



**Carleton**  
UNIVERSITY

2014-2015

**FINANCIAL REPORT  
TO THE  
BOARD OF GOVERNORS**

## TABLE OF CONTENTS

### **SUMMARY REPORT** **I**

---

<b>1.</b>	<b>CONSOLIDATED STATEMENT OF OPERATIONS</b>	<b>i</b>
<b>2.</b>	<b>ACCUMULATED SURPLUS</b>	<b>i</b>
<b>3.</b>	<b>ANCILLARY OPERATIONS</b>	<b>ii</b>
<b>4.</b>	<b>STATEMENT OF FINANCIAL POSITION</b>	<b>ii</b>

### **1. INTRODUCTION** **1**

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<b>1.1</b>	<b>2014–2015 OPERATING RESULTS</b>	<b>1</b>
<b>1.2</b>	<b>ACCUMULATED SURPLUS</b>	<b>1</b>

### **2. CONSOLIDATED STATEMENT OF OPERATIONS** **1**

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<b>2.1</b>	<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
<b>2.2</b>	<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
<b>2.3</b>	<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
<b>2.4</b>	<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
<b>2.5</b>	<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 RESOURCES</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 Leave	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 resources	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 SURPLUS  
CARLETON UNIVERSITY ANCILLARY OPERATIONS

SCHEDULE 1  
SCHEDULE 2

## NOTES ON FINANCIAL STATEMENTS SUMMARY REPORT 2014-2015

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

Operating results for 2014-2015, before additional appropriations, showed a surplus of \$19.6 million. Of the \$19.6 million, \$6.7 million was anticipated and allocated during the 2015-2016 budget process. It is recommended the additional amount of \$12.9 million be appropriated to a Strategic Initiatives Fund. Allocations from this fund will be presented to the Board by the Administration.

A breakdown and comparison follows:

	<i>2014-2015 Actual \$M</i>	<i>2014-2015 Budget \$ M</i>	<i>2013-2014 Actual \$ M</i>
Surplus generated for the year	19.6	-	10.3
Additional appropriations	19.6	-	10.3
Increase in accumulated surplus	-	-	-

The budget approved for 2014-2015 in April 2014 projected a balanced budget for the fiscal year. The breakeven result for 2014-2015 leaves the accumulated surplus unchanged at \$0.5M as of April 2015. 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: \$18.4 million above budget**

As outlined in section 2.2.3, the income items over budget were: Grant income \$4.6 million, Tuition income \$9.5 million, Miscellaneous income \$0.6 million and Interest income \$3.7 million.

#### **Expenses and Appropriations: \$18.4 million above budget**

Allocations more than contingency funds -	\$0.1 million cost
Unspent allocations -	\$(1.3) million savings
New appropriations -	\$19.6 million cost

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

The breakeven result (excluding the provision for post-retirement benefits) for the 2014-2015 fiscal year leaves the accumulated surplus unchanged at \$0.5 million as of April 30, 2015.

**Ancillary Operations: \$1.3 million surplus from regular operations; \$8.4 million capital contribution; net \$7.1 million deficit – Schedule 2**

The ancillary operations finished the year with a surplus of \$1.3 million from regular operations, but after an \$8.4 million contribution to capital, had net deficit of \$7.1 million. 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 several notable changes in the balance sheet this year. First, the cash balance and the internally restricted net assets have increased by \$72.6 million and \$52.0 million respectively in the current year. As noted in our 2014-2015 Operating Budget report, in addition to setting aside funds to meet the expected \$21 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.

The second item of note is the effect on our liability and net assets related to the re-measurement of obligations toward Employee Future Benefits. As explained in note 12 of the audited financial statements, 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. In addition to \$21.5 million in current costs for future benefit liability being recognized in current year's statement of operations, a further \$32.5 million in re-measurement costs was recognized in the statement of changes in net assets. The provision for employee future benefits, as determined for financial statement purposes, now stands at \$126.1 million, and represents an unfunded liability. The \$126.1 million consists of \$109.2 million in non-pension, post-employment benefits and \$16.9 in pension benefits. Like most institutions, the University funds its non-pension benefits on a 'pay as you go' basis, and the deficits related to the pension plan are measured on an actuarial basis for planning purposes.



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



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

# NOTES ON FINANCIAL STATEMENTS

## 2014-2015

### 1. INTRODUCTION

#### 1.1 2014-2015 Operating Results

The operating result for the year is balanced, with revenues equalling expenditures and appropriations. This is in line with the original projection of a balanced budget and consistent with the prior year.

As summarized in section 2.2.3, the variation in the operating income is the result of increased grant, tuition, miscellaneous and short term interest income of \$18,364,000 and a small shortfall of \$1,000 in departmental income.

On the expenditure side, budget variances in university budgets and contingencies increased the contribution towards the surplus by \$1,277,000, while new appropriations decreased the contribution by \$19,640,000.

The net result of \$18,363,000 in positive income adjustments, and \$18,363,000 in negative expenditure adjustments offset each other, maintaining a balanced operation 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, 2014, and therefore remains unchanged as of April 30, 2015.

### 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 Canadian generally accepted accounting principles (GAAP) 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 2014-2015 operating budget as approved by the Board of Governors in Spring 2014.

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 \$419,995,000 in 2014-2015. This compares to an original budget of \$396,437,000 and a total for the previous year of \$396,335,000. Total operating income was therefore \$23,558,000 (5.9%) above budget, and \$23,660,000 (6.0%) above the previous year.

	<i>2014-2015 Actual \$000</i>	<i>2014-2015 Budget \$000</i>	<i>Variance \$000</i>
Revenues	419,995	396,437	23,558
Items offset by Expenditures (2.2.1)	5,195	-	5,195
Net Revenues	<u>414,800</u>	<u>396,437</u>	<u>18,363</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 \$168,729,000 included in Schedule 1 is \$8,671,000 (5.4%) above the original estimate, and \$2,547,000 (1.5%) more than the previous year. A comparison to the estimate in the original budget is set out below:

	<i>2014-2015 Actual \$000</i>	<i>2014-2015 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items Affecting the Operating Result</u>			
Basic Operating Grant	130,572	130,774	(202)
Accessibility Fund	19,768	14,999	4,769
Access to Higher Quality Education Fund	6,254	6,270	(16)
Research Overheads	4,964	4,935	29
Performance Funding	661	730	(69)
Other government grants	367	260	107
Subtotal	<u>162,586</u>	<u>157,968</u>	<u>4,618</u>
<u>Items offset by expenses</u>			
Student Aid Funds	2,866	-	2,866
Municipal Tax Funding	1,560	1,515	45
Access for the Disabled	1,077	575	502
Aboriginal Education and Training	359	-	359
First Generation programs	208	-	208
Other Government Grants	73	-	73
Subtotal	<u>6,143</u>	<u>2,090</u>	<u>4,053</u>
Total Government Grants	<u>168,729</u>	<u>160,058</u>	<u>8,671</u>

Omitting special purpose grants, the operating revenue from the Ministry of Training, Colleges and Universities was \$4,618,000 above the original projection. The increase relates mainly to Accessibility grant funding that is linked to enrolment. In addition to the grant being fully funded, while the budget was set at a discount, our enrolment was up by 2.4% 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 \$223,418,000 in 2014-2015. This represents an increase of \$19,500,000 (9.6%) over the previous year, and is \$10,001,000 (4.7%) above the original estimate. Details of the 9.6% 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>		
2013-2014	21,638	3,218	24,856	203,918
2014-2015	22,157	3,302	25,459	223,418
Increase (Decrease)	519	84	603	19,500
%	2.4%	2.6%	2.4%	9.6%

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

All but \$523,000 of the additional tuition revenue went to improving the pre-appropriation operating result of the University. Of this, \$304,000 was allocated for international recruitment, \$127,000 was allocated towards undergraduate student support, while the balance of \$92,000 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 \$11,754,000 in 2014-2015, which is \$689,000 over the original budget and \$4,000 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>2014-2015 Actual \$000</i>	<i>2014-2015 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items affecting the operating result</u>			
Application and admission fees	2,048	2,100	(52)
Deferred payment and processing fees	2,250	2,030	220
Omnibus fee	975	945	30
Overhead charges	2,815	3,076	(261)
Library and other fines	92	140	(48)
Facility rentals	767	720	47
Career and Co-op Placement Services	1,817	1,690	127
Other miscellaneous	873	364	509
Subtotal	11,637	11,065	572
<u>Items offset by additional expenditures</u>			
Other income	117	-	117
Subtotal	117	-	117
Total Miscellaneous Income	11,754	11,065	689

The positive variance relates mostly to unanticipated rebates received on tax claims.



### 2.1.4 Interest Income

Interest income totalled \$10,376,000 in 2014-2015, which was \$3,696,000 above budget, and \$1,000,000 more 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:

	<i>2014-2015 Actual \$000</i>	<i>2014-2015 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items offset by additional expenditures</u>			
Instructional Media Services and CUOL	1,241	1,202	39
Computing	311	335	(24)
Pension plan administration	260	230	30
Centre for Initiatives in Education	791	792	(1)
Salary recoveries	370	261	109
Science and Technology Centre	23	45	(22)
Student Experience Office	666	542	124
Paul Menton Centre	78	75	3
Alumni and external contributions	1,050	988	62
General sales	254	183	71
Other	667	556	111
Subtotal	5,711	5,209	502
<u>Items affecting the operating result</u>			
Benefit recoveries	7	8	(1)
Total Department Income	5,718	5,217	501

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 \$362,596,000 in 2014-2015. This represents a \$33,841,000 (8.5%) decrease from the original expense budget of \$396,437,000 and a \$98,000 (0.0%) decrease from the previous year's total of \$362,694,000. Total appropriations from the operating fund balance at the end of 2014-2015 amounted to \$112,239,000. This represents a net increase of \$57,399,000 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	362,596
Opening budget	<u>396,437</u>
Expenditures below budget	<u>(33,841)</u>

The items included in the \$33,841,000 decrease in expenditures and transfers were:

	<u>\$000</u>	<u>\$000</u>
a) <u>Salary Increases</u>		
2014-2015 Cost	6,813	
Less: Contingency in opening budget	8,859	
Savings		<u>(2,046)</u>
b) <u>Mid-Year Allocations</u>		
Total allocations	613	
Less: Opening contingency	1,577	
Savings		<u>(964)</u>
c) <u>Enrolment Incentive</u>		
2014-2015 cost	12,476	
Less: Opening contingency	9,325	
Cost		<u>3,151</u>
d) <u>Sabbatical Leave Savings</u>		
Total 2014-15 savings	(1,169)	
Less: Planned savings	(1,100)	
Additional savings		<u>(69)</u>
e) <u>Other Contingencies</u>		
2014-2015 cost	39,205	
Less: Opening contingency	39,205	
Net		<u>-</u>
Total overspent contingencies		<u>72</u>

<u>Overspent (unspent) balances not appropriated:</u>	<u>\$000</u>	<u>\$000</u>
f) Provision for bad debts	(458)	
g) Utilities	(1,035)	
h) Benefits	(699)	
i) Student support	(1,113)	
j) Transfers	2,158	
Other	(202)	
Subtotal		(1,349)
<u>Expenditures funded by additional income:</u>		
Government grant (section 2.1.1)	4,053	
Tuition income (section 2.1.2)	523	
Miscellaneous income (section 2.1.3)	117	
Departmental income (section 2.1.5)	502	
		5,195
Expenditures funded by returned appropriations	54,840	
Total appropriations in 2014-2015	112,239	
Net appropriations (section 2.2.2)	(57,399)	
Add: New appropriations (section 2.2.2)	19,640	
		(37,759)
Total expenditures and transfers below budget		(33,841)

## Notes:

- a) Salary Increases: The cost of compensation increases in 2014-2015 totalled \$6,813,000 against a contingency of \$8,859,000 in the opening budget. This represents a savings of \$2,046,000.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totalled \$613,000 in 2014-2015 as compared to a budget of \$1,577,000. An analysis of the allocations follows:

## Allocations from the Mid-Year Contingency Fund:

	<u>\$000</u>
1125@Carleton living lab	573
Immigration compliance fees	30
Post-doctoral position	10
Total allocations	613
Opening contingency	(1,577)
Savings	(964)

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 \$3,151,000.

- d) Sabbatical Leave Savings: The actual savings related to sabbatical leaves totalled \$1,169,000 as compared to the budget of \$1,100,000. The excess of \$69,000 in planned savings improves the operating results.
- e) Other Contingencies: The original budget for 2014-2015 included \$22,586,000 for capital projects and \$16,619,000 to deal with increases in the special deficit payments required for the University's pension plan and other benefit provisions. During the year, \$931,000 was contributed toward existing capital projects, while \$3,700,000 was directed toward the special pension payments. The balance of the 2014-2015 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 \$1,395,000, which was \$458,000 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 2014-2015 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 \$699,000 below budget in 2014-2015, on a total budget of \$48,645,000. The savings were mainly a result of benefit recoveries exceeding the original budget and a premium holiday for group life insurance.
- i) Student support: Estimates of graduate student funding exceeded requirements.
- j) Interfund Transfers: The transfer cost exceeded the budget by \$2,158,000. This is due mostly to a decision to re-endow an annual \$1 million contribution of endowment earnings to the operating fund and 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 current operational needs. Re-endowing these funds will increase the annual earnings for future use.

Contract overhead recoveries into the Operating Fund from the Research Fund exceeded the original budget by \$185,000, and were in total, \$466,000 more 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 2014-2015 and 2013-2014 are as follows:

	2014-2015	2013-2014
	\$000	\$000
General operating budget and contingency	586	500
Vice President (Research and International)	188	2
<u>Faculties</u>		
Engineering and Design	243	163
Arts and Social Sciences	181	93
Science	66	64
Public Affairs	84	56
Business	3	6
Total	1,350	884

## 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 2014-2015	112,239
Returned from 2013-2014 fund balance	<u>54,840</u>
Increase in appropriated fund balance	<u>57,399</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	31,118	35,834	4,716
Academic Administration	2,268	1,484	(784)
Students and Enrolment	1,146	1,569	423
Library	605	706	101
President	1,585	2,003	418
Research and International	925	416	(509)
Finance and Administration	15,106	13,978	(1,128)
Advancement	432	559	127
Professional development allowances	107	119	12
Computing infrastructure	1,084	1,104	20
Renovations	394	-	(394)
Self-insurance fund	1	-	(1)
Pending commitments	69	253	184
Pension liabilities reserve	-	12,919	12,919
Capital reserves	-	21,655	21,655
New allocations		19,640	19,640
Total	<u>54,840</u>	<u>112,239</u>	<u>57,399</u>

New allocations consist of appropriations of unspent funds in addition to those included in the original budget. For 2014-2015, new allocations total \$19,640,000 and consists of \$12,958,000 earmarked for the Strategic Initiatives Fund and \$6,682,000 for 2015-2016 budget requests.

In addition, \$176,602,000 in prior year appropriated funds were not returned during 2014-2015, as the planned expenditures will occur in future fiscal years. The most immediate allocation will be \$45 million from the Capital reserve for the new Health Sciences building.

The \$176,602,000 relates to:

	<u>\$000</u>
Pension liability reserve	77,922
Capital reserves	98,432
Self-insurance fund	248
Total appropriations not returned	<u>176,602</u>

Total appropriations for the Operating Fund amount to \$288,841,000 as of April 30, 2015.

### 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)	4,618		
Tuition fees (section 2.1.2)	9,478		
Miscellaneous income (section 2.1.3)	572		
Interest income (section 2.1.4)	3,696		
Departmental income (section 2.1.5)		(1)	
Total income variations	18,364	(1)	18,363
<u>Expenditure Variations</u>			
Overspent contingencies (section 2.2.1)		(72)	
Unspent allocations (section 2.2.1)	1,349		
	1,349	(72)	1,277
New appropriations (section 2.2.2)		(19,640)	(19,640)
Net effect of expense variations	1,349	(19,712)	(18,363)
Net change	19,713	(19,713)	-
Original surplus included in budget			-
Total change in accumulated surplus			-

### 2.2.4 Accumulated Surplus

The prior year accumulated operating surplus was \$498,000 and therefore the current year's results left that unchanged as of April 30, 2015.

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

Schedule 2, at the end of this Report, details the 2014-2015 operations of the ancillaries as compared to the original budget. Overall the ancillary results can be summarized as follows:

	<i>2014-2015 Actual \$000</i>	<i>2014-2015 Budget \$000</i>	<i>2013-2014 Actual \$000</i>
Income and internal recoveries	62,985	62,094	62,081
Expenses and transfers	61,655	57,513	59,064
Surplus (deficit)	1,330	4,581	3,017
Parking transfer to capital	8,464	8,850	-
Net surplus (deficit)	(7,134)	(4,269)	3,017

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 2015 \$000</i>	<i>Balance at April 2014 \$000</i>	<i>Variance \$000</i>
Ancillaries with an accumulated surplus	18,723	25,857	(7,134)
Ancillaries with an accumulated deficit	-	-	-
	18,723	25,857	(7,134)

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 2014-2015 results and status of the Recreation and Athletics operations can be summarized as follows:

	<i>2014-2015 Actual \$000</i>	<i>2014-2015 Budget \$000</i>	<i>2013-2014 Actual \$000</i>
<u>Income</u>			
Athletic fees	4,945	4,994	4,798
Other income	8,289	8,011	7,680
	13,234	13,005	12,478
<u>Expenses and Transfers</u>			
Direct expenses	11,196	11,367	10,670
Renovations and alterations	1,133	1,338	598
	12,329	12,705	11,268
Surplus (deficit)	905	300	1,210

Opening fund balance (deficit)	5,008	5,008	3,798
Closing fund balance (deficit)	5,913	5,308	5,008

The Recreation and Athletics operations finished the year with a surplus of \$905,000, due mostly to rental income exceeding budget, and some renovation costs being deferred. The accumulated surplus of \$5,913,000 will continue to be used to address the significant deferred maintenance issues.

### 2.3.2 Bookstore

The 2014-2015 results and status of the Bookstore operations can be summarized as follows:

	<i>2014-2015 Actual \$000</i>	<i>2014-2015 Budget \$000</i>	<i>2013-2014 Actual \$000</i>
<u>Income</u>			
Commissions and reimbursements	826	817	821
<u>Expenses and Transfers</u>			
Direct expenses	572	565	569
Indirect expense contribution	153	140	151
	725	705	720
Surplus from regular operations	101	112	101
Transfer for reduction of debt	98	80	100
Surplus (deficit)	3	32	1
Opening fund balance (deficit)	232	232	231
Closing fund balance (deficit)	235	264	232

The Bookstore operations finished the year with a surplus of \$3,000, and now has an accumulated surplus of \$235,000. It is expected that the accumulated surplus will be used in 2015-2016 to pay down the outstanding debt related to its expansion in the University Centre several years ago. The balance of the loan is \$493,000 as of April 30, 2015, and is expected to be paid in full by 2016-2017.

### 2.3.3 Health and Counselling Services

The 2014-2015 results and status of the Health and Counselling Services operations can be summarized as follows:

	<i>2014-2015 Actual \$000</i>	<i>2014-2015 Budget \$000</i>	<i>2013-2014 Actual \$000</i>
<u>Income</u>			
Health Services fee	1,658	1,350	1,373
Insurance recoveries / other	1,703	1,730	1,788
	3,361	3,080	3,161
<u>Expenses and Transfers</u>			
Direct expenses	3,205	3,007	2,965
Indirect expense contribution	41	28	27
	3,246	3,035	2,992
Surplus (deficit)	115	45	169



Opening fund balance (deficit)	311	311	142
Closing fund balance (deficit)	426	356	311

The Health and Counselling Services operation finished the year with a surplus of \$115,000 and now has an accumulated surplus of \$426,000.

### 2.3.4 Housing and Conference Services

The 2014-2015 results for the Housing and Conference Services operations can be summarized as follows:

	<i>2014-2015 Actual \$000</i>	<i>2014-2015 Budget \$000</i>	<i>2013-2014 Actual \$000</i>
<u>Income</u>			
Residence fees	19,624	19,695	19,141
Conference operations	2,527	2,618	2,131
Commission income	6,685	6,200	6,111
Other income	1,879	1,831	2,946
	30,715	30,344	30,329
<u>Expenses and Transfers</u>			
Direct expenses	21,717	19,970	19,355
Capital debt (interest and principal)	6,455	6,544	8,646
Indirect expense contribution	138	132	125
Contribution to Ancillary Capital Fund	1,140	1,142	1,142
	29,450	27,788	29,268
Surplus (deficit)	1,265	2,556	1,061
Opening fund balance (deficit)	7,329	7,329	6,268
Closing fund balance (deficit)	8,594	9,885	7,329

The Housing and Conference Services operations finished the year with a surplus of \$1,265,000. Given the continued strong occupancy rate and food service operations, additional funds were directed towards planned renovations. The service now has an accumulated surplus of \$8,594,000, which will continue to be utilized for future renovations and expansion.

### 2.3.5 Parking Services

The 2014-2015 results and status of the Parking Services operations can be summarized as follows:

	<i>2014-2015 Actual \$000</i>	<i>2014-2015 Budget \$000</i>	<i>2013-2014 Actual \$000</i>
<u>Income</u>			
Parking charges	4,427	4,483	4,311
Other income	377	422	392
	4,804	4,905	4,703

<u>Expenses and Transfers</u>			
Direct operating	3,662	4,344	3,277
Indirect expense contribution	71	72	69
	<u>3,733</u>	<u>4,416</u>	<u>3,346</u>
Surplus from regular operations	1,071	489	1,357
Transfer to Capital	8,464	8,850	-
Surplus (deficit)	<u>(7,393)</u>	<u>(8,361)</u>	<u>1,357</u>
Opening fund balance (deficit)	8,464	8,464	7,107
Closing fund balance (deficit)	1,071	103	8,464

The Parking Services operation finished 2014-2015 with a surplus from regular operations of \$1,071,000, however \$8,464,000 of pre-existing surplus was used to fund the new parking structure that was opened during the year.

### 2.3.6 University Centre

The 2014-2015 results and status of the University Centre operations can be summarized as follows:

	<u>2014-2015</u>	<u>2014-2015</u>	<u>2013-2014</u>
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Income</u>			
Rents and other recoveries	1,543	1,543	1,567
<u>Expenses and Transfers</u>			
Direct operating	1,088	1,543	1,170
Surplus (deficit)	<u>455</u>	<u>-</u>	<u>397</u>
Opening fund balance (deficit)	587	587	190
Closing fund balance (deficit)	1,042	587	587

The University Centre operation is run on a cost recovery basis over time. During the current year, a surplus of \$455,000 was generated, which will be appropriated for future renovations.

### 2.3.7 Graphic Services

The 2014-2015 results and status of the Graphic Services operations can be summarized as follows:

	<i>2014-2015 Actual \$000</i>	<i>2014-2015 Budget \$000</i>	<i>2013-2014 Actual \$000</i>
<u>Income</u>			
Sales: External	612	632	678
Internal	1,944	1,810	1,932
Other	627	599	684
	<u>3,183</u>	<u>3,041</u>	<u>3,294</u>
Less: Cost of goods sold	(455)	(495)	(463)
Gross profit	<u>2,728</u>	<u>2,546</u>	<u>2,831</u>
<u>Expenses and Transfers</u>			
Direct operating	2,463	2,396	2,584
Indirect expense contribution	59	70	43
Contribution to Ancillary Capital Fund	101	108	180
	<u>2,623</u>	<u>2,574</u>	<u>2,807</u>
Surplus (deficit)	<u>105</u>	<u>(28)</u>	<u>24</u>
Opening fund balance (deficit)	479	479	455
Closing fund balance (deficit)	584	451	479

The Graphics Services operations finished the year with a surplus of \$105,000. The service now has an accumulated surplus of \$584,000.

### 2.3.8 Ancillary Property Rentals

The 2014-2015 results and status for the Ancillary Property Rental operations can be summarized as follows:

	<i>2014-2015 Actual \$000</i>	<i>2014-2015 Budget \$000</i>	<i>2013-2014 Actual \$000</i>
<u>Income</u>			
Rents and occupancy costs recovery	3,917	4,013	4,282
Interest and sundry income	72	32	32
	<u>3,989</u>	<u>4,045</u>	<u>4,314</u>
<u>Expenses and Transfers</u>			
Occupancy costs and operating expenses	2,057	2,004	2,143
Capital debt (interest and principal)	2,033	2,041	2,144
	<u>4,090</u>	<u>4,045</u>	<u>4,287</u>
Surplus (deficit)	<u>(101)</u>	<u>-</u>	<u>27</u>
Opening fund balance (deficit)	154	154	127
Closing fund balance (deficit)	53	154	154

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 2014-2015 show a deficit of \$101,000 and an accumulated surplus of \$53,000, both of which relate to timing differences between rental payments and corresponding costs for NWRC.

### 2.3.9 Ancillary Capital Fund

The 2014-2015 results and status for the Ancillary Capital Fund operations can be summarized as follows:

	<u>2014-2015</u> <i>Actual</i> \$000	<u>2014-2015</u> <i>Budget</i> \$000	<u>2013-2014</u> <i>Actual</i> \$000
<u>Income</u>			
Contributions	1,785	1,809	1,877
<u>Expenses and Transfers</u>			
Direct operating	3,573	622	3,221
Surplus from regular operations	(1,788)	1,187	(1,344)
Transfer for reduction of debt	700	-	-
Surplus (deficit)	<u>(2,488)</u>	<u>1,187</u>	<u>(1,344)</u>
Opening fund balance (deficit)	3,293	3,293	4,637
Closing fund balance (deficit)	805	4,480	3,293

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, \$1,250,000 for the Ice Arena, and \$4,166,000 for the Field House are supported by contributions received from the Ancillary operations to the Ancillary Capital Fund. The direct operating expenses represent planned annual Ancillary Capital Fund payments of \$622,000 towards these three projects, as well as approximately \$1.5 million in one-time payments for a new turf field and scoreboard, \$0.5 million for new tenant space, and \$1.0 million towards a new e-procurement system. In addition, a final \$700,000 transfer was made to eliminate the outstanding debt on the Alumni Hall and Ice Arena.

## 2.4 Other Income and Expenditures

As explained in section 2 above, the 2014-2015 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 2014-2015:

	<i>2014-2015</i>	<i>2013-2014</i>	<i>Increase</i>
	<i>Actual</i>	<i>Actual</i>	<i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Income and Transfers</u>			
Government grants, other income	825	-	825
Transfers to/from operating & ancillary	971	(95)	1,066
Net income	1,796	(95)	1,891
<u>Expenses</u>			
Additions	1,357	512	845
Surplus (deficit)	439	(607)	1,046
Opening fund balance	(955)	(348)	(607)
Closing fund balance	(516)	(955)	439

The accumulated deficit of \$516,000 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 2014-2015 there was a net increase of \$827,000 in the Research Fund balance, from \$44,548,000 to \$45,375,000. Research receipts total \$56,776,000. Disbursements and net transfers out total \$55,949,000. Following Canadian generally accepted accounting principles (GAAP), all restricted receipts in excess of restricted expenditures are deferred for use in future years. Deferred research revenue for 2014-2015 is \$23,594,000. (Key to acronyms is on the next page).

	<i>Balance</i> <i>April 30, 2014</i> \$000	<i>2014-2015</i> <i>Funding</i> \$000	<i>2014-2015</i> <i>Expenditure</i> \$000	<i>Balance</i> <i>April 30, 2015</i> \$000
<u>Canadian Government Departments and Agencies</u>				
Citizenship	(14)	302	321	(33)
National Defence	390	651	912	129
Energy, Mines and Resources	(129)	2,207	2,480	(402)
Environment Canada	(57)	444	394	(7)
HRDC	(1)	29	28	-
Indian & Northern Affairs	20	329	322	27
Industry Canada	88	24	100	12
IDRC	139	541	419	261
Health and Welfare	-	105	79	26
NRC	(109)	324	208	7
Federal Econ. Dev. Agency	26	226	280	(28)
Other Federal	109	288	344	53
<u>Tri-Agency Sponsored Research</u>				
CIHR	655	867	906	616
NSERC	7,284	11,983	12,390	6,877
SSHRC	4,417	6,760	6,145	5,032
Canada Research Chairs	156	2,984	2,970	170
Indirect Cost Program	-	4,388	4,388	-
<u>Other Sponsored Research</u>				
COE	439	1,143	1,260	322
Provincial, Municipal Governments	1,845	5,343	3,970	3,218
CFI	1,335	882	1,984	233
Ontario Research Fund	1,234	1,794	538	2,490
Ontario ERAP	333	299	655	(23)
Businesses and Foundations	3,352	4,498	3,981	3,869
Foreign Governments	(49)	235	293	(107)
Research Partnership Agreements	2,041	2,001	3,190	852
<u>Total Sponsored Research</u>	<u>23,504</u>	<u>48,647</u>	<u>48,557</u>	<u>23,594</u>

<u>Funding Source – continued</u>	<u>Balance</u> <u>April 30, 2014</u>	<u>2014-2015</u> <u>Funding</u>	<u>2014-2015</u> <u>Expenditure</u>	<u>Balance</u> <u>April 30, 2015</u>
SNO and TRIUMF	-	7,155	7,155	-
Internally Restricted Research	21,044	974	237	21,781
<u>Total Restricted Research</u>	<u>44,548</u>	<u>56,776</u>	<u>55,949</u>	<u>45,375</u>

Notes: Key to acronyms

CFI	Canadian Foundation for Innovation
CIHR	Canadian Institutes for Health Research
COE	Federal/Provincial Centres of Excellence
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>	<u>72,273</u>
Adjustments:	
a) Capital purchases in excess of amortization	(18,175)
b) Increase in operating appropriations (2.2.2)	(57,399)
c) Research surplus (internally restricted) increase (2.4.2)	(737)
d) Enterprise surplus (internally restricted) increase	(419)
e) Scholarship surplus (internally restricted) increase	(7)
f) Professional Development increase	(497)
g) Loss on unrestricted endowment	90
h) Employee future benefit expense net of cash payment	(1,824)
Total	<u>(6,695)</u>
Represented by: Operating surplus (section 1.1)	-
Ancillary deficit (section 2.3)	(7,134)
Plant surplus (section 2.4.1)	439
Total	<u>(6,695)</u>

## Notes:

- a) Capital purchases in excess of amortization: Under Canadian generally accepted accounting principles (GAAP), 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 2014-2015 the following entries were made:

	<u>\$000</u>
Amortization of capital assets	31,396
Less: Amortization of deferred contributions	(12,938)
2014-2015 capital assets additions	(34,360)
Increase in financing of capital assets	<u>(2,273)</u>
	<u>(49,571)</u>
Difference	<u>(18,175)</u>

The \$18,175,000 difference increases the unrestricted surplus shown on the Consolidated Statement of Operations but does not affect the accumulated surpluses or deficits of the various activities (ie. Operating, Ancillary or Plant) as it is shown on the Consolidated Statement of Changes in Net Assets. Rather, the \$18,175,000 is shown as an increase to the investment in capital assets on this statement.

- b) Increase in appropriations: Under Canadian GAAP, 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 \$737,000 during 2014-2015. As these funds are earmarked for the continuation of the research activity being funded, this \$737,000 (\$21,781,000 - \$21,044,000) is shown as an increase 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 \$419,000 (\$4,077,000 - \$3,658,000) during 2014-2015. As these funds are earmarked for the continual development of entrepreneurial, 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 \$7,000 during 2014-2015. 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. However, as this amount does not actually 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 2014-2015 the following entries were made:

	<u>\$000</u>
Employee future benefits, non-pension	11,129
Employee future pension benefits	10,376
Less: 2014-2015 contributions removed from expenditure	<u>(23,329)</u>
Difference	<u>(1,824)</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, 2015 were as follows:

	<u>2015</u>	<u>2014</u>	<u>Increase</u>
	<u>Actual</u>	<u>Actual</u>	<u>(Decrease)</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
<u>Sources</u>			
Short term liabilities:			
Accounts payable	34,922	30,388	4,534
Deferred revenue	55,276	53,419	1,857
Accrued leave	10,335	9,028	1,307
Current portion of long term debt	3,273	3,088	185
Long term liabilities:			
Employee future benefits	126,072	95,355	30,717
Long term debt	78,177	81,451	(3,274)
Net assets:			
General operating fund	498	498	-
Ancillary and plant funds	1,119	781	338
Endowment fund	217,597	193,842	23,755
Internally restricted funds	335,478	283,452	52,026
	<u>554,692</u>	<u>478,573</u>	<u>76,119</u>
Total – Sources	<u>862,747</u>	<u>751,302</u>	<u>111,445</u>

	<i>2015</i>	<i>2014</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	361,739	289,125	72,614
Accounts receivable	26,570	23,303	3,267
Prepaid expenses	5,688	6,631	(943)
Current portion of net investment in lease	631	591	40
Long term assets:			
Net investment in lease	10,532	11,163	(631)
Investments	208,524	195,594	12,930
Capital assets:			
	597,657	594,693	2,964
Less: Investment in capital assets	(291,642)	(273,407)	(18,235)
Deferred capital contributions	(183,024)	(191,746)	8,722
Net assets:			
Provision for employee future benefits	126,072	95,355	30,717
Total - Applications	<u>862,747</u>	<u>751,302</u>	<u>111,445</u>

### 3.2 Source of University Resources

#### 3.2.1 Accounts Payable: \$34,922,000

The accounts payable as at April 30, 2015 comprised:

	<i>2015</i>	<i>2014</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	9,220	4,657	4,563
Construction accruals and holdbacks	3,193	3,256	(63)
Payroll taxes and pension	13,892	15,327	(1,435)
Amounts held on deposit	3,388	2,609	779
Other taxes payable	586	547	39
Other payables and accrued liabilities	4,643	3,992	651
Total	<u>34,922</u>	<u>30,388</u>	<u>4,534</u>

Amounts due to suppliers at April 30, 2015 are higher than the previous year simply due to the timing two large annual payments. As of April 30<sup>th</sup>, neither the \$1.95 million payment to Algonquin College for the share of the joint Bachelor of Technology program, nor a \$0.9 million pension guarantee fund payment had been made.

### 3.2.2 Deferred Revenue: \$55,276,000

Deferred revenue as at April 30, 2015 comprised:

	2015	2014	<i>Increase</i> <i>(Decrease)</i>
	\$000	\$000	\$000
a) Government grants	4,550	1,675	2,875
b) Research	23,594	23,504	90
c) Scholarships	3,058	3,634	(576)
d) Parker loans	1,035	1,035	-
e) Special purpose	9,095	9,246	(151)
f) Summer student fees	501	5,421	(4,920)
g) Other items	13,443	8,904	4,539
Total	55,276	53,419	1,857

Notes:

- a) Of the \$4,550,000 in deferred grant revenue, \$1,957,000 relates to graduate capital expansion funding received in the latter portion of the fiscal year but will be utilized for future capital projects. A further \$960,000 relates to graduate support grants and \$1,590,000 relates to 2015-2016 undergraduate and graduate accessibility funding received in April 2015.
- 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) While summer registration was available prior to the end of the fiscal year, summer fees were not finalized and therefore not assessed until after May 1<sup>st</sup>. As such, the summer fee balance is considerably lower than in the prior year. The \$501,000 represents summer term fees that were paid on or before April 30<sup>th</sup>.
- 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: \$3,273,000

The current portion of long-term debt is defined as the amount coming due within the next fiscal year. This totalled \$3,273,000 as at April 30, 2015, an increase of \$185,000 over last year.

**3.2.4 Accrued Leave:  
\$10,335,000**

The \$10,335,000 compares to \$9,028,000 one year earlier for an increase of \$1,307,000. Canadian generally accepted accounting principles (GAAP) 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:  
\$126,072,000**

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 12 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 12 of the audited financial statements. This note shows that, on an accounting basis, the pension plan is in a deficit of \$16.9 million. 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:  
\$78,177,000**

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:  
\$554,692,000**

The net assets that constitute a source of resources are:

	2015	2014	<i>Increase (Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Operating fund	498	498	-
Ancillary and plant funds	1,119	781	338
Internally restricted funds	335,478	283,452	52,026
Endowment fund	217,597	193,842	23,755
<b>Total</b>	<b>554,692</b>	<b>478,573</b>	<b>76,119</b>

Notes:

a) The internally restricted net assets as at April 30, 2015, consist of the following:

	<i>\$000</i>
Appropriated operating funds (section 2.2.2)	288,841
Appropriated ancillary funds (section 2.3)	18,670
Internally restricted research balances (section 2.4.2)	21,781
Enterprise funds	4,077
Scholarship funds	18
Professional Development	2,091
	<b>335,478</b>

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

	<i>\$000</i>
Market Value at April 30, 2015	217,597
Market Value at April 30, 2014	193,842
Increase in Value	<b>23,755</b>

The \$23,755,000 increase is calculated as follows:

	<i>\$000</i>
Unrealized gain (loss) on sale of investment	13,656
Gifts, bequests and other additions (per below)	17,228
Gain (loss) on sale of investments	(3,808)
Investment income	7,772
	<b>34,848</b>
Less: Distributed for endowed spending	(7,849)
Direct and indirect operating costs	(1,967)
Investment management fees	(1,277)
Change in nominal value	<b>23,755</b>

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

	<u>\$000</u>
Nicol Building	10,005
Barton Chair In International Affairs	3,254
Alfred and Isabel Bader Student Travel Awards	1,054
Walter and Mary Chudobiak Entrepreneurial Award	501
Kenneth Konstanty Macewicz Memorial Scholarship	358
C.U. Engineering Student Equipment Fund	172
Brian and Elizabeth Haworth Bursary	152
William Barton Award in Arms Control and Disarmament	141
L. Lehtiniemi Graduate Award in Sociology	100
The Clayton H. Riddell Political Management Endowment Fund	100
Other additions (<\$100,000)	1,391
Total additions	<u>17,228</u>

The realized investment returns for the year totalled \$3,964,000. The amount distributed for endowed spending in 2014-2015 was \$7,849,000. This represents a distribution of \$3.48 per unit held in the investment pool. In addition, \$1,277,000 was paid to investment managers during the year and \$1,967,000 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: \$361,739,000

The cash and short term investment balance is as follows:

	2015 \$000	2014 \$000	Increase (Decrease) \$000
Cash balance	(1,571)	469	(2,040)
Short term investments	363,310	288,656	74,654
<b>Total</b>	<b>361,739</b>	<b>289,125</b>	<b>72,614</b>

#### 3.3.2 Accounts Receivable: \$26,570,000

	2015 \$000	2014 \$000	Increase (Decrease) \$000
a) Student accounts	10,570	10,983	(413)
b) Student associations	796	59	737
c) General accounts receivable	4,709	3,680	1,029
d) Staff computer loans	80	88	(8)
e) HST/GST receivable	1,239	725	514
f) Municipal taxes	-	546	(546)
g) Bookstore	214	170	44
h) Union groups	213	237	(24)
i) Research funds	7,219	6,683	536
j) Student loans	10	9	1
k) Food service provider	1,442	640	802
Other receivables	1,707	1,212	495
Sub-total	28,199	25,032	3,167
l) Less: Allowance for doubtful accounts	(1,629)	(1,729)	100
<b>Total</b>	<b>26,570</b>	<b>23,303</b>	<b>3,267</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, 2015, the student accounts receivable balance had been reduced to \$4,350,000 from the \$10,570,000 as at April 30, 2015. The \$10,570,000 represents 4.35% (2014 – 4.83%) of the 2014-2015 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 increase is reasonable as it correlates to higher payables at yearend as compared to the previous fiscal year.
- f) Municipal taxes: The University receives reimbursement from the Provincial Government for Municipal Taxes. Prior to 2014-2015, the government paid this grant in a lump sum and the balance would represent unpaid claims. The university now receives the grant monthly, and no balance is owed at yearend.
- g) Bookstore: The 2014-2015 amount receivable is due from Follett Books and represents commission income related to 2014-2015 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 2014-2015 amount receivable from Aramark represents commission and profit share income related to the 2014-2015 operations.
- l) Allowance for doubtful accounts: The allowance includes \$1,600,000 for student fees, while the balance is for other overdue items.

### 3.3.3 Prepaid Expenses: \$5,688,000

Prepaid Expenses as at April 30, 2015 comprised:

	2015	2014	<i>Increase (Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Insurance	644	696	(52)
Licences	3,975	1,954	2,021
Pension contribution	-	2,904	(2,904)
Physical Plant supplies	608	608	-
Other	461	469	(8)
<b>Total</b>	<b>5,688</b>	<b>6,631</b>	<b>(943)</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 in prepaid licences this year is due to new computing licenses, while the decrease in prepaid pension contribution is due to the fact that the prior year prepayment of employer special payments to the pension plan was a one-time event.

### 3.3.4 Current Portion of Net Investment in Lease: \$631,000

The current portion of net investment in lease is defined as the amount collectible within the next fiscal year. This totalled \$631,000 at April 30, 2015 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: \$10,532,000

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 the CPA Canada Handbook, Part II, section 3065: Leases, 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: \$208,524,000

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

	2015	2014	<i>Increase (Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Investments held for:			
Endowments	205,839	193,172	12,667
Parker loans for students	1,167	1,110	57
NWRC Capital renewal	690	631	59
Sprott Student Investment Fund	828	681	147
Total	208,524	195,594	12,930

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: \$597,657,000**  
**Investment in Capital Assets: \$291,642,000**  
**Deferred Capital Contributions: \$183,024,000**

The net value of capital assets as at April 30, 2015 comprised:

	2015	2014	<i>Increase</i> <i>(Decrease)</i>
	\$000	\$000	\$000
Capital Assets:			
Land and buildings	590,769	578,225	12,544
Building improvements	130,094	119,759	10,335
Equipment and furnishings	113,117	139,608	(26,491)
Computers and software	5,507	30,915	(25,408)
Automobile	216	687	(471)
Library and art collections	48,534	68,679	(20,145)
	888,237	937,873	(49,636)
Less: Accumulated depreciation	(290,580)	(343,180)	52,600
Net capital assets	597,657	594,693	2,964
Funding:			
Investment in capital assets	291,642	273,407	18,235
Deferred capital contributions	183,024	191,746	(8,722)
Total funding	474,666	465,153	9,513
Unfunded assets	122,991	129,540	(6,549)
Financed by:			
Mortgages payable	822	1,018	(196)
Loans payable	69,475	71,777	(2,302)
Other short-term borrowing	52,694	56,745	(4,051)
Total	122,991	129,540	(6,549)

The specific capital assets funded through financing are as follows:

	2015	2014	<i>Increase</i> <i>(Decrease)</i>
	\$000	\$000	\$000
<u>Mortgage financing:</u>			
Glengarry residence	709	835	(126)
Grenville and Russell residences	113	183	(70)
	822	1,018	(196)
<u>External loan financing:</u>			
Prescott residence	13,740	14,372	(632)
Leeds residence	12,724	13,448	(724)
Frontenac residence	13,345	13,594	(249)
Lennox & Addington residence	29,666	30,363	(697)
	69,475	71,777	(2,302)

	2015 \$000	2014 \$000	Increase (Decrease) \$000
<u>Internal loan financing:</u>			
P6/P7 Parking Garage	23,216	21,830	1,386
Housing and Food Services renovations	19,152	14,738	4,414
Ice Arena	6,340	6,951	(611)
Alumni Hall and Sports Centre	4,810	6,118	(1,308)
Waterfront academic buildings	-	2,521	(2,521)
Field House	2,028	2,188	(160)
CTTC building	509	1,332	(823)
Field Bleachers	1,162	1,187	(25)
Graphic Services renovation	366	619	(253)
University Centre	492	232	260
Other (funding in advance of expense)	(5,381)	(971)	(4,410)
	52,694	56,745	(4,051)
Financed assets	122,991	129,540	(6,549)

**3.3.8 Net Assets, requiring an application of resources:  
\$126,072,000**

The net assets classified as an application of resources include:

	2015 \$000	2014 \$000	Increase (Decrease) \$000
Provision for employee future benefits	126,072	95,355	30,717
Total	126,072	95,355	30,717



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



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

**GENERAL OPERATING FUND 2014-2015  
INCOME, EXPENSES AND ACCUMULATED SURPLUS  
COMPARISON TO BUDGET (MAY 2014) AND 2014-15 ACTUAL**

	2014-15	2014-15	Actual to Budget		2013-14	Actual to Prior Year	
	Actual \$000's	Budget \$000's	\$000's	%	Actual \$000's	\$000's	%
<b>INCOME</b>							
Government Grant	168,729	160,058	8,671	5.4	166,182	2,547	1.5
Tuition Fees	223,418	213,417	10,001	4.7	203,918	19,500	9.6
Miscellaneous Income	11,754	11,065	689	6.2	11,750	4	0.0
Interest Income	10,376	6,680	3,696	55.3	9,376	1,000	10.7
Departmental Income	5,718	5,217	501	9.6	5,109	609	11.9
<b>Total Operating Income</b>	<b>419,995</b>	<b>396,437</b>	<b>23,558</b>	<b>5.9</b>	<b>396,335</b>	<b>23,660</b>	<b>6.0</b>
<b>EXPENSES</b>							
Faculty of Arts & Social Sciences	46,749	46,716	33	0.1	44,706	2,043	4.6
Faculty of Public Affairs	29,546	30,035	(489)	(1.6)	29,378	168	0.6
Sprott School of Business	11,322	11,555	(233)	(2.0)	10,702	620	5.8
Faculty of Science	28,676	27,040	1,636	6.1	25,668	3,008	11.7
Faculty of Engineering and Design	27,589	32,899	(5,310)	(16.1)	25,871	1,718	6.6
Provost and Vice-President (Academic)	10,057	9,625	432	4.5	9,553	504	5.3
Vice-President (Students and Enrolment)	17,734	17,018	716	4.2	16,081	1,653	10.3
Library	15,373	15,316	57	0.4	15,357	16	0.1
Vice-President (Research and International)	3,354	2,844	510	17.9	3,221	133	4.1
Vice-President (Finance & Administration)	39,031	37,881	1,150	3.0	32,279	6,752	20.9
President	3,860	4,054	(194)	(4.8)	3,730	130	3.5
Advancement	4,958	5,057	(99)	(2.0)	4,993	(35)	(0.7)
University Budgets	114,287	148,546	(34,259)	(23.1)	112,916	1,371	1.2
Interfund Transfers (net)	10,060	7,851	2,209	28.1	28,239	(18,179)	(64.4)
<b>Sub-Total Operating Expenses</b>	<b>362,596</b>	<b>396,437</b>	<b>(33,841)</b>	<b>(8.5)</b>	<b>362,694</b>	<b>(98)</b>	<b>(0.0)</b>
Net Appropriations	57,399	-	57,399		33,641	23,758	
<b>Total Expenses</b>	<b>419,995</b>	<b>396,437</b>	<b>23,558</b>	<b>5.9</b>	<b>396,335</b>	<b>23,660</b>	<b>6.0</b>
<b>Increase in Surplus for the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	
Opening Accumulated Surplus/(Deficit)	498	498	-		498	-	
Closing Accumulated Surplus/(Deficit)	498	498	-		498	-	

Note: 2014-2015 budget figures reflect the opening May 1, 2014 budget. Reallocations have been made to assist in comparison.

**Carleton University Ancillary Operations  
Income and Expenditure as Compared to Budget  
and Accumulated Operating Results as at April 30, 2015**

	2014-15 Actual			2014-15 Budget			Actual as Compared to Budget			Accumulated Surplus/(Deficit)		
	Income	Expenses & Transfers	Surplus (Deficit)	Income	Expenses & Transfers	Surplus (Deficit)	Income	Expenses & Transfers	Surplus (Deficit)	Opening	Contribution to Capital	Closing
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		\$000
Recreation and Athletics	13,234	12,329	905	13,005	12,705	300	229	(376)	605	5,008	-	5,913
Bookstore	826	823	3	817	785	32	9	38	(29)	232	-	235
Health Services	3,361	3,246	115	3,080	3,035	45	281	211	70	311	-	426
Housing and Conference Services	30,715	29,450	1,265	30,344	27,788	2,556	371	1,662	(1,291)	7,329	-	8,594
Parking	4,804	3,733	1,071	4,905	4,416	489	(101)	(683)	582	8,464	8,464	1,071
University Centre	1,543	1,088	455	1,543	1,543	-	-	(455)	455	587	-	1,042
Graphic Services	2,728	2,623	105	2,546	2,574	(28)	182	49	133	479	-	584
Ancillary Property Rentals	3,989	4,090	(101)	4,045	4,045	-	(56)	45	(101)	154	-	53
Ancillary Capital Fund	<u>1,785</u>	<u>4,273</u>	<u>(2,488)</u>	<u>1,809</u>	<u>622</u>	<u>1,187</u>	<u>(24)</u>	<u>3,651</u>	<u>(3,675)</u>	<u>3,293</u>	<u>-</u>	<u>805</u>
Total Ancillaries	<u>62,985</u>	<u>61,655</u>	<u>1,330</u>	<u>62,094</u>	<u>57,513</u>	<u>4,581</u>	<u>891</u>	<u>4,142</u>	<u>(3,251)</u>	<u>25,857</u>	<u>8,464</u>	<u>18,723</u>
Contributions to Capital			<u>(8,464)</u>			<u>(8,850)</u>	Unappropriated fund balance			154		53
Net Surplus/(Deficit)			<u>(7,134)</u>			<u>(4,269)</u>	Appropriated fund balance			<u>25,703</u>		<u>18,670</u>
										<u>25,857</u>		<u>18,723</u>