



Carleton
UNIVERSITY

2012-2013

**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 2012-2013

Consolidated Statement of Operations - Operating Fund

Operating revenues exceeded expenses by \$0.5 million in 2012-2013. This compares to a budgeted surplus of \$1.0 million, and is \$3.2 million less than the previous year. A breakdown and comparison follows:

	<i>2012-2013 Actual \$M</i>	<i>2012-2013 Budget \$ M</i>	<i>2011-2012 Actual \$ M</i>
Deficit reduction/accumulated surplus for the year	0.5	1.0	3.7

The budget approved for 2012-2013 in April 2012 projected a reduction in the accumulated deficit of \$1.0 million, however actual operating results for 2011-2012 eliminated that deficit as of April 30, 2012. Therefore, the positive result for 2012-2013 has created an accumulated surplus of \$0.5M. 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/Surplus Accumulation: \$0.5 million below budget

Income: \$15.2 million above budget

As outlined in section 2.2.3, the income items over budget were: Grant income \$4.9 million, Tuition income \$3.4 million, Miscellaneous income \$1.3 million and Interest income \$5.6 million.

Expenses and Appropriations: \$15.7 million above budget

Allocations less than contingency funds -	\$(0.9) million savings
Unspent allocations -	\$(0.3) million savings
New appropriations -	\$16.9 million cost

Accumulated Surplus: \$0.5 lower than original estimate

The accumulated operating deficit (excluding the provision for post-retirement benefits) had been eliminated as of April 30, 2012, and therefore the net positive result of \$0.5M has created an accumulated surplus of \$0.5M.

Ancillary Operations: \$7.7 million surplus from regular operations

The ancillary operations finished the year with a surplus of \$7.7 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)

There are three notable changes in the balance sheet this year. The first is the presentation of three balance sheet dates to show the effects of the adoption of new accounting standards. As noted in note 21 of the audited financial statements, the University was able to revalue its land as of May 1, 2011 to its independently appraised fair value of \$89,000,000. This represented a direct increase in our Tangible Assets and Investment in Capital Assets of \$82,294,000.

Secondly, there is the impact declining market conditions have had on our investments, which have decreased in fair value \$25.3 million from the prior year and \$81.6 million since May 1, 2011. The endowment fund, which holds the majority of our investments, decreased in value by \$26.0 million. As indicated in note 14 of the audited financial statements, this net decrease was the result of \$19.6 million in unrealized losses on investments and a distribution of funds for spending of \$9.8 million. This loss was partially offset by \$1.7 million in gifts and \$1.7 million in realized capital gains and investment revenue. A more complete analysis of the endowment fund is included in section 3.2.7.

Lastly, the internally restricted net assets have increased by \$59.2 million in the current year. As noted in our 2012-2013 Operating Budget report, one of the largest risks currently facing the University is the status of the pension plan and the requirement to make special payments, which could be in the range of \$20.0 million annually. As it will take several years to set aside sufficient base (i.e. ongoing) funding to meet this requirement, a reserve is being built up to bridge the required payments, and now stands at \$67.9 million. More detail on the internally restricted net assets can be found in note 12 of the audited financial statements.



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NOTES ON FINANCIAL STATEMENTS

2012-2013

1. INTRODUCTION

1.1 2012-2013 Operating Results

The operating result for the year shows a surplus of \$498,000. This compares to an original projection requiring a deficit repayment of \$1,000,000 and a decrease of \$3,158,000 from the previous year.

The variation in the operating results is the result of increased grant, tuition, miscellaneous and short term interest income of \$15,197,000 and a small shortfall of \$8,000 in departmental income.

On the expenditure side, budget variances in university budgets and contingencies increased the contribution towards the surplus by \$1,159,000, while new appropriations decreased the contribution by \$16,850,000.

The net result of \$15,189,000 in positive income adjustments, and \$15,691,000 in negative expenditure adjustments was therefore a \$498,000 surplus, as opposed to the original projection of \$1,000,000. Details of this calculation are shown in section 2.2.3.

1.2 Accumulated Deficit/Surplus

The accumulated operating deficit (excluding provisions for post-retirement benefits) was eliminated as of April 30, 2012, and therefore surplus in the amount of \$498,000 has accumulated as of April 30, 2013. This compares to the 2012-2013 opening budget projection of a \$1,000,000 surplus, which was required when a deficit still existed.

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 2012-2013 operating budget as approved by the Board of Governors in Spring 2012.

In the sections 2.1, 2.2 and Schedule 1 which follow, the operating income and expenses are analysed 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 \$380,222,000 in 2012-2013. This compares to an original budget of \$356,214,000 and a total for the previous year of \$350,871,000. Total operating income was therefore \$24,008,000 (6.7%) above budget, and \$29,351,000 (8.4%) above the previous year.

	<i>2012-2013 Actual \$000</i>	<i>2012-2013 Budget \$000</i>	<i>Variance \$000</i>
Revenues	380,222	356,214	24,008
Items offset by Expenditures (2.2.1)	8,819	-	8,819
Net Revenues	<u>371,403</u>	<u>356,214</u>	<u>15,189</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 \$164,690,000 included in Schedule 1 is \$8,863,000 (5.7%) above the original estimate, and \$3,834,000 (2.4%) more than the previous year. A comparison to the estimate in the original budget is set out below:

	<i>2012-2013 Actual \$000</i>	<i>2012-2013 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items Affecting the Operating Result</u>			
Basic Operating Grant	134,583	134,806	(223)
Research Overheads	4,933	4,925	8
Access to Higher Quality Education Fund	6,287	6,228	59
Performance Funding	569	598	(29)
Accessibility Fund	13,350	8,395	4,955
Other government grants	163	-	163
Subtotal	<u>159,885</u>	<u>154,952</u>	<u>4,933</u>
<u>Items offset by expenses</u>			
Student Aid Funds	3,217	240	2,977
Access for the Disabled	758	635	123
Aboriginal Education and Training	358	-	358
First Generation programs	208	-	208
Other Government Grants	264	-	264
Subtotal	<u>4,805</u>	<u>875</u>	<u>3,930</u>
Total Government Grants	<u>164,690</u>	<u>155,827</u>	<u>8,863</u>

Omitting special purpose grants, the operating revenue from the Ministry of Training, Colleges and Universities was \$4,933,000 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 3.0% over the previous year.

As explained in section 2.2.1 below, a portion of the increase in grant revenue that is attributable to enrolment growth is shared with the faculties via the Enrolment Linked Budget Allocation (ELBA).

2.1.2 Tuition Fees – Credit Programs

Tuition income totalled \$185,739,000 in 2012-2013. This represents an increase of \$15,824,000 (9.3%) over the previous year, and is \$3,501,000 (1.9%) above the original estimate. Details of the 9.3% 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>		
2011-2012	20,448	3,031	23,479	169,915
2012-2013	21,049	3,197	24,246	185,739
Increase (Decrease)	601	166	767	15,824
%	2.9%	5.5%	3.3%	9.3%

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

All but \$94,000 of the additional tuition revenue went to improving the operating result of the University. Of this, \$67,000 was allocated for international recruitment, while the balance relates to a formula adjustment for the Centre for Initiatives in Education.

As explained in section 2.2.1 below, a portion of the increase in tuition revenue that is attributable to enrolment growth is shared with the faculties via the Enrolment Linked Budget Allocation (ELBA).

2.1.3 Miscellaneous Income

Miscellaneous income totalled \$15,226,000 in 2012-2013, which is \$5,178,000 over the original budget and \$4,284,000 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>2012-2013 Actual \$000</i>	<i>2012-2013 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items affecting the operating result</u>			
Application and admission fees	2,162	1,675	487
Deferred payment and processing fees	2,206	1,928	278
Omnibus fee	918	865	53
Overhead charges	3,100	2,946	154
Library and other fines	145	175	(30)
Facility rentals	767	710	57
Career and Co-op Placement Services	1,526	1,420	106
Other miscellaneous	509	329	180
Subtotal	11,333	10,048	1,285
<u>Items offset by additional expenditures</u>			
Legal settlement	3,793	-	3,793
Other income	100	-	100
Subtotal	3,893	-	3,893
Total Miscellaneous Income	15,226	10,048	5,178

The increase in miscellaneous income is mainly due to an arbitration ruling whereby the City of Ottawa was held solely responsible for the upgrading of a pumping station required to accommodate new buildings on campus. As the University had originally paid for these upgrades, the \$3.7 million award is recorded as income.

2.1.4 Interest Income

Interest income totalled \$9,752,000 in 2012-2013, which was \$5,572,000 above budget, and \$4,801,000 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>2012-2013 Actual \$000</i>	<i>2012-2013 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items offset by additional expenditures</u>			
Instructional Media Services and CUOL	1,098	831	267
Computing	305	68	237
Pension plan administration	256	221	35
Centre for Initiatives in Education	642	547	95
Salary recoveries	345	303	42
Science and Technology Centre	102	77	25
Student Experience Office	597	582	15
Paul Menton Centre	137	134	3
Alumni and external contributions	718	679	39
General sales	297	223	74
Other	311	241	70
Subtotal	4,808	3,906	902
<u>Items affecting the operating result</u>			
Benefit recoveries	7	15	(8)
Total Department Income	4,815	3,921	894

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 \$331,400,000 in 2012-2013. This represents a \$23,814,000 (6.7%) decrease from the original expense budget of \$355,214,000 and a \$6,687,000 (2.1%) increase from the previous year's total of \$324,713,000. Total appropriations from the operating fund balance at the end of 2012-2013 amounted to \$104,894,000. This represents a net increase of \$48,324,000 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	331,400
Opening budget	<u>355,214</u>
Expenditures below budget	<u>(23,814)</u>

The items included in the \$23,814,000 decrease in expenditures and transfers were:

	<u>\$000</u>	<u>\$000</u>
a) <u>Salary Increases</u>		
2012-2013 Cost	6,241	
Less: Contingency in opening budget	8,039	
Savings		<u>(1,798)</u>
b) <u>Mid-Year Allocations</u>		
Total allocations	765	
Less: Opening contingency	1,511	
Savings		<u>(746)</u>
c) <u>Enrolment Incentive</u>		
2012-2013 cost	12,021	
Less: Opening contingency	10,095	
Cost		<u>1,926</u>
d) <u>Sabbatical Leave Savings</u>		
Total 2012-13 savings	(1,338)	
Less: Planned savings	(1,100)	
Additional savings		<u>(238)</u>
e) <u>Other Contingencies</u>		
2012-2013 cost	29,854	
Less: Opening contingency	29,854	
Net		<u>-</u>
Total unspent contingencies		<u>(856)</u>

<u>Overspent (unspent) balances not appropriated:</u>	<u>\$000</u>	<u>\$000</u>
a) Provision for bad debts	15	
b) Student support	104	
c) Utilities	(2,247)	
d) Benefits	(420)	
e) Transfers	2,207	
Other	38	
Subtotal		(303)
<u>Expenditures funded by additional income:</u>		
Government grant (section 2.1.1)	3,930	
Tuition income (section 2.1.2)	94	
Miscellaneous income (section 2.1.3)	3,893	
Departmental income (section 2.1.5)	902	
		8,819
Expenditures funded by returned appropriations	56,570	
Total appropriations in 2012-2013	104,894	
Net appropriations (section 2.2.2)	(48,324)	
Add: New appropriations (section 2.2.2)	16,850	
		(31,474)
Total expenditures and transfers below budget		(23,814)

Notes:

- a) Salary Increases: The cost of compensation increases in 2012-2013 totalled \$6,241,000 against a contingency of \$8,039,000 in the opening budget. This represents a savings of \$1,798,000.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totalled \$765,000 in 2012-2013 as compared to a budget of \$1,511,000. An analysis of the allocations follows:

Allocations from the Mid-Year Contingency Fund:

	<u>\$000</u>
Graduate student support	500
Undergraduate student support	150
Online course development	61
Confucious Institute	54
Total allocations	765
Opening contingency	(1,511)
Savings	(746)

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 2011-2012 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 \$1,926,000.

- d) Sabbatical Leave Savings: The actual savings related to sabbatical leaves totalled \$1,338,000 as compared to the budget of \$1,100,000. The excess of \$238,000 in planned savings improves the operating results.
- e) Other Contingencies: The original budget for 2012-2013 included a \$600,000 provision for academic initiatives and \$29,254,000 to deal with increases in the special deficit payments required for the University's pension plan. During the year, \$8,205,000 in special pension payments was required. The unused 2012-2013 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 was \$1,090,000, which was \$15,000 over budget and represents 0.6% of tuition fees assessed. The University continues to use the mechanisms available to collect tuition fees and has reduced this expense from the previous year.
- g) Student support: During the year, student support costs exceeded the budget by \$104,000. This is due to the Ministry expanding the Ontario Graduate Scholarships program, whereby the University must provide one third of the scholarship value to the Ministry's two thirds.
- h) Utilities: The savings achieved are due to the 2012-13 budget being set conservatively given the volatility in oil and gas markets and the increases in the hydro costs.
- i) Benefits: Staff benefit costs were \$420,000 below budget in 2012-13, on a total budget of \$45,969,000. The savings were mainly a result of a contribution holiday for group life insurance and a WSIB rebate, neither of which were anticipated in the opening budget.
- j) Interfund Transfers: The transfer cost exceeded the budget by \$2,207,000. This is due to a decision to defer an annual \$1 million contribution of endowment earnings to the operating fund, as well as a \$1.3 million operating contribution to fund the current year's increase in vacation pay earned. Given the lower endowment earnings in the past few years, and the positive results of enrolment growth, the annual endowment contribution was not required to meet operational needs but will be held for future use.

Contract overhead recoveries coming from the Research Fund exceeded the original budget by \$131,000, but were \$99,000 less than the previous year. 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. On amounts over \$1.3 million, the operating budget and the Vice-President (Research and International) share the 55% equally. The distribution of overheads for 2012-2013 and 2011-2012 are as follows:

	2012-2013	2011-2012
	\$000	\$000
General operating budget and contingency	546	551
Vice President (Research and International)	178	197
Vice President Academic and Provost	4	-
<u>Faculties</u>		
Engineering and Design	232	311
Arts and Social Sciences	150	118
Science	70	118
Public Affairs	60	48
Business	4	-
Total	1,244	1,343

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 2012-2013	104,894
Returned from 2011-2012 fund balance	<u>56,570</u>
Increase in appropriated fund balance	<u>48,324</u>

Details of the returned and new appropriations are as follows:

	<i>Returned</i>	<i>Appropriated</i>	<i>Difference</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>RPC</u>			
Faculties	23,862	25,756	1,894
Academic Administration and Student Services	3,216	3,206	(10)
Library	2,215	857	(1,358)
President	1,335	1,348	13
Research and International	1,162	1,124	(38)
Finance and Administration	14,960	19,357	4,397
Advancement	303	440	137
Professional development allowances	95	90	(5)
Computing infrastructure	998	1,087	89
Mandated student aid	90	100	10
Renovations	1,094	1,494	400
Self-insurance fund	5	-	(5)
Pending commitments	8	504	496
Pension liabilities reserve	-	25,454	25,454
Capital reserves	-	7,227	7,227
New allocations	7,227	16,850	9,623
Total	<u>56,570</u>	<u>104,894</u>	<u>48,324</u>

In addition, \$92,907,000 in prior year appropriated funds were not returned during 2012-2013.

The \$92,907,000 relates to:

	<u>\$000</u>
Pension liability reserve	42,449
Capital reserves	49,359
Self-insurance fund	249
Other	<u>850</u>
Total appropriations not returned	<u>92,907</u>

New allocations consist of appropriations of unspent funds in addition to those included in the original budget. For 2012-2013, the new allocation of \$16,850,000 has been earmarked for capital reserves, in addition to the \$7,227,000 allocation from 2011-2012. Total appropriations for the Operating Fund amount to \$197,801,000 as of April 30, 2013.

2.2.3 Operating Result

As noted in section 1 above, the actual results show an accumulation of surplus in the amount of \$498,000. While this is \$502,000 less than the original \$1,000,000 estimate, that figure was predicated on the need to eliminate an accumulated deficit, which was extinguished in the prior year.

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 \$498,000 operating surplus.

	Deficit Reduction		
	<i>Increase</i>	<i>Decrease</i>	<i>Net</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Income Variations</u>			
Government grants (section 2.1.1)	4,933		
Tuition fees (section 2.1.2)	3,407		
Miscellaneous income (section 2.1.3)	1,285		
Interest income (section 2.1.4)	5,572		
Departmental income (section 2.1.5)		(8)	
Total income variations	<u>15,197</u>	<u>(8)</u>	<u>15,189</u>
<u>Expenditure Variations</u>			
Unspent contingencies (section 2.2.1)	856		
Unspent allocations (section 2.2.1)	303		
	<u>1,159</u>	<u>-</u>	<u>1,159</u>
New appropriations (section 2.2.2)		(16,850)	(16,850)
Net effect of expense variations	<u>1,159</u>	<u>(16,850)</u>	<u>(15,691)</u>
Net change	<u>16,356</u>	<u>(16,858)</u>	<u>(502)</u>
Original deficit reduction included in budget			1,000
Total increase in accumulated surplus			<u>498</u>

2.2.4 Accumulated Surplus

The accumulated operating deficit was eliminated as of April 30, 2012, and therefore the current year result has created an accumulated surplus of \$498,000.

2.3 Ancillary Operations - Operating Results and Fund Balances

Schedule 2, at the end of this Report, details the 2012-2013 operations of the ancillaries as compared to the original budget. Overall the ancillary results can be summarized as follows:

	<i>2012-2013 Actual \$000</i>	<i>2012-2013 Budget \$000</i>	<i>2011-2012 Actual \$000</i>
Income and internal recoveries	57,629	56,943	54,040
Expenses and transfers	49,927	52,043	46,552
Surplus (deficit)	7,702	4,900	7,488

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 2013 \$000</i>	<i>Balance at April 2012 \$000</i>	<i>Variance \$000</i>
Ancillaries with an accumulated surplus	22,840	15,282	7,558
Ancillaries with an accumulated deficit	-	(144)	144
	22,840	15,138	7,702

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 2012-2013 results and status of the Recreation and Athletics operations can be summarized as follows:

	<i>2012-2013 Actual \$000</i>	<i>2012-2013 Budget \$000</i>	<i>2011-2012 Actual \$000</i>
<u>Income</u>			
Athletic fees	3,984	3,944	3,757
Other income	7,079	6,725	6,680
	11,063	10,669	10,437
<u>Expenses and Transfers</u>			
Direct expenses	9,203	9,963	8,499
Renovations and alterations	550	633	549
	9,753	10,596	9,048
Surplus (deficit)	1,310	73	1,389

Opening fund balance (deficit)	2,488	2,488	1,099
Closing fund balance (deficit)	3,798	2,561	2,488

The Recreation and Athletics operations finished the year with a surplus of \$1,310,000, resulting in an accumulated surplus balance of \$3,798,000. The increased surplus for 2012-13 is mostly a result of savings experienced in utility costs and discretionary expenditures.

2.3.2 Bookstore

The 2012-2013 results and status of the Bookstore operations can be summarized as follows:

	<i>2012-2013 Actual \$000</i>	<i>2012-2013 Budget \$000</i>	<i>2011-2012 Actual \$000</i>
<u>Income</u>			
Commissions and reimbursements	906	1,019	1,118
<u>Expenses and Transfers</u>			
Direct expenses	751	866	957
Indirect expense contribution	153	153	153
	904	1,019	1,110
Surplus (deficit)	2	-	8
Opening fund balance (deficit)	229	229	221
Closing fund balance (deficit)	231	229	229

The Bookstore operations finished the year with a surplus of \$2,000, and it now has an accumulated surplus of \$231,000.

2.3.3 Health and Counselling Services

The 2012-2013 results and status of the Health and Counselling Services operations can be summarized as follows:

	<i>2012-2013 Actual \$000</i>	<i>2012-2013 Budget \$000</i>	<i>2011-2012 Actual \$000</i>
<u>Income</u>			
Health Services fee	1,323	1,252	1,241
Insurance recoveries / other	1,800	1,778	1,794
	3,123	3,030	3,035
<u>Expenses and Transfers</u>			
Direct expenses	2,996	2,889	2,855
Indirect expense contribution	27	29	34
	3,023	2,918	2,889
Surplus (deficit)	100	112	146
Opening fund balance (deficit)	42	42	(104)
Closing fund balance (deficit)	142	154	42

The Health and Counselling Services operation finished the year with a surplus of \$100,000 and now has an accumulated surplus of \$142,000.

2.3.4 Housing and Conference Services

The 2012-2013 results for the Housing and Conference Services operations can be summarized as follows:

	<i>2012-2013 Actual \$000</i>	<i>2012-2013 Budget \$000</i>	<i>2011-2012 Actual \$000</i>
<u>Income</u>			
Residence fees	17,900	17,879	15,660
Conference operations	2,323	2,237	2,005
Commission income	5,829	5,463	5,452
Other income	1,879	1,656	1,556
	<u>27,931</u>	<u>27,235</u>	<u>24,673</u>
<u>Expenses and Transfers</u>			
Direct expenses	17,864	17,726	14,960
Capital debt (interest and principal)	6,686	6,746	5,566
Indirect expense contribution	121	119	114
Contribution to Ancillary Capital Fund	1,149	949	1,149
	<u>25,820</u>	<u>25,540</u>	<u>21,789</u>
Surplus (deficit)	<u>2,111</u>	<u>1,695</u>	<u>2,884</u>
Opening fund balance (deficit)	4,042	4,042	1,158
Closing fund balance (deficit)	6,153	5,737	4,042

The Housing and Conference Services operations finished the year with a surplus of \$2,111,000. The service now has an accumulated surplus of \$6,153,000. The capital debt expense relates mainly to the repayment of mortgage costs for the residence buildings.

2.3.5 Parking Services

The 2012-2013 results and status of the Parking Services operations can be summarized as follows:

	<i>2012-2013 Actual \$000</i>	<i>2012-2013 Budget \$000</i>	<i>2011-2012 Actual \$000</i>
<u>Income</u>			
Parking charges	4,159	4,094	3,936
Other income	334	389	320
	<u>4,493</u>	<u>4,483</u>	<u>4,256</u>
<u>Expenses and Transfers</u>			
Direct operating	2,041	2,759	2,367
Indirect expense contribution	67	66	64
	<u>2,108</u>	<u>2,825</u>	<u>2,431</u>
Surplus (deficit)	<u>2,385</u>	<u>1,658</u>	<u>1,825</u>
Opening fund balance (deficit)	4,722	4,722	2,897
Closing fund balance (deficit)	7,107	6,380	4,722

The Parking Services operation finished with a surplus of \$2,385,000 in 2012-2013. The service now has an accumulated surplus of \$7,107,000. Parking Services is accumulating surplus funds, with a target of \$10 million, to fund new parking structures.

2.3.6 University Centre

The 2012-2013 results and status of the University Centre operations can be summarized as follows:

	<i>2012-2013 Actual \$000</i>	<i>2012-2013 Budget \$000</i>	<i>2011-2012 Actual \$000</i>
<u>Income</u>			
Rents and other recoveries	1,560	1,559	1,376
<u>Expenses and Transfers</u>			
Direct operating	1,226	1,417	1,585
Surplus (deficit)	334	142	(209)
Opening fund balance (deficit)	(144)	(144)	65
Closing fund balance (deficit)	190	(2)	(144)

The University Centre operation is run on a cost recovery basis over time. During the current year, a surplus of \$334,000 was incurred which eliminated the existing accumulated deficit as planned.

2.3.7 Graphic Services

The 2012-2013 results and status of the Graphic Services operations can be summarized as follows:

	<i>2012-2013 Actual \$000</i>	<i>2012-2013 Budget \$000</i>	<i>2011-2012 Actual \$000</i>
<u>Income</u>			
Sales: External	1,405	1,800	2,085
Internal	1,885	2,150	2,161
Other	190	100	105
	3,480	4,050	4,351
Less: Cost of goods sold	(537)	(815)	(919)
Gross profit	2,943	3,235	3,432

Expenses and Transfers

Direct operating	2,421	2,935	2,908
Indirect expense contribution	56	69	61
Contribution to Ancillary Capital Fund	188	193	206
	<u>2,665</u>	<u>3,197</u>	<u>3,175</u>
Surplus (deficit)	<u>278</u>	<u>38</u>	<u>257</u>
Opening fund balance (deficit)	177	177	(80)
Closing fund balance (deficit)	455	215	177

The Graphics Services operations finished the year with a surplus of \$278,000. The service now has an accumulated surplus of \$455,000.

2.3.8 Ancillary Property Rentals

The 2012-2013 results and status for the Ancillary Property Rental operations can be summarized as follows:

	<i>2012-2013 Actual \$000</i>	<i>2012-2013 Budget \$000</i>	<i>2011-2012 Actual \$000</i>
<u>Income</u>			
Rents	2,764	2,841	2,844
Interest and sundry income	32	32	32
Occupancy cost	920	966	948
	<u>3,716</u>	<u>3,839</u>	<u>3,824</u>
<u>Expenses and Transfers</u>			
Direct Operating expenses	703	961	1,169
Occupancy Costs	920	966	948
Capital debt (interest and principal)	2,107	1,912	1,716
	<u>3,730</u>	<u>3,839</u>	<u>3,833</u>
Surplus (deficit)	<u>(14)</u>	<u>-</u>	<u>(9)</u>
Opening fund balance (deficit)	141	141	150
Closing fund balance (deficit)	127	141	141

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 2012-2013 show a small deficit of \$14,000 which reduces the previous year's accumulated surplus to \$127,000.

The 2012-2013 \$127,000 closing fund surplus relates to timing differences between rental payments and corresponding costs for NWRC.

2.3.9 Ancillary Capital Fund

The 2012-2013 results and status for the Ancillary Capital Fund operations can be summarized as follows:

	<i>2012-2013</i>	<i>2012-2013</i>	<i>2011-2012</i>
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Income</u>			
Contributions	1,894	1,874	1,889
<u>Expenses and Transfers</u>			
Direct operating	698	692	692
Surplus (deficit)	1,196	1,182	1,197
Opening fund balance (deficit)	3,441	3,441	2,244
Closing fund balance (deficit)	4,637	4,623	3,441

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 represent annual Ancillary Capital Fund payments towards these projects.

2.4 Other Income and Expenditures

As explained in section 2 above, the 2012-2013 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 2012-2013:

	<i>2012-2013</i>	<i>2011-2012</i>	<i>Increase</i>
	<i>Actual</i>	<i>Actual</i>	<i>(Decrease)</i>
	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
<u>Income and Transfers</u>			
Government grants	827	1,187	(360)
Transfers to/from operating	(37)	(19)	(18)
Net income	790	1,168	(378)
<u>Expenses</u>			
Additions	1,157	1,522	(365)
Surplus (deficit)	(367)	(354)	(13)
Opening fund balance	19	373	(354)
Closing fund balance	(348)	19	(367)

The accumulated deficit of \$348,000 represents spending on non-capital projects in advance of the funding. Funding is generally provided on a pre-defined schedule.

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 increase of \$3,459,000 in the Research Fund balance, from \$40,784,000 to \$44,243,000. Research receipts total \$62,552,000. Disbursements and net transfers out total \$59,093,000. Following Generally Accepted Accounting Principles, all restricted receipts in excess of restricted expenditures are deferred for use in future years. Deferred research revenue for 2012-13 is \$25,458,000. (Key to acronyms is on the next page).

<u>Funding Source</u>	<i>Balance</i> <i>April 30, 2012</i> <i>\$000</i>	<i>2012-2013</i> <i>Funding</i> <i>\$000</i>	<i>2012-2013</i> <i>Expenditure</i> <i>\$000</i>	<i>Balance</i> <i>April 30, 2013</i> <i>\$000</i>
<u>Canadian Government Departments and Agencies</u>				
CIDA	116	136	127	125
Citizenship	-	73	69	4
National Defence	14	1,335	1,226	123
DFAIT	(1)	4	-	3
Energy, Mines and Resources	169	533	540	162
Environment Canada	15	402	375	42
HRDC	-	4	4	-
Indian & Northern Affairs	29	305	312	22
Industry Canada	58	93	88	63
IDRC	142	308	259	191
Health and Welfare	12	49	60	1
NRC	28	222	226	24
Canadian Heritage	-	13	11	2
Federal Econ. Dev. Agency	-	664	645	19
Other Federal	135	522	555	102
<u>Tri-Agency Sponsored Research</u>				
CIHR	514	935	899	550
NSERC	10,623	13,007	12,927	10,703
SSHRC	4,736	6,464	6,216	4,984
Canada Research Chairs	387	3,232	3,238	381
Indirect Cost Program	-	4,302	4,302	-
<u>Other Sponsored Research</u>				
COE	460	2,712	2,164	1,008
Provincial, Municipal Governments	751	651	759	643
CFI	366	3,565	3,160	771
Ontario Research Fund	1,006	70	277	799
Ontario ERAP	18	221	306	(67)
Businesses and Foundations	4,018	3,925	4,194	3,749
Foreign Governments	204	355	389	170
Research Partnership Agreements	1,028	1,769	1,913	884
<u>Total Sponsored Research</u>	<u>24,828</u>	<u>45,871</u>	<u>45,241</u>	<u>25,458</u>

<u>Funding Source – continued</u>	<i>Balance</i> <i>April 30, 2012</i>	<i>2012-2013</i> <i>Funding</i>	<i>2012-2013</i> <i>Expenditure</i>	<i>Balance</i> <i>April 30, 2013</i>
SNO and TRIUMF	-	9,732	9,732	-
Internally Restricted Research	15,956	6,949	4,120	18,785
<u>Total Restricted Research</u>	<u>40,784</u>	<u>62,552</u>	<u>59,093</u>	<u>44,243</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
NRC	National Research Council
NSERC	Natural Science and Engineering Research Council
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>	51,516
Adjustments:	
a) Capital purchases in excess of amortization	(2,400)
b) Increase in operating appropriations (2.2.2)	(48,324)
c) Research surplus (internally restricted) increase (2.4.2)	(2,829)
d) Enterprise surplus (internally restricted) increase	(288)
e) Scholarship surplus (internally restricted) increase	(4)
f) Professional Development increase	(189)
g) Loss on unrestricted endowment	4
h) Employee future benefit expense in excess of cash payment	10,347
Total	<u>7,833</u>
Represented by: Operating surplus (section 1.1)	498
Ancillary surplus (section 2.3)	7,702
Plant deficit (section 2.4.1)	(367)
Total	<u>7,833</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 2012-2013 the following entries were made:

	<u>\$000</u>
Amortization of capital assets	28,853
Less: Amortization of deferred contributions	(12,526)
2012-2013 capital assets additions	(36,258)
Increase in financing of capital assets	<u>17,531</u>
	<u>(31,253)</u>
Difference	<u>(2,400)</u>

The \$2,400,000 difference increases the unrestricted deficit shown on the Consolidated Statement of Operations but does not affect the accumulated surpluses or deficits of the various activities as it is shown on the Consolidated Statement of Changes in Net Assets. The \$2,400,000 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 \$2,829,000 during 2012-2013. As these funds are earmarked for the continuation of the research activity being funded, this \$2,829,000 (\$18,785,000 - \$15,956,000) 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 \$288,000 (\$3,344,000 - \$3,056,000) during 2012-2013. As these funds are earmarked for the continual development of entrepreneurial activities such as language assessment, this change 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 \$4,000 during 2012-2013. 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 have an internally restricted balance for professional development funds earned by faculty members but not yet used.

- g) Loss on unrestricted endowment: The undistributed portion of the loss on the unrestricted endowment is recognized as loss in the unrestricted fund, thus decreasing the surplus. As this amount does not reduce the amount available for spending in the current year, 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 2012-2013 the following entries were made:

	<u>\$0</u>
Employee future benefits, non-pension	11,654
Employee future pension benefits	1,716
Less: 2012-2013 contributions removed from expenditure	<u>(3,023)</u>
Difference	<u>10,347</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, 2013 were as follows:

	<u>2013</u>	<u>2012</u>	<u>Increase</u>
	<i>Actual</i>	<i>Actual</i>	<i>(Decrease)</i>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
<u>Sources</u>			
Short term liabilities:			
Accounts payable	35,169	29,291	5,878
Deferred revenue	48,274	45,363	2,911
Current portion of long term debt	2,915	2,822	93
Long term liabilities:			
Accrued vacation pay	8,172	6,858	1,314
Employee future benefits	116,518	106,171	10,347
Long term debt	84,538	87,453	(2,915)
Net assets:			
General operating fund	498	-	498
Ancillary and plant funds	1,361	1,598	(237)
Endowment fund	190,490	216,501	(26,011)
Internally restricted funds	244,085	184,879	59,206
	<u>436,434</u>	<u>402,978</u>	<u>33,456</u>
Total – Sources	<u>732,020</u>	<u>680,936</u>	<u>51,084</u>

	<i>2013</i>	<i>2012</i>	<i>Increase</i>
	<i>Actual</i>	<i>Actual</i>	<i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Applications</u>			
Short term assets:			
Cash and short-term investments	253,770	183,135	70,635
Accounts receivable	20,502	24,172	(3,670)
Prepaid expenses	3,588	3,535	53
Current portion of new investment in lease	554	519	35
Long term assets:			
Net investment in lease	11,753	12,306	(553)
Investments	192,417	217,704	(25,287)
Capital assets:			
	571,276	563,871	7,405
Less: Investment in capital assets	(242,338)	(239,506)	(2,832)
Deferred capital contributions	(196,020)	(190,971)	(5,049)
Net assets:			
Provision for employee future benefits	116,518	106,171	10,347
Total - Applications	<u>732,020</u>	<u>680,936</u>	<u>51,084</u>

3.2 Source of University Resources

3.2.1 Accounts Payable: \$35,169,000

The accounts payable as at April 30, 2013 comprised:

	<i>2013</i>	<i>2012</i>	<i>Increase</i>
	<i>\$000</i>	<i>\$000</i>	<i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Due to suppliers	7,604	6,111	1,493
Construction accruals and holdbacks	5,898	4,917	981
Payroll taxes and pension	12,759	11,995	764
Amounts held on deposit	3,291	1,995	1,296
Other taxes payable	547	546	1
Other payables and accrued liabilities	5,070	3,727	1,343
Total	<u>35,169</u>	<u>29,291</u>	<u>5,878</u>

**3.2.2 Deferred Revenue:
\$48,274,000**

Deferred revenue as at April 30, 2013 comprised:

	2013	2012	<i>Increase (Decrease)</i>
	\$000	\$000	\$000
a) Government grants	1,207	1,111	96
b) Research	25,458	24,828	630
c) Scholarships	3,185	4,042	(857)
d) Parker loans	1,035	799	236
e) Donations	10,147	8,408	1,739
f) Other items	7,242	6,175	1,067
Total	48,274	45,363	2,911

Notes:

- a) Of the \$1,207,000 in deferred grant revenue \$1,177,000 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:
\$2,915,000**

The current portion of long-term debt is defined as the amount coming due within the next fiscal year. This totalled \$2,915,000 as at April 30, 2013, an increase of \$93,000 over last year.

**3.2.4 Accrued Leave:
\$8,172,000**

The \$8,172,000 compares to \$6,858,000 one year earlier for an increase of \$1,314,000. Generally Accepted Accounting Principles require that accumulated but unpaid leave (annual and administrative) 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: \$116,518,000

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 on-going 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 12 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 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 2012-13, an increase in the expense of \$1,716,000 was recognized in relation to the amortization of the plan deficit. Additional details are provided in note 12 of the audited financial statements.

3.2.6 Long Term Debt: \$84,538,000

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: \$436,434,000

The net assets that constitute a source of resources are:

	2013 \$000	2012 \$000	<i>Increase (Decrease)</i> \$000
Operating fund	498	-	498
Ancillary and plant funds	1,361	1,598	(237)
Internally restricted funds	244,085	184,879	59,206
Endowment fund	190,490	216,501	(26,011)
Total	436,434	402,978	33,456

Notes:

a) The internally restricted net assets as at April 30, 2013, consist of the following:

	<u>\$000</u>
Appropriated operating funds (section 2.2.2)	197,801
Appropriated ancillary funds (section 2.3)	22,713
Internally restricted research balances (section 2.4.2)	18,785
Enterprise funds	3,344
Scholarship funds	10
Professional Development	<u>1,432</u>
	<u>244,085</u>

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

	<u>\$000</u>
Market Value at April 30, 2013	190,490
Market Value at April 30, 2012	<u>216,501</u>
Increase in Value	<u>(26,011)</u>

The \$26,011,000 decrease is calculated as follows:

	<u>\$000</u>
Unrealized gain (loss) on sale of investment	(19,621)
Gifts, bequests and other additions (per below)	1,732
Gain (loss) on sale of investments	(133)
Investment income	<u>5,376</u>
	(12,646)
Less: Distributed for endowed spending	(9,830)
Direct and indirect operating costs	(2,321)
Investment management fees	<u>(1,214)</u>
Change in nominal value	<u>(26,011)</u>

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

	<u>\$0</u>
David Muir Scholarship in Aerospace Engineering	200
C.U. Engineering Student Equipment Fund	156
Centre of Excellence for India-Canadian Relations	139
The Clayton H. Riddell Political Management Endowment Fund	100
Other additions (<\$100,000)	<u>1,137</u>
Total additions	<u>1,732</u>

The realized investment returns for the year totalled \$5,243,000. The amount distributed for endowed spending in 2012-2013 was \$9,830,000. This represents a distribution of \$3.71 per unit held in the investment pool. In addition, \$1,214,000 was paid to investment managers during the year and \$2,321,000 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: \$253,770,000

The cash and short term investment balance is as follows:

	2013	2012	Increase (Decrease)
	\$000	\$000	\$000
Cash balance	(1,559)	(3,038)	1,479
Short term investments	255,329	186,173	69,156
Total	253,770	183,135	70,635

3.3.2 Accounts Receivable: \$20,502,000

	2013	2012	Increase (Decrease)
	\$000	\$000	\$000
a) Student accounts	8,728	8,787	(59)
b) Student associations	139	151	(12)
c) General accounts receivable	2,593	2,455	138
d) Staff computer loans	90	92	(2)
e) HST/GST receivable	1,115	1,839	(724)
f) Municipal taxes	546	546	-
g) Bookstore	133	123	10
h) Union groups	239	273	(34)
i) Research funds	5,986	9,480	(3,494)
j) Student loans	16	13	3
k) Food service provider	651	499	152
Other receivables	2,045	1,483	562
Sub-total	22,281	25,741	(3,460)
l) Less: Allowance for doubtful accounts	(1,779)	(1,569)	(210)
Total	20,502	24,172	(3,670)

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 21, 2013, the student accounts receivable balance had been reduced to \$4,502,000 from the \$8,728,000 as at April 30, 2013. The \$8,728,000 represents 4.29% (2010 – 4.58%) of the 2012-2013 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 year end 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 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 2012-2013 amount receivable is due from Follett Books and represents commission income related to 2012-2013 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 2012-2013 amount receivable from Aramark represents commission and profit share income related to the 2012-2013 operations.
- l) Allowance for doubtful accounts: The allowance includes \$1,750,000 for student fees, while the balance is for other overdue items.

3.3.3 Prepaid Expenses: \$3,588,000

Prepaid Expenses as at April 30, 2013 comprised:

	2013	2012	<i>Increase (Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Insurance	684	597	87
Licences	1,848	1,968	(120)
Physical Plant supplies	660	558	102
Other	396	412	(16)
Total	3,588	3,535	53

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. Facilities Management & Planning supplies).

3.3.4 Current Portion of Net Investment in Lease: \$554,000

The current portion of net investment in lease is defined as the amount collectible within the next fiscal year. This totalled \$554,000 at April 30, 2013 and represents the non-financing income portion of the \$1,300,000 annual National Wildlife Research Centre (NWRC) lease payment. Further detail is provided in section 3.3.5 and in note 5 of the audited financial statements.

3.3.5 Net Investment in Lease: \$11,753,000

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 5 of the audited financial statements.

3.3.6 Investments: \$192,417,000

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

	2013	2012	<i>Increase (Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Investments held for:			
Endowment	190,185	215,463	(25,278)
Parker Loan fund	1,080	1,103	(23)
NWRC capital reserve	563	576	(13)
Sprott Student fund	589	562	27
Total	192,417	217,704	(25,287)

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 4 of the audited financial statements.

3.3.7 Capital Assets: \$571,276,000
Investment in Capital Assets: \$242,338,000
Deferred Capital Contributions: \$196,020,000

The net value of capital assets as at April 30, 2013 comprised:

	2013	2012	<i>Increase</i> <i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Capital Assets:			
Land and buildings	555,110	553,284	1,826
Building improvements	103,194	80,196	22,998
Equipment and furnishings	129,958	123,280	6,678
Computers and software	29,890	28,230	1,660
Automobile	646	573	73
Library and art collections	66,700	63,677	3,023
	<u>885,498</u>	<u>849,240</u>	<u>36,258</u>
Less: Accumulated depreciation	(314,222)	(285,369)	(28,853)
Net capital assets	<u>571,276</u>	<u>563,871</u>	<u>7,405</u>
Funding:			
Investment in capital assets	242,338	239,506	2,832
Deferred capital contributions	196,020	190,971	5,049
Total funding	<u>438,358</u>	<u>430,477</u>	<u>7,881</u>
Unfunded assets	<u>132,918</u>	<u>133,394</u>	<u>(476)</u>
Financed by:			
Mortgages payable	1,204	1,444	(240)
Loans payable	73,952	76,015	(2,063)
Other short-term borrowing	57,762	55,935	1,827
Total	<u>132,918</u>	<u>133,394</u>	<u>(476)</u>

The specific capital assets funded through financing are as follows:


	2013	2012	<i>Increase</i> <i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Mortgage financing:			
Glengarry residence	954	1,066	(112)
Grenville and Russell residences	250	314	(64)
Lanark and Renfrew residences	-	64	(64)
	<u>1,204</u>	<u>1,444</u>	<u>(240)</u>
External loan financing:			
Prescott residence	14,966	15,523	(557)
Leeds residence	14,124	14,757	(633)
Frontenac residence	13,828	14,049	(221)
Lennox & Addington residence	31,034	31,686	(652)
	<u>73,952</u>	<u>76,015</u>	<u>(2,063)</u>

	2013 \$000	2012 \$000	Increase (Decrease) \$000
<u>Internal loan financing:</u>			
Housing and Food Services renovations	21,703	23,174	(1,471)
Ice Arena	7,438	8,313	(875)
Alumni Hall and Sports Centre	6,407	4,269	2,138
CTTC building	2,096	2,686	(590)
Field House	2,348	2,508	(160)
University Centre	1,486	1,553	(67)
Waterfront academic buildings	15,930	15,705	225
Graphic Services renovation	988	1,001	(13)
Other (funding in advance of expense)	(634)	(3,274)	2,640
	<u>57,762</u>	<u>55,935</u>	<u>1,827</u>
Financed assets	<u>132,918</u>	<u>133,394</u>	<u>(476)</u>


**3.3.8 Net Assets, requiring an application of resources:
\$116,518,000**

The net assets classified as an application of resources include:

	2013 \$000	2012 \$000	Increase (Decrease) \$000
Provision for employee future benefits	116,518	106,171	10,347
Total	<u>116,518</u>	<u>106,171</u>	<u>10,347</u>



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



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

September 2013

**GENERAL OPERATING FUND 2012-2013
INCOME, EXPENSES AND ACCUMULATED SURPLUS
COMPARISON TO BUDGET (MAY 2012) AND 2011-12 ACTUAL**

	2012-13		Actual to Budget		2011-12		Actual to Prior Year	
	Actual \$000's	Budget \$000's	\$000's	%	Actual \$000's	\$000's	%	
INCOME								
Government Grant	164,690	155,827	8,863	5.7	160,856	3,834	2.4	
Tuition Fees	185,739	182,238	3,501	1.9	169,915	15,824	9.3	
Miscellaneous Income	15,226	10,048	5,178	51.5	10,942	4,284	39.2	
Interest Income	9,752	4,180	5,572	133.3	4,951	4,801	97.0	
Departmental Income	4,815	3,921	894	22.8	4,207	608	14.5	
Total Operating Income	380,222	356,214	24,008	6.7	350,871	29,351	8.4	
EXPENSES								
Faculty of Arts & Social Sciences	42,923	44,202	(1,279)	(2.9)	41,646	1,277	3.1	
Faculty of Public Affairs	29,702	29,685	17	0.1	28,670	1,032	3.6	
Sprott School of Business	9,843	10,022	(179)	(1.8)	9,623	220	2.3	
Faculty of Science	24,758	22,544	2,214	9.8	23,589	1,169	5.0	
Faculty of Engineering and Design	25,117	27,504	(2,387)	(8.7)	24,010	1,107	4.6	
Academic Admin. & Student Services	28,508	25,996	2,512	9.7	27,773	735	2.6	
Library	15,234	15,362	(128)	(0.8)	14,795	439	3.0	
Research	2,870	2,831	39	1.4	2,502	368	14.7	
Finance & Administration	34,924	35,352	(428)	(1.2)	35,057	(133)	(0.4)	
President	3,657	3,746	(89)	(2.4)	3,174	483	15.2	
Advancement	4,834	5,002	(168)	(3.4)	4,764	70	1.5	
University Budgets	102,860	129,072	(26,212)	(20.3)	102,192	668	0.7	
Interfund Transfers (net)	6,170	3,896	2,274	58.4	6,918	(748)	(10.8)	
Sub-Total Operating Expenses	331,400	355,214	(23,814)	(6.7)	324,713	6,687	2.1	
Net Appropriations	48,324	0	48,324		22,502	25,822		
Total Expenses	379,724	355,214	24,510	6.9	347,215	32,509	9.4	
Deficit Reduction for the Year	498	1,000	(502)		3,656	(3,158)		
Opening Accumulated Surplus/(Deficit)	0	0	0		(3,656)	3,656		
Closing Accumulated Surplus/(Deficit)	498	1,000	(502)		0	498		

Note: 2012-2013 budget figures reflect the opening May 1, 2012 budget. Reallocations have been made to assist in comparison.

