$34,000 (\$2,000 - \$36,000) during 2005-2006. Although these scholarships do not have donor placed restrictions on them, the funds have been earmarked for student support in future years. This decrease is shown as a reduction to the internally restricted amounts on the Consolidated Statement of Changes 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 2005-2006 resulted in an increase of \$184,000, thus decreasing 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 2005-2006 the following entries were made:

	<u>\$000</u>
Employee future benefits	9,594
Less: 2005-2006 contributions removed from expenditure	<u>(2,840)</u>
Difference	<u>6,754</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, 2006 were as follows:

	<u>2006</u>	<u>2005</u>	<u>Increase</u>
	<u>Actual</u>	<u>Actual</u>	<u>(Decrease)</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
<u>Sources</u>			
Short term liabilities:			
Accounts payable	28,717	28,464	253
Deferred revenue	47,389	47,513	(124)
Current portion of long term debt	1,597	1,663	(66)
Long term liabilities:			
Accrued vacation pay	6,474	6,290	184
Employee future benefits	70,069	63,315	6,754
Long term debt	70,410	71,988	(1,578)
Net assets:			
Endowment fund	170,107	146,095	24,012
Internally restricted funds	81,008	81,038	(30)
	<u>251,115</u>	<u>227,133</u>	<u>23,982</u>
Total – Sources	<u>475,771</u>	<u>446,366</u>	<u>29,405</u>



	<i>2006</i> <i>Actual</i> <i>\$000</i>	<i>2005</i> <i>Actual</i> <i>\$000</i>	<i>Increase</i> <i>(Decrease)</i> <i>\$000</i>
<b>Applications</b>			
Short term assets:			
Cash and short-term investments	81,568	87,504	(5,936)
Accounts receivable	15,647	22,003	(6,356)
Prepaid expenses	2,497	1,511	986
Current portion of new investment in lease	349	327	22
Long term assets:			
Accounts receivable	-	-	-
Net investment in lease	14,962	15,311	(349)
Investments	176,083	152,640	23,443
Capital assets:			
	314,644	276,586	38,058
Less: Investment in capital assets	(108,872)	(84,607)	(24,265)
Deferred capital contributions	(112,017)	(110,584)	(1,433)
Net assets:			
General operating fund (deficit)	13,162	14,964	(1,802)
Other funds (deficits)	1,205	1,106	99
Provision for employee future benefits	70,069	63,315	6,754
Provision for vacation pay	6,474	6,290	184
	90,910	85,675	5,235
Total - Applications	475,771	446,366	29,405

### 3.2 Source of University Resources

#### 3.2.1 Accounts Payable: \$28,717,000

The accounts payable as at April 30, 2006 comprised:

	<i>2006</i> <i>\$000</i>	<i>2005</i> <i>\$000</i>	<i>Increase</i> <i>(Decrease)</i> <i>\$000</i>
Due to suppliers	7,314	9,453	(2,139)
Construction accruals and holdbacks	6,350	5,787	563
Payroll taxes and pension	7,976	6,922	1,054
Amounts held on deposit	1,994	2,167	(173)
Other taxes payable	407	501	(94)
Other payables and accrued liabilities	4,676	3,634	1,042
Total	28,717	28,464	253

**3.2.2 Deferred Revenue:**  
**\$47,389,000**

Deferred revenue as at April 30, 2006 comprised:

	2006 \$000	2005 \$000	Increase (Decrease) \$000
a) Government grants	5,465	7,732	(2,267)
b) Research	24,390	23,083	1,307
c) Scholarships	6,562	5,412	1,150
d) Parker loans	1,035	1,035	0
e) Donations	3,351	2,777	574
f) Other items	6,586	7,474	(888)
Total	47,389	47,513	(124)

Notes:

- a) Of the \$5,465,000 in deferred grant revenue, \$4,171,000 relates to Facility Renewal funds.
- 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 summer programs in the Recreation and Athletics operation and Housing and Conference Services operation.

**3.2.3 Current Portion of Long Term Debt:**  
**\$1,597,000**

The current portion of long-term debt is defined as the amount coming due within the next fiscal year. This totalled \$1,597,000 as at April 30, 2006, a decrease of \$66,000 over last year.

**3.2.4 Accrued Vacation Pay:**  
**\$6,474,000**

The \$6,474,000 compares to \$6,290,000 one year earlier for an increase of \$184,000. 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:  
\$70,069,000**

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 13 of the audited financial statements at the beginning of this report for further information.

**3.2.6 Long Term Debt:  
\$70,410,000**

The loans and mortgages payable are described in some detail in note 8 of the audited financial statements at the beginning of this report.

**3.2.7 Net Assets, providing a source of resources:  
\$251,115,000**

The net assets that constitute a source of resources are:

	2006 \$000	2005 \$000	Increase (Decrease) \$000
Internally restricted funds	81,008	81,038	(30)
Endowment fund	170,107	146,095	24,012
Total	251,115	227,133	23,982

Notes:

- a) The internally restricted net assets as at April 30, 2006, consist of the following:

	<u>\$000</u>
Appropriated operating funds (section 2.2.2)	61,447
Appropriated ancillary funds (section 2.3)	4,967
Internally restricted research balances (section 2.5.2)	10,867
Enterprise funds	3,725
Scholarship funds	2
	<u>81,008</u>

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

	<u>\$000</u>
Nominal Value at April 30, 2006	170,107
Nominal Value at April 30, 2005	146,095
Increase in Nominal Value	<u>24,012</u>

The \$24,012,000 increase was achieved as follows:

	<u>\$000</u>
Gifts, bequests and other additions (per below)	5,644
Gain on sale of investments	20,984
Investment income	5,520
	<u>32,148</u>
Less: Distributed for endowed spending	(6,740)
Direct and indirect operating costs	(674)
Investment management fees	(722)
Increase in nominal value	<u>24,012</u>

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

	<u>\$000</u>
Allan Buchanan Graduate Scholarship	100
Carleton University Students Engineering Equipment Fund	101
Centre for Initiatives in Education	103
Cognos Entrance Scholarship	113
Dr George Jeletzky Memorial Scholarship	225
Dr Harry Reid Cox Award	150
George Joseph Cooper Entrance Scholarship	194
Gordon J Wood Scholarship	333
Heather and Ross Hamlin Bursaries	971
Helga Shrimmer Memorial Bursary	152
John Ruddy Scholarship in Architecture	209
Kroeger College National Scholarship	400
Margaret and Frank Speakman Scholarship	386
Ontario Trust for Student Support	592
Richard J Van Loon Scholarship	183
Robert Mckeown Doctoral Scholarship	438
Ross Koningstein Scholarship	306
William Barton Awards	138
Other additions (<\$100,000)	550
Total additions	<u>5,644</u>

The realized investment returns for the year totalled \$26,504,000. The amount distributed for endowed spending in 2005-2006 was \$6,740,000. This represents a distribution of \$3.75 per unit held in the investment pool. In addition, \$722,000 was paid to investment managers during the year and \$674,000 in direct and indirect expenditures were charged to the fund.

The market value of the endowment fund at April 30, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>	<u>Increase</u>
	<u>\$000</u>	<u>\$000</u>	<u>(Decrease)</u>
			<u>\$000</u>
Marketable securities	207,855	162,707	45,148
Under (over) invested	1,177	(599)	1,776
Total	<u>209,032</u>	<u>162,108</u>	<u>46,924</u>

The increase in the market value is established as follows:

	<u>\$000</u>
Realized investment revenue	5,520
Gain on sale of investments	20,984
Change in unrealized market gain	22,912
Total appreciation	<u>49,416</u>
Less: Distributed for endowed spending	(6,740)
Investment management fees and operating costs	(1,396)
Add: Capital additions (gifts, bequests, and other)	<u>5,644</u>
Total increase in market value	<u>46,924</u>

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: \$81,568,000

The cash and short term investment balance is as follows:

	<u>2006</u>	<u>2005</u>	<u>Increase</u>
	<u>\$000</u>	<u>\$000</u>	<u>(Decrease)</u>
			<u>\$000</u>
Cash balance	11,244	(4,232)	15,476
Short term investments	70,324	91,736	(21,412)
Total	<u>81,568</u>	<u>87,504</u>	<u>(5,936)</u>

#### 3.3.2 Accounts Receivable: \$15,647,000

	<u>2006</u>	<u>2005</u>	<u>Increase</u>
	<u>\$000</u>	<u>\$000</u>	<u>(Decrease)</u>
			<u>\$000</u>
a) Student accounts	4,457	3,392	1,065
b) Student associations	165	273	(108)
c) General accounts receivable	1,266	801	465
d) Staff computer loans	82	114	(32)
e) G.S.T. receivable	934	3,528	(2,594)
f) Municipal taxes	471	468	3
g) Bookstore	78	83	(5)
h) Provincial government	0	4,396	(4,396)
i) Union groups	71	74	(3)
j) Research funds	8,165	9,836	(1,671)
k) Student loans	18	30	(12)
l) Food service provider	310	269	41

	2006 \$000	2005 \$000	<i>Increase (Decrease) \$000</i>
Other receivables	1,685	915	770
Sub-total	17,702	24,179	(6,477)
m) Less: Allowance for doubtful accounts	(2,055)	(2,176)	121
Total	15,647	22,003	(6,356)

## 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, 2006. Students cannot however register for additional courses if a balance is outstanding. As at August 02, 2006, the student account receivable balance has been reduced to \$2,311,000 from the \$4,457,000 as at April 30, 2006. The \$4,457,000 represents 3.44% (2005 – 2.67%) of the 2005-2006 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 March and April GST returns. In 2004-2005, there were some additional claims submitted to Revenue Canada for expenses incurred in prior years. Most of these claims have been recovered. The balance represents March and April returns which were outstanding at year end.
- 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 2005-2006 amount receivable is due from Follett Books and represents commission income related to 2005-2006 operations
- h) Provincial government: The \$4,396,000 relating to the Access to Opportunities operating grant, which was due at the end of 2004-2005, was received in 2005-2006. There were no pending receivable from the government at year end.
- i) Union groups: The various union groups use the University services on a recovery basis. The accounts are generally kept up to date.

- j) 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.
- k) Student loans: Student loans outstanding are issued under the Parker Loan fund, which funds the interest and guarantees the principal of the loans.
- l) Food services provider: The 2005-2006 amount receivable from Aramark represents commission and profit share income related to the 2005-2006 operations.
- m) Allowance for doubtful accounts: The allowance includes \$1,285,000 in relation to the Almerco research contract and \$600,000 for student fees. The balance of the allowance is for items written off in the normal course of University business.

### 3.3.3 Prepaid Expenses: \$2,497,000

Prepaid Expenses as at April 30, 2006 comprised:

	2006 \$000	2005 \$000	<i>Increase (Decrease)</i> \$000
Insurance	469	342	127
Licences	625	0	625
Physical Plant supplies	655	545	110
Other	748	624	124
Total	<u>2,497</u>	<u>1,511</u>	<u>986</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: \$349,000

The current portion of net investment in lease is defined as the amount collectible within the next fiscal year. This totalled \$349,000 at April 30, 2006 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 4 of the audited financial statements.

### 3.3.5 Net Investment in Lease: \$14,962,000

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 4 of the audited financial statements.

### 3.3.6 Investments: \$176,083,000

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

	2006 \$000	2005 \$000	<i>Increase (Decrease)</i> \$000
Investments held for:			
Endowment	170,120	147,107	23,013
Residence sinking fund	4,308	3,936	372
Parker Loan fund	1,026	995	31
CRPP fund	629	602	27
Total	176,083	152,640	23,443

Investments are shown at cost on the balance sheet. The Market value as at April 30, 2006 was \$214,789,000 compared to \$169,392,000 one year earlier, for an increase of \$45,397,000.

### 3.3.7 Capital Assets: \$314,644,000 Investment in Capital Assets: \$108,872,000 Deferred Capital Contributions: \$112,017,000

The net value of capital assets as at April 30, 2006 comprised:

	2006 \$000	2005 \$000	<i>Increase (Decrease)</i> \$000
Capital Assets:			
Land and buildings	325,308	285,100	40,208
Building improvements	8,954	4,297	4,657
Equipment and furnishings	73,508	65,190	8,318
Computers and software	52,941	50,014	2,927
Automobile	453	375	78
Leasehold improvements	92	92	0
Library and art collections	67,231	64,872	2,359
	528,487	469,940	58,547





	2006 \$000	2005 \$000	Increase (Decrease) \$000
Less: Accumulated depreciation	(213,843)	(193,354)	(20,489)
Net capital assets	<u>314,644</u>	<u>276,586</u>	<u>38,058</u>
Funding:			
Investment in capital assets	108,872	84,607	24,265
Deferred capital contributions	112,017	110,584	1,433
Total funding	<u>220,889</u>	<u>195,191</u>	<u>25,698</u>
Unfunded assets	<u>93,755</u>	<u>81,395</u>	<u>12,360</u>
Financed by:			
Mortgages payable	14,528	14,703	(175)
Less: Sinking fund	(10,246)	(9,875)	(371)
	<u>4,282</u>	<u>4,828</u>	<u>(546)</u>
Leases payable	0	132	(132)
Bank borrowing	89,473	76,435	13,038
Total	<u>93,755</u>	<u>81,395</u>	<u>12,360</u>

**3.3.8 Net Assets, requiring an application of resources:  
\$90,910,000**

The net assets classified as an application of resources include:

	2006 \$000	2005 \$000	Increase (Decrease) \$000
Operating deficit	(13,162)	(14,964)	1,802
Ancillary deficits	(1,115)	(953)	(162)
Plant deficit	(90)	(153)	63
	<u>(14,367)</u>	<u>(16,070)</u>	<u>1,703</u>
Provision for employee future:			
Benefits	(70,069)	(63,315)	(6,754)
Provision for vacation pay	(6,474)	(6,290)	(184)
Total	<u>(90,910)</u>	<u>(85,675)</u>	<u>(5,235)</u>

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

  
J.T. Sullivan  
Director of Finance

**GENERAL OPERATING FUND 2005-2006  
INCOME, EXPENSES AND ACCUMULATED DEFICIT  
COMPARISON TO BUDGET (MAY 2005) AND 2004-2005**

	2005- 2006 Actual	2005- 2006 Budget	Actual to Budget		2004- 2005 Actual	Actual to Prior Year	
		\$000's	\$000's	%	\$000's	\$000's	%
<b>INCOME</b>							
Government Grant	131,595	125,984	5,611	4.5	118,987	12,608	10.6
Tuition Fees	106,935	105,843	1,092	1.0	105,125	1,810	1.7
Miscellaneous Income	7,148	5,747	1,401	24.4	6,631	517	7.8
Interest Income	3,315	2,695	620	23.0	3,005	310	10.3
Departmental Income	3,437	2,369	1,068	45.1	3,135	302	9.7
Pension Surplus	0	0	0	n/a	246	(246)	n/a
<b>Total Operating Income</b>	<b>252,430</b>	<b>242,638</b>	<b>9,792</b>	<b>4.0</b>	<b>237,129</b>	<b>15,301</b>	<b>6.5</b>
<b>EXPENSES</b>							
Faculty of Arts and Social Sciences	32,184	30,307	1,877	6.2	30,725	1,459	4.7
Faculty of Public Affairs and Management	26,104	25,090	1,014	4.0	24,660	1,444	5.9
Faculty of Science	15,710	17,086	(1,376)	(8.1)	14,954	756	5.1
Faculty of Engineering	17,321	17,733	(412)	(2.3)	16,689	632	3.8
Academic Admin. and Student Services	24,666	21,849	2,817	12.9	21,591	3,075	14.2
Library	12,009	14,345	(2,336)	(16.3)	11,770	239	2.0
Research	17,524	15,649	1,875	12.0	15,123	2,401	15.9
Finance and Administration	27,784	30,104	(2,320)	(7.7)	28,645	(861)	(3.0)
President	4,445	4,074	371	9.1	1,873	2,572	137.3
Advancement	1,973	1,903	70	3.7	3,807	(1,834)	(48.2)
University Budgets	47,629	47,831	(202)	(0.4)	45,636	1,993	4.4
Interfund Transfers (net)	24,707	15,667	9,040	57.7	17,002	7,705	45.3
<b>Sub-Total Operating Expenses</b>	<b>252,056</b>	<b>241,638</b>	<b>10,418</b>	<b>4.3</b>	<b>232,475</b>	<b>19,581</b>	<b>8.4</b>
Net Appropriations	(1,428)	0	(1,428)		2,649	(4,077)	
<b>Total Expenses</b>	<b>250,628</b>	<b>241,638</b>	<b>8,991</b>	<b>3.7</b>	<b>235,124</b>	<b>15,504</b>	<b>6.6</b>
<b>Deficit Reduction for the Year</b>	<b>1,802</b>	<b>1,000</b>	<b>802</b>		<b>2,005</b>	<b>(203)</b>	
Opening Accumulated Deficit	(14,964)	(14,964)	0		(16,969)	2,005	
Closing Accumulated Deficit	(13,162)	(13,964)	802		(14,964)	1,802	

*Note: 2005-2006 budget figures reflect the opening May 1, 2005 budget. Transfers have been made to assist in comparison.*

