



**Carleton**  
UNIVERSITY

2013-2014

**FINANCIAL REPORT  
TO THE  
BOARD OF GOVERNORS**

## TABLE OF CONTENTS

<b>SUMMARY REPORT</b>		<b>I</b>
1.	<b>CONSOLIDATED STATEMENT OF OPERATIONS</b>	i
2.	<b>ACCUMULATED DEFICIT</b>	i
3.	<b>ANCILLARY OPERATIONS</b>	i
4.	<b>STATEMENT OF FINANCIAL POSITION</b>	ii
<b>1. INTRODUCTION</b>		<b>1</b>
1.1	<b>2012–2013 OPERATING RESULTS</b>	1
1.2	<b>ACCUMULATED DEFICIT</b>	1
<b>2. CONSOLIDATED STATEMENT OF OPERATIONS</b>		<b>1</b>
2.1	<b>OPERATING INCOME</b>	<b>2</b>
2.1.1	Government Operating Grants	2
2.1.2	Tuition Fees - Credit Programs	3
2.1.3	Miscellaneous Income	3
2.1.4	Interest Income	4
2.1.5	Departmental Income	4
2.2	<b>OPERATING EXPENDITURES, TRANSFERS, AND APPROPRIATIONS</b>	<b>5</b>
2.2.1	Operating Expenditures and Transfers	5
2.2.2	Appropriations	8
2.2.3	Operating Result	9
2.2.4	Accumulated Surplus	9
2.3	<b>ANCILLARY OPERATIONS - OPERATING RESULTS AND FUND BALANCES</b>	<b>10</b>
2.3.1	Recreation and Athletics	10
2.3.2	Bookstore	11
2.3.3	Health and Counselling Services	11
2.3.4	Housing and Conference Services	12
2.3.5	Parking Services	12
2.3.6	University Centre	13
2.3.7	Graphic Services	13
2.3.8	Ancillary Property Rentals	14
2.3.9	Ancillary Capital Fund	15
2.4	<b>OTHER INCOME AND EXPENDITURES</b>	<b>16</b>
2.4.1	Plant Income and Expenses	16
2.4.2	Research Funding and Expenditures	17
2.5	<b>RECONCILIATION OF OPERATING RESULTS</b>	<b>18</b>

**3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) 20**

<b>3.1</b>	<b>SOURCE AND APPLICATION OF UNIVERSITY FUNDS</b>	<b>20</b>
<b>3.2</b>	<b>SOURCE OF RESOURCES</b>	<b>21</b>
3.2.1	Accounts Payable	21
3.2.2	Deferred Revenue	22
3.2.3	Current Portion of Long Term Debt	22
3.2.4	Accrued Vacation Pay	23
3.2.5	Employee Future Benefits Liability	23
3.2.6	Long Term Debt	23
3.2.7	Net Assets, providing a source of funds	24
<b>3.3</b>	<b>APPLICATION OF RESOURCES</b>	<b>26</b>
3.3.1	Cash and Short Term Investments	26
3.3.2	Accounts Receivable	26
3.3.3	Prepaid Expenses	27
3.3.4	Current Portion of Net Investment in Lease	28
3.3.5	Net Investment in Lease	28
3.3.6	Investments	28
3.3.7	Capital Assets, investment in capital assets, deferred capital contributions	29
3.3.8	Net Assets, requiring an application of funds	30

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

SCHEDULE 1  
SCHEDULE 2

## NOTES ON FINANCIAL STATEMENTS SUMMARY REPORT 2013-2014

### Consolidated Statement of Operations - Operating Fund – Schedule 1

Operating results for 2013-2014 were on target with budget, where overall revenues matched expenses and appropriations for the year. A breakdown and comparison follows:

	<i>2013-2014 Actual \$M</i>	<i>2013-2014 Budget \$ M</i>	<i>2012-2013 Actual \$ M</i>
Surplus generated for the year	-	-	0.5

The budget approved for 2013-2014 in April 2013 projected a balanced budget for the fiscal year. The breakeven result for 2013-2014 leaves the accumulated surplus at \$0.5M as of April 2014. A summary of the individual budgetary improvements and shortfalls is set out below. It excludes items where specific income was offset by related expenditure (section 2.1 of the Notes).

#### **Increase in Surplus Accumulation: on budget at \$nil**

#### **Income: \$11.2 million above budget**

As outlined in section 2.2.3, the income items over budget were: Grant income \$0.2 million, Tuition income \$6.4 million, Miscellaneous income \$0.9 million and Interest income \$3.7 million.

#### **Expenses and Appropriations: \$11.2 million above budget**

Allocations more than contingency funds -	\$0.6 million cost
Unspent allocations -	\$(0.3) million savings
New appropriations -	\$10.9 million cost

#### **Accumulated Surplus: on budget**

An accumulated operating surplus (excluding the provision for post-retirement benefits) was generated as of April 30, 2013, and therefore the breakeven result leaves the accumulated surplus unchanged at \$0.5 million as of April 30, 2014.

### **Ancillary Operations: \$3.0 million surplus from regular operations – Schedule 2**

The ancillary operations finished the year with a surplus of \$3.0 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 two notable changes in the balance sheet this year. The first is the effect on our liability and net assets related to the adoption of a new accounting standard for Employee Future Benefits. As explained in note 3 of the audited financial statements, under this new standard, the actuarial gains, losses and past services costs related to the provision of employee future benefits are no longer deferred and amortized over future periods. The full actuarial liability or asset is now recorded on our balance sheet for both the current and comparative year. An additional \$37.7 million in future benefit liability was recognized in the prior year to bring that liability to \$154.3 million at the beginning of this fiscal year. Positive market results in the current fiscal saw that liability reduce to \$95.4 million as of April 2014.

Secondly, the internally restricted net assets have increased by \$39.4 million in the current year. As noted in our 2013-2014 Operating Budget report, in addition to setting aside funds to meet the expected \$19 million annual special payments for the pension plan, the University has plans to expand its space and meet the challenge of deferred maintenance. More information can be found on the reserves in place for these items in section 2.2.2 of these notes.



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



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J.T. Sullivan  
Assistant Vice-President  
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September 2014

# NOTES ON FINANCIAL STATEMENTS

## 2013-2014

### 1. INTRODUCTION

#### 1.1 2013-2014 Operating Results

The operating result for the year is balanced, with revenues equalling expenditures and appropriations. This is in line with the projection of a balanced budget and compares to a surplus of \$498,000 in the previous year.

The variation in the operating results is the result of increased grant, tuition, miscellaneous and short term interest income of \$11,211,000 and a small shortfall of \$7,000 in departmental income.

On the expenditure side, budget variances in university budgets and contingencies decreased the contribution towards the surplus by \$339,000, while new appropriations also decreased the contribution by \$10,865,000.

The net result of \$11,204,000 in positive income adjustments, and \$11,204,000 in negative expenditure adjustments offset each other, maintaining a balanced operating result, as was originally projected. Details of this calculation are shown in section 2.2.3.

#### 1.2 Accumulated Surplus

The accumulated operating surplus (excluding provisions for post-retirement benefits) was \$498,000 as of April 30, 2013, and therefore remains unchanged as of April 30, 2014.

### 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 Chartered Professional Accountants (CPA) of Canada. 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 2013-2014 operating budget as approved by the Board of Governors in Spring 2013.

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 \$396,335,000 in 2013-2014. This compares to an original budget of \$379,408,000 and a total for the previous year of \$380,222,000. Total operating income was therefore \$16,927,000 (4.5%) above budget, and \$16,113,000 (4.2%) above the previous year.

	<i>2013-2014 Actual \$000</i>	<i>2013-2014 Budget \$000</i>	<i>Variance \$000</i>
Revenues	396,335	379,408	16,927
Items offset by Expenditures (2.2.1)	5,723	-	5,723
Net Revenues	<u>390,612</u>	<u>379,408</u>	<u>11,204</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 \$166,182,000 included in Schedule 1 is \$4,340,000 (2.7%) above the original estimate, and \$1,492,000 (0.9%) more than the previous year. A comparison to the estimate in the original budget is set out below:

	<i>2013-2014 Actual \$000</i>	<i>2013-2014 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items Affecting the Operating Result</u>			
Basic Operating Grant	132,597	132,645	(48)
Research Overheads	5,022	4,925	97
Access to Higher Quality Education Fund	6,267	6,291	(24)
Performance Funding	730	598	132
Accessibility Fund	16,486	16,578	(92)
Other government grants	112	-	112
Subtotal	<u>161,214</u>	<u>161,037</u>	<u>177</u>
<u>Items offset by expenses</u>			
Student Aid Funds	3,250	230	3,020
Access for the Disabled	845	575	270
Aboriginal Education and Training	358	-	358
First Generation programs	208	-	208
Other Government Grants	307	-	307
Subtotal	<u>4,968</u>	<u>805</u>	<u>4,163</u>
Total Government Grants	<u>166,182</u>	<u>161,842</u>	<u>4,340</u>

Omitting special purpose grants, the operating revenue from the Ministry of Training, Colleges and Universities was \$177,000 above the original projection, due to minor variations in grants received compared to the original budget.

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 \$203,918,000 in 2013-2014. This represents an increase of \$18,179,000 (9.8%) over the previous year, and is \$6,854,000 (3.5%) above the original estimate. Details of the 9.8% 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>		
2012-2013	21,049	3,197	24,246	185,739
2013-2014	21,638	3,218	24,856	203,918
Increase (Decrease)	589	21	610	18,179
%	2.8%	0.7%	2.5%	9.8%

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

All but \$467,000 of the additional tuition revenue went to improving the pre-appropriation operating result of the University. Of this, \$127,000 was allocated for international recruitment, \$293,000 was allocated towards undergraduate student support, 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 \$11,750,000 in 2013-2014, which is \$1,067,000 over the original budget and \$3,476,000 less 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>2013-2014 Actual \$000</i>	<i>2013-2014 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items affecting the operating result</u>			
Application and admission fees	2,176	1,900	276
Deferred payment and processing fees	2,387	2,018	369
Omnibus fee	947	900	47
Overhead charges	2,798	3,176	(378)
Library and other fines	112	160	(48)
Facility rentals	728	710	18
Career and Co-op Placement Services	1,708	1,515	193
Other miscellaneous	778	304	474
Subtotal	11,634	10,683	951
<u>Items offset by additional expenditures</u>			
Other income	116	-	116
Subtotal	116	-	116
Total Miscellaneous Income	11,750	10,683	1,067



In 2012-2013, the large increase in miscellaneous income was 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. The 2013-2014 income earned is more in line with normal operations.

#### 2.1.4 Interest Income

Interest income totalled \$9,376,000 in 2013-2014, which was \$3,696,000 above budget, and \$376,000 less than the previous year. The positive variance is due to higher than expected cash balances and the utilization of a longer term investment strategy paying higher yields.

#### 2.1.5 Departmental Income

The following items are included in departmental income:

	<u>2013-2014</u> <i>Actual</i> \$000	<u>2012-2013</u> <i>Budget</i> \$000	<i>Increase</i> <i>(Decrease)</i> \$000
<u>Items offset by additional expenditures</u>			
Instructional Media Services and CUOL	1,148	865	283
Computing	337	366	(29)
Pension plan administration	250	226	24
Centre for Initiatives in Education	722	574	148
Salary recoveries	387	216	171
Science and Technology Centre	40	45	(5)
Student Experience Office	545	537	8
Paul Menton Centre	111	111	-
Alumni and external contributions	664	695	(31)
General sales	355	260	95
Other	542	229	313
Subtotal	<u>5,101</u>	<u>4,124</u>	<u>977</u>
<u>Items affecting the operating result</u>			
Benefit recoveries	8	15	(7)
Total Department Income	<u>5,109</u>	<u>4,139</u>	<u>970</u>

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 \$362,694,000 in 2013-2014. This represents a \$16,714,000 (4.4%) decrease from the original expense budget of \$379,408,000 and a \$31,294,000 (9.4%) increase from the previous year's total of \$331,400,000. Total appropriations from the operating fund balance at the end of 2013-2014 amounted to \$89,822,000. This represents a net increase of \$33,641,000 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	362,694
Opening budget	<u>379,408</u>
Expenditures below budget	<u>(16,714)</u>

The items included in the \$16,714,000 decrease in expenditures and transfers were:

	<u>\$000</u>	<u>\$000</u>
a) <u>Salary Increases</u>		
2013-2014 Cost	5,540	
Less: Contingency in opening budget	<u>5,662</u>	
Savings		(122)
b) <u>Mid-Year Allocations</u>		
Total allocations	446	
Less: Opening contingency	<u>1,328</u>	
Savings		(882)
c) <u>Enrolment Incentive</u>		
2013-2014 cost	13,156	
Less: Opening contingency	<u>11,300</u>	
Cost		1,856
d) <u>Sabbatical Leave Savings</u>		
Total 2013-14 savings	(1,315)	
Less: Planned savings	<u>(1,100)</u>	
Additional savings		(215)
e) <u>Other Contingencies</u>		
2013-2014 cost	42,746	
Less: Opening contingency	<u>42,746</u>	
Net		-
Total overspent contingencies		<u>637</u>

<u>Overspent (unspent) balances not appropriated:</u>	<u>\$000</u>	<u>\$000</u>
f) Provision for bad debts	(620)	
g) Utilities	(1,008)	
h) Benefits	(357)	
i) Transfers	1,908	
Other	(221)	
Subtotal		(298)
 <u>Expenditures funded by additional income:</u>		
Government grant (section 2.1.1)	4,163	
Tuition income (section 2.1.2)	467	
Miscellaneous income (section 2.1.3)	116	
Departmental income (section 2.1.5)	977	
		5,723
Expenditures funded by returned appropriations	56,181	
Total appropriations in 2013-2014	89,822	
Net appropriations (section 2.2.2)	(33,641)	
Add: New appropriations (section 2.2.2)	10,865	
		(22,776)
Total expenditures and transfers below budget		(16,714)

## Notes:

- a) Salary Increases: The cost of compensation increases in 2013-2014 totalled \$5,540,000 against a contingency of \$5,662,000 in the opening budget. This represents a savings of \$122,000.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totalled \$446,000 in 2013-2014 as compared to a budget of \$1,328,000. An analysis of the allocations follows:

## Allocations from the Mid-Year Contingency Fund:

	<u>\$000</u>
Graduate student support	500
Confucius Institute (repayment of 2012-2013 allocation)	(54)
Total allocations	446
Opening contingency	(1,328)
Savings	(882)

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 2010-2011 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 \$1,856,000.

- d) Sabbatical Leave Savings: The actual savings related to sabbatical leaves totalled \$1,315,000 as compared to the budget of \$1,100,000. The excess of \$215,000 in planned savings improves the operating results.
- e) Other Contingencies: The original budget for 2013-2014 included a \$1,255,000 provision for academic initiatives, \$20,000,000 for capital projects, and \$21,491,000 to deal with increases in the special deficit payments required for the University's pension plan and other benefit provisions. During the year, \$16,025,000 was contributed toward capital projects, while \$3,600,000 was directed toward the special pension payments. The unused 2013-2014 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 \$1,219,000, which was \$620,000 under 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) Utilities: The savings achieved are due to the 2013-14 budget being set conservatively given the volatility in oil and gas markets and the increases in the hydro costs.
- h) Benefits: Staff benefit costs were \$357,000 below budget in 2013-14, on a total budget of \$47,772,000. The savings were mainly a result of benefit recoveries exceeding the original budget.
- i) Interfund Transfers: The transfer cost exceeded the budget by \$1,908,000. This is due to a decision to defer an annual \$1 million contribution of endowment earnings to the operating fund, as well as a \$0.9 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 fell below the original budget by \$30,000, and were \$360,000 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. If the total overheads exceed \$1.3 million, the operating budget and the Vice-President (Research and International) share the 55% equally. The distribution of overheads for 2013-2014 and 2012-2013 are as follows:

	<u>2013-2014</u>	<u>2012-2013</u>
	<u>\$000</u>	<u>\$000</u>
General operating budget and contingency	500	546
Vice President (Research and International)	2	178
Vice President Academic and Provost	-	4
<u>Faculties</u>		
Engineering and Design	163	232
Arts and Social Sciences	93	150
Science	64	70
Public Affairs	56	60
Business	6	4
Total	<u>884</u>	<u>1,244</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 2013-2014	89,822
Returned from 2012-2013 fund balance	<u>56,181</u>
Increase in appropriated fund balance	<u>33,641</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	25,756	31,118	5,362
Academic Administration and Student Services	3,456	3,414	(42)
Library	857	605	(252)
President	1,315	1,553	238
Research and International	1,124	925	(199)
Finance and Administration	19,357	15,106	(4,251)
Advancement	440	432	(8)
Professional development allowances	90	107	17
Computing infrastructure	1,087	1,084	(3)
Mandated student aid	100	-	(100)
Renovations	1,494	394	(1,100)
Self-insurance fund	1	-	(1)
Pending commitments	504	69	(435)
Pension liabilities reserve	-	10,019	10,019
Capital reserves	-	14,131	14,131
New allocations	600	10,865	10,265
Total	<u>56,181</u>	<u>89,822</u>	<u>33,641</u>

In addition, \$141,620,000 in prior year appropriated funds were not returned during 2013-2014.

The \$141,620,000 relates to:

	<u>\$000</u>
Pension liability reserve	67,903
Capital reserves	73,436
Self-insurance fund	248
Other	<u>33</u>
Total appropriations not returned	<u>141,620</u>

New allocations consist of appropriations of unspent funds in addition to those included in the original budget. For 2013-2014, the new allocation of \$10,865,000 has been earmarked for capital reserves, in addition to the \$14,131,000 allocation from 2012-2013. Total appropriations for the Operating Fund amount to \$231,442,000 as of April 30, 2014.

### 2.2.3 Operating Result

As noted in section 1 above, the actual results show a balanced result with revenues equal to expenditures.

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 balanced operating result.

	Changes in Accumulated Surplus		
	<i>Increase</i>	<i>Decrease</i>	<i>Net</i>
	\$000	\$000	\$000
<u>Income Variations</u>			
Government grants (section 2.1.1)	177		
Tuition fees (section 2.1.2)	6,387		
Miscellaneous income (section 2.1.3)	951		
Interest income (section 2.1.4)	3,696		
Departmental income (section 2.1.5)		(7)	
Total income variations	11,211	(7)	11,204
<u>Expenditure Variations</u>			
Overspent contingencies (section 2.2.1)		(637)	
Unspent allocations (section 2.2.1)	298		
	298	(637)	(339)
New appropriations (section 2.2.2)		(10,865)	(10,865)
Net effect of expense variations	298	(11,502)	(11,204)
Net change	11,509	(11,509)	-
Original surplus included in budget			-
Total change in accumulated surplus			-

### 2.2.4 Accumulated Surplus

An accumulated operating surplus of \$498,000 was generated as of April 30, 2013, and therefore the current year result left that unchanged at \$498,000 as of April 30, 2014.

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

Schedule 2, at the end of this Report, details the 2013-2014 operations of the ancillaries as compared to the original budget. Overall the ancillary results can be summarized as follows:

	<i>2013-2014 Actual \$000</i>	<i>2013-2014 Budget \$000</i>	<i>2012-2013 Actual \$000</i>
Income and internal recoveries	62,048	59,571	57,629
Expenses and transfers	59,031	56,310	49,927
Surplus (deficit)	3,017	3,261	7,702
Contribution to new buildings	-	-	-
Net surplus (deficit)	3,017	3,261	7,702

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 2014 \$000</i>	<i>Balance at April 2013 \$000</i>	<i>Variance \$000</i>
Ancillaries with an accumulated surplus	25,857	22,840	3,017
Ancillaries with an accumulated deficit	-	-	-
	25,857	22,840	3,017

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 2013-2014 results and status of the Recreation and Athletics operations can be summarized as follows:

	<i>2013-2014 Actual \$000</i>	<i>2013-2014 Budget \$000</i>	<i>2012-2013 Actual \$000</i>
<u>Income</u>			
Athletic fees	4,798	4,756	3,984
Other income	8,102	7,264	7,079
	12,900	12,020	11,063
<u>Expenses and Transfers</u>			
Direct expenses	11,059	10,823	9,203
Renovations and alterations	631	1,113	550
	11,690	11,936	9,753
Surplus (deficit)	1,210	84	1,310

Opening fund balance (deficit)	3,798	3,798	2,488
Closing fund balance (deficit)	5,008	3,882	3,798

The Recreation and Athletics operations finished the year with a surplus of \$1,210,000, due mostly to rental and program income exceeding budget. The accumulated surplus of \$5,008,000 will be used to address the significant deferred maintenance issues, beginning in 2014-15.

### 2.3.2 Bookstore

The 2013-2014 results and status of the Bookstore operations can be summarized as follows:

	<i>2013-2014 Actual \$000</i>	<i>2013-2014 Budget \$000</i>	<i>2012-2013 Actual \$000</i>
<u>Income</u>			
Commissions and reimbursements	821	813	906
<u>Expenses and Transfers</u>			
Direct expenses	663	645	751
Indirect expense contribution	157	157	153
	820	802	904
Surplus (deficit)	1	11	2
Opening fund balance (deficit)	231	231	229
Closing fund balance (deficit)	232	242	231

The Bookstore operations finished the year with a surplus of \$1,000, and it now has an accumulated surplus of \$232,000.

### 2.3.3 Health and Counselling Services

The 2013-2014 results and status of the Health and Counselling Services operations can be summarized as follows:

	<i>2013-2014 Actual \$000</i>	<i>2013-2014 Budget \$000</i>	<i>2012-2013 Actual \$000</i>
<u>Income</u>			
Health Services fee	1,373	1,286	1,323
Insurance recoveries / other	1,788	1,799	1,800
	3,161	3,085	3,123
<u>Expenses and Transfers</u>			
Direct expenses	2,965	3,043	2,996
Indirect expense contribution	27	35	27
	2,992	3,078	3,023
Surplus (deficit)	169	7	100
Opening fund balance (deficit)	142	142	42
Closing fund balance (deficit)	311	149	142

The Health and Counselling Services operation finished the year with a surplus of \$169,000 and now has an accumulated surplus of \$311,000.



### 2.3.4 Housing and Conference Services

The 2013-2014 results for the Housing and Conference Services operations can be summarized as follows:

	<i>2013-2014</i> <i>Actual</i> <i>\$000</i>	<i>2013-2014</i> <i>Budget</i> <i>\$000</i>	<i>2012-2013</i> <i>Actual</i> <i>\$000</i>
<u>Income</u>			
Residence fees	19,141	18,804	17,900
Conference operations	2,131	2,015	2,323
Commission income	6,111	5,800	5,829
Other income	2,946	1,710	1,879
	<u>30,329</u>	<u>28,329</u>	<u>27,931</u>
<u>Expenses and Transfers</u>			
Direct expenses	21,261	20,010	17,864
Capital debt (interest and principal)	6,618	6,746	6,686
Indirect expense contribution	125	117	121
Contribution to Ancillary Capital Fund	1,149	1,149	1,149
	<u>29,153</u>	<u>28,022</u>	<u>25,820</u>
Surplus (deficit)	<u>1,176</u>	<u>307</u>	<u>2,111</u>
Opening fund balance (deficit)	6,153	6,153	4,042
Closing fund balance (deficit)	7,329	6,460	6,153

The Housing and Conference Services operations finished the year with a surplus of \$1,176,000, as result of improved occupancy and food service operations. The service now has an accumulated surplus of \$7,329,000, which will be utilized for future renovations and expansion.

### 2.3.5 Parking Services

The 2013-2014 results and status of the Parking Services operations can be summarized as follows:

	<i>2013-2014</i> <i>Actual</i> <i>\$000</i>	<i>2013-2014</i> <i>Budget</i> <i>\$000</i>	<i>2012-2013</i> <i>Actual</i> <i>\$000</i>
<u>Income</u>			
Parking charges	4,311	4,479	4,159
Other income	392	350	334
	<u>4,703</u>	<u>4,829</u>	<u>4,493</u>
<u>Expenses and Transfers</u>			
Direct operating	3,277	2,955	2,041
Indirect expense contribution	69	69	67
	<u>3,346</u>	<u>3,024</u>	<u>2,108</u>
Surplus (deficit)	<u>1,357</u>	<u>1,805</u>	<u>2,385</u>
Opening fund balance (deficit)	7,107	7,107	4,722
Closing fund balance (deficit)	8,464	8,912	7,107

The Parking Services operation finished with a surplus of \$1,357,000 in 2013-2014. The service now has an accumulated surplus of \$8,464,000 that is earmarked as a contribution towards the new parking structure to be opened in 2014-2015.

### 2.3.6 University Centre

The 2013-2014 results and status of the University Centre operations can be summarized as follows:

	<i>2013-2014 Actual \$000</i>	<i>2013-2014 Budget \$000</i>	<i>2012-2013 Actual \$000</i>
<u>Income</u>			
Rents and other recoveries	1,567	1,567	1,560
<u>Expenses and Transfers</u>			
Direct operating	1,170	1,567	1,226
Surplus (deficit)	397	-	334
Opening fund balance (deficit)	190	190	(144)
Closing fund balance (deficit)	587	190	190

The University Centre operation is run on a cost recovery basis over time. During the current year, a surplus of \$397,000 was generated, which will be appropriated for future renovations.

### 2.3.7 Graphic Services

The 2013-2014 results and status of the Graphic Services operations can be summarized as follows:

	<i>2013-2014 Actual \$000</i>	<i>2013-2014 Budget \$000</i>	<i>2012-2013 Actual \$000</i>
<u>Income</u>			
Sales: External	1,118	1,386	1,405
Internal	1,942	2,026	1,885
Other	234	139	190
	3,294	3,551	3,480
Less: Cost of goods sold	(463)	(534)	(537)
Gross profit	2,831	3,017	2,943

<u>Expenses and Transfers</u>			
Direct operating	2,584	2,426	2,421
Indirect expense contribution	43	68	56
Contribution to Ancillary Capital Fund	180	188	188
	<u>2,807</u>	<u>2,682</u>	<u>2,665</u>
Surplus (deficit)	<u>24</u>	<u>335</u>	<u>278</u>
Opening fund balance (deficit)	455	455	177
Closing fund balance (deficit)	479	790	455

The Graphics Services operations finished the year with a surplus of \$24,000. The service now has an accumulated surplus of \$479,000.

### 2.3.8 Ancillary Property Rentals

The 2013-2014 results and status for the Ancillary Property Rental operations can be summarized as follows:

	<i>2013-2014 Actual \$000</i>	<i>2013-2014 Budget \$000</i>	<i>2012-2013 Actual \$000</i>
<u>Income</u>			
Rents	2,702	2,970	2,764
Interest and sundry income	32	32	32
Occupancy cost	1,125	1,016	920
	<u>3,859</u>	<u>4,018</u>	<u>3,716</u>
<u>Expenses and Transfers</u>			
Direct Operating expenses	570	870	703
Occupancy Costs	1,020	1,016	920
Capital debt (interest and principal)	2,242	2,121	2,107
	<u>3,832</u>	<u>4,007</u>	<u>3,730</u>
Surplus (deficit)	<u>27</u>	<u>11</u>	<u>(14)</u>
Opening fund balance (deficit)	127	127	141
Closing fund balance (deficit)	154	138	127

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 2013-2014 show a surplus of \$27,000 and an accumulated surplus of \$154,000.

The 2013-2014 \$154,000 closing fund surplus relates to timing differences between rental payments and corresponding costs for NWRC.

### 2.3.9 Ancillary Capital Fund

The 2013-2014 results and status for the Ancillary Capital Fund operations can be summarized as follows:

	<i>2013-2014</i>	<i>2013-2014</i>	<i>2012-2013</i>
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Income</u>			
Contributions	1,877	1,893	1,894
<u>Expenses and Transfers</u>			
Direct operating	3,221	1,192	698
Surplus (deficit)	(1,344)	701	1,196
Opening fund balance (deficit)	4,637	4,637	3,441
Closing fund balance (deficit)	3,293	5,338	4,637

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 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 of \$692,000 towards these projects, as well as approximately \$2.5 million in one-time payments for Athletics HVAC upgrades and the new football bleachers.

## 2.4 Other Income and Expenditures

As explained in section 2 above, the 2013-2014 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 2013-2014:

	<i>2013-2014</i>	<i>2012-2013</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	(827)
Transfers to/from operating	(95)	(37)	(58)
Net income	(95)	790	(885)
<u>Expenses</u>			
Additions	512	1,157	(645)
Surplus (deficit)	(607)	(367)	(240)
Opening fund balance	(348)	19	(367)
Closing fund balance	(955)	(348)	(607)

The accumulated deficit of \$955,000 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 2013-14 there was a net increase of \$305,000 in the Research Fund balance, from \$44,243,000 to \$44,548,000. Research receipts total \$59,588,000. Disbursements and net transfers out total \$59,283,000. Following Generally Accepted Accounting Principles, all restricted receipts in excess of restricted expenditures are deferred for use in future years. Deferred research revenue for 2013-14 is \$23,504,000. (Key to acronyms is on the next page).

<u>Funding Source</u>	<i>Balance</i> <i>April 30, 2013</i> <i>\$000</i>	<i>2013-2014</i> <i>Funding</i> <i>\$000</i>	<i>2013-2014</i> <i>Expenditure</i> <i>\$000</i>	<i>Balance</i> <i>April 30, 2014</i> <i>\$000</i>
<u>Canadian Government Departments and Agencies</u>				
CIDA	125	46	171	-
Citizenship	4	181	199	(14)
National Defence	123	1,589	1,322	390
DFAIT	3	-	3	-
Energy, Mines and Resources	162	1,096	1,387	(129)
Environment Canada	42	338	437	(57)
HRDC	-	10	11	(1)
Indian & Northern Affairs	22	145	147	20
Industry Canada	63	88	63	88
IDRC	191	135	187	139
Health and Welfare	1	10	11	-
NRC	24	742	875	(109)
Canadian Heritage	2	-	2	-
Federal Econ. Dev. Agency	19	1,024	1,017	26
Other Federal	102	284	277	109
<u>Tri-Agency Sponsored Research</u>				
CIHR	550	1,045	940	655
NSERC	10,703	11,872	15,291	7,284
SSHRC	4,984	6,607	7,174	4,417
Canada Research Chairs	381	3,453	3,678	156
Indirect Cost Program	-	4,304	4,304	-
<u>Other Sponsored Research</u>				
COE	1,008	897	1,466	439
Provincial, Municipal Governments	643	5,131	3,929	1,845
CFI	771	3,207	2,643	1,335
Ontario Research Fund	799	1,651	1,216	1,234
Ontario ERAP	(67)	169	(231)	333
Businesses and Foundations	3,749	3,209	3,606	3,352
Foreign Governments	170	197	416	(49)
Research Partnership Agreements	884	2,363	1,206	2,041
<u>Total Sponsored Research</u>	<u>25,458</u>	<u>49,793</u>	<u>51,747</u>	<u>23,504</u>

<u>Funding Source – continued</u>	<i>Balance</i> <i>April 30, 2013</i>	<i>2013-2014</i> <i>Funding</i>	<i>2013-2014</i> <i>Expenditure</i>	<i>Balance</i> <i>April 30, 2014</i>
SNO and TRIUMF	-	8,924	8,924	-
Internally Restricted Research	18,785	871	(1,388)	21,044
<u>Total Restricted Research</u>	<u>44,243</u>	<u>59,588</u>	<u>59,283</u>	<u>44,548</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>	69,266
Adjustments:	
a) Capital purchases in excess of amortization	(30,754)
b) Increase in operating appropriations (2.2.2)	(33,641)
c) Research surplus (internally restricted) increase (2.4.2)	(2,259)
d) Enterprise surplus (internally restricted) increase	(314)
e) Scholarship surplus (internally restricted) increase	(1)
f) Professional Development increase	(162)
g) Gain on unrestricted endowment	(562)
h) Employee future benefit expense net of cash payment	837
Total	<u>2,410</u>
Represented by: Operating surplus (section 1.1)	-
Ancillary surplus (section 2.3)	3,017
Plant deficit (section 2.4.1)	<u>(607)</u>
Total	<u>2,410</u>

## Notes:

- a) Capital purchases in excess of amortization: Under the Chartered Professional Accountants (CPA) 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 2013-2014 the following entries were made:

	<u>\$000</u>
Amortization of capital assets	28,958
Less: Amortization of deferred contributions	(12,719)
2013-2014 capital assets additions	(52,375)
Increase in financing of capital assets	<u>5,382</u>
	<u>(59,712)</u>
Difference	<u>(30,754)</u>

The \$30,754,000 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 \$30,754,000 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 \$2,259,000 during 2013-2014. As these funds are earmarked for the continuation of the research activity being funded, this \$2,259,000 (\$21,044,000 - \$18,785,000) 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 \$314,000 (\$3,658,000 - \$3,344,000) during 2013-2014. 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 \$1,000 during 2013-2014. 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) Gain on unrestricted endowment: The undistributed portion of the gain on the unrestricted endowment is recognized as gain in the unrestricted fund, thus increasing the surplus. As this amount is not actually made 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 2013-2014 the following entries were made:

	<u>\$000</u>
Employee future benefits, non-pension	10,679
Employee future pension benefits	13,989
Less: 2013-2014 contributions removed from expenditure	<u>(23,831)</u>
Difference	<u>837</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, 2014 were as follows:

	<u>2014</u>	<u>2013</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	30,388	35,169	(4,781)
Deferred revenue	53,419	48,274	5,145
Current portion of long term debt	3,088	2,915	173
Long term liabilities:			
Accrued vacation pay	9,028	8,172	856
Employee future benefits	95,355	154,267	(58,912)
Long term debt	81,451	84,538	(3,087)
Net assets:			
General operating fund	498	498	-
Ancillary and plant funds	781	1,361	(580)
Endowment fund	193,842	190,490	3,352
Internally restricted funds	283,452	244,085	39,367
	<u>478,573</u>	<u>436,434</u>	<u>42,139</u>
Total – Sources	<u>751,302</u>	<u>769,769</u>	<u>(18,467)</u>

	<i>2014</i>	<i>2013</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	289,125	253,770	35,355
Accounts receivable	23,303	20,502	2,801
Prepaid expenses	6,631	3,588	3,043
Current portion of new investment in lease	591	554	37
Long term assets:			
Net investment in lease	11,163	11,753	(590)
Investments	195,594	192,417	3,177
Capital assets:			
	594,693	571,276	23,417
Less: Investment in capital assets	(273,407)	(242,338)	(31,069)
Deferred capital contributions	(191,746)	(196,020)	4,274
Net assets:			
Provision for employee future benefits	95,355	154,267	(58,912)
Total - Applications	<u>751,302</u>	<u>769,769</u>	<u>(18,467)</u>

### 3.2 Source of University Resources

#### 3.2.1 Accounts Payable: \$30,388,000

The accounts payable as at April 30, 2014 comprised:

	<i>2014</i>	<i>2013</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	4,657	7,604	(2,947)
Construction accruals and holdbacks	3,256	5,898	(2,642)
Payroll taxes and pension	14,076	12,759	1,317
Amounts held on deposit	2,609	3,291	(682)
Other taxes payable	547	547	-
Other payables and accrued liabilities	5,243	5,070	173
Total	<u>30,388</u>	<u>35,169</u>	<u>(4,781)</u>

### 3.2.2 Deferred Revenue: \$53,419,000

Deferred revenue as at April 30, 2014 comprised:

	2014	2013	<i>Increase (Decrease)</i>
	\$000	\$000	\$000
a) Government grants	1,675	1,207	468
b) Research	23,504	25,458	(1,954)
c) Scholarships	3,634	3,185	449
d) Parker loans	1,035	1,035	-
e) Special purpose	9,246	10,147	(901)
f) Summer student fees	5,421	-	5,421
g) Other items	8,904	7,242	1,662
Total	53,419	48,274	5,145

Notes:

- a) Of the \$1,675,000 in deferred grant revenue \$1,650,000 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) Special purpose is the unexpended portion of restricted donor gifts and other income.
- f) In order to make summer registration more convenient for students, the registration period was moved up in the calendar to start before the end of the fiscal year. As such, summer fees were assessed and some payments were made before year end, whereas in the past fees were not assessed until May. The \$5,421,000 represents fees that were paid on or before April 30<sup>th</sup> that relate to summer terms 2014/15.
- g) Other deferred revenue relates mainly to advance payments received for projects earmarked for future years, summer programs in the Recreation and Athletics operation and Housing and Conference Services operation, and a capital replacement fund held for the NWRC building.

### 3.2.3 Current Portion of Long Term Debt: \$3,088,000

The current portion of long-term debt is defined as the amount coming due within the next fiscal year. This totalled \$3,088,000 as at April 30, 2014, an increase of \$173,000 over last year.

**3.2.4 Accrued Leave:  
\$9,028,000**

The \$9,028,000 compares to \$8,172,000 one year earlier for an increase of \$856,000. 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:  
\$95,355,000**

During 2001, the University adopted the recommendations of the CICA Handbook Section 3461, Employee Future Benefits, which has now been replaced by the Chartered Professional Accountants of Canada Handbook Section 3462/3463. 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 13 of the audited financial statements at the beginning of this report for further information.

With respect to pension benefits, the University must recognize the defined benefit liability in its statement of financial position. This amount is the defined benefit obligation less the fair value of the assets. With the adoption of the new Handbook section 3462/3463, deferral and amortization of actuarial gains and losses is no longer permitted for any future benefit obligation. Additional details are provided in note 13 of the audited financial statements. This note shows that, on an accounting basis, the pension plan is in a surplus of \$13.9 million. However, it also states that on an actuarially determined basis, a going-concern shortfall of \$87.3 million and a solvency shortfall of \$159.2 million existed as at July 2013. As the actuarial determination relates more closely to potential fund flows, the University uses this as its guide. Given these deficits, which could continue to grow, the University has reserved funds in an attempt to deal with the potential shortfalls (see section 2.2.2).

**3.2.6 Long Term Debt:  
\$81,451,000**

The loans and mortgages payable are described in some detail in note 11 of the audited financial statements at the beginning of this report.

**3.2.7 Net Assets, providing a source of resources:  
\$478,573,000**

The net assets that constitute a source of resources are:

	2014 \$000	2013 \$000	Increase (Decrease) \$000
Operating fund	498	498	-
Ancillary and plant funds	781	1,361	(580)
Internally restricted funds	283,452	244,085	39,367
Endowment fund	193,842	190,490	3,352
<b>Total</b>	<b>478,573</b>	<b>436,434</b>	<b>42,139</b>

Notes:

a) The internally restricted net assets as at April 30, 2014, consist of the following:

	<u>\$000</u>
Appropriated operating funds (section 2.2.2)	231,442
Appropriated ancillary funds (section 2.3)	25,703
Internally restricted research balances (section 2.4.2)	21,044
Enterprise funds	3,658
Scholarship funds	11
Professional Development	<u>1,594</u>
	<u>283,452</u>

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

	<u>\$000</u>
Market Value at April 30, 2014	193,842
Market Value at April 30, 2013	<u>190,490</u>
Increase in Value	<u>3,352</u>

The \$3,352,000 increase is calculated as follows:

	<u>\$000</u>
Unrealized gain (loss) on sale of investment	1,775
Gifts, bequests and other additions (per below)	3,978
Gain (loss) on sale of investments	3,104
Investment income	<u>5,839</u>
	14,696
Less: Distributed for endowed spending	(8,116)
Direct and indirect operating costs	(2,014)
Investment management fees	<u>(1,214)</u>
Change in nominal value	<u>3,352</u>

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

	<u>\$000</u>
Azrieli Urbanism Endowment	1,000
Law Yan Pak Memorial Bursary	500
Carmen L.Desbarats Bursary	226
Carleton University Students' Association Awards	202
C.U. Engineering Student Equipment Fund	176
Future Achievers International Endowment	137
Diane King Stuemmer Award	132
Barbara D. & Ernest C.Smith Memorial Award	100
Marco Frascari Prize in Architecture	100
The Clayton H. Riddell Political Management Endowment Fund	100
Other additions (<\$100,000)	1,305
Total additions	<u>3,978</u>

The realized investment returns for the year totalled \$8,943,000. The amount distributed for endowed spending in 2013-2014 was \$8,116,000. This represents a distribution of \$3.68 per unit held in the investment pool. In addition, \$1,214,000 was paid to investment managers during the year and \$2,014,000 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: \$289,125,000

The cash and short term investment balance is as follows:

	2014 \$000	2013 \$000	Increase (Decrease) \$000
Cash balance	469	(1,559)	2,028
Short term investments	288,656	255,329	33,327
<b>Total</b>	<b>289,125</b>	<b>253,770</b>	<b>35,355</b>

#### 3.3.2 Accounts Receivable: \$23,303,000

	2014 \$000	2013 \$000	Increase (Decrease) \$000
a) Student accounts	10,766	8,728	2,038
b) Student associations	59	139	(80)
c) General accounts receivable	2,860	2,593	267
d) Staff computer loans	88	90	(2)
e) HST/GST receivable	725	1,115	(390)
f) Municipal taxes	546	546	-
g) Bookstore	170	133	37
h) Union groups	237	239	(2)
i) Research funds	6,116	5,986	130
j) Student loans	9	16	(7)
k) Food service provider	640	651	(11)
Other receivables	2,816	2,045	771
Sub-total	25,032	22,281	2,751
l) Less: Allowance for doubtful accounts	(1,729)	(1,779)	50
<b>Total</b>	<b>23,303</b>	<b>20,502</b>	<b>2,801</b>

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 26, 2014, the student accounts receivable balance had been reduced to \$5,066,000 from the \$10,766,000 as at April 30, 2014. The \$10,766,000 represents 4.83% (2013 – 4.29%) of the 2013-2014 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 2013-2014 amount receivable is due from Follett Books and represents commission income related to 2013-2014 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 2013-2014 amount receivable from Aramark represents commission and profit share income related to the 2013-2014 operations.
- l) Allowance for doubtful accounts: The allowance includes \$1,700,000 for student fees, while the balance is for other overdue items.

### 3.3.3 Prepaid Expenses: \$6,631,000

Prepaid Expenses as at April 30, 2014 comprised:

	2014	2013	<i>Increase (Decrease)</i>
	\$000	\$000	\$000
Insurance	696	684	12
Licences	1,954	1,848	106
Pension contribution	2,904	-	2,904
Physical Plant supplies	608	660	(52)
Other	469	396	73
<b>Total</b>	<b>6,631</b>	<b>3,588</b>	<b>3,043</b>



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). The increase this year is due to a one-time prepayment of employer special payments to the pension plan.

### 3.3.4 Current Portion of Net Investment in Lease: \$591,000

The current portion of net investment in lease is defined as the amount collectible within the next fiscal year. This totalled \$591,000 at April 30, 2014 and represents the non-financing income portion of the \$1,300,000 annual National Wildlife Research Centre (NWRC) lease payment. Further detail is provided in section 3.3.5 and in note 6 of the audited financial statements.

### 3.3.5 Net Investment in Lease: \$11,163,000

In 2002-2003, Carleton University entered into an agreement with Environment Canada under which the University constructed the National Wildlife Research Centre (NWRC) building on its property, which was then leased to Environment Canada. The lease term is for 99 years starting May 1, 2002, which exceeds 75% of the estimated useful life of the building. Under the guidance of CICA Handbook Section 3065: Lease, this fact indicates that the NWRC lease should be accounted for as a direct-financing lease.

The accounting treatment for the direct-financing lease began in fiscal 2003 when the building became operational. The University removed the building's construction cost from capital assets and the difference between the cost of the capital asset and the long-term receivable for the future lease payments was recorded as unearned financing income and is presented as Net Investment in Lease on the consolidated financial statements.

The calculation of this amount is presented in detail in note 6 of the audited financial statements.

### 3.3.6 Investments: \$195,594,000

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

	2014	2013	<i>Increase (Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Investments held for:			
Endowment	193,172	190,185	2,987
Parker Loan fund	1,110	1,080	30
NWRC capital reserve	631	563	68
Sprott Student fund	681	589	92
Total	195,594	192,417	3,177

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 5 of the audited financial statements.

**3.3.7 Capital Assets: \$594,693,000**  
**Investment in Capital Assets: \$273,407,000**  
**Deferred Capital Contributions: \$191,746,000**

The net value of capital assets as at April 30, 2014 comprised:

	2014	2013	<i>Increase</i> <i>(Decrease)</i>
	\$000	\$000	\$000
<b>Capital Assets:</b>			
Land and buildings	578,225	555,110	23,115
Building improvements	119,759	103,194	16,565
Equipment and furnishings	139,608	129,958	9,650
Computers and software	30,915	29,890	1,025
Automobile	687	646	41
Library and art collections	68,679	66,700	1,979
	<u>937,873</u>	<u>885,498</u>	<u>52,375</u>
Less: Accumulated depreciation	(343,180)	(314,222)	(28,958)
Net capital assets	<u>594,693</u>	<u>571,276</u>	<u>23,417</u>
<b>Funding:</b>			
Investment in capital assets	273,407	242,338	31,069
Deferred capital contributions	191,746	196,020	(4,274)
Total funding	<u>465,153</u>	<u>438,358</u>	<u>26,795</u>
Unfunded assets	<u>129,540</u>	<u>132,918</u>	<u>(3,378)</u>
<b>Financed by:</b>			
Mortgages payable	1,018	1,204	(186)
Loans payable	71,777	73,952	(2,175)
Other short-term borrowing	56,745	57,762	(1,017)
Total	<u>129,540</u>	<u>132,918</u>	<u>(3,378)</u>

The specific capital assets funded through financing are as follows:

	2014	2013	<i>Increase</i> <i>(Decrease)</i>
	\$000	\$000	\$000
<b><u>Mortgage financing:</u></b>			
Glengarry residence	835	954	(119)
Grenville and Russell residences	183	250	(67)
	<u>1,018</u>	<u>1,204</u>	<u>(186)</u>
<b><u>External loan financing:</u></b>			
Prescott residence	14,372	14,966	(594)
Leeds residence	13,448	14,124	(676)
Frontenac residence	13,594	13,828	(234)
Lennox & Addington residence	30,363	31,034	(671)
	<u>71,777</u>	<u>73,952</u>	<u>(2,175)</u>

	2014 \$000	2013 \$000	<i>Increase (Decrease) \$000</i>
<u>Internal loan financing:</u>			
P6/P7 Parking Garage	21,830	-	21,830
Housing and Food Services renovations	14,738	21,703	(6,965)
Ice Arena	6,951	7,438	(487)
Alumni Hall and Sports Centre	6,118	6,407	(289)
Waterfront academic buildings	2,521	15,930	(13,409)
Field House	2,188	2,348	(160)
CTTC building	1,332	2,096	(764)
Field Bleachers	1,187	-	1,187
Graphic Services renovation	619	988	(369)
University Centre	232	1,486	(1,254)
Other (funding in advance of expense)	(971)	(634)	(337)
	<u>56,745</u>	<u>57,762</u>	<u>(1,017)</u>
Financed assets	<u>129,540</u>	<u>132,918</u>	<u>(3,378)</u>

**3.3.8 Net Assets, requiring an application of resources:  
\$95,355,000**

The net assets classified as an application of resources include:

	2014 \$000	2013 \$000	<i>Increase (Decrease) \$000</i>
Provision for employee future benefits	95,355	154,267	(58,912)
Total	<u>95,355</u>	<u>154,267</u>	<u>(58,912)</u>



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



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

**GENERAL OPERATING FUND 2013-2014  
INCOME, EXPENSES AND ACCUMULATED SURPLUS  
COMPARISON TO BUDGET (MAY 2013) AND 2012-13 ACTUAL**

	2013-14		Actual to Budget		2012-13		Actual to Prior Year	
	Actual \$000's	Budget \$000's	\$000's	%	Actual \$000's	\$000's	%	
<b>INCOME</b>								
Government Grant	166,182	161,842	4,340	2.7	164,690	1,492	0.9	
Tuition Fees	203,918	197,064	6,854	3.5	185,739	18,179	9.8	
Miscellaneous Income	11,750	10,683	1,067	10.0	15,226	(3,476)	(22.8)	
Interest Income	9,376	5,680	3,696	65.1	9,752	(376)	(3.9)	
Departmental Income	5,109	4,139	970	23.4	4,815	294	6.1	
<b>Total Operating Income</b>	<b>396,335</b>	<b>379,408</b>	<b>16,927</b>	<b>4.5</b>	<b>380,222</b>	<b>16,113</b>	<b>4.2</b>	
<b>EXPENSES</b>								
Faculty of Arts & Social Sciences	44,706	44,544	162	0.4	42,923	1,783	4.2	
Faculty of Public Affairs	29,378	29,910	(532)	(1.8)	29,702	(324)	(1.1)	
Sprott School of Business	10,702	10,676	26	0.2	9,843	859	8.7	
Faculty of Science	25,668	26,874	(1,206)	(4.5)	24,758	910	3.7	
Faculty of Engineering and Design	25,871	29,261	(3,390)	(11.6)	25,117	754	3.0	
Academic Admin. & Student Services	28,948	23,941	5,007	20.9	28,508	440	1.5	
Library	15,357	15,101	256	1.7	15,234	123	0.8	
Research	3,221	2,955	266	9.0	2,870	351	12.2	
Finance & Administration	32,279	29,898	2,381	8.0	34,924	(2,645)	(7.6)	
President	3,730	3,741	(11)	(0.3)	3,657	73	2.0	
Advancement	4,993	4,994	(1)	(0.0)	4,834	159	3.3	
University Budgets	109,602	131,186	(21,584)	(16.5)	102,860	6,742	6.6	
Interfund Transfers (net)	28,239	26,327	1,912	7.3	6,170	22,069	357.7	
<b>Sub-Total Operating Expenses</b>	<b>362,694</b>	<b>379,408</b>	<b>(16,714)</b>	<b>(4.4)</b>	<b>331,400</b>	<b>31,294</b>	<b>9.4</b>	
Net Appropriations	33,641	0	33,641		48,324	(14,683)		
<b>Total Expenses</b>	<b>396,335</b>	<b>379,408</b>	<b>16,927</b>	<b>4.5</b>	<b>379,724</b>	<b>16,611</b>	<b>4.4</b>	
<b>Deficit Reduction for the Year</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>498</b>	<b>(498)</b>		
Opening Accumulated Surplus/(Deficit)	498	498	0		0	498		
Closing Accumulated Surplus/(Deficit)	498	498	0		498	0		

Note: 2013-2014 budget figures reflect the opening May 1, 2013 budget. Reallocations have been made to assist in comparison.

