

SUMMARY REPORT	i
1. CONSOLIDATED STATEMENT OF OPERATIONS	i
2. ACCUMULATED DEFICIT	i
3. ANCILLARY AND NON-CREDIT OPERATIONS	i
4. STATEMENT OF FINANCIAL POSITION	ii
1. INTRODUCTION	1
1.1 2006–2007 OPERATING RESULTS	1
1.2 ACCUMULATED DEFICIT	1
2. CONSOLIDATED STATEMENT OF OPERATIONS	1
2.1 OPERATING INCOME	2
2.1.1 Government Operating Grants	2
2.1.2 Tuition Fees - Credit Programs	3
2.1.3 Miscellaneous Income	3
2.1.4 Interest Income	4
2.1.5 Departmental Income	4
2.2 OPERATING EXPENDITURES, TRANSFERS, AND APPROPRIATIONS	4
2.2.1 Operating Expenditures and Transfers	5
2.2.2 Appropriations	7
2.2.3 Operating Result	9
2.2.4 Accumulated Deficit	9
2.3 ANCILLARY OPERATIONS - OPERATING RESULTS AND FUND BALANCES	10
2.3.1 Recreation and Athletics	10
2.3.2 Bookstore	11
2.3.3 Health and Counselling Services	11
2.3.4 Housing and Conference Services	12
2.3.5 Parking Services	13
2.3.6 University Centre	13
2.3.7 Graphic Services	14
2.3.8 Ancillary Property Rentals	14
2.3.9 Ancillary Capital Fund	15
2.4 NON-CREDIT COURSE OPERATIONS - OPERATING RESULTS AND FUND BALANCES	16
2.4.1 School of Linguistics and Applied Language Studies (SLALS)	16
2.5 OTHER INCOME AND EXPENDITURES	17
2.5.1 Plant Income and Expenses	17
2.5.2 Research Funding and Expenditures	18
2.6 RECONCILIATION OF OPERATING RESULTS	19
3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)	21
3.1 SOURCE AND APPLICATION OF UNIVERSITY FUNDS	21
3.2 SOURCE OF RESOURCES	22
3.2.1 Accounts Payable	22
3.2.2 Deferred Revenue	23
3.2.3 Current Portion of Long Term Debt	23
3.2.4 Accrued Vacation Pay	23

3.2.5	Employee Future Benefits Liability	24
3.2.6	Long Term Debt	24
3.2.7	Net Assets, providing a source of funds	24
3.3	APPLICATION OF RESOURCES	26
3.3.1	Cash and Short Term Investments	26
3.3.2	Accounts Receivable	26
3.3.3	Prepaid Expenses	28
3.3.4	Current Portion of Net Investment in Lease	28
3.3.5	Net Investment in Lease	28
3.3.6	Investments	29
3.3.7	Capital Assets, investment in capital assets, deferred capital contributions	29
3.3.8	Net Assets, requiring an application of funds	30

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

SCHEDULE 1
 SCHEDULE 2

CARLETON UNIVERSITY

NOTES ON FINANCIAL STATEMENTS 2006 – 2007

SUMMARY REPORT

1. Consolidated Statement of Operations - Operating Fund

Operating revenues exceeded expenses by \$1.0 million in 2006-2007. This meets budget, and is \$0.8 million less than the previous year. A breakdown and comparison follows:

	<i>2006-2007 Actual \$M</i>	<i>2006-2007 Budget \$ M</i>	<i>2005-2006 Actual \$ M</i>
Deficit reduction for the year	1.0	1.0	1.8

The 2006-2007 approved Budget projected a reduction in the accumulated deficit of \$1.0 million, which the actual result met. 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: on budget

Income: \$19.3 million above budget

Income items over budget were: Grant income \$12.9 million, Tuition income \$2.6 million, Interest income \$1.9 million, Miscellaneous income \$1.9 million.

Expenses and Appropriations: \$19.3 million above budget

Allocations in excess of contingency funds -	\$ 0.5 million cost
New appropriations -	\$19.9 million cost
Unspent and unappropriated allocations -	\$ (1.1) million cost

2. Accumulated Deficit: met original estimate

The accumulated operating deficit (excluding provisions for vacation pay and post retirement benefits) at April 30, 2007 was therefore \$12.2 million as originally projected.

3. Ancillary Operations and Non-Credit Course Operations: \$1.5 million surplus

Collectively, the ancillary and non-credit course operations finished the year with a net surplus of \$1.5 million. The ancillary operations posted a net surplus of \$1.6 million. The net surplus consists of a \$1.5 million addition to reserves accumulated by some operations, and \$0.1 million reduction to accumulated deficits for other operations. Those ancillary services with accumulated deficits totalled \$2.6 million at April 30, 2007, down from \$3.6 million just six years ago. The non-credit course operations posted a deficit of \$0.1 million in 2006-2007. 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 \$22.0 million increase in capital assets. The increase in capital assets is analyzed on page 11 of the Audited Financial Statements. While buildings such as the HCI Institute, VSIM Building, and University Centre contributed to the overall increase, there were also substantial increases in the capital equipment balance. In addition to the normal annual increase, \$4.2 million of research equipment relating to the NCIT project was capitalized as well as \$2.0M in specific operating equipment. Equipment for the operating fund included items for Journalism, the School of Information Technology and Instructional Media Services which were highlighted in the 2006-2007 budget report as new resource allocations.

The book value of the endowment fund increased by \$12.5 million during the 2006-2007 fiscal year. The increase is the result of \$6.0 million in gifts and \$6.5 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 \$13.8 million during the 2006-2007 fiscal year, to a new total of \$189.8 million. The increase in investments is due mostly to the endowment fund as highlighted above, while the balance relates to investments for the residence sinking fund and NWRC building renewal.



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



J.T. Sullivan
Director of Finance

CARLETON UNIVERSITY**NOTES ON FINANCIAL STATEMENTS 2006-2007**

1. INTRODUCTION**1.1 2006-2007 Operating Results**

The operating result for the year shows a reduction in the accumulated deficit of \$1,018,000. This compares to an original projection of \$1,000,000, and a reduction of \$1,802,000 the previous year.

The variation in the operating results is the result of increased grant, tuition, miscellaneous and short term interest income of \$19,336,000.

On the expenditure side, favourable budget variances in university budgets increased the contribution towards the accumulated deficit by \$1,070,000 while allocations in excess of contingencies and new appropriations decreased the contribution by \$20,388,000.

The net result of \$19,336,000 in positive income adjustments, and \$19,318,000 in negative expenditure adjustments was therefore a \$1,018,000 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, 2007 was \$12,144,000. This compares to \$13,162,000 as at April 30, 2006 and the 2006-2007 opening budget projection of \$12,162,000.

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 2006-2007 operating budget as approved by the Board of Governors in Spring 2006.

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 \$278,823,000 in 2006-2007. This compares to an original budget of \$255,168,000 and a total for the previous year of \$252,430,000. Total operating income was therefore \$23,655,000 (9.3%) above budget, and \$26,393,000 (10.5%) above the previous year.

	<i>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>Variance \$000</i>
Revenues	278,823	255,168	23,655
Items offset by Expenditures (2.2.1)	4,319	-	4,319
Net Revenues	<u>274,504</u>	<u>255,168</u>	<u>19,336</u>

Each category of income is reviewed in the following sections.

2.1.1 Government Operating Grants

The \$149,622,000 included in Schedule 1 is \$16,319,000 (12.2%) above the original estimate, and \$18,027,000 (13.7%) above the previous year. A comparison to the estimate in the original budget is set out below:

	<i>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items Affecting the Operating Result</u>			
Basic operating grant	103,586	103,586	-
Research overheads	5,127	5,145	(18)
Quality Improvement Fund	10,779	13,216	(2,437)
Quality Assurance Funds	3,909	3,909	-
Performance Funding	587	516	71
Tuition Increase Replacement	5,156	4,657	499
Accessibility Fund	3,744	1,893	1,851
One-time yearend grants	12,985	-	12,985
Subtotal	<u>145,873</u>	<u>132,922</u>	<u>12,951</u>
<u>Items offset by expenses</u>			
Access for the Disabled	565	381	184
Student Aid Funds	3,129	-	3,129
Other Gov't Grants	55	-	55
Subtotal	<u>3,749</u>	<u>381</u>	<u>3,368</u>
Total Government Grants	<u>149,622</u>	<u>133,303</u>	<u>16,319</u>

Omitting special purpose grants, the operating revenue from the Ministry of Training, Colleges and Universities, was \$12,951,000 above the original projection. The increase from the original projection relates mainly to two one-time year-end grants from the Ministry. A grant for \$2,058,000 was received to assist in graduate student expansion while an additional \$10,926,000 was received for general operations. Both amounts have been appropriated for use in the 2007-2008 fiscal year.

2.1.2 Tuition Fees – Credit Programs

Tuition income totalled \$112,771,000 in 2006-2007. This represents an increase of \$5,836,000 (5.5%) over the previous year, and \$2,782,000 (2.5%) above the original estimate. Details of the 5.5% 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>		
2005-2006	18,198	2,343	20,541	106,935
2006-2007	18,390	2,474	20,864	112,771
Increase (Decrease)	192	131	323	5,836
%	1.1	5.6	1.6	5.5

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

All but \$176,000 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 \$8,101,000 in 2006-2007, which is \$1,902,000 over the original budget, and \$953,000 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>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items affecting the operating result</u>			
Application and admission fees (a)	1,509	993	516
Deferred payment and processing fees (b)	2,020	1,380	640
Omnibus fee	702	670	32
Internal overhead charges	1,583	1,636	(53)
Library and other fines	256	180	76
Facility rentals	888	915	(27)
Career and Placement Services	209	206	3
Univ of Ottawa exchange revenue (c)	294	-	294
Other miscellaneous	606	219	387
Total affecting the operating result	8,067	6,199	1,868
<u>Items offset by additional expenditures</u>			
Facilities rental	14	-	14
Other income	20	-	20
Subtotal	34	-	34
Miscellaneous Income	8,101	6,199	1,902

- a) The positive variation in application fee revenue, as compared to the opening budget of \$516,000 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 an apparent increasing 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, with reference to the compensation clause in the original agreement, the institutions have agreed to a formula that compensates the institution that teaches more incoming students than it sends. For 2006-2007, Carleton was the beneficiary of \$294,000 in exchange fees.

2.1.4 Interest Income

Interest income totalled \$4,811,000 in 2006-2007, which was \$1,911,000 above budget, and \$1,496,000 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>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
Instructional Media Services and CUTV	790	603	187
Computing	180	91	89
Pension plan administration	209	200	9
Centre for Initiatives in Education	454	429	25
Ombudsperson	88	86	2
Co-op office	501	525	(24)
Salary recoveries	252	223	29
Science and Technology Centre	162	-	162
Paul Menton Centre	127	127	-
Alumni affinity program	135	125	10
Other	620	368	252
Total	3,518	2,777	741

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 \$266,939,000 in 2006-2007. This represents a \$12,771,000 (5.0%) increase from the original expense budget, of \$254,168,000 and a \$14,883,000 (5.9%) increase from the previous year's total of \$252,056,000. Total appropriations from the operating fund balance at the end of 2006-2007 amounted to \$58,284,000. This represents a net increase of \$10,866,000 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	266,939
Opening budget	<u>254,168</u>
Expenditures above budget	<u>12,771</u>

The items included in the \$12,771,000 increase in expenditures and transfers were:

	<u>\$000</u>	<u>\$000</u>
a) <u>Salary Increases</u>		
2006-2007 Cost	7,428	
Less: Contingency in opening budget	<u>7,550</u>	
Savings		(122)
b) <u>Mid-Year Allocations</u>		
Total allocations	2,129	
Less: Opening contingency	<u>1,419</u>	
Cost in excess of contingency		710
c) <u>Summer Enrolment Incentive</u>		
2006-2007 cost	2,075	
Less: Opening contingency	<u>1,780</u>	
Cost in excess of contingency		295
d) <u>Sabbatical Leave Savings</u>		
Total 2006-07 savings	1,330	
Less: Planned savings	<u>1,100</u>	
Savings		(230)
e) <u>Academic Hires</u>		
2006-2007 cost	3,000	
Less: Opening contingency	<u>3,149</u>	
Savings		(149)
Total overspent contingencies		<u>504</u>
<u>(Unspent) overspent balances not appropriated:</u>		
f) Scholarships	67	
g) Staff benefits	(250)	
h) Mandated Student Aid	137	
i) Convocation	265	
j) Provision for bad debt	47	
k) Utilities	(1,290)	
l) Transfers	(50)	
Other	4	
Subtotal		<u>(1,070)</u>

	\$000	\$000
<u>Expenditures funded by additional income:</u>		
Government grant (section 2.1.1)	3,368	
Tuition income (section 2.1.2)	176	
Miscellaneous income (section 2.1.3)	34	
Departmental income (section 2.1.5)	741	
		4,319
Expenditures funded by returned appropriation	47,418	
Total appropriations in 2006-2007	58,284	
Net appropriations (section 2.2.2)	(10,866)	
Add: New appropriations (section 2.2.2)	19,884	
		9,018
Total expenditures and transfers above budget		12,771

Notes:

- a) Salary Increases: The cost of compensation increases in 2006-2007 totalled \$7,428,000 against a contingency of \$7,550,000 in the opening budget. This represents a savings of \$122,000.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totalled \$2,129,000 in 2006-2007 as compared to a budget of \$1,419,000. Additional costs of \$710,000 were therefore incurred. An analysis of the allocations follows:

Allocations from the Mid-Year Contingency Fund:

	\$000
Graduate expansion and scholarships	900
Faculty recruitment	416
Campus signage	380
First year seminars	180
Campus upgrades	133
Executive research grants	106
Other	14
Total allocations	2,129
Opening contingency	(1,419)
Shortfall	710

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 2006-2007, the summer enrolment exceeded projections resulting in a total cost of the plan being \$295,000 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 \$1,330,000 as compared to the budget of \$1,100,000. The additional \$230,000 in savings directly improves the operating results.
- e) Academic Hires: In the 2005-06 operating budget, these funds were designated for tenure track appointments to be appointed in July 2006. The actual cost of the appointments resulted in a \$149,000 savings.
- f) Scholarships: Scholarship costs funded by general operations exceeded budget by \$67,000.

- g) Staff Benefits: Staff benefit costs were \$250,000 below budget in 2006-2007. This variance represents less than 1% of the benefit budget.
- h) Mandated Student Aid: The calculation for student aid set aside, as required by the Ministry, was increased by \$137,000 after the original budget was approved, resulting in additional required expenditures.
- i) Convocation: The cost of the convocation expenses exceeded budget by \$265,000 but included some one-time expenditures that will not be required in future years.
- j) Provision for Bad Debt: The provision for bad debt relates mainly to student tuition fees. The total allowance for bad debt in 2006-2007 was \$749,000, which was \$47,000 over budget. It is worthy of note that the \$749,000 represents approximately one-half of one percent of tuition fees.
- k) Utilities: The savings achieved this year are due largely to pricing in the hydro and oil/gas markets. The 2006-07 budget was based on prior year pricing on the advice of external consultants while the actual cost was 10% lower for hydro and 28% for oil and gas. Energy savings measures also reduced oil and gas consumption by 4.5%.
- l) Interfund Transfers: The transfer budget exceeded the actual costs by \$50,000. This relates mainly to contract overhead recoveries coming from the Research Fund which exceeded the original budget by \$78,000. 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 2006-2007 and 2005-2006 are as follows:

	<u>2006-2007</u>	<u>2005-2006</u>
	\$000	\$000
General operating budget and contingency	467	436
Vice-President (Research and International)	163	155
<u>Faculties</u>		
Faculty of Arts and Social Sciences	88	61
Engineering	377	345
Science	54	94
Public Affairs and Management	172	207
Business	2	-
Total	<u>1,323</u>	<u>1,298</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 2006-2007	58,284
Returned from 2005-2006 fund balance	<u>47,418</u>
increase in appropriated fund balance	<u>10,866</u>

Details of the returned and new appropriations are as follows:

	<u>Returned</u>	<u>Appropriated</u>	<u>Difference</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
<u>RPC</u>			
Faculties	9,876	10,627	751
Academic Administration and Student Services	1,603	1,782	179
Library	344	494	150
President	354	502	148
Research and International	804	1,073	269
Finance and Administration	10,800	10,533	(267)
Advancement	31	33	2
Professional Development Allowances	230	63	(167)
Campus Network and Computing Infrastructure	7,254	2,455	(4,799)
Campus Master Plan	520	520	-
Mandated Student Aid	290	161	(129)
Library Commons	1,113	979	(134)
Academic Initiatives	3,196	8,320	5,124
HCI Building	300	345	45
Self-insurance fund	5	13	8
Pension Plan Reserve	898	-	(898)
President's Task Force	-	500	500
New allocations	9,800	19,884	10,084
Total	<u>47,418</u>	<u>58,284</u>	<u>10,866</u>

In addition, \$14,029,000 in prior year appropriations were not returned during 2006-2007. The \$14,029,000 relates to:

	<u>\$000</u>
Pension liability reserve	7,102
Administrative system replacement	393
General contingency	4,542
Deferred maintenance	1,065
Staff benefits equalization	475
Self-insurance fund	226
Other	<u>226</u>
Total appropriations not returned	<u>14,029</u>

New allocations consist of appropriations of unspent funds in addition to those included in the original budget. For 2006-2007 the new allocations consist of:

	<u>\$000</u>
Amount allocated in 2007-2008 budgets (a)	14,240
Graduate expansion grant (b)	2,058
New initiatives	3,586
Net new appropriations	<u>19,884</u>

- (a) When the 2007-2008 budget was struck, it was anticipated that a minimum of \$14,240,000 would be available to allocate from unspent balances in 2006-2007. This included an additional \$10,926,000 in unanticipated operating grant received from the Ministry in March 2007, while the balance related to additional unspent funds from 2006-2007.
- (b) An additional grant allocation was made at the Ministry's fiscal yearend to assist with the expansion of graduate programs. These funds will be allocated for use in 2007-08.

2.2.3 Operating Result

As noted in section 1 above, the actual results show a reduction in the accumulated deficit of \$1,018,000, which represents an improvement of \$18,000 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 \$18,000 improvement in the operating results.

	Deficit Reduction	
	<u>Increase</u>	<u>Decrease</u>
	\$000	\$000
<u>Income Variations</u>		
Government grants (section 2.1.1)	12,951	
Tuition fees (section 2.1.2)	2,606	
Miscellaneous income (section 2.1.3)	1,868	
Interest income (section 2.1.4)	1,911	
Total income variations	<u>19,336</u>	
<u>Expenditure Variations</u>		
Overspent contingencies (section 2.2.1)		(504)
New appropriations (section 2.2.2)		(19,884)
Overspent allocations (section 2.2.1)	1,070	
Net effect of expense variations	<u>1,070</u>	<u>(20,388)</u>
Net increase of \$18,000 in deficit reduction	<u>20,406</u>	<u>(20,388)</u>

2.2.4 Accumulated Deficit

The accumulated operating deficit as at April 30, 2007 amounted to \$12,144,000. This compares to an original estimate of \$12,162,000 and previous year's total of \$13,162,000.

2.3 Ancillary Operations - Operating Results and Fund Balances

Schedule 2, at the end of this Report, details the 2006-2007 operations of the ancillaries as compared to the original budget. Overall the ancillary results can be summarized as follows:

	<i>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>2005-2006 Actual \$000</i>
Income and internal recoveries	41,322	40,563	38,962
Expenses and transfers	39,671	39,465	38,435
Surplus (deficit)	1,651	1,098	527

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 2007 \$000</i>	<i>Balance at April 2006 \$000</i>	<i>Variance \$000</i>
Ancillaries with an accumulated surplus	6,528	4,967	1,561
Ancillaries with an accumulated deficit	(2,609)	(2,699)	90
	3,919	2,268	1,651

Of the \$1,651,000 surplus achieved by the ancillaries, \$1,561,000 represents an increase to reserves established from previous surpluses, while \$90,000 represents a net decrease 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 2006-2007 results and status of the Recreation and Athletics operations can be summarized as follows:

	<i>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>2005-2006 Actual \$000</i>
<u>Income</u>			
Athletic fees	3,039	3,036	2,992
Other income	4,657	4,748	4,061
	7,696	7,784	7,053
<u>Expenses and Transfers</u>			
Direct expenses	7,300	7,270	6,709
Renovations and alterations	504	513	646
Indirect expense contribution	-	-	-
	7,804	7,783	7,355
Surplus (deficit)	(108)	1	(302)
Opening fund balance (deficit)	(897)	(897)	(595)
Closing fund balance (deficit)	(1,005)	(896)	(897)

The Recreation and Athletics operations finished the year with a deficit of \$108,000, increasing the accumulated deficit to \$1,005,000. The Department of Recreation and Athletics will see various changes in 2007-2008 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 2007-08, 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 2006-2007 results and status of the Bookstore operations can be summarized as follows:

	<i>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>2005-2006 Actual \$000</i>
<u>Income</u>			
Commissions and reimbursements	1,264	1,416	1,286
<u>Expenses and Transfers</u>			
Direct expenses	1,158	1,215	1,051
Indirect expense contribution	153	153	153
	1,311	1,368	1,204
Surplus (deficit)	(47)	48	82
Opening fund balance (deficit)	354	354	272
Closing fund balance (deficit)	307	402	354

The Bookstore operations finished the year with a deficit of \$47,000. The store now has an accumulated surplus of \$307,000. In 2006-2007, the Bookstore expensed one-time fit up costs (\$128,000) related to their move to the University Centre.

2.3.3 Health and Counselling Services

The 2006-2007 results and status of the Health and Counselling Services operations can be summarized as follows:

	<i>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>2005-2006 Actual \$000</i>
<u>Income</u>			
Health Services fee	997	986	959
Staff use of services	80	80	80
Insurance recoveries / other	1,334	1,386	1,334
	2,411	2,452	2,373
<u>Expenses and Transfers</u>			
Direct expenses	2,557	2,489	2,401
Indirect expense contribution	20	21	20
	2,577	2,510	2,421
Surplus (deficit)	(166)	158	(48)
Opening fund balance (deficit)	115	115	163
Closing fund balance (deficit)	(51)	57	115

The Health and Counselling Services operations finished the year with a deficit of \$166,000. The service now has an accumulated deficit of \$51,000. 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 for 2007-2008 to improve their operating results; 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 2006-2007 results for the Housing and Conference Services operations can be summarized as follows:

	<i>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>2005-2006 Actual \$000</i>
<u>Income</u>			
Residence fees	10,112	10,114	9,767
Conference operations	2,383	2,456	2,148
Commission income	3,596	3,100	3,205
Other income	1,418	1,158	1,206
	<u>17,509</u>	<u>16,828</u>	<u>16,326</u>
<u>Expenses and Transfers</u>			
Direct expenses	10,065	11,157	11,057
Capital debt (interest and principal)	4,891	4,993	4,756
Indirect expense contribution	90	82	84
Contribution to Ancillary Capital Fund	318	243	243
	<u>15,364</u>	<u>16,475</u>	<u>16,140</u>
Surplus (deficit)	<u>2,145</u>	<u>353</u>	<u>186</u>
Opening fund balance (deficit)	2,018	2,018	1,832
Closing fund balance (deficit)	4,163	2,371	2,018

The Housing and Conference Services operations finished the year with a surplus of \$2,145,000. The service now has an accumulated surplus of \$4,163,000. The capital debt expense relates mainly to the repayment of mortgage costs for the residence buildings. Several factors account for this year's surplus. On the revenue side, enhancements to the student application process increased residence occupancy for returning students, rental revenues were up due to the Ontario Summer Games, and food service commissions were increased due to an expanded convocation event. On the expenditure side, substantial utility savings were achieved. In 2007-2008, \$2,375,000 will be drawn down against the accumulated surplus and applied against the new residence building costs.

2.3.5 Parking Services

The 2006-2007 results and status of the Parking Services operations can be summarized as follows:

	<i>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>2005-2006 Actual \$000</i>
<u>Income</u>			
Parking charges	3,009	2,944	2,768
Other income	298	252	276
	<u>3,307</u>	<u>3,196</u>	<u>3,044</u>
<u>Expenses and Transfers</u>			
Direct operating	2,505	2,553	3,046
Indirect expense contribution	47	46	42
Contribution to operations	-	-	-
	<u>2,552</u>	<u>2,599</u>	<u>3,088</u>
Surplus (deficit)	<u>755</u>	<u>597</u>	<u>(44)</u>
Opening fund balance (deficit)	770	770	814
Closing fund balance (deficit)	1525	1,367	770

The Parking Services operations finished the year with a surplus of \$755,000 in 2006-2007 compared to a budgeted surplus of \$597,000. In 2005-2006, the deficit was 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 new academic building project calls for a \$2,500,000 contribution from Parking for underground stalls. The Parking surplus balance will be needed as a contribution towards this.

2.3.6 University Centre

The 2006-2007 results and status of the University Centre operations can be summarized as follows:

	<i>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>2005-2006 Actual \$000</i>
<u>Income</u>			
Rents and other recoveries	1,168	1,168	1,372
<u>Expenses and Transfers</u>			
Direct operating	2,506	1,168	914
Surplus (deficit)	<u>(1,338)</u>	<u>-</u>	<u>458</u>
Opening fund balance (deficit)	1,305	1,305	847
Closing fund balance (deficit)	(33)	1,305	1,305

The University Centre operation is run on a cost recovery basis, with a reserve established for the purpose of renovations. Major renovations that had been postponed in prior years and planned for the current and future years, were completed 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). The overall deficit for 2006-2007 will be offset in future years when limited projects will be undertaken until the deficit is recovered.

2.3.7 Graphic Services

The 2006-2007 results and status of the Graphic Services operations can be summarized as follows:

	<i>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>2005-2006 Actual \$000</i>
<u>Income</u>			
Sales: External	1,816	1,713	1,708
Internal	2,739	2,657	2,887
Other	51	41	50
	<u>4,606</u>	<u>4,411</u>	<u>4,645</u>
Less: Cost of goods sold	(1,211)	(985)	(1,232)
Gross profit	<u>3,395</u>	<u>3,426</u>	<u>3,413</u>
<u>Expenses and Transfers</u>			
Direct operating	3,115	3,132	3,124
Indirect expense contribution	81	86	89
Contribution to Ancillary Capital Fund	181	180	185
	<u>3,377</u>	<u>3,398</u>	<u>3,398</u>
Surplus (deficit)	<u>18</u>	<u>28</u>	<u>15</u>
Opening fund balance (deficit)	144	144	129
Closing fund balance (deficit)	162	172	144

The Graphics Services operations finished the year with a surplus of \$18,000. The service now has an accumulated surplus of \$162,000.

2.3.8 Ancillary Property Rentals

The 2006-2007 results and status for the Ancillary Property Rental operations can be summarized as follows:

	<i>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>2005-2006 Actual \$000</i>
<u>Income</u>			
Rents	2,765	2,595	2,454
Interest and sundry income	37	32	61
Occupancy cost	968	941	928
	<u>3,770</u>	<u>3,568</u>	<u>3,443</u>
<u>Expenses and Transfers</u>			
Direct Operating expenses	705	635	485
Occupancy Costs	968	941	927
Capital debt (interest and principal)	1,815	1,896	1,891
	<u>3,488</u>	<u>3,472</u>	<u>3,303</u>
Surplus (deficit)	<u>282</u>	<u>96</u>	<u>140</u>

Opening fund balance (deficit)	(1,802)	(1802)	(1,942)
Closing fund balance (deficit)	(1,520)	(1,706)	(1,802)

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 2006-2007 show an decrease in the accumulated deficit of \$282,000.

Of the 2006-2007 \$1,520,000 closing fund deficit, \$1,721,000 relates to CTTC which is offset by a closing fund surplus of \$137,000 for NWRC and \$64,000 for PPC. The closing fund deficit of \$1,721,000 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 surpluses of \$137,000 for NWRC and \$64,000 PPC relate to timing differences between rental payments and corresponding costs.

2.3.9 Ancillary Capital Fund

The 2006-2007 results and status for the Ancillary Capital Fund operations can be summarized as follows:

	<i>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>2005-2006 Actual \$000</i>
<u>Income</u>			
Contributions	802	725	652
<u>Expenses and Transfers</u>			
Direct operating	692	692	612
Surplus (deficit)	110	33	40
Opening fund balance (deficit)	261	261	221
Closing fund balance (deficit)	371	294	261

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 \$692,000 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 2006-2007 results and status for the School of Linguistics and Applied Language Studies operations can be summarized as follows:

	<i>2006-2007 Actual \$000</i>	<i>2006-2007 Budget \$000</i>	<i>2005-2006 Actual \$000</i>
<u>Income</u>			
Tuition fees	2,444	2,805	2,524
<u>Expenses and Transfers</u>			
Direct operating	2,359	2,587	2,887
Indirect expense contribution	199	239	207
	<u>2,558</u>	<u>2,826</u>	<u>3,094</u>
Surplus (deficit)	<u>(114)</u>	<u>(21)</u>	<u>(570)</u>
Opening fund balance (deficit)	509	509	1,079
Closing fund balance (deficit)	395	488	509

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 \$114,000. The deficit is a result of a decline in enrolment, a trend that appears to be universal across all ESL programs in Canada. The 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 2006-2007 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 2006-2007:

	<i>2006-2007 Actual \$000</i>	<i>2005-2006 Actual \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Income and Transfers</u>			
Government grants	2,036	3,558	(1,522)
Transfers from ancillary	43	37	6
Transfers from research	7,429	8,314	(885)
Transfers from operating	31	34	(3)
Net income	9,539	11,943	(2,404)
<u>Expenses</u>			
Additions	9,475	11,880	2,405
Surplus (deficit)	64	63	1
Opening fund balance (deficit)	(90)	(153)	63
Closing fund balance (deficit)	(26)	(90)	64

The accumulated deficit of \$26,000 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 2006–2007 there was a net increase of \$1,266,000 in the Research Fund, from \$35,257,000 to \$36,523,000. Research receipts total \$84,887,000 and disbursements and net transfers out total \$83,621,000. Following Generally Accepted Accounting Principles, all restricted receipts in excess of restricted expenditures are deferred for use in future years. Deferred research revenue for 2006–2007 is \$23,735,000. (Key to acronyms is on the next page).

<u>Funding Source</u>	<i>Balance April 30, 2006 \$000</i>	<i>2006-2007 Funding \$000</i>	<i>2006-2007 Expenditure \$000</i>	<i>Balance April 30, 2007 \$000</i>
<u>Canadian Government</u>				
<u>Departments and Agencies</u>				
CIDA	814	1,130	1,594	350
Citizenship	9	316	325	0
National Defence	48	574	567	55
EMR	13	303	220	96
Environment Canada	242	219	334	127
FAIT	21	319	200	140
HRDC	0	38	38	0
Indian & Northern Affairs	13	182	132	63
Industry Canada	38	10	38	10
IDRC	232	517	492	257
Health and Welfare	11	41	25	27
NRC	62	156	170	48
Canada Customs & Revenue	6	441	441	6
Canadian Heritage	16	350	363	3
Other Federal	301	605	724	182
<u>Tri-Agency Sponsored</u>				
<u>Research</u>				
CIHR	231	999	981	249
NSERC	7,569	11,294	11,813	7,050
SSHRC	2,692	6,535	4,511	4,716
Canada Research Chairs	363	3,198	3,202	359
Indirect Cost Program	-	4,269	4,269	0
<u>Other Sponsored Research</u>				
COE	277	2,390	2,293	374
Provincial and Municipal				
Governments	271	448	422	297
CFI	1,222	19,704	21,377	(451)
Ontario Research Fund	-	3,225	4,163	(938)
Ontario ERAP	-	210	50	160
OIT	3,482	4,941	5,237	3,186
ORDCF	258	917	549	626
NOHFC	(471)	792	404	(83)
Businesses and Foundations	5,316	6,353	6,491	5,178
Foreign Governments	178	440	394	224
Research Partnership				
Agreements	1,176	2,006	1,758	1,424
<u>Total Sponsored Research</u>	<u>24,390</u>	<u>72,922</u>	<u>73,577</u>	<u>23,735</u>

<u>Funding Source – continued</u>	<i>Balance April 30, 2006</i>	<i>2006-2007 Funding</i>	<i>2006-2007 Expenditure</i>	<i>Balance April 30, 2007</i>
SNO and TRIUMF Internally Restricted Research	0	11,036	11,036	0
	10,867	929	(992)	12,788
Total Restricted Research	35,257	84,887	83,621	36,523

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
EMR	Energy, Mines and Resources
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>		18,826
Adjustments:	a) Capital purchases in excess of amortization	(11,797)
	b) Increase in operating appropriations (2.2.2)	(10,866)
	c) Research surplus (internally restricted) increase (2.5.2)	(1,921)
	d) Enterprise surplus (internally restricted) decrease	104
	e) Scholarship surplus (internally restricted) increase	(2)
	f) Vacation pay increase	1,190
	g) Gain on unrestricted endowment	(50)
	h) Employee future benefit expense in excess of cash payment	7,249
	Total	2,733
Represented by:	Operating surplus (section 1.1)	1,018
	Ancillary surplus (section 2.3)	1,651
	Plant deficit decrease (section 2.5.1)	64
	Total	2,733

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 2006-2007 the following entries were made:

	<u>\$000</u>
Amortization of capital assets	21,646
Less: Amortization of deferred contributions	(8,425)
2006-2007 capital assets additions	(43,689)
Increase in financing of capital assets	18,671
	<u>(33,443)</u>
Difference	<u>(11,797)</u>

The \$11,797,000 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 \$11,797,000 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 \$1,921,000 during 2006-2007. As these funds are earmarked for the continuation of the research activity being funded, this \$1,921,000 (\$929,000 + \$992,000) 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 \$104,000 (\$3,621,000 - \$3,725,000) during 2006-2007. 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 \$104,000 relates to two areas: Enterprise operations and Non-Credit Course operations. The Enterprise operation balances have increased by \$10,000 (\$3,226,000 - \$3,216,000) and the Non-Credit Course operation balances have decreased by \$114,000 (\$395,000 - \$509,000). 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 (\$4,000 - \$2,000) during 2006-2007. 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 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 2006-2007 resulted in an increase of \$1,190,000, 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 2006-2007 the following entries were made:

	<u>\$000</u>
Employee future benefits	9,984
Less: 2006-2007 contributions removed from expenditure	<u>(2,735)</u>
Difference	<u>7,249</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, 2007 were as follows:

	<u>2007</u>	<u>2006</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	23,768	28,717	(4,949)
Deferred revenue	43,113	47,389	(4,276)
Current portion of long term debt	1,433	1,597	(164)
Long term liabilities:			
Accrued vacation pay	7,664	6,474	1,190
Employee future benefits	77,318	70,069	7,249
Long term debt	63,129	70,410	(7,281)
Net assets:			
Endowment fund	182,575	170,107	12,468
Internally restricted funds	95,254	81,008	14,246
	<u>277,829</u>	<u>251,115</u>	<u>26,714</u>
Total – Sources	<u>494,254</u>	<u>475,771</u>	<u>18,483</u>

	<i>2007</i> <i>Actual</i> \$000	<i>2006</i> <i>Actual</i> \$000	<i>Increase</i> <i>(Decrease)</i> \$000
<u>Applications</u>			
Short term assets:			
Cash and short-term investments	86,356	81,568	4,788
Accounts receivable	19,763	15,647	4,116
Prepaid expenses	1,773	2,497	(724)
Current portion of new investment in lease	373	349	24
Long term assets:			
Accounts receivable	573	-	573
Net investment in lease	14,589	14,962	(373)
Investments	189,836	176,083	13,753
Capital assets:			
	336,687	314,644	22,043
Less: Investment in capital assets	(121,024)	(108,872)	(12,152)
Deferred capital contributions	(132,849)	(112,017)	(20,832)
Net assets:			
General operating fund (deficit)	12,144	13,162	(1,018)
Other funds (deficits)	1,051	1,205	(154)
Provision for employee future benefits	77,318	70,069	7,249
Provision for vacation pay	7,664	6,474	1,190
	98,177	90,910	7,267
Total - Applications	494,254	475,771	18,483

3.2 Source of University Resources

3.2.1 Accounts Payable: \$23,768,000

The accounts payable as at April 30, 2007 comprised:

	<i>2007</i> \$000	<i>2006</i> \$000	<i>Increase</i> <i>(Decrease)</i> \$000
Due to suppliers	3,185	7,314	(4,129)
Construction accruals and holdbacks	2,431	6,350	(3,919)
Payroll taxes and pension	12,965	7,976	4,989
Amounts held on deposit	1,518	1,994	(476)
Other taxes payable	522	407	115
Other payables and accrued liabilities	3,147	4,676	(1,529)
Total	23,768	28,717	(4,949)

3.2.2 Deferred Revenue:
\$43,113,000

Deferred revenue as at April 30, 2007 comprised:

	2007 \$000	2006 \$000	Increase (Decrease) \$000
a) Government grants	3,701	5,465	(1,764)
b) Research	23,735	24,390	(655)
c) Scholarships	6,401	6,562	(161)
d) Parker loans	1,035	1,035	-
e) Donations	2,972	3,351	(379)
f) Other items	5,269	6,586	(1,317)
Total	43,113	47,389	(4,276)

Notes:

- a) Of the \$3,701,000 in deferred grant revenue, \$1,749,000 relates to Facility Renewal funds and \$612,000 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:
\$1,433,000

The current portion of long-term debt is defined as the amount coming due within the next fiscal year. This totalled \$1,433,000 as at April 30, 2007, a decrease of \$164,000 over last year.

3.2.4 Accrued Vacation Pay:
\$7,664,000

The \$7,664,000 compares to \$6,474,000 one year earlier for an increase of \$1,190,000. 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:
\$77,318,000**

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:
\$63,129,000**

The loans and mortgages payable are described in some detail in note 9 of the audited financial statements at the beginning of this report.

**3.2.7 Net Assets, providing a source of resources:
\$277,829,000**

The net assets that constitute a source of resources are:

	2007 \$000	2006 \$000	Increase (Decrease) \$000
Internally restricted funds	95,254	81,008	14,246
Endowment fund	182,575	170,107	12,468
Total	<u>277,829</u>	<u>251,115</u>	<u>26,714</u>

Notes:

a) The internally restricted net assets as at April 30, 2007, consist of the following:

	<u>\$000</u>
Appropriated operating funds (section 2.2.2)	72,313
Appropriated ancillary funds (section 2.3)	6,528
Internally restricted research balances (section 2.5.2)	12,788
Enterprise funds	3,621
Scholarship funds	4
	<u>95,254</u>

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

	<u>\$000</u>
Nominal Value at April 30, 2007	182,575
Nominal Value at April 30, 2006	<u>170,107</u>
Increase in Nominal Value	<u>12,468</u>

The \$12,468,000 increase was achieved as follows:

	<u>\$000</u>
Gifts, bequests and other additions (per below)	5,947
Gain on sale of investments	11,658
Investment income	6,735
	<u>24,340</u>
Less: Distributed for endowed spending	(7,383)
Direct and indirect operating costs	(820)
Investment management fees	(3,669)
Increase in nominal value	<u>12,468</u>

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

	<u>\$000</u>
Laurel Fund Leadership Award	1,483
Ontario Student – Research in Dementia	502
Donald R. Yeomans Bursary	500
Carleton University Alumni Association Bursary	364
Jeff Maclean Bursary	334
Centre for Jewish Studies	300
Ontario Trust Fund Support	297
Graduate Award for Research in Dementia	200
Riordon Scholarship	200
Liv-Ellen Lockeberg Memorial Bursary	200
Hilda Irene Lief Memorial Bursary	193
Alumnus Graduation Scholarship in Geology & Environmental Studies	171
William Barton Awards	162
Carleton Alumni Association Leadership Award	154
Alumnus Environmental Studies	150
Alice Anne & Evelyn Thelma	143
Dr. George a. Jeletzky Memorial Scholarship	112
Canada - China Friendship Scholarship	100
ScotiaBank School in International Business	100
EI – Aggan Muslim Family Award	100
Other additions (<\$100,000)	182
Total additions	<u>5,947</u>

The realized investment returns for the year totalled \$18,393,000. The amount distributed for endowed spending in 2006-2007 was \$7,383,000. This represents a distribution of \$3.91 per unit held in the investment pool. In addition, \$3,669,000 was paid to investment managers during the year and \$820,000 in direct and indirect expenditures were charged to the fund.

The market value of the endowment fund at April 30, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
Marketable securities	231,947	207,855	24,092
Under (over) invested	1,749	1,177	572
Total	<u>233,696</u>	<u>209,032</u>	<u>24,664</u>

The increase in the market value is established as follows:

	<u>\$000</u>
Realized investment revenue	6,735
Gain on sale of investments	11,658
Change in unrealized market gain	12,196
Total appreciation	<u>30,589</u>
Less: Distributed for endowed spending	(7,383)
Investment management fees and operating costs	(4,489)
Add: Capital additions (gifts, bequests, and other)	<u>5,947</u>
Total increase in market value	<u>24,664</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: \$86,356,000

The cash and short term investment balance is as follows:

	<u>2007</u>	<u>2006</u>	<u>Increase</u>
	<u>\$000</u>	<u>\$000</u>	<u>(Decrease)</u>
			<u>\$000</u>
Cash balance	(6,624)	11,244	(17,868)
Short term investments	92,980	70,324	22,656
Total	<u>86,356</u>	<u>81,568</u>	<u>4,788</u>

3.3.2 Accounts Receivable: \$19,763,000

	<u>2007</u>	<u>2006</u>	<u>Increase</u>
	<u>\$000</u>	<u>\$000</u>	<u>(Decrease)</u>
			<u>\$000</u>
a) Student accounts	4,800	4,457	343
b) Student associations	629	165	464
c) General accounts receivable	1,359	1,266	93
d) Staff computer loans	55	82	(27)
e) G.S.T. receivable	947	934	13
f) Municipal taxes	479	471	8
g) Bookstore	142	78	64
h) Union groups	107	71	36
i) Research funds	8,833	8,165	668
j) Student loans	11	18	(7)
k) Food service provider	382	310	72
Other receivables	2,888	1,685	1,203
Sub-total	<u>20,632</u>	<u>17,702</u>	<u>2,930</u>

	2007 \$000	2006 \$000	<i>Increase (Decrease) \$000</i>
l) Less: Allowance for doubtful accounts	(869)	(2,055)	1,186
Total	19,763	15,647	4,116

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, 2007. Students cannot however register for additional courses if a balance is outstanding. As at July 24, 2007, the student account receivable balance has been reduced to \$2,921,000 from the \$4,800,000 as at April 30, 2007. The \$4,800,000 represents 3.50% (2006 – 3.44%) of the 2006-2007 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.
- 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 2006-2007 amount receivable is due from Follett Books and represents commission income related to 2006-2007 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.
- 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 2006-2007 amount receivable from Aramark represents commission and profit share income related to the 2006-2007 operations.

- l) Allowance for doubtful accounts: The allowance includes \$693,000 for student fees, while the balance is for items written off in the normal course of University business. During the year, the \$1,285,000 allowance for the Almerco research contract was deemed unrecoverable and written off against the receivable balance.

3.3.3 Prepaid Expenses: \$1,773,000

Prepaid Expenses as at April 30, 2007 comprised:

	2007 \$000	2006 \$000	<i>Increase (Decrease)</i> \$000
Insurance	520	469	51
Licences	245	625	(380)
Physical Plant supplies	556	655	(99)
Other	452	748	(296)
Total	1,773	2,497	(724)

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: \$373,000

The current portion of net investment in lease is defined as the amount collectible within the next fiscal year. This totalled \$373,000 at April 30, 2007 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 5 of the audited financial statements.

3.3.5 Net Investment in Lease: \$14,589,000

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 5 of the audited financial statements.

3.3.6 Investments:
\$189,836,000

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

	2007 \$000	2006 \$000	Increase (Decrease) \$000
Investments held for:			
Endowment	183,113	170,120	12,993
Residence sinking fund	4,713	4,308	405
Parker Loan fund	1,063	1,026	37
CRPP fund	382	629	(247)
NWRC capital reserve	565	-	565
Total	189,836	176,083	13,753

Investments are shown at cost on the balance sheet. The Market value as at April 30, 2007 was \$239,584,000 compared to \$214,789,000 one year earlier, for an increase of \$24,795,000.

3.3.7 Capital Assets: \$336,687,000
Investment in Capital Assets: \$121,024,000
Deferred Capital Contributions: \$132,849,000

The net value of capital assets as at April 30, 2007 comprised:


	2007 \$000	2006 \$000	Increase (Decrease) \$000
Capital Assets:			
Land and buildings	333,747	325,308	8,439
Building improvements	25,209	8,954	16,255
Equipment and furnishings	74,142	73,508	634
Computers and software	21,694	52,941	(31,247)
Automobile	409	453	(44)
Leasehold improvements	-	92	(92)
Library and art collections	50,922	67,231	(16,309)
	506,123	528,487	(22,364)
Less: Accumulated depreciation	(169,436)	(213,843)	44,407
Net capital assets	336,687	314,644	22,043

	2007 \$000	2006 \$000	Increase (Decrease) \$000
Funding:			
Investment in capital assets	121,024	108,872	12,152
Deferred capital contributions	132,849	112,017	20,832
Total funding	253,873	220,889	32,984
Unfunded assets	82,814	93,755	(10,941)
Financed by:			
Mortgages payable	14,343	14,528	(185)
Less: Sinking fund	(10,651)	(10,246)	(405)
	3,692	4,282	(590)
Bank borrowing	79,122	89,473	(10,351)
Total	82,914	93,755	(10,941)


**3.3.8 Net Assets, requiring an application of resources:
\$98,177,000**

The net assets classified as an application of resources include:

	2007 \$000	2005 \$000	Increase (Decrease) \$000
Operating deficit	(12,144)	(13,162)	1,018
Ancillary deficits	(1,025)	(1,115)	90
Plant deficit	(26)	(90)	64
	(13,195)	(14,367)	1,172
Provision for employee future benefits	(77,318)	(70,069)	(7,249)
Provision for vacation pay	(7,664)	(6,474)	(1,190)
Total	(98,177)	(90,910)	(7,267)



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



 J.T. Sullivan
 Director of Finance

**GENERAL OPERATING FUND 2006-2007
INCOME, EXPENSES AND ACCUMULATED DEFICIT
COMPARISON TO BUDGET (MAY 2006) AND 2005-06**

	2006-07		Actual to Budget		2005-06		Actual to Prior Year	
	Actual \$000's	Budget \$000's	\$000's	%	Actual \$000's	\$000's	%	
<u>INCOME</u>								
Government Grant	149,622	133,303	16,319	12.2	131,595	18,027	13.7	
Tuition Fees	112,771	109,989	2,782	2.5	106,935	5,836	5.5	
Miscellaneous Income	8,101	6,199	1,902	30.7	7,148	953	13.3	
Interest Income	4,811	2,900	1,911	65.9	3,315	1,496	45.1	
Departmental Income	3,518	2,777	741	26.7	3,437	81	2.4	
Total Operating Income	278,823	255,168	23,655	9.3	252,430	26,393	10.5	
<u>EXPENSES</u>								
Faculty of Arts & Social Sciences	34,647	33,466	1,181	3.5	32,184	2,463	7.7	
Faculty of Public Affairs and Management	23,834	22,895	939	4.1	26,104	(2,270)	(8.7)	
Sprott School of Business	6,290	6,528	(238)	(3.6)	0	6,290	n/a	
Faculty of Science	16,443	17,916	(1,473)	(8.2)	15,710	733	4.7	
Faculty of Engineering	19,797	19,807	(10)	(0.1)	17,321	2,476	14.3	
Academic Admin. & Student Services	43,839	38,783	5,056	13.0	24,666	19,173	77.7	
Library	13,398	13,769	(371)	(2.7)	12,009	1,389	11.6	
Research	1,728	2,708	(980)	(36.2)	17,524	(15,796)	(90.1)	
Finance & Administration	30,611	28,001	2,610	9.3	27,784	2,827	10.2	
President	4,084	4,226	(142)	(3.4)	4,445	(361)	(8.1)	
Advancement	2,915	3,007	(92)	(3.1)	1,973	942	47.7	
University Budgets	55,142	52,900	2,242	4.2	47,629	7,513	15.8	
Interfund Transfers (net)	14,211	10,162	4,049	39.8	24,707	(10,496)	(42.5)	
Sub-Total Operating Expenses	266,939	254,168	12,771	5.0	252,056	14,883	5.9	
Net Appropriations	10,866	0	10,866		(1,428)	12,294		
Total Expenses	277,805	254,168	23,637	9.3	250,628	27,177	10.8	
Deficit Reduction for the Year	1,018	1,000	18		1,802	(784)		
Opening Accumulated Deficit	(13,162)	(13,162)	0		(14,964)	1,802		
Closing Accumulated Deficit	(12,144)	(12,162)	18		(13,162)	1,018		

Note: 2006-2007 budget figures reflect the opening May 1, 2006 budget. Reallocations have been made to assist in comparison.

Carleton University Ancillary Operations
Income and Expenditure as Compared to Budget (February 2007)
and Accumulated Operating Results as at April 30, 2007

	2006-07 Actual			2006-07 Budget			Actual as Compared to Budget			Accumulated Surplus (Deficit)	
	Income	Expenses & Transfers	Surplus (Deficit)	Income	Expenses & Transfers	Surplus (Deficit)	Income	Expenses & Transfers	Surplus (Deficit)	Opening	Closing
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Recreation and Athletics	7,696	7,804	(108)	7,784	7,783	1	(88)	21	(109)	(897)	(1,005)
Bookstore	1,264	1,311	(47)	1,416	1,368	48	(152)	(57)	(95)	354	307
Health Services	2,411	2,577	(166)	2,452	2,510	(58)	(41)	67	(108)	115	(51)
Housing and Conference Services	17,509	15,364	2,145	16,828	16,475	353	681	(1,111)	1,792	2,018	4,163
Parking	3,307	2,552	755	3,196	2,599	597	111	(47)	158	770	1,525
University Centre	1,168	2,506	(1,338)	1,168	1,168	0	0	1,338	(1,338)	1,305	(33)
Graphic Services	3,395	3,377	18	3,426	3,398	28	(31)	(21)	(10)	144	162
Ancillary Property Rentals	3,770	3,488	282	3,568	3,472	96	202	16	186	(1,802)	(1,520)
Ancillary Capital Fund	<u>802</u>	<u>692</u>	<u>110</u>	<u>725</u>	<u>692</u>	<u>33</u>	<u>77</u>	<u>0</u>	<u>77</u>	<u>261</u>	<u>371</u>
Total Ancillaries	<u>41,322</u>	<u>39,671</u>	<u>1,651</u>	<u>40,563</u>	<u>39,465</u>	<u>1,098</u>	<u>759</u>	<u>206</u>	<u>553</u>	<u>2,268</u>	<u>3,919</u>

Unappropriated fund balance (2,699) (2,609)

Appropriated fund balance 4,967 6,528

2,268 3,919