



Carleton
UNIVERSITY

2009-2010

**FINANCIAL REPORT
TO THE
BOARD OF GOVERNORS**

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

SCHEDULE 1
SCHEDULE 2

NOTES ON FINANCIAL STATEMENTS SUMMARY REPORT 2009-2010

Consolidated Statement of Operations - Operating Fund

Operating revenues exceeded expenses by \$1.9 million in 2009-2010. This compares to a budgeted surplus of \$1.0 million, and is consistent with the previous year. A breakdown and comparison follows:

	<i>2009-2010 Actual \$M</i>	<i>2009-2010 Budget \$ M</i>	<i>2008-2009 Actual \$ M</i>
Deficit reduction for the year	1.9	1.0	1.9

The 2009-2010 approved Budget projected a reduction in the accumulated deficit of \$1.0 million, which the actual result exceeded by \$0.9 million. A summary of the individual budgetary improvements and shortfall is set out below. It excludes items where specific income was offset by related expenditure (section 2.1 of the Notes).

Deficit Reduction: \$0.9 million above budget

Income: \$9.6 million above budget

As outlined in section 2.2.3, the income items over budget were: Grant income \$5.4 million, Tuition income \$3.9 million, and Miscellaneous income \$1.3 million. Income items below budget: Interest income \$0.9 million.

Expenses and Appropriations: \$8.7 million above budget

Allocations less than contingency funds -	\$(6.8) million savings
New appropriations -	\$17.1 million cost
Unspent and unappropriated allocations -	\$(1.6) million savings

Accumulated Deficit: \$0.9 lower than original estimate

The accumulated operating deficit (excluding provisions for vacation pay and post retirement benefits) at April 30, 2010 was therefore \$6.0 million, \$0.9 million less than projected.

Ancillary Operations: \$4.2 million surplus

The ancillary operations finished the year with a net surplus of \$4.2 million. The net surplus consists of a \$3.3 million increase in reserves accumulated by some operations, and \$0.9 million decrease in accumulated deficits for other operations. Those ancillary services with accumulated deficits totalled \$0.4 million at April 30, 2010. The results of the individual services varied considerably. Each service is reviewed in section 2.3 of the Notes.

Statement of Financial Position (balance sheet)

The most notable change in the balance sheet this year is the impact improved market conditions have had on our investments, which have increased in fair value \$30.1 million from the prior year. This increase is after the liquidation of \$5.6 million in bonds held for the sinking fund liability, which came due on April 1, 2010. The endowment fund, which holds the majority of our investments, increased in value by \$34.8 million. This net increase was comprised of \$5.0 million in gifts, \$7.4 million in realized capital gains and investment revenue, \$32.9 in unrealized gains and a distribution of funds for spending of \$10.1 million. A more complete analysis of the endowment fund is included in section 3.2.7.

The other notable change from the previous year's balance sheet is the \$28.8 million increase in capital assets which are analyzed in note 7 of the audited financial statements. The majority of the increase is due to the two academic buildings currently under construction.



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September 2010

NOTES ON FINANCIAL STATEMENTS

2009-2010

1. INTRODUCTION

1.1 2009-2010 Operating Results

The operating result for the year shows a reduction in the accumulated deficit of \$1,919,000. This compares to an original projection of \$1,000,000 and a decrease of \$28,000 from the previous year.

The variation in the operating results is the result of increased grant, tuition and miscellaneous income of \$10,549,000, plus a shortfall of \$940,000 in short term interest income.

On the expenditure side, favourable budget variances in university budgets and contingencies increased the contribution towards the accumulated deficit by \$8,385,000 while new appropriations decreased the contribution by \$17,075,000.

The net result of \$9,609,000 in positive income adjustments, and \$8,690,000 in negative expenditure adjustments was therefore a \$1,919,000 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, 2010 was \$5,991,000. This compares to \$7,910,000 as at April 30, 2009 and the 2009-2010 opening budget projection of \$6,910,000.

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 2009-2010 operating budget as approved by the Board of Governors in Spring 2009.

In the sections 2.1, 2.2 and Schedule 1 which follow, the operating income and expenses are analyzed and compared to the budget. The income and expenses of the Ancillary, Plant, and Research operations are reviewed in sections 2.3 to 2.4, and a reconciliation of these results to the audited financial statements is provided in section 2.5.

2.1 Operating Income

Operating income totalled \$302,913,000 in 2009-2010. This compares to an original budget of \$288,247,000 and a total for the previous year of \$287,368,000. Total operating income was therefore \$14,666,000 (5.1%) above budget, and \$15,545,000 (5.4%) above the previous year.

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>Variance \$000</i>
Revenues	302,913	288,247	14,666
Items offset by Expenditures (2.2.1)	5,057	-	5,057
Net Revenues	<u>297,856</u>	<u>288,247</u>	<u>9,609</u>

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

2.1.1 Government Operating Grants

The \$148,660,000 included in Schedule 1 is \$9,808,000 (7.1%) above the original estimate, and \$2,872,000 (2.0%) more than the previous year. A comparison to the estimate in the original budget is set out below:

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items Affecting the Operating Result</u>			
Basic Operating Grant	125,712	125,782	(70)
Research Overheads	4,975	4,978	(3)
Access to Higher Quality Education Fund	6,576	4,792	1,784
Performance Funding	604	623	(19)
Accessibility Fund	5,808	2,091	3,717
Subtotal	<u>143,675</u>	<u>138,266</u>	<u>5,409</u>
<u>Items offset by expenses</u>			
Access for the Disabled	1,163	586	577
Student Aid Funds	3,507	-	3,507
Other Government Grants	315	-	315
Subtotal	<u>4,985</u>	<u>586</u>	<u>4,399</u>
Total Government Grants	<u>148,660</u>	<u>138,852</u>	<u>9,808</u>

Omitting special purpose grants, the operating revenue from the Ministry of Training, Colleges and Universities was \$5,409,000 above the original projection. The increase from the original projection relates mainly to additional Accessibility grant funding linked to undergraduate enrolment.

2.1.2 Tuition Fees – Credit Programs

Tuition income totalled \$139,329,000 in 2009-2010. This represents an increase of \$13,850,000 (11.0%) over the previous year, and is \$3,959,000 (2.9%) above the original estimate. Details of the 11.0% 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>		
2008-2009	17,820	2,923	20,743	125,479
2009-2010	18,628	2,951	21,579	139,329
Increase (Decrease)	808	28	836	13,850
%	4.5%	1.0%	4.0%	11.0%

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

All but \$32,000 of the additional tuition revenue, allocated by a formula adjustment to the Centre for Initiatives in Education, went to improving the operating result of the University. This improvement is a direct result of increases in undergraduate enrolment, both domestic (4.0%) and international (8.0%).

2.1.3 Miscellaneous Income

Miscellaneous income totalled \$9,507,000 in 2009-2010, which is \$1,489,000 over the original budget, and \$1,101,000 more than the previous year. Miscellaneous income consists of non-tuition administrative fees and charges to students, various recoveries from parties external to the University, as well as the Ancillary enterprises and certain non-credit operations. Details are as follows:

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items affecting the operating result</u>			
Application and admission fees	1,657	1,535	122
Deferred payment and processing fees	2,034	1,951	81
Omnibus fee	767	720	47
Internal overhead charges	1,847	1,636	211
Library and other fines	207	200	7
Facility rentals	719	730	(11)
Career and Co-op Placement Services	1,240	909	331
University of Ottawa exchange revenue	81	-	81
Other miscellaneous	546	211	355
Subtotal	9,098	7,892	1,206
<u>Items offset by additional expenditures</u>			
Other income	409	126	283
Subtotal	409	126	283
Total Miscellaneous Income	9,507	8,018	1,489

2.1.4 Interest Income

Interest income totalled \$2,260,000 in 2009-2010, which was \$940,000 below budget, and \$2,190,000 below the previous year. The negative variance is due to lower short term investment returns, as interest rates remained low throughout the year.

2.1.5 Departmental Income

The following items are included in departmental income:

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items offset by additional expenditures</u>			
Instructional Media Services and CUTV	801	780	21
Computing	224	225	(1)
Pension plan administration	217	213	4
Centre for Initiatives in Education	530	477	53
Ombudsperson	87	90	(3)
Salary recoveries	208	146	62
Science and Technology Centre	186	160	26
Paul Menton Centre	106	103	3
Alumni and external contributions	523	486	37
Other	253	112	141
Subtotal	3,135	2,792	343
<u>Items affecting the operating result</u>			
Benefit recoveries	22	15	7
Total Department Income	3,157	2,807	350

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 \$282,582,000 in 2009-2010. This represents a \$4,665,000 (1.6%) decrease from the original expense budget, of \$287,247,000 and a \$314,000 (0.1%) decrease from the previous year's total of \$282,896,000. Total appropriations from the operating fund balance at the end of 2009-2010 amounted to \$55,204,000. This represents a net increase of \$18,412,000 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	282,582
Opening budget	<u>287,247</u>
Expenditures in excess of budget	<u>(4,665)</u>

The items included in the \$4,666,000 decrease in expenditures and transfers were:

	<u>\$000</u>	<u>\$000</u>
a) <u>Salary Increases</u>		
2009-2010 Cost	7,164	
Less: Contingency in opening budget	<u>7,351</u>	
Savings		(187)
b) <u>Mid-Year Allocations</u>		
Total allocations	1,384	
Less: Opening contingency	<u>1,678</u>	
Savings		(294)
c) <u>Enrolment Incentive</u>		
2009-2010 cost	6,362	
Less: Opening contingency	<u>5,932</u>	
Cost		430
d) <u>Sabbatical Leave Savings</u>		
Total 2009-10 savings	1,676	
Less: Planned savings	<u>1,100</u>	
Additional savings		(576)
e) <u>Other Contingencies</u>		
2009-2010 cost	-	
Less: Opening contingency	<u>6,211</u>	
Savings		(6,211)
Total under-spent contingencies		<u>(6,838)</u>

	\$000	\$000
<u>(Unspent) overspent balances not appropriated:</u>		
f) Provision for bad debt	531	
g) Utilities	(1,523)	
h) Professional Fees	(168)	
i) Benefits	(248)	
j) Transfers	(204)	
Other	65	
Subtotal		(1,547)
<u>Expenditures funded by additional income:</u>		
Government grant (section 2.1.1)	4,399	
Tuition income (section 2.1.2)	32	
Miscellaneous income (section 2.1.3)	283	
Departmental income (section 2.1.5)	343	
		5,057
Expenditures funded by returned appropriations	36,792	
Total appropriations in 2009-2010	55,204	
Net appropriations (section 2.2.2)	(18,412)	
Add: New appropriations (section 2.2.2)	17,075	
		(1,337)
Total expenditures and transfers in excess of budget		(4,665)

Notes:

- a) Salary Increases: The cost of compensation increases in 2009-2010 totalled \$7,164,000 against a contingency of \$7,351,000 in the opening budget. This represents a savings of \$187,000.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totalled \$1,384,000 in 2009-2010 as compared to a budget of \$1,678,000. An analysis of the allocations follows:

Allocations from the Mid-Year Contingency Fund:

	\$000
Advancement	858
Graduate enrolment targets and term position	250
Carleton International	175
Senior Administrator Searches	101
Total allocations	1,384
Opening contingency	(1,678)
Savings	(294)

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

- c) Enrolment Incentive Plan: A new enrolment-linked budget incentive (ELBA) was initiated in 2009-10 whereby Faculties would receive 40% of the net revenue from enrolment growth in their areas. The plan was very successful, as indicated by our grant and tuition revenue growth, and allocations to the Faculties exceeded budget by \$430,000. See Sections 2.1.1 and 2.1.2.
- d) Sabbatical Leave Savings: The actual savings related to sabbatical leaves totalled \$1,676,000 as compared to the budget of \$1,100,000. The excess of \$576,000 in planned savings improves the operating results.

- e) Other Contingencies: The original budget for 2009-10 included a \$5,000,000 provision for the new academic buildings currently under construction and a \$1,211,000 amount to offset increases in the minimum guarantee portion of the University's pension plan. The \$52,500,000 awarded by the Federal and Provincial government's Knowledge Infrastructure Program (KIP) replaced the University's commitment for 2009-10, while the pension increase was absorbed with the benefits budget. The unused 2009-10 funds were carried forward as part of the new initiatives appropriation.
- f) Provision for Bad Debt: The provision for bad debt relates mainly to student tuition fees. The total allowance for bad debt in 2009-2010 was \$1,621,000, which was \$531,000 over budget, and represents approximately 1% of tuition fees assessed. The University is currently putting systems in place to reduce the bad debts from tuition fees by reducing the fees assessed to students who ultimately do not attend the University.
- g) Utilities: The savings achieved this year are due largely to pricing in the oil and gas markets. The 2009-10 budget was set conservatively given the volatility in these markets.
- h) Professional Fees: The reduction this year relates mostly to legal fee savings. The University has been very effective in handling many issues in-house resulting in fewer issues requiring outside counsel.
- i) Benefits: Staff benefit costs were \$248,000 below budget in 2009-10. These savings relate almost entirely to a WSIB experience rating refund.
- j) Interfund Transfers: The transfer budget exceeded the actual costs by \$204,000. This relates mainly to contract overhead recoveries coming from the Research Fund which exceeded the original budget by \$140,000. 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 2009-2010 and 2008-2009 are as follows:

	<u>2009-2010</u> \$000	<u>2008-2009</u> \$000
General operating budget and contingency	573	542
Vice-President (Research and International)	183	177
<u>Faculties</u>		
Faculty of Arts and Social Sciences	89	62
Engineering	249	211
Science	139	183
Public Affairs	82	156
Business	34	0
Total	<u>1,349</u>	<u>1,331</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 2009-2010	55,204
Returned from 2008-2009 fund balance	<u>36,792</u>
Increase in appropriated fund balance	<u>18,412</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	11,316	15,544	4,228
Academic Administration and Student Services	3,126	3,739	613
Library	448	735	287
President	596	885	289
Research and International	834	175	(659)
Finance and Administration	12,236	12,906	670
Advancement	(563)	61	624
Professional Development Allowances	83	96	13
Campus Network and Computing Infrastructure	2,525	1,022	(1,503)
Mandated Student Aid	-	70	70
HCI Building	1,089	1,460	371
Self-insurance fund	102	74	(28)
Pending commitments	-	255	255
New Academic Buildings	-	1,107	1,107
New allocations	5,000	17,075	12,075
Total	<u>36,792</u>	<u>55,204</u>	<u>18,412</u>

In addition, \$53,351,000 in prior year appropriations were not returned during 2009-2010. The \$53,351,000 relates to:

	<u>\$000</u>
Pension liability reserve	14,902
New Academic Buildings	36,017
Deferred maintenance	1,065
Staff benefits equalization	475
Self-insurance fund	163
Graduate enrolment incentives	600
Other	129
Total appropriations not returned	<u>53,351</u>

New allocations consist of appropriations of unspent funds in addition to those included in the original budget. For 2009-2010 the new allocations consist of:

	<u>\$000</u>
Reserve for pension liability	14,075
Renovations	2,000
Equipment and new initiatives	1,000
Net new appropriations	<u>17,075</u>

2.2.3 Operating Result

As noted in section 1 above, the actual results show a reduction in the accumulated deficit of \$1,919,000, which represents an improvement of \$919,000 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 \$919,000 improvement in the operating results.

	Deficit Reduction		
	<i>Increase</i> \$000	<i>Decrease</i> \$000	<i>Net</i> \$000
<u>Income Variations</u>			
Government grants (section 2.1.1)	5,409		
Tuition fees (section 2.1.2)	3,927		
Miscellaneous income (section 2.1.3)	1,206		
Interest income (section 2.1.4)		(940)	
Departmental income (section 2.1.5)	7		
Total income variations	10,549	(940)	9,609
<u>Expenditure Variations</u>			
Unspent contingencies (section 2.2.1)	6,838		
Unspent allocations (section 2.2.1)	1,547		
New appropriations (section 2.2.2)		(17,075)	
Net effect of expense variations	8,385	(17,075)	(8,690)
Net increase of \$947,000 in deficit reduction	18,934	(18,015)	919

2.2.4 Accumulated Deficit

The accumulated operating deficit as at April 30, 2010 amounted to \$5,991,000. This compares to an original estimate of \$6,910,000 and previous year's total of \$7,910,000.

2.3 Ancillary Operations - Operating Results and Fund Balances

Schedule 2, at the end of this Report, details the 2009-2010 operations of the ancillaries as compared to the original budget. Overall the ancillary results can be summarized as follows:

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>2008-2009 Actual \$000</i>
Income and internal recoveries	49,256	47,659	47,356
Expenses and transfers	45,064	44,788	41,631
Surplus (deficit)	4,192	2,871	5,725

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 2010 \$000</i>	<i>Balance at April 2009 \$000</i>	<i>Variance \$000</i>
Ancillaries with an accumulated surplus	12,190	8,877	3,313
Ancillaries with an accumulated deficit	(373)	(1,252)	879
	11,817	7,625	4,192

Of the \$4,192,000 surplus recognized in the ancillaries, \$3,313,000 represents an increase to reserves established from previous surpluses, while \$879,000 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 2009-2010 results and status of the Recreation and Athletics operations can be summarized as follows:

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>2008-2009 Actual \$000</i>
<u>Income</u>			
Athletic fees	3,378	3,348	3,161
Other income	6,155	5,278	5,793
	9,533	8,626	8,954
<u>Expenses and Transfers</u>			
Direct expenses	8,437	7,944	7,917
Renovations and alterations	591	554	550
Indirect expense contribution	-	-	-
	9,028	8,498	8,467
Surplus (deficit)	505	128	487
Opening fund balance (deficit)	(273)	(273)	(760)
Closing fund balance (deficit)	232	(145)	(273)

The Recreation and Athletics operations finished the year with a surplus of \$505,000, resulting in an accumulated balance of \$232,000. Approximately \$450,000 of the increase in income over 2008-2009, was related to increased memberships, while \$370,000 related to increase in rental revenues as a result of improvements in facilities management. Accounting for the costs to service the increased memberships, as well as other increased expense variations, resulted in an increased deficit repayment of \$377,000 as compared to budget. The Department of Recreation and Athletics continues to see various changes to improve operating results. The department was successful in receiving support by the undergraduate students for an annual CPI increase to the ancillary fee, which is the first step towards long-term financial stability.

2.3.2 Bookstore

The 2009-2010 results and status of the Bookstore operations can be summarized as follows:

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>2008-2009 Actual \$000</i>
<u>Income</u>			
Commissions and reimbursements	1,236	1,389	1,290
<u>Expenses and Transfers</u>			
Direct expenses	1,075	1,228	1,243
Indirect expense contribution	153	153	153
	<u>1,228</u>	<u>1,381</u>	<u>1,396</u>
Surplus (deficit)	<u>8</u>	<u>8</u>	<u>(106)</u>
Opening fund balance (deficit)	206	206	312
Closing fund balance (deficit)	214	214	206

The Bookstore operations finished the year with a surplus of \$8,000. The store now has an accumulated surplus of \$214,000. In 2008-2009, the Bookstore expensed renovations related to the move to the University Centre in the amount of \$250,000.

2.3.3 Health and Counselling Services

The 2009-2010 results and status of the Health and Counselling Services operations can be summarized as follows:

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>2008-2009 Actual \$000</i>
<u>Income</u>			
Health Services fee	1,109	1,115	1,040
Staff use of services	28	28	80
Insurance recoveries / other	1,634	1,540	1,521
	<u>2,771</u>	<u>2,683</u>	<u>2,641</u>
<u>Expenses and Transfers</u>			
Direct expenses	2,760	2,624	2,616
Indirect expense contribution	26	23	26
	<u>2,786</u>	<u>2,647</u>	<u>2,642</u>
Surplus (deficit)	<u>(15)</u>	<u>36</u>	<u>(1)</u>
Opening fund balance (deficit)	(196)	(196)	(195)
Closing fund balance (deficit)	(211)	(160)	(196)

The Health and Counselling Services operations finished the year with a deficit of \$15,000, due to unanticipated costs associated with the H1N1 outbreak this past year. The service now has an accumulated deficit of \$211,000. Changes continue to be put into place in 2010-2011 to improve their operating results over the next couple of years. One of the changes already in place is the walk-in service to complement the appointment stream. The walk-in service is volume driven and the clinic recovers 30% of the income generated as a contribution to overhead.

2.3.4 Housing and Conference Services

The 2009-2010 results for the Housing and Conference Services operations can be summarized as follows:

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>2008-2009 Actual \$000</i>
<u>Income</u>			
Residence fees	13,392	13,363	12,727
Conference operations	2,521	2,458	2,538
Commission income	4,364	4,000	4,201
Other income	1,597	1,535	1,506
	<u>21,874</u>	<u>21,356</u>	<u>20,972</u>
<u>Expenses and Transfers</u>			
Direct expenses	12,929	14,365	11,589
Capital debt (interest and principal)	5,842	5,887	5,595
Indirect expense contribution	105	97	104
Contribution to Ancillary Capital Fund	779	743	844
Contribution towards New Residence	1,300	-	-
	<u>20,955</u>	<u>21,092</u>	<u>18,132</u>
Surplus (deficit)	<u>919</u>	<u>264</u>	<u>2,840</u>
Opening fund balance (deficit)	4,294	4,294	1,454
Closing fund balance (deficit)	5,213	4,558	4,294

The Housing and Conference Services operations finished the year with a surplus of \$919,000. The service now has an accumulated surplus of \$5,213,000. The capital debt expense relates mainly to the repayment of mortgage costs for the residence buildings. The 2009-2010 direct expenses increase relates to a multi- year major capital renovation project currently underway. Surplus has been accumulated to provide \$2,700,000 towards a new residence and \$1,400,000 towards the Canal Building.

2.3.5 Parking Services

The 2009-2010 results and status of the Parking Services operations can be summarized as follows:

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>2008-2009 Actual \$000</i>
<u>Income</u>			
Parking charges	3,516	3,296	3,343
Other income	414	310	376
	<u>3,930</u>	<u>3,606</u>	<u>3,719</u>
<u>Expenses and Transfers</u>			
Direct operating	2,353	2,295	2,561
Indirect expense contribution	55	51	61
Contribution to operations	-	-	-
	<u>2,408</u>	<u>2,346</u>	<u>2,622</u>
Surplus (deficit)	<u>1,522</u>	<u>1,260</u>	<u>1,097</u>
Opening fund balance (deficit)	3,743	3,743	2,646
Closing fund balance (deficit)	5,265	5,003	3,743

The Parking Services operation finished the year with a surplus of \$1,522,000 in 2009-2010 compared to a budgeted surplus of \$1,260,000. Parking Services is presently accumulating surplus funds, with a target of \$10 million, for additional growth should further parking structures be required.

2.3.6 University Centre

The 2009-2010 results and status of the University Centre operations can be summarized as follows:

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>2008-2009 Actual \$000</i>
<u>Income</u>			
Rents and other recoveries	1,265	1,290	1,231
<u>Expenses and Transfers</u>			
Direct operating	1,187	1,265	525
Surplus (deficit)	<u>78</u>	<u>25</u>	<u>706</u>
Opening fund balance (deficit)	26	26	(680)
Closing fund balance (deficit)	104	51	26

The University Centre operation is run on a cost recovery basis over time. Major renovations that had been expensed in 2007-08 were internally financed in 2008-09, offsetting the loss of \$647,000 in the prior year. These expenses were related to renovation costs (\$724,000) for the fourth floor corridor link for elevator access.

2.3.7 Graphic Services

The 2009-2010 results and status of the Graphic Services operations can be summarized as follows:

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>2008-2009 Actual \$000</i>
<u>Income</u>			
Sales: External	1,939	1,582	1,603
Internal	2,296	2,834	2,543
Other	119	89	116
	4,354	4,505	4,262
Less: Cost of goods sold	(1,025)	(1,025)	(1,044)
Gross profit	3,329	3,480	3,218
<u>Expenses and Transfers</u>			
Direct operating	3,338	3,215	3,159
Indirect expense contribution	67	74	72
Contribution to Ancillary Capital Fund	203	180	180
	3,608	3,469	3,411
Surplus (deficit)	(279)	11	(193)
Opening fund balance (deficit)	154	154	347
Closing fund balance (deficit)	(125)	165	154

The Graphics Services operations finished the year with a deficit of \$279,000. The service now has an accumulated deficit of \$125,000. In 2008-2009, the Graphics Services expensed renovations related to office upgrades in the amount of \$185,000.

2.3.8 Ancillary Property Rentals

The 2009-2010 results and status for the Ancillary Property Rental operations can be summarized as follows:

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>2008-2009 Actual \$000</i>
<u>Income</u>			
Rents	3,079	2,989	3,050
Interest and sundry income	33	37	31
Occupancy cost	806	896	828
	3,918	3,929	3,909
<u>Expenses and Transfers</u>			
Direct Operating expenses	756	1,009	972
Occupancy Costs	806	743	828
Capital debt (interest and principal)	1,610	1,646	1,606
	3,172	3,398	3,406
Surplus (deficit)	746	531	503
Opening fund balance (deficit)	(783)	(783)	(1,286)
Closing fund balance (deficit)	(37)	(252)	(783)

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 operating results for 2009-2010 show a decrease in the accumulated deficit of \$746,000.

Of the 2009-2010 \$37,000 closing fund deficit, \$185,000 relates to CTTC which is offset by a closing fund surplus of \$148,000 for NWRC. The closing fund deficit of \$185,000 for CTTC is the balance of a \$4,200,000 building de-valuation and required write down that was expensed to their operations in 1996. The closing fund surplus of \$148,000 for NWRC relates to timing differences between rental payments and corresponding costs.

2.3.9 Ancillary Capital Fund

The 2009-2010 results and status for the Ancillary Capital Fund operations can be summarized as follows:

	<i>2009-2010 Actual \$000</i>	<i>2009-2010 Budget \$000</i>	<i>2008-2009 Actual \$000</i>
<u>Income</u>			
Contributions	1,400	1,300	1,422
<u>Expenses and Transfers</u>			
Direct operating	692	692	1,030
Surplus (deficit)	<u>708</u>	<u>608</u>	<u>392</u>
Opening fund balance (deficit)	454	454	62
Closing fund balance (deficit)	1,162	1,062	454

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 annual Ancillary Capital Fund payments towards these projects. In 2008-09 there was also a \$287,000 one-time payment towards the new Athletics Turf, plus a final \$51,000 contribution towards the covered Tennis Court infrastructure.

2.4 Other Income and Expenditures

As explained in section 2 above, the 2009-2010 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.

2.4.1 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 2009-2010:

	<i>2009-2010</i> <i>Actual</i> <i>\$000</i>	<i>2008-2009</i> <i>Actual</i> <i>\$000</i>	<i>Increase</i> <i>(Decrease)</i> <i>\$000</i>
<u>Income and Transfers</u>			
Government grants	3,328	4,780	(1,452)
Transfers from ancillary	-	610	(610)
Transfers from research	-	503	(503)
Transfers from operating	-	5,922	(5,922)
Net income	3,328	11,815	(8,487)
<u>Expenses</u>			
Additions	3,635	11,872	(8,238)
Surplus (deficit)	(307)	(57)	(249)
Opening fund balance (deficit)	849	906	(57)
Closing fund balance (deficit)	542	849	(306)

The accumulated surplus of \$542,000 represents committed unrestricted funding provided to non-capital projects in advance of the expenditures.

2.4.2 Research Funding and Expenditures

The following provides an analysis of Research receipts and disbursements by Funding Agency. In 2009–2010 there was a net increase of \$2,914,000 in the Research Fund, from \$38,341,000 to \$41,255,000. Research receipts total \$69,504,000. Disbursements and net transfers out total \$66,590,000. Following Generally Accepted Accounting Principles, all restricted receipts in excess of restricted expenditures are deferred for use in future years. Deferred research revenue for 2008–2009 is \$26,781,000. (Key to acronyms is on the next page).

<u>Funding Source</u>	<i>Balance April 30, 2009 \$000</i>	<i>2009-2010 Funding \$000</i>	<i>2009-2010 Expenditure \$000</i>	<i>Balance April 30, 2010 \$000</i>
<u>Canadian Government Departments and Agencies</u>				
CIDA	269	(171)	89	9
Citizenship	9	350	359	-
National Defence	73	546	586	33
DFAIT	13	10	6	17
Energy, Mines and Resources	281	669	650	300
Environment Canada	159	380	309	230
HRDC	(3)	251	249	(1)
Indian & Northern Affairs	40	160	174	26
Industry Canada	38	88	115	11
IDRC	203	818	480	541
Health and Welfare	99	210	275	34
NRC	76	195	220	51
Canada Customs & Revenue	6	445	451	-
Canadian Heritage	1	460	461	-
Other Federal	236	662	700	198
<u>Tri-Agency Sponsored Research</u>				
CIHR	673	1,145	1,286	532
NSERC	9,010	15,157	12,957	11,210
SSHRC	3,669	6,301	5,461	4,509
Canada Research Chairs	602	3,061	3,261	402
Indirect Cost Program	-	4,229	4,229	-
<u>Other Sponsored Research</u>				
COE	56	1,837	1,881	12
Provincial and Municipal Governments	549	687	679	557
CFI	680	9,787	8,987	1,480
Ontario Research Fund	(353)	3,236	2,225	658
Ontario ERAP	82	324	376	30
OIT	1,265	(615)	351	299
ORDCF	513	334	849	(2)
NOHFC	1	344	344	1
Businesses and Foundations	4,279	4,665	4,205	4,739
Foreign Governments	20	550	291	279
Research Partnership Agreements	1,059	1,810	2,243	626
<u>Total Sponsored Research</u>	23,605	57,925	54,749	26,781

<u>Funding Source – continued</u>	<u>Balance</u> <u>April 30,</u> <u>2009</u>	<u>2009-2010</u> <u>Funding</u>	<u>2009-2010</u> <u>Expenditure</u>	<u>Balance</u> <u>April 30,</u> <u>2010</u>
SNO and TRIUMF Internally Restricted Research	-	10,864	10,864	-
	14,736	715	977	14,474
Total Restricted Research	38,341	69,504	66,590	41,255

Notes: Key to acronyms

CIDA	Canadian International Development Agency
EMR	Energy, Mines & Resources
CFI	Canadian Foundation for Innovation
CIHR	Canadian Institutes for Health Research
COE	Federal/Provincial Centres of Excellence
DFAIT	Foreign Affairs and International Trade
ERAP	Early Research Award Program (Ontario)
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

2.5 Reconciliation of Operating Results

The accumulated balances 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>	15,843
Adjustments:	
a) Capital purchases in excess of amortization	(2,299)
b) Increase in operating appropriations (2.2.2)	(18,412)
c) Research surplus (internally restricted) decrease(2.4.2)	262
d) Enterprise surplus (internally restricted) increase	(15)
e) Scholarship surplus (internally restricted) change	(1)
f) Vacation pay decrease	(407)
g) Loss on unrestricted endowment	47
h) Employee future benefit expense in excess of cash payment	10,786
	<u>5,804</u>
Total	<u>5,804</u>
Represented by:	
Operating surplus (section 1.1)	1,919
Ancillary surplus (section 2.3)	4,192
Plant surplus decrease (section 2.4.1)	(307)
	<u>5,804</u>
Total	<u>5,804</u>

Notes:

- a) Capital purchases in excess of amortization: Under the Canadian Institute of Chartered Accountants (CICA) 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 2009-2010 the following entries were made:

	<u>\$000</u>
Amortization of capital assets	22,172
Less: Amortization of deferred contributions	(10,184)
2009-2010 capital assets additions	(50,972)
Increase in financing of capital assets	<u>36,685</u>
	(24,471)
Difference	<u>(2,299)</u>

The \$2,299,000 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 \$2,299,000 is shown as an increase to the investment in capital assets on this statement.

- b) Increase in appropriations: Under CICA 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 2.4.2 above, internally restricted research balances decreased by \$262,000 during 2009-2010. As these funds are earmarked for the continuation of the research activity being funded, this \$262,000 (\$14,474,000 - \$14,736,000) is shown as a reduction 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 \$15,000 (\$3,096,000 - \$3,111,000) during 2009-2010. As these funds are earmarked for the continual development of entrepreneurial activities such as professional development and language assessment, this increase is shown as an increase to the internally restricted amounts on the Consolidated Statement of Changes in Net Assets.
- e) Scholarship surplus: As shown on the Consolidated Statement of Changes in Net Assets, internally restricted scholarship balances have increased by \$1,000 during 2009-2010. Although these scholarships do not have donor placed restrictions on them, the funds have been earmarked for student support in future years.
- f) Vacation pay decrease: 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 2009-2010 resulted in a decrease of \$407,000, thus increasing the surplus on the financial statements by this amount. As this fund balance is shown separately on the Consolidated Statement of Changes in Net Assets, this effect on the surplus on the financial statements must be removed.

- g) Loss on unrestricted endowment: The undistributed portion of the loss on the unrestricted endowment is recognized as a loss in the unrestricted fund, thus decreasing the surplus. As this amount does not actually reduce the amount 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 2009-2010 the following entries were made:

	<u>\$000</u>
Employee future benefits	6,249
Employee future pension benefits	8,045
Less: 2009-2010 contributions removed from expenditure	<u>(3,508)</u>
Difference	<u>10,786</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, 2010 were as follows:

	<u>2010</u>	<u>2009</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	31,909	20,022	11,887
Deferred revenue	48,277	51,270	(2,993)
Current portion of long term debt	1,931	13,611	(11,680)
Long term liabilities:			
Accrued vacation pay	6,935	7,342	(407)
Employee future benefits	102,794	92,008	10,786
Long term debt	60,641	62,570	(1,929)
Net assets:			
Ancillary and plant funds	1,751	1,181	570
Endowment fund	214,641	179,881	34,760
Internally restricted funds	138,337	116,856	21,481
	<u>354,729</u>	<u>297,918</u>	<u>56,811</u>
Total – Sources	<u>607,216</u>	<u>544,741</u>	<u>62,475</u>

	<i>2010</i> <i>Actual</i> <i>\$000</i>	<i>2009</i> <i>Actual</i> <i>\$000</i>	<i>Increase</i> <i>(Decrease)</i> <i>\$000</i>
Applications			
Short term assets:			
Cash and short-term investments	131,093	116,971	14,122
Accounts receivable	37,215	23,690	13,525
Prepaid expenses	3,184	2,816	368
Current portion of new investment in lease	454	425	29
Long term assets:			
Net investment in lease	13,311	13,765	(454)
Investments	220,308	190,242	30,066
Capital assets:			
Less: Investment in capital assets	398,739	369,938	28,801
Deferred capital contributions	(143,540)	(140,612)	(2,928)
	(169,268)	(139,754)	(29,514)
Net assets:			
General operating fund (deficit)	5,991	7,910	(1,919)
Other funds	-	-	-
Provision for employee future benefits	102,794	92,008	10,786
Provision for vacation pay	6,935	7,342	(407)
	115,720	107,260	8,460
Total - Applications	607,216	544,741	62,475

3.2 Source of University Resources

3.2.1 Accounts Payable: \$31,909,000

The accounts payable as at April 30, 2010 comprised:

	<i>2010</i> <i>\$000</i>	<i>2009</i> <i>\$000</i>	<i>Increase</i> <i>(Decrease)</i> <i>\$000</i>
Due to suppliers	6,225	4,610	1,615
Construction accruals and holdbacks	8,753	1,766	6,987
Payroll taxes and pension	11,422	8,120	3,302
Amounts held on deposit	815	1,246	(431)
Other taxes payable	544	573	(29)
Other payables and accrued liabilities	4,150	3,707	443
Total	31,909	20,022	11,887

**3.2.2 Deferred Revenue:
\$48,277,000**

Deferred revenue as at April 30, 2010 comprised:

	2010 \$000	2009 \$000	Increase (Decrease) \$000
a) Government grants	6,463	13,887	(7,424)
b) Research	26,781	23,605	3,176
c) Scholarships	4,839	4,873	(34)
d) Parker loans	1,035	1,035	-
e) Donations	4,953	4,167	786
f) Other items	4,206	3,703	503
Total	48,277	51,270	(2,993)

Notes:

- a) Of the \$6,463,000 in deferred grant revenue, \$2,650,000 relates to Facility and Campus Renewal funds and \$2,997,000 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:
\$1,931,000**

The current portion of long-term debt is defined as the amount coming due within the next fiscal year. This totalled \$1,931,000 as at April 30, 2010, a decrease of \$11,680,000 over last year. On April 1, 2010, \$11,800,000 for the mortgage on the Stormont-Dundas residence was repaid with funds that had been set aside for this purpose.

**3.2.4 Accrued Vacation Pay:
\$6,935,000**

The \$6,935,000 compares to \$7,342,000 one year earlier for an decrease of \$407,000. 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:
\$102,794,000**

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, the non-pension costs 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 15 of the audited financial statements at the beginning of this report for further information.

With respect to pension benefits, the University applies the deferral and amortization approach allowed under s.3461 to determine the accrued benefit obligation, based on an actuarial valuation report prepared specifically for accounting purposes. This approach amortizes any unrecognized gain or loss on the plan over the average remaining service period of active members in the plan. The gains or losses recognized under accounting treatment will differ from those calculated for funding purposes, as different assumptions must be used, most notably, the amortization period. For accounting purposes, in 2009-10, an expense of \$8,045,000 was recognized in relation to the amortization of the plan deficit. Additional details are provided in note 16 of the audited financial statements.

**3.2.6 Long Term Debt:
\$60,641,000**

The loans and mortgages payable are described in some detail in note 10 of the audited financial statements at the beginning of this report.

**3.2.7 Net Assets, providing a source of resources:
\$354,729,000**

The net assets that constitute a source of resources are:

	2010 \$000	2009 \$000	<i>Increase (Decrease) \$000</i>
Ancillary and plant funds	1,751	1,181	570
Internally restricted funds	138,337	116,856	21,481
Endowment fund	214,641	179,881	34,760
Total	<u>354,729</u>	<u>297,918</u>	<u>56,811</u>

Notes:

a) The internally restricted net assets as at April 30, 2010, consist of the following:

	<u>\$000</u>
Appropriated operating funds (section 2.2.2)	108,555
Appropriated ancillary funds (section 2.3)	12,190
Internally restricted research balances (section 2.5.2)	14,474
Enterprise funds	3,111
Scholarship funds	7
	<u>138,337</u>

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

	<u>\$000</u>
Market Value at April 30, 2010	214,641
Market Value at April 30, 2009	<u>179,881</u>
Increase in Value	<u>34,760</u>

The \$34,760,000 increase is calculated as follows:

	<u>\$000</u>
Unrealized gain (loss) on sale of investment	32,490
Gifts, bequests and other additions (per below)	4,989
Gain on sale of investments	2,868
Investment income	<u>6,520</u>
	46,867
Less: Distributed for endowed spending	(10,109)
Direct and indirect operating costs	(990)
Investment management fees	<u>(1,008)</u>
Increase in nominal value	<u>34,760</u>

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

	<u>\$000</u>
Azrieli School of Architecture and Urbanism Endowment	2,000
C.U. Engineering Students Equipment Fund	119
Forum Lecture Series Endowment Fund	211
Ina Hutchison Memorial Bursary	135
James & Heather Steele Bursary	101
Ontario Trust for Student Support	257
Peter Buckley Scholarship in Journalism	120
James & Heather Steele Bursary	110
The Just One Person Bursary	180
Willoughby and Marquerite Snaith Endowment	160
Other additions (<\$100,000)	<u>1,596</u>
Total additions	<u>4,989</u>

The realized investment returns for the year totalled \$9,388,000. The amount distributed for endowed spending in 2010-2011 was \$10,109,000. This represents a distribution of \$4.20 per unit held in the investment pool. In addition, \$1,008,000 was paid to investment managers during the year and \$990,000 in direct and indirect expenditures were charged to the fund.

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

3.3 Application of University Resources

3.3.1 Cash and Short Term Investments: \$131,093,000

The cash and short term investment balance is as follows:

	2010 \$000	2009 \$000	Increase (Decrease) \$000
Cash balance	(1,818)	(3,353)	1,535
Short term investments	132,911	120,324	12,587
Total	131,093	116,971	14,122

3.3.2 Accounts Receivable: \$37,215,000

	2010 \$000	2009 \$000	Increase (Decrease) \$000
a) Student accounts	7,378	6,228	1,150
b) Student associations	118	189	(71)
c) General accounts receivable	10,343	1,363	8,980
d) Staff computer loans	27	33	(6)
e) G.S.T. receivable	1,018	537	481
f) Municipal taxes	506	485	21
g) Bookstore	42	30	12
h) Union groups	115	139	(24)
i) Research funds	16,553	14,037	2,516
j) Student loans	16	14	2
k) Food service provider	345	332	13
Other receivables	2,249	1,367	882
Sub-total	38,710	24,754	13,956
l) Less: Allowance for doubtful accounts	(1,495)	(1,064)	(431)
Total	37,215	23,690	13,525

Notes:

- a) Student accounts: These accounts record activity relating to tuition fees, residence fees and other miscellaneous charges. The current method of assessing and collecting fees no longer automatically de-registers students if fees are owed. This has provided greater flexibility for payments by the students, but it has also led to a higher accounts receivable balance in April. Students cannot, however, register for additional courses if a balance is outstanding. As at August 23, 2010, the student accounts receivable balance had been reduced to \$3,787,000 from the \$7,378,000 as at April 30, 2010. The \$7,378,000 represents 4.83% (2009 – 4.50%) of the 2009-2010 tuition and residence 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. The large increase over the prior year relates mostly to outstanding funding from the provincial and federal governments for capital projects. Approximately \$7,301,000 of outstanding government funding was received by June 2010.
- 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: The balance typically represents the amount due from the government for the April GST return. The increase over the prior year relates to the collection of GST receivable from January to April compared to March to April the previous year.
- 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 2009-2010 amount receivable is due from Follett Books and represents commission income related to 2009-2010 operations.
- h) Union groups: The various union groups use the University services on a recovery basis. The accounts are generally kept up to date.
- i) Research funds: The receivables related to research funds consist of two different types of balances, contract research and grants receivable. The nature of contractual research is such that expenditures must be incurred before progress billings can be made and income received. Most granting agencies make multi-year research awards with payment being spread over the period (usually three years). In many cases however, the nature of the project is such that a greater proportion of the expenses must be incurred in the earlier periods of the grant. For the sake of continuity, and given that research activity as a whole is in a net cash surplus position, the University allows reasonable advanced spending on multi-year research grants. The increase in the current year's balance relates mostly to CFI activities, primarily SNOLab.
- 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 2009-2010 amount receivable from Aramark represents commission and profit share income related to the 2009-2010 operations.
- l) Allowance for doubtful accounts: The allowance includes \$1,437,000 for student fees, while the balance is for items written off in residence.

3.3.3 Prepaid Expenses: \$3,184,000

Prepaid Expenses as at April 30, 2010 comprised:

	2010	2009	<i>Increase (Decrease)</i>
	\$000	\$000	\$000
Insurance	551	591	(40)
Licences	1,647	1,158	489
Physical Plant supplies	527	502	25
Other	459	565	(106)

Total	3,184	2,816	368
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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: \$454,000

The current portion of net investment in lease is defined as the amount collectible within the next fiscal year. This totalled \$454,000 at April 30, 2010 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 6 of the audited financial statements.

3.3.5 Net Investment in Lease: \$13,311,000

In 2002-2003, Carleton University entered into an agreement with Environment Canada under which the University constructed the National Wildlife Research Centre (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 6 of the audited financial statements.

3.3.6 Investments: \$220,308,000

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

	2010 \$000	2009 \$000	<i>Increase (Decrease)</i> \$000
Investments held for:			
Endowment	218,538	182,965	35,573
Residence sinking fund	-	5,642	(5,642)
Parker Loan fund	1,153	970	183
CRPP fund	-	165	(165)
NWRC capital reserve	558	450	108
Sprott Student fund	59	50	9
Total	220,308	190,242	30,066

As indicated in note 2(a) of the audited financial statements, all investments are shown at fair market value. The bonds that were held until maturity for the Stormont-Dundas resident sinking fund, matured in early 2010 and were applied against the loan on April 1, 2010. Additional information on the investments can be found in note 5 of the audited financial statements.

3.3.7 Capital Assets: \$398,739,000
Investment in Capital Assets: \$143,540,000
Deferred Capital Contributions: \$169,268,000

The net value of capital assets as at April 30, 2010 comprised:

	2010 \$000	2009 \$000	Increase (Decrease) \$000
Capital Assets:			
Land and buildings	385,152	358,323	26,829
Building improvements	55,645	45,775	9,870
Equipment and furnishings	106,429	96,291	10,138
Computers and software	26,368	24,699	1,669
Automobile	489	471	18
Library and art collections	59,089	56,641	2,448
	<u>633,172</u>	<u>582,200</u>	<u>50,972</u>
Less: Accumulated depreciation	(234,433)	(212,262)	(22,171)
Net capital assets	<u>398,739</u>	<u>369,938</u>	<u>28,801</u>
Funding:			
Investment in capital assets	143,540	140,612	2,928
Deferred capital contributions	169,268	139,754	29,514
Total funding	<u>312,808</u>	<u>280,366</u>	<u>32,442</u>
Unfunded assets	<u>85,931</u>	<u>89,572</u>	<u>(3,641)</u>
Financed by:			
Mortgages payable	1,922	13,941	(12,019)
Less: Sinking fund	-	(11,582)	11,582
	<u>1,922</u>	<u>2,359</u>	<u>(437)</u>
Bank borrowing	84,009	87,213	(3,204)
Total	<u>85,931</u>	<u>89,572</u>	<u>(3,641)</u>

The specific capital assets funded through financing are as follows:

	2010 \$000	2009 \$000	Increase (Decrease) \$000
<u>Mortgage financing:</u>			
Glengarry residence	1,270	1,363	(93)
Stormont-Dundas residence	-	218	(218)
Grenville and Russell residences	431	485	(54)
Lanark and Renfrew residences	221	293	(72)
	<u>1,922</u>	<u>2,359</u>	<u>(437)</u>
<u>External loan financing:</u>			
Prescott residence	16,539	17,000	(461)
Leeds residence	15,901	16,418	(517)
Frontenac residence	14,451	14,634	(183)
	<u>46,891</u>	<u>48,052</u>	<u>(1,161)</u>

	2010 \$000	2009 \$000	Increase (Decrease) \$000
<u>Internal loan financing:</u>			
Ice Arena	9,669	10,350	(681)
Housing and Food Services renovations	9,743	10,511	(768)
Alumni Hall and Sports Centre	5,909	5,067	842
University Centre	2,485	2,958	(473)
CTTC building	3,399	3,399	-
Field House	2,828	2,988	(160)
Graphic Services renovation	787	1,189	(402)
Tory retrofit	421	818	(397)
Computing infrastructure	-	278	(278)
Other assets	1,877	1,603	274
	<u>37,118</u>	<u>39,161</u>	<u>(2,043)</u>
Financed assets	<u>85,931</u>	<u>89,572</u>	<u>(3,641)</u>

Generally accepted accounting principles do not allow for the recognition of deferred maintenance of capital assets in the financial statements. Deferred maintenance is the practice of postponing maintenance activities such as repairs on capital property in order to save costs, meet budget funding levels, or realign available budget monies. The University estimates that as at April 30, 2010, an amount of \$61M would be required to fully address the deferred maintenance issue.

3.3.8 Net Assets, requiring an application of resources: \$115,720,000

The net assets classified as an application of resources include:

	2010 \$000	2009 \$000	Increase (Decrease) \$000
Operating deficit	(5,991)	(7,910)	1,919
Provision for employee future benefits	(102,794)	(92,008)	(10,786)
Provision for vacation pay	(6,935)	(7,342)	407
Total	<u>(115,720)</u>	<u>(107,260)</u>	<u>(8,460)</u>



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



J.T. Sullivan
Assistant Vice-President, Finance

**GENERAL OPERATING FUND 2009-2010
INCOME, EXPENSES AND ACCUMULATED DEFICIT
COMPARISON TO BUDGET (MAY 2009) AND 2008-09 ACTUAL**

	2009-10	2009-10	Actual to Budget		2008-09	Actual to Prior Year	
	Actual	Budget	\$000's	%	Actual	\$000's	%
INCOME	\$000's	\$000's	\$000's	%	\$000's	\$000's	%
Government Grant	148,660	138,852	9,808	7.1	145,788	2,872	2.0
Tuition Fees	139,329	135,370	3,959	2.9	125,479	13,850	11.0
Miscellaneous Income	9,507	8,018	1,489	18.6	8,406	1,101	13.1
Interest Income	2,260	3,200	(940)	(29.4)	4,450	(2,190)	(49.2)
Departmental Income	3,157	2,807	350	12.5	3,245	(88)	(2.7)
Total Operating Income	302,913	288,247	14,666	5.1	287,368	15,545	5.4
EXPENSES							
Faculty of Arts & Social Sciences	39,573	41,590	(2,017)	(4.8)	38,813	760	2.0
Faculty of Public Affairs	27,084	26,819	265	1.0	25,399	1,685	6.6
Sprott School of Business	8,576	8,641	(65)	(0.8)	7,809	767	9.8
Faculty of Science	20,144	20,740	(596)	(2.9)	18,775	1,369	7.3
Faculty of Engineering and Design	22,110	24,117	(2,007)	(8.3)	21,996	114	0.5
Academic Admin. & Student Services	23,915	21,215	2,700	12.7	23,298	617	2.6
Library	13,934	14,220	(286)	(2.0)	14,352	(418)	(2.9)
Research	2,753	2,094	659	31.5	1,720	1,033	60.1
Finance & Administration	31,327	28,911	2,416	8.4	31,061	266	0.9
President	3,059	3,225	(166)	(5.1)	3,841	(782)	(20.4)
Advancement	4,407	4,568	(161)	(3.5)	4,189	218	5.2
University Budgets	82,746	88,005	(5,259)	(6.0)	84,162	(1,416)	(1.7)
Interfund Transfers (net)	2,954	3,102	(148)	(4.8)	7,481	(4,527)	(60.5)
Sub-Total Operating Expenses	282,582	287,247	(4,665)	(1.6)	282,896	(314)	(0.1)
Net Appropriations	18,412	0	18,412		2,525	15,887	
Total Expenses	300,994	287,247	13,747	4.8	285,421	15,573	5.5
Deficit Reduction for the Year	1,919	1,000	919		1,947	(28)	
Opening Accumulated Deficit	(7,910)	(7,910)	0		(9,857)	1,947	
Closing Accumulated Deficit	(5,991)	(6,910)	919		(7,910)	1,919	

Note: 2009-2010 budget figures reflect the opening May 1, 2009 budget. Reallocations have been made to assist in comparison.

