



Carleton
UNIVERSITY

2011-2012

**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 2011-2012

Consolidated Statement of Operations - Operating Fund

Operating revenues exceeded expenses by \$3.7 million in 2011-2012. This compares to a budgeted surplus of \$1.0 million, and is \$1.4 million above the previous year. A breakdown and comparison follows:

	<i>2011-2012 Actual \$M</i>	<i>2011-2012 Budget \$ M</i>	<i>2010-2011 Actual \$ M</i>
Deficit reduction for the year	3.7	1.0	2.3

The 2011-2012 approved Budget projected a reduction in the accumulated deficit of \$1.0 million, which the actual result exceeded by \$2.7 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: \$2.7 million above budget

Income: \$15.3 million above budget

As outlined in section 2.2.3, the income items over budget were: Grant income \$7.2 million, Tuition income \$4.6 million, Miscellaneous income \$1.2 million and Interest income \$2.3 million.

Expenses and Appropriations: \$12.6 million above budget

Allocations in excess of contingency funds -	\$1.4 million cost
Overspent allocations -	\$0.8 million cost
New appropriations -	\$10.4 million cost

Accumulated Deficit: \$2.7 lower than original estimate

The accumulated operating deficit (excluding the provision for post-retirement benefits) was therefore eliminated as of April 30, 2012, which was an improvement of \$2.7 million over the original projection.

Ancillary Operations: \$7.5 million surplus from regular operations

The ancillary operations finished the year with a surplus of \$7.5 million from regular operations. The results of the individual services varied considerably. Each service is reviewed in section 2.3 of this report.

Statement of Financial Position (balance sheet)

The most notable change in the balance sheet this year is the impact declining market conditions have had on our investments, which have decreased in fair value \$56.4 million from the prior year. The endowment fund, which holds the majority of our investments, decreased in value by \$51.4 million. As indicated in note 13 of the audited financial statements, this net decrease was the result of \$53.0 million in unrealized losses on investments and a distribution of funds for spending of \$9.5 million. This loss was partially offset by \$4.1 million in gifts and \$7.0 million in realized capital gains and investment revenue. A more complete analysis of the endowment fund is included in section 3.2.7.

The other notable changes from the previous year's balance sheet are the \$30.0 million increase in capital assets, which are analyzed in note 5 of the audited financial statements, and \$28.9 million increase in long-term debt. The majority of the capital asset increase is due to the two academic buildings and one residence building completed in the fiscal year. The increase in long-term debt is related to the financing of the new residence, as the academic buildings are financed through several sources of funding including government grants and capital reserves.



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September 2012

NOTES ON FINANCIAL STATEMENTS

2011-2012

1. INTRODUCTION

1.1 2011-2012 Operating Results

The operating result for the year shows a reduction in the accumulated deficit of \$3,656,000. This compares to an original projection of \$1,000,000 and an increase of \$1,321,000 over the previous year.

The variation in the operating results is the result of increased grant, tuition, miscellaneous and short term interest income of \$15,280,000 and a small shortfall of \$9,000 in departmental income.

On the expenditure side, budget variances in university budgets and contingencies decreased the contribution towards the accumulated deficit by \$2,226,000, while new appropriations decreased the contribution by an additional \$10,389,000.

The net result of \$15,271,000 in positive income adjustments, and \$12,615,000 in negative expenditure adjustments was therefore a \$3,656,000 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 post-retirement benefits) at April 30, 2012 was eliminated. This compares to \$3,656,000 as at April 30, 2011 and the 2011-2012 opening budget projection of \$2,656,000.

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 2011-2012 operating budget as approved by the Board of Governors in Spring 2011.

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 \$350,871,000 in 2011-2012. This compares to an original budget of \$330,038,000 and a total for the previous year of \$324,459,000. Total operating income was therefore \$20,833,000 (6.3%) above budget, and \$26,412,000 (8.1%) above the previous year.

	<i>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>Variance \$000</i>
Revenues	350,871	330,038	20,833
Items offset by Expenditures (2.2.1)	5,562	-	5,562
Net Revenues	<u>345,309</u>	<u>330,038</u>	<u>15,271</u>

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

2.1.1 Government Operating Grants

The \$160,856,000 included in Schedule 1 is \$11,782,000 (7.9%) above the original estimate, and \$7,314,000 (4.8%) more than the previous year. A comparison to the estimate in the original budget is set out below:

	<i>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items Affecting the Operating Result</u>			
Basic Operating Grant	135,175	134,805	370
Research Overheads	4,927	4,868	59
Access to Higher Quality Education Fund	6,267	6,229	38
Performance Funding	749	598	151
Accessibility Fund	7,936	1,689	6,247
Other government grants	335	-	335
Subtotal	<u>155,389</u>	<u>148,189</u>	<u>7,200</u>
<u>Items offset by expenses</u>			
Access for the Disabled	795	635	160
Student Aid Funds	4,075	250	3,825
Other Government Grants	597	-	597
Subtotal	<u>5,467</u>	<u>885</u>	<u>4,582</u>
Total Government Grants	<u>160,856</u>	<u>149,074</u>	<u>11,782</u>

Omitting special purpose grants, the operating revenue from the Ministry of Training, Colleges and Universities was \$7,200,000 above the original projection. The increase from the original projection relates mainly to additional Accessibility grant funding linked to undergraduate enrolment, which was up by 4.8% over the previous year.

2.1.2 Tuition Fees – Credit Programs

Tuition income totalled \$169,915,000 in 2011-2012. This represents an increase of \$16,035,000 (10.4%) over the previous year, and is \$5,049,000 (3.1%) above the original estimate. Details of the 10.4% increase over the previous year are as follows:

	<i>Enrolment (F.T.E.)</i>		<i>Total</i>	<i>Tuition Income \$000</i>
	<i>Undergraduate</i>	<i>Graduate</i>		
2010-2011	19,512	3,025	22,537	153,880
2011-2012	20,448	3,031	23,479	169,915
Increase (Decrease)	936	6	942	16,035
%	4.8%	0.2%	4.2%	10.4%

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

All but \$409,000 of the additional tuition revenue went to improving the operating result of the University. Of this, \$333,000 was allocated to student support as part of the Ministry's tuition set-aside requirements, \$35,000 was allocated for international recruitment, while the balance relates to a formula adjustment for the Centre for Initiatives in Education.

2.1.3 Miscellaneous Income

Miscellaneous income totalled \$10,942,000 in 2011-2012, which is \$1,199,000 over the original budget, and \$501,000 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>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items affecting the operating result</u>			
Application and admission fees	1,864	1,475	389
Deferred payment and processing fees	2,070	1,928	142
Omnibus fee	864	825	39
Internal overhead charges	2,949	2,946	3
Library and other fines	167	200	(33)
Facility rentals	729	710	19
Career and Co-op Placement Services	1,518	1,355	163
Other miscellaneous	751	304	447
Subtotal	10,912	9,743	1,169
<u>Items offset by additional expenditures</u>			
Other income	30	-	30
Subtotal	30	-	30
Total Miscellaneous Income	10,942	9,743	1,199

2.1.4 Interest Income

Interest income totalled \$4,951,000 in 2011-2012, which was \$2,271,000 above budget, and \$2,105,000 above the previous year. The positive variance is due to an investment strategy that utilizes longer term investments paying higher yields.

2.1.5 Departmental Income

The following items are included in departmental income:

	<i>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items offset by additional expenditures</u>			
Instructional Media Services and CUTV	977	729	248
Computing	286	340	(54)
Pension plan administration	232	216	16
Centre for Initiatives in Education	542	486	56
Ombudsperson	81	91	(10)
Salary recoveries	364	326	38
Science and Technology Centre	211	160	51
Student Experience Office	373	371	2
Paul Menton Centre	107	105	2
Alumni and external contributions	401	376	25
General sales	328	282	46
Other	299	178	121
Subtotal	4,201	3,660	541
<u>Items affecting the operating result</u>			
Benefit recoveries	6	15	(9)
Total Department Income	4,207	3,675	532

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 \$324,713,000 in 2011-2012. This represents a \$4,325,000 (1.3%) decrease from the original expense budget of \$329,038,000 and a \$27,771,000 (9.4%) increase from the previous year's total of \$296,942,000. Total appropriations from the operating fund balance at the end of 2011-2012 amounted to \$71,288,000. This represents a net increase of \$22,502,000 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	324,713
Opening budget	<u>329,038</u>
Expenditures below budget	<u>(4,325)</u>

The items included in the \$4,325,000 decrease in expenditures and transfers were:

	<u>\$000</u>	<u>\$000</u>
a) <u>Salary Increases</u>		
2011-2012 Cost	5,755	
Less: Contingency in opening budget	<u>6,296</u>	
Savings		(541)
b) <u>Mid-Year Allocations</u>		
Total allocations	2,183	
Less: Opening contingency	<u>3,056</u>	
Savings		(873)
c) <u>Enrolment Incentive</u>		
2011-2012 cost	10,455	
Less: Opening contingency	<u>7,483</u>	
Cost		2,972
d) <u>Sabbatical Leave Savings</u>		
Total 2011-12 savings	(1,229)	
Less: Planned savings	<u>(1,100)</u>	
Additional savings		(129)
e) <u>Other Contingencies</u>		
2011-2012 cost	20,270	
Less: Opening contingency	<u>20,270</u>	
Net		-
Total overspent contingencies		<u>1,429</u>

<u>Overspent (unspent) balances not appropriated:</u>	<u>\$000</u>	<u>\$000</u>
f) Provision for bad debt	184	
g) Student support	399	
h) Utilities	(1,448)	
i) Professional fees	333	
j) Benefits	72	
k) Labour relations	247	
l) Transfers	965	
Other	45	
Subtotal		797
 <u>Expenditures funded by additional income:</u>		
Government grant (section 2.1.1)	4,582	
Tuition income (section 2.1.2)	409	
Miscellaneous income (section 2.1.3)	30	
Departmental income (section 2.1.5)	541	
		5,562
Expenditures funded by returned appropriations	48,786	
Total appropriations in 2011-2012	71,288	
Net appropriations (section 2.2.2)	(22,502)	
Add: New appropriations (section 2.2.2)	10,389	
		(12,113)
Total expenditures and transfers below budget		(4,325)

Notes:

- a) Salary Increases: The cost of compensation increases in 2011-2012 totalled \$5,755,000 against a contingency of \$6,296,000 in the opening budget. This represents a savings of \$541,000.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totalled \$2,183,000 in 2011-2012 as compared to a budget of \$3,056,000. An analysis of the allocations follows:

Allocations from the Mid-Year Contingency Fund:

	<u>\$000</u>
Library addition design	1,500
Pass program	214
Undergraduate scholarships	200
Canada-India Centre	120
Biology space in CTTC building	83
Diploma in Public Policy	55
Research Works levy	11
Total allocations	2,183
Opening contingency	(3,056)
Savings	(873)

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

- c) Enrolment Incentive Plan: The enrolment-linked budget allocation (ELBA) was initiated in 2010-11 whereby Faculties would receive 40% of the net revenue from enrolment growth in their areas. The plan continues to be very successful, as indicated by our grant and tuition revenue growth, and allocations to the Faculties exceeded budget by \$2,972,000.
- d) Sabbatical Leave Savings: The actual savings related to sabbatical leaves totalled \$1,229,000 as compared to the budget of \$1,100,000. The excess of \$129,000 in planned savings improves the operating results.
- e) Other Contingencies: The original budget for 2011-2012 included a \$6,000,000 provision for academic construction and \$14,270,000 to deal with increases in the special deficit payments required for the University's pension plan. During the year, \$8,526,000 in special pension payments was required. The unused 2011-2012 funds were carried forward as part of the capital and pension liabilities reserves.
- f) Provision for Bad Debt: The provision for bad debt relates mainly to student tuition fees. The total allowance for bad debt in 2011-2012 was \$1,135,000, which was \$184,000 over budget and represents approximately 1% of tuition fees assessed. The University continues to use the mechanisms available to collect tuition fees and has reduced this expense by over \$400,000 from the previous year.
- g) Student support: During the year, student support costs exceeded the budget by \$399,000. This is due mostly to the Ministry expanding the number of Ontario Graduate Scholarships available by 50%. Under this program, the University must provide one third of the scholarship value to the Ministry's two thirds.
- h) Utilities: The savings achieved this year are due to the 2011-12 budget being set conservatively given the volatility in oil and gas markets and the increases in the hydro costs.
- i) Professional Fees: The increase this year relates mostly to legal fees as outside counsel has been sought on several cases, one of which is partially covered by our insurer. Approximately 25% of this variance was recovered over the summer months.
- j) Labour relations: Two of the University's unions have filed grievances to changes made to the pension plan during collective bargaining in the prior year, aimed at enhancing the plan's sustainability. This has resulted in higher than normal costs.
- k) Benefits: Staff benefit costs were \$72,000 above budget in 2011-12, on a total budget of \$46,905,000.
- l) Interfund Transfers: The transfer cost exceeded the budget by \$965,000. This is due mainly to a decision to defer an annual \$1 million contribution of endowment earnings to the operating fund. Given the lower endowment earnings in the past few years, and the positive results of enrolment growth, the annual contribution was not required to meet operational needs but will be held for future use. In addition, contract overhead recoveries coming from the Research Fund exceeded the original budget by \$134,000. As a general rule, the University charges overheads on research contracts and international contribution agreements. The distribution of the indirect costs recovery is generally 40% to the central operation budget, 15% to the Vice-President (Research and International) and 45% to the faculty performing the contractual work. The distribution of overheads for 2011-2012 and 2010-2011 are as follows:

	<u>2011-2012</u>	<u>2010-2011</u>
	\$000	\$000
General operating budget and contingency	551	585
Vice-President (Research and International)	197	251
<u>Faculties</u>		
Engineering and Design	311	256
Arts and Social Sciences	118	149
Science	118	131
Public Affairs	48	94
Business	-	3
Total	<u>1,343</u>	<u>1,469</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 2011-2012	71,288
Returned from 2010-2011 fund balance	<u>48,786</u>
Increase in appropriated fund balance	<u>22,502</u>

Details of the returned and new appropriations are as follows:

	<u>Returned</u>	<u>Appropriated</u>	<u>Difference</u>
	\$000	\$000	\$000
<u>RPC</u>			
Faculties	19,169	23,862	4,693
Academic Administration and Student Services	4,964	3,466	(1,498)
Library	979	2,215	1,236
President	1,057	1,335	278
Research and International	904	1,162	258
Finance and Administration	16,127	14,960	(1,167)
Advancement	241	303	62
Professional development allowances	102	95	(7)
Computing infrastructure	1,020	998	(22)
Mandated student aid	169	90	(79)
Renovations	2,000	1,094	(906)
Self-insurance fund	3	-	(3)
Pending commitments	51	8	(43)
Pension liabilities reserve	-	5,744	5,744
Capital reserves	-	5,567	5,567
New allocations	2,000	10,389	8,389
Total	<u>48,786</u>	<u>71,288</u>	<u>22,502</u>

In addition, \$84,951,000 in prior year appropriations were not returned during 2011-2012. The \$84,951,000 relates to:

	<u>\$000</u>
Pension liability reserve	36,705
Capital reserves	43,792
Renovations	3,600
Self-insurance fund	254
Other	600
Total appropriations not returned	<u>84,951</u>

New allocations consist of appropriations of unspent funds in addition to those included in the original budget. For 2011-2012 the new allocation consists of \$3,627,000 for 2012-13 initiatives, and \$6,762,000 to fund outstanding vacation pay benefits earned by employees, thereby eliminating the prior year's unrestricted deficit related to this benefit. Total appropriations for the Operating Fund amount to \$149,477,000 as of April 30, 2012.

2.2.3 Operating Result

As noted in section 1 above, the actual results show a reduction in the accumulated deficit of \$3,656,000, which represents an improvement of \$2,656,000 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 \$2,656,000 improvement in the operating results.

	Deficit Reduction		
	<u>Increase</u>	<u>Decrease</u>	<u>Net</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
<u>Income Variations</u>			
Government grants (section 2.1.1)	7,200		
Tuition fees (section 2.1.2)	4,640		
Miscellaneous income (section 2.1.3)	1,169		
Interest income (section 2.1.4)	2,271		
Departmental income (section 2.1.5)		(9)	
Total income variations	15,280	(9)	15,271
<u>Expenditure Variations</u>			
Overspent contingencies (section 2.2.1)		(1,429)	
Overspent allocations (section 2.2.1)		(797)	
		(2,226)	(2,226)
New appropriations (section 2.2.2)		(10,389)	(10,389)
Net effect of expense variations		(12,615)	(12,615)
Net increase of \$1,335,000 in deficit reduction	15,280	(12,624)	2,656
Original deficit reduction estimate			1,000
Total deficit reduction			<u>3,656</u>

2.2.4 Accumulated Deficit

The prior year accumulated operating deficit was \$3,656,000, and therefore eliminated as of April 30, 2012. This compares to an original estimate of \$2,656,000.

2.3 Ancillary Operations - Operating Results and Fund Balances

Schedule 2, at the end of this Report, details the 2011-2012 operations of the ancillaries as compared to the original budget. Overall the ancillary results can be summarized as follows:

	<i>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>2010-2011 Actual \$000</i>
Income and internal recoveries	54,063	54,397	50,638
Expenses and transfers	46,575	49,529	46,705
Surplus (deficit)	7,488	4,868	3,933
Contribution to new buildings	-	-	8,100
Net surplus (deficit)	7,488	4,868	(4,167)

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

	<i>Balance at April 2012 \$000</i>	<i>Balance at April 2011 \$000</i>	<i>Variance \$000</i>
Ancillaries with an accumulated surplus	15,282	7,834	7,448
Ancillaries with an accumulated deficit	(144)	(184)	40
	15,138	7,650	7,488

Of the \$7,488,000 surplus recognized in the ancillaries, \$7,448,000 represents an increase to reserves established from previous surpluses, while \$40,000 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 2011-2012 results and status of the Recreation and Athletics operations can be summarized as follows:

	<i>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>2010-2011 Actual \$000</i>
<u>Income</u>			
Athletic fees	3,757	3,707	3,529
Other income	6,680	6,182	6,095
	10,437	9,889	9,624
<u>Expenses and Transfers</u>			
Direct expenses	8,499	9,200	8,203
Renovations and alterations	549	649	554
	9,048	9,849	8,757
Surplus (deficit)	1,389	40	867

Opening fund balance (deficit)	1,099	1,099	232
Closing fund balance (deficit)	2,488	1,139	1,099

The Recreation and Athletics operations finished the year with a surplus of \$1,389,000, resulting in an accumulated surplus balance of \$2,488,000. The increased surplus for 2011-12 is a result of income related to Athletic fees having increased over the prior year and an increase in external facility rental revenue and membership fees. Less than 40% of the Department's income is derived from the Athletic Fee; other income is derived from external membership fees, facility rentals and specific instructional program fees.

2.3.2 Bookstore

The 2011-2012 results and status of the Bookstore operations can be summarized as follows:

	<i>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>2010-2011 Actual \$000</i>
<u>Income</u>			
Commissions and reimbursements	1,118	1,250	1,271
<u>Expenses and Transfers</u>			
Direct expenses	957	1,096	1,111
Indirect expense contribution	153	153	153
	1,110	1,249	1,264
Surplus (deficit)	8	1	7
Opening fund balance (deficit)	221	221	214
Closing fund balance (deficit)	229	222	221

The Bookstore operations finished the year with a surplus of \$8,000, and it now has an accumulated surplus of \$229,000. In 2011-2012, the Bookstore expensed renovation loan repayments related to the move to the University Centre in the amount of \$193,000.

2.3.3 Health and Counselling Services

The 2011-2012 results and status of the Health and Counselling Services operations can be summarized as follows:

	<i>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>2010-2011 Actual \$000</i>
<u>Income</u>			
Health Services fee	1,241	1,169	1,157
Insurance recoveries / other	1,794	1,709	1,787
	3,035	2,878	2,944
<u>Expenses and Transfers</u>			
Direct expenses	2,855	2,750	2,810
Indirect expense contribution	34	26	27
	2,889	2,776	2,837
Surplus (deficit)	146	102	107
Opening fund balance (deficit)	(104)	(104)	(211)
Closing fund balance (deficit)	42	(2)	(104)

The Health and Counselling Services operations finished the year with a surplus of \$146,000. The service now has an accumulated surplus of \$42,000. The surplus is a result of increased insurance recovery income and an overall reduction in expenses due to changes implemented over the past few years in an effort to improve overall operations.

2.3.4 Housing and Conference Services

The 2011-2012 results for the Housing and Conference Services operations can be summarized as follows:

	<i>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>2010-2011 Actual \$000</i>
<u>Income</u>			
Residence fees	15,660	17,366	14,013
Conference operations	2,005	2,292	2,108
Commission income	5,452	4,500	4,716
Other income	1,556	1,491	1,416
	<u>24,673</u>	<u>25,649</u>	<u>22,253</u>
<u>Expenses and Transfers</u>			
Direct expenses	14,960	15,738	16,267
Capital debt (interest and principal)	5,566	6,333	4,682
Indirect expense contribution	114	102	105
Contribution to Ancillary Capital Fund	1,149	949	1,154
	<u>21,789</u>	<u>23,122</u>	<u>22,208</u>
Surplus (deficit)	<u>2,884</u>	<u>2,527</u>	<u>45</u>
Opening fund balance (deficit)	1,158	1,158	5,213
Contribution to new buildings	-	-	4,100
Closing fund balance (deficit)	4,042	3,685	1,158

The Housing and Conference Services operations finished the year with a surplus of \$2,884,000. The service now has an accumulated surplus of \$4,042,000. The capital debt expense relates mainly to the repayment of mortgage costs for the residence buildings. Residence fees were lower than budget due to students receiving fee credits related to the delayed completion of the Lennox & Addington residence.

2.3.5 Parking Services

The 2011-2012 results and status of the Parking Services operations can be summarized as follows:

	<i>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>2010-2011 Actual \$000</i>
<u>Income</u>			
Parking charges	3,936	3,759	3,688
Other income	320	345	338
	<u>4,256</u>	<u>4,104</u>	<u>4,026</u>
<u>Expenses and Transfers</u>			
Direct operating	2,367	2,864	2,336
Indirect expense contribution	64	57	58
	<u>2,431</u>	<u>2,921</u>	<u>2,394</u>
Surplus (deficit)	<u>1,825</u>	<u>1,183</u>	<u>1,632</u>
Opening fund balance (deficit)	2,897	2,897	5,265
Contribution to new buildings	-	-	4,000
Closing fund balance (deficit)	4,722	4,080	2,897

The Parking Services operation finished with a surplus of \$1,825,000 in 2011-2012. The service now has an accumulated surplus of \$4,722,000. Parking Services is accumulating surplus funds, with a target of \$10 million, for additional growth should further parking structures be required.

2.3.6 University Centre

The 2011-2012 results and status of the University Centre operations can be summarized as follows:

	<i>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>2010-2011 Actual \$000</i>
<u>Income</u>			
Rents and other recoveries	1,376	1,372	1,313
<u>Expenses and Transfers</u>			
Direct operating	1,585	1,346	1,352
Surplus (deficit)	<u>(209)</u>	<u>26</u>	<u>(39)</u>
Opening fund balance (deficit)	65	65	104
Closing fund balance (deficit)	(144)	91	65

The University Centre operation is run on a cost recovery basis over time. During the current year a deficit of \$209,000 was incurred which eliminated the existing accumulated surplus. The deficit was caused by unplanned renovations which were not budgeted for. The accumulated deficit will be recovered from tenants in 2012-13.

2.3.7 Graphic Services

The 2011-2012 results and status of the Graphic Services operations can be summarized as follows:

	<i>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>2010-2011 Actual \$000</i>
<u>Income</u>			
Sales: External	2,085	1,844	1,909
Internal	2,161	2,279	2,186
Other	105	94	92
	<u>4,351</u>	<u>4,217</u>	<u>4,187</u>
Less: Cost of goods sold	(919)	(810)	(886)
Gross profit	<u>3,432</u>	<u>3,407</u>	<u>3,301</u>
<u>Expenses and Transfers</u>			
Direct operating	2,908	3,096	2,995
Indirect expense contribution	61	69	64
Contribution to Ancillary Capital Fund	206	197	197
	<u>3,175</u>	<u>3,362</u>	<u>3,256</u>
Surplus (deficit)	<u>257</u>	<u>45</u>	<u>45</u>
Opening fund balance (deficit)	(80)	(80)	(125)
Closing fund balance (deficit)	177	(35)	(80)

The Graphics Services operations finished the year with a surplus of \$257,000. The service now has an accumulated surplus of \$177,000. The current year surplus was the result of an increase in external sales and an overall reduction in costs.

2.3.8 Ancillary Property Rentals

The 2011-2012 results and status for the Ancillary Property Rental operations can be summarized as follows:

	<i>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>2010-2011 Actual \$000</i>
<u>Income</u>			
Rents	2,844	3,200	3,102
Interest and sundry income	32	32	32
Occupancy cost	948	980	998
	<u>3,824</u>	<u>4,212</u>	<u>4,132</u>
<u>Expenses and Transfers</u>			
Direct Operating expenses	1,169	1,271	843
Occupancy Costs	948	980	998
Capital debt (interest and principal)	1,716	1,961	2,104
	<u>3,833</u>	<u>4,212</u>	<u>3,945</u>
Surplus (deficit)	<u>(9)</u>	<u>-</u>	<u>187</u>
Opening fund balance (deficit)	150	150	(37)
Closing fund balance (deficit)	141	150	150

The Ancillary Property Rentals include the Carleton Technology and Training Centre (CTTC), the National Wildlife Research Centre (NWRC) and space in the Human-Computer Interaction building (HCI). The operating results for 2011-2012 show a small deficit of \$9,000 which slightly reduces the previous year's accumulated surplus to \$141,000.

The 2011-2012 \$141,000 closing fund surplus relates to timing differences between rental payments and corresponding costs for NWRC. Rental income has decreased in the current year as Pearson Peacekeeping did not renew their leases in the HCI and CTTC buildings. New tenants are being sought to occupy this space.

2.3.9 Ancillary Capital Fund

The 2011-2012 results and status for the Ancillary Capital Fund operations can be summarized as follows:

	<i>2011-2012 Actual \$000</i>	<i>2011-2012 Budget \$000</i>	<i>2010-2011 Actual \$000</i>
<u>Income</u>			
Contributions	1,889	1,636	1,774
<u>Expenses and Transfers</u>			
Direct operating	692	692	692
Surplus (deficit)	<u>1,197</u>	<u>944</u>	<u>1,082</u>
Opening fund balance (deficit)	2,244	2,244	1,162
Closing fund balance (deficit)	3,441	3,188	2,244

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.

2.4 Other Income and Expenditures

As explained in section 2 above, the 2011-2012 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 2011-2012:

	<i>2011-2012</i> <i>Actual</i> <i>\$000</i>	<i>2010-2011</i> <i>Actual</i> <i>\$000</i>	<i>Increase</i> <i>(Decrease)</i> <i>\$000</i>
<u>Income and Transfers</u>			
Government grants	1,187	2,003	(816)
Transfers to/from operating	(19)	364	(383)
Net income	1,168	2,367	(1,199)
<u>Expenses</u>			
Additions	1,522	2,536	(1,014)
Surplus (deficit)	(354)	(169)	(185)
Opening fund balance	373	542	(169)
Closing fund balance	19	373	(354)

The accumulated surplus of \$19,000 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 2011–2012 there was a net decrease of \$1,202,000 in the Research Fund balance, from \$41,986,000 to \$40,784,000. Research receipts total \$59,173,000. Disbursements and net transfers out total \$60,375,000. Following Generally Accepted Accounting Principles, all restricted receipts in excess of restricted expenditures are deferred for use in future years. Deferred research revenue for 2011-12 is \$ 24,828,000. (Key to acronyms is on the next page).

<u>Funding Source</u>	<i>Balance April 30, 2011 \$000</i>	<i>2011-2012 Funding \$000</i>	<i>2011-2012 Expenditure \$000</i>	<i>Balance April 30, 2012 \$000</i>
<u>Canadian Government Departments and Agencies</u>				
CIDA	83	76	43	116
Citizenship	5	290	295	-
National Defence	15	749	750	14
DFAIT	118	40	159	(1)
Energy, Mines and Resources	293	1,022	1,146	169
Environment Canada	313	356	654	15
HRDC	20	14	34	-
Indian & Northern Affairs	57	249	277	29
Industry Canada	35	98	75	58
IDRC	185	479	522	142
Health and Welfare	57	67	112	12
NRC	48	64	84	28
Canadian Heritage	2	672	674	-
Other Federal	144	372	381	135
<u>Tri-Agency Sponsored Research</u>				
CIHR	651	1,207	1,344	514
NSERC	11,265	12,572	13,214	10,623
SSHRC	3,898	5,647	4,809	4,736
Canada Research Chairs	400	3,132	3,145	387
Indirect Cost Program	-	4,284	4,284	-
<u>Other Sponsored Research</u>				
COE	485	1,837	1,862	460
Provincial and Municipal Governments	835	466	550	751
CFI	467	3,956	4,057	366
Ontario Research Fund	986	642	813	815
Ontario ERAP	46	184	212	18
OIT	320	(127)	1	192
ORDCF	(2)	-	-	(2)
Businesses and Foundations	5,281	4,076	5,339	4,018
NOHFC	1	-	-	1
Foreign Governments	71	336	203	204
Research Partnership Agreements	1,143	2,889	3,004	1,028
<u>Total Sponsored Research</u>	<u>27,222</u>	<u>45,649</u>	<u>48,043</u>	<u>24,828</u>

<u>Funding Source – continued</u>	<u>Balance</u> <u>April 30,</u> <u>2011</u>	<u>2011-2012</u> <u>Funding</u>	<u>2011-2012</u> <u>Expenditure</u>	<u>Balance</u> <u>April 30,</u> <u>2012</u>
SNO and TRIUMF Internally Restricted Research	-	8,529	8,529	-
<u>Total Restricted Research</u>	<u>14,764</u>	<u>4,995</u>	<u>3,803</u>	<u>15,956</u>
	<u>41,986</u>	<u>59,173</u>	<u>60,375</u>	<u>40,784</u>

Notes: Key to acronyms

CIDA	Canadian International Development Agency
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>	46,275
Adjustments:	
a) Capital purchases in excess of amortization	(4,722)
b) Increase in operating appropriations (2.2.2)	(22,502)
c) Research surplus (internally restricted) increase (2.4.2)	(1,192)
d) Enterprise surplus (internally restricted) decrease	4
e) Scholarship surplus (internally restricted) decrease	3
f) Professional Development increase	(1,243)
g) Gain on unrestricted endowment	(20)
h) Employee future benefit expense less than cash payment	(5,813)
	<u>10,790</u>
Total	10,790
Represented by:	
Operating surplus (section 1.1)	3,656
Ancillary surplus (section 2.3)	7,488
Plant surplus decrease (section 2.4.1)	(354)
	<u>10,790</u>
Total	10,790

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 2011-2012 the following entries were made:

	<u>\$000</u>
Amortization of capital assets	26,773
Less: Amortization of deferred contributions	(13,672)
2011-2012 capital assets additions	(56,795)
Increase in financing of capital assets	<u>38,972</u>
	(31,495)
Difference	<u>(4,722)</u>

The \$4,722,000 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 \$4,722,000 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 increased by \$1,192,000 during 2011-2012. As these funds are earmarked for the continuation of the research activity being funded, this \$1,192,000 (\$15,956,000 - \$14,764,000) 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 decreased by \$4,000 (\$3,056,000 - \$3,060,000) during 2011-2012. As these funds are earmarked for the continual development of entrepreneurial activities such as language assessment, this change is shown as a decrease 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 decreased by \$3,000 during 2011-2012. Although these scholarships do not have donor placed restrictions on them, the funds have been earmarked for student support in future years.
- f) Professional Development: As shown on the Consolidated Statement of Changes in Net Assets, we now have an internally restricted balance for professional development funds earned by faculty members but not yet used.

- 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 2011-2012 the following entries were made:

	<u>\$000</u>
Employee future benefits	10,857
Employee future pension benefits	(12,761)
Less: 2011-2012 contributions removed from expenditure	(3,909)
Difference	<u>(5,813)</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, 2012 were as follows:

	<u>2012</u>	<u>2011</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	29,291	49,657	(20,366)
Deferred revenue	45,363	46,526	(1,163)
Current portion of long term debt	2,822	2,057	765
Long term liabilities:			
Accrued vacation pay	6,858	6,762	96
Employee future benefits	106,171	111,984	(5,813)
Long term debt	87,453	58,584	28,869
Net assets:			
Ancillary and plant funds	1,598	1,921	(323)
Endowment fund	216,501	267,934	(51,433)
Internally restricted funds	184,879	159,254	25,625
	<u>402,978</u>	<u>429,109</u>	<u>(26,131)</u>
Total – Sources	<u>680,936</u>	<u>704,679</u>	<u>(23,743)</u>

	<i>2012</i> <i>Actual</i> \$000	<i>2011</i> <i>Actual</i> \$000	<i>Increase</i> <i>(Decrease)</i> \$000
<u>Applications</u>			
Short term assets:			
Cash and short-term investments	183,135	162,367	20,768
Accounts receivable	24,172	26,787	(2,615)
Prepaid expenses	3,535	3,040	495
Current portion of new investment in lease	519	487	32
Long term assets:			
Net investment in lease	12,306	12,823	(517)
Investments	217,704	274,019	(56,315)
Capital assets:			
Less: Investment in capital assets	481,577	451,554	30,023
Deferred capital contributions	(157,212)	(152,404)	(4,808)
	(190,971)	(196,396)	5,425
Net assets:			
General operating fund (deficit)	-	3,656	(3,656)
Provision for employee future benefits	106,171	111,984	(5,813)
Provision for vacation pay	-	6,762	(6,762)
	106,171	122,402	(16,231)
Total - Applications	680,936	704,679	(23,743)

3.2 Source of University Resources

3.2.1 Accounts Payable: \$29,291,000

The accounts payable as at April 30, 2012 comprised:

	<i>2012</i> \$000	<i>2011</i> \$000	<i>Increase</i> <i>(Decrease)</i> \$000
Due to suppliers	6,111	12,512	(6,401)
Construction accruals and holdbacks	4,917	12,007	(7,090)
Payroll taxes and pension	11,995	17,961	(5,966)
Amounts held on deposit	1,995	1,821	174
Other taxes payable	546	560	(14)
Other payables and accrued liabilities	3,727	4,796	(1,069)
Total	29,291	49,657	(20,366)

**3.2.2 Deferred Revenue:
\$45,363,000**

Deferred revenue as at April 30, 2012 comprised:

	2012 \$000	2011 \$000	Increase (Decrease) \$000
a) Government grants	1,111	1,589	(478)
b) Research	24,828	27,222	(2,394)
c) Scholarships	4,042	4,037	5
d) Parker loans	799	1,040	(241)
e) Donations	8,408	7,274	1,134
f) Other items	6,175	5,364	811
Total	45,363	46,526	1,163

Notes:

- a) Of the \$1,111,000 in deferred grant revenue \$1,013,000 relates to graduate support 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 2.4.2.
- 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:
\$2,822,000**

The current portion of long-term debt is defined as the amount coming due within the next fiscal year. This totalled \$2,822,000 as at April 30, 2012, an increase of \$765,000 over last year.

**3.2.4 Accrued Vacation Pay:
\$6,858,000**

The \$6,858,000 compares to \$6,762,000 one year earlier for an increase of \$96,000. Generally Accepted Accounting Principles require that accumulated but unpaid vacation must be recognized as an expense and an amount payable at each year end. Consistent with other Ontario universities, the University has fully funded this accrued benefit, however the University's resource management policies are such that any payment of accrued vacation will be charged against existing departmental resources in the year the event occurs.

**3.2.5 Employee Future Benefits Liability:
\$106,171,000**

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 10 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 2011-12, a reduction in the expense of \$12,761,000 was recognized in relation to the amortization of the plan deficit. Additional details are provided in note 10 of the audited financial statements.

**3.2.6 Long Term Debt:
\$87,453,000**

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

**3.2.7 Net Assets, providing a source of resources:
\$402,978,000**

The net assets that constitute a source of resources are:

	2012 \$000	2011 \$000	<i>Increase (Decrease)</i> \$000
Ancillary and plant funds	1,598	1,921	(323)
Internally restricted funds	184,879	159,254	25,625
Endowment fund	216,501	267,934	(51,433)
Total	<u>402,978</u>	<u>429,109</u>	<u>(26,131)</u>

Notes:

a) The internally restricted net assets as at April 30, 2012, consist of the following:

	<u>\$000</u>
Appropriated operating funds (section 2.2.2)	149,477
Appropriated ancillary funds (section 2.3)	15,141
Internally restricted research balances (section 2.4.2)	15,956
Enterprise funds	3,056
Scholarship funds	6
Professional Development	1,243
	<u>184,879</u>

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

	<u>\$000</u>
Market Value at April 30, 2012	216,501
Market Value at April 30, 2011	<u>267,934</u>
Increase in Value	<u>(51,433)</u>

The \$51,433,000 decrease is calculated as follows:

	<u>\$000</u>
Unrealized gain (loss) on sale of investment	(53,009)
Gifts, bequests and other additions (per below)	4,067
Gain (loss) on sale of investments	(4,027)
Investment income	<u>14,454</u>
	<u>(38,515)</u>
Less: Distributed for endowed spending	(9,497)
Direct and indirect operating costs	(2,304)
Investment management fees	<u>(1,117)</u>
Increase in nominal value	<u>(51,433)</u>

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

	<u>\$000</u>
Nicol Entrepreneurial Institute	1,000
Grace E. Maynard Bursary for Ontario Students	376
Centre of Excellence for India-Canadian Relations	205
Dr. Jordan Page Harshman Bursary	200
Kroger College Endowment Fund	153
C.U. Engineering Student Equipment Fund	142
Ed Ireland Endowment Fund	141
Gladie McQueen CIE Bursary	120
Hamlin Bursary for the Centre of Initiatives in Education	100
Hilda Irene Lieff Memorial Bursary	100
The Clayton H. Riddell Political Management Endowment Fund	100
Other additions (<\$100,000)	<u>1,430</u>
Total additions	<u>4,067</u>

The realized investment returns for the year totalled \$10,427,000. The amount distributed for endowed spending in 2011-2012 was \$9,497,000. This represents a distribution of \$3.59 per unit held in the investment pool. In addition, \$1,117,000 was paid to investment managers during the year and \$2,304,000 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: \$183,135,000

The cash and short term investment balance is as follows:

	2012 \$000	2011 \$000	Increase (Decrease) \$000
Cash balance	(3,038)	(985)	(2,053)
Short term investments	186,173	163,352	22,821
Total	183,135	162,367	20,768

3.3.2 Accounts Receivable: \$24,172,000

	2012 \$000	2011 \$000	Increase (Decrease) \$000
a) Student accounts	8,787	8,779	8
b) Student associations	151	132	19
c) General accounts receivable	2,188	1,530	658
d) Staff computer loans	64	53	11
e) HST/GST receivable	1,839	2,944	(1,105)
f) Municipal taxes	546	524	22
g) Bookstore	123	88	35
h) Union groups	273	297	(24)
i) Research funds	9,480	12,593	(3,113)
j) Student loans	13	14	(1)
k) Food service provider	499	372	127
Other receivables	1,778	1,190	588
Sub-total	25,741	28,516	(2,775)
l) Less: Allowance for doubtful accounts	(1,569)	(1,729)	160
Total	24,172	26,787	(2,615)

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 19, 2012, the student accounts receivable balance had been reduced to \$4,311,000 from the \$8,787,000 as at April 30, 2012. The \$8,787,000 represents 4.58% (2010 – 4.81%) of the 2011-2012 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 to external clients or to monies owed at yearend for expenditures. 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) HST/GST receivable: The balance typically represents the amount due from the government for the April HST/GST return. The University implemented HST on July 1, 2010. The decrease is due to a high volume of rebates on construction at the end of the previous fiscal 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 2011-2012 amount receivable is due from Follett Books and represents commission income related to 2011-2012 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 2011-2012 amount receivable from Aramark represents commission and profit share income related to the 2011-2012 operations.
- l) Allowance for doubtful accounts: The allowance includes \$1,540,000 for student fees, while the balance is for other overdue items.

3.3.3 Prepaid Expenses: \$3,535,000

Prepaid Expenses as at April 30, 2012 comprised:

	2012	2010	<i>Increase (Decrease)</i>
	\$000	\$000	\$000
Insurance	597	570	27
Licences	1,968	1,300	668
Physical Plant supplies	558	579	(21)
Other	412	591	(179)
Total	<u>3,535</u>	<u>3,040</u>	<u>495</u>

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

3.3.4 Current Portion of Net Investment in Lease: \$519,000

The current portion of net investment in lease is defined as the amount collectible within the next fiscal year. This totalled \$519,000 at April 30, 2012 and represents the non-financing income portion of the \$1,300,000 annual National Wildlife Research Centre (NWRC) lease payment. Further detail is provided in section 3.3.5 and in note 4 of the audited financial statements.

3.3.5 Net Investment in Lease: \$12,306,000

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 4 of the audited financial statements.

3.3.6 Investments: \$217,704,000

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

	2012	2011	<i>Increase (Decrease)</i>
	\$000	\$000	\$000
Investments held for:			
Endowment	215,463	271,448	(55,985)
Parker Loan fund	1,103	1,344	(241)
NWRC capital reserve	576	665	(89)
Sprott Student fund	562	562	-
Total	217,704	274,019	(56,315)

As indicated in note 2(c) of the audited financial statements, all investments are shown at fair market value. Additional information on the investments can be found in note 3 of the audited financial statements.

3.3.7 Capital Assets: \$481,577,000
Investment in Capital Assets: \$157,212,000
Deferred Capital Contributions: \$190,971,000

The net value of capital assets as at April 30, 2012 comprised:

	2012 \$000	2011 \$000	Increase (Decrease) \$000
Capital Assets:			
Land and buildings	470,990	440,195	30,795
Building improvements	80,196	65,993	14,203
Equipment and furnishings	123,280	113,804	9,476
Computers and software	28,230	28,019	211
Automobile	573	537	36
Library and art collections	63,677	61,602	2,075
	<u>766,946</u>	<u>710,150</u>	<u>56,796</u>
Less: Accumulated depreciation	(285,369)	(258,596)	(26,773)
Net capital assets	<u>481,577</u>	<u>451,554</u>	<u>30,023</u>
Funding:			
Investment in capital assets	157,212	152,404	4,808
Deferred capital contributions	190,971	196,396	(5,425)
Total funding	<u>348,183</u>	<u>348,800</u>	<u>(617)</u>
Unfunded assets	<u>133,394</u>	<u>102,754</u>	<u>30,640</u>
Financed by:			
Mortgages payable	1,444	1,689	(245)
Loans payable	76,015	45,650	30,365
Other short-term borrowing	55,935	55,415	520
Total	<u>133,394</u>	<u>102,754</u>	<u>30,640</u>

The specific capital assets funded through financing are as follows:

	2012 \$000	2011 \$000	Increase (Decrease) \$000
<u>Mortgage financing:</u>			
Glengarry residence	1,066	1,171	(105)
Grenville and Russell residences	314	374	(60)
Lanark and Renfrew residences	64	144	(80)
	<u>1,444</u>	<u>1,689</u>	<u>(245)</u>
<u>External loan financing:</u>			
Prescott residence	15,523	16,046	(523)
Leeds residence	14,757	15,348	(591)
Frontenac residence	14,049	14,256	(207)
Lennox & Addington residence	31,686	-	31,686
	<u>76,015</u>	<u>45,650</u>	<u>30,365</u>

	2012 \$000	2011 \$000	Increase (Decrease) \$000
<u>Internal loan financing:</u>			
New residence	-	15,083	(15,083)
Housing and Food Services renovations	23,174	14,838	8,336
Ice Arena	8,313	8,994	(681)
Alumni Hall and Sports Centre	4,269	5,366	(1,097)
CTTC building	2,686	2,872	(186)
Field House	2,508	2,668	(160)
University Centre	1,553	2,018	(465)
Waterfront academic buildings	15,705	1,080	14,625
Graphic Services renovation	1,001	1,066	(65)
Tory retrofit	-	21	(21)
Other (funding in advance of expense)	(3,274)	1,409	(4,683)
	55,935	55,415	520
Financed assets	133,394	102,754	30,340

**3.3.8 Net Assets, requiring an application of resources:
\$106,171,000**

The net assets classified as an application of resources include:

	2012 \$000	2011 \$000	Increase (Decrease) \$000
Operating deficit	-	(3,656)	(3,656)
Provision for employee future benefits	(106,171)	(111,984)	(5,813)
Provision for vacation pay	-	(6,762)	(6,762)
Total	(106,171)	(122,402)	(16,231)



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



J.T. Sullivan
Assistant Vice-President
(Financial Services)

September 2012

**GENERAL OPERATING FUND 2011-2012
INCOME, EXPENSES AND ACCUMULATED DEFICIT
COMPARISON TO BUDGET (MAY 2011) AND 2010-11 ACTUAL**

	2011-12	2011-12	Actual to Budget		2010-11	Actual to Prior Year	
	Actual	Budget	\$000's	%	Actual	\$000's	%
INCOME	\$000's	\$000's	\$000's	%	\$000's	\$000's	%
Government Grant	160,856	149,074	11,782	7.9	153,542	7,314	4.8
Tuition Fees	169,915	164,866	5,049	3.1	153,880	16,035	10.4
Miscellaneous Income	10,942	9,743	1,199	12.3	10,441	501	4.8
Interest Income	4,951	2,680	2,271	84.7	2,846	2,105	74.0
Departmental Income	4,207	3,675	532	14.5	3,750	457	12.2
Total Operating Income	350,871	330,038	20,833	6.3	324,459	26,412	8.1
EXPENSES							
Faculty of Arts & Social Sciences	41,646	43,184	(1,538)	(3.6)	40,523	1,123	2.8
Faculty of Public Affairs	28,670	29,698	(1,028)	(3.5)	27,716	954	3.4
Sprott School of Business	9,623	9,113	510	5.6	9,158	465	5.1
Faculty of Science	23,589	23,988	(399)	(1.7)	21,897	1,692	7.7
Faculty of Engineering and Design	24,010	26,031	(2,021)	(7.8)	22,927	1,083	4.7
Academic Admin. & Student Services	27,773	21,994	5,779	26.3	24,449	3,324	13.6
Library	14,795	16,030	(1,235)	(7.7)	14,010	785	5.6
Research	2,502	2,760	(258)	(9.3)	2,468	34	1.4
Finance & Administration	35,057	33,344	1,713	5.1	30,860	4,197	13.6
President	3,174	3,120	54	1.7	3,150	24	0.8
Advancement	4,764	4,811	(47)	(1.0)	4,492	272	6.1
University Budgets	102,192	110,695	(8,503)	(7.7)	94,237	7,955	8.4
Interfund Transfers (net)	6,918	4,270	2,648	62.0	1,055	5,863	555.7
Sub-Total Operating Expenses	324,713	329,038	(4,325)	(1.3)	296,942	27,771	9.4
Net Appropriations	22,502	0	22,502		25,182	(2,680)	
Total Expenses	347,215	329,038	18,177	5.5	322,124	25,091	7.8
Deficit Reduction for the Year	3,656	1,000	2,656		2,335	1,321	
Opening Accumulated Deficit	(3,656)	(3,656)	0		(5,991)	2,335	
Closing Accumulated Deficit	0	(2,656)	2,656		(3,656)	3,656	

Note: 2011-2012 budget figures reflect the opening May 1, 2011 budget. Reallocations have been made to assist in comparison.

