



Carleton
UNIVERSITY

2015-2016

**FINANCIAL REPORT
TO THE
BOARD OF GOVERNORS**

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

SCHEDULE 1
SCHEDULE 2

NOTES ON FINANCIAL STATEMENTS SUMMARY REPORT 2015-2016

Consolidated Statement of Operations - Operating Fund – Schedule 1

As summarized in section 2.2.3, operating results for 2015-2016, before additional appropriations, showed a surplus of \$2.3 million. A comparison of actuals to the revised opening budget is presented in Schedule 1.

During the year, an additional \$30 million special pension payment was made, requiring a draw on our pension reserve. It is recommended that the \$2.3 million be appropriated to the pension reserve.

A breakdown and comparison follows:

	<i>2015-2016 Actual \$M</i>	<i>2015-2016 Budget \$ M</i>	<i>2014-2015 Actual \$ M</i>
Surplus generated for the year	2.3	-	19.6
Additional appropriations	2.3	-	19.6
Increase in accumulated surplus	-	-	-

The budget approved for 2015-2016 in April 2015 projected a balanced budget for the fiscal year. The breakeven result for 2015-2016 leaves the accumulated surplus unchanged at \$0.5M as of April 2016. 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: \$18.7 million above budget

As outlined in section 2.2.3, the income items over budget were: Grant income \$4.4 million, Tuition income \$11.5 million, Miscellaneous income \$1.0 million and Interest income \$1.8 million.

Expenses and Appropriations: \$18.7 million above budget

Allocations in excess of contingency funds -	\$ 1.3 million cost
Expenses in excess of allocations -	\$15.1 million cost
New appropriations -	\$ 2.3 million cost

Accumulated Surplus: on budget

The breakeven result (excluding the provision for post-retirement benefits) for the 2015-2016 fiscal year leaves the accumulated surplus unchanged at \$0.5 million as of April 30, 2016.

Ancillary Operations: \$1.3 million surplus from regular operations – Schedule 2

The ancillary operations finished the year with a surplus of \$1.3 million from regular operations. The results of the individual services varied considerably. Each service is reviewed in section 2.3 of this report.

Statement of Financial Position (balance sheet)

The most notable change in the balance sheet this year is the addition of marketable securities in our current assets. During 2015-2016, the Investment Committee decided to invest a portion of the University's cash balances in marketable securities, with a view to increasing longer term average returns on investment. Using history as a guide, it was decided that \$100 million would be invested, as this amount would not be called upon to meet immediate liquidity needs. At the end of April 2016, \$75 million of the \$100 million had been invested in the marketable securities, growing to \$76.2 million as of April 30, 2016.

A second item of note is the \$29.5 million decrease in our employee future benefit liability. As explained in section 2.2.1, an additional special pension contribution of \$30 million made on March 31st, 2016, which accounts for the majority of this decrease. This payment was over and above the university's regular \$6 million special payment and was necessary to maintain a solvency ratio (i.e. solvency assets/liabilities) above 85% in order to avoid mandatory annual valuations. It is important to note that the assumptions used for the accounting valuation of employee future benefits presented in the audited financial statements are different than those required under a funding valuation. The accounting valuation presented here presumes the university is a going-concern and uses a discount rate much higher than that used under the solvency, or wind-up, basis required for funding purposes. As such, despite a reduction in the employee future benefit liability for account purposes, the university continues to plan for, and make, special payments to the pension plan as noted above.



M. Piché
Vice-President
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NOTES ON FINANCIAL STATEMENTS

2015-2016

1. INTRODUCTION

1.1 2015-2016 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 \$18,716,000 and a small shortfall of \$3,000 in departmental income.

On the expenditure side, budget variances in university budgets and contingencies decreased the contribution towards the surplus by \$16,413,000, while new appropriations further decreased the contribution by \$2,300,000.

The net result of \$18,713,000 in positive income adjustments, and \$18,713,000 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, 2015, and therefore remains unchanged as of April 30, 2016.

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 2015-2016 operating budget as approved by the Board of Governors in Spring 2015.

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 \$441,213,000 in 2015-2016. This compares to an original budget of \$416,911,000 and a total for the previous year of \$419,995,000. Total operating income was therefore \$24,302,000 (5.8%) above budget, and \$21,218,000 (5.1%) above the previous year.

	<i>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>Variance \$000</i>
Revenues	441,213	416,911	24,302
Items offset by Expenditures (2.2.1)	5,589	-	5,589
Net Revenues	435,624	416,911	18,713

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 \$170,677,000 included in Schedule 1 is \$8,224,000 (5.1%) above the original estimate, and \$1,948,000 (1.2%) more than the previous year. A comparison to the estimate in the original budget is set out below:

	<i>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items Affecting the Operating Result</u>			
Basic Operating Grant	130,113	130,410	(297)
Accessibility Fund	22,042	17,527	4,515
Access to Higher Quality Education Fund	6,294	6,253	41
Research Overheads	4,951	5,019	(68)
Performance Funding	778	660	118
Other government grants	360	260	100
Subtotal	164,538	160,129	4,409
<u>Items offset by expenses</u>			
Student Aid Funds	2,800	-	2,800
Municipal Tax Funding	1,568	1,559	9
Access for the Disabled	1,158	765	393
Aboriginal Education and Training	358	-	358
First Generation programs	208	-	208
Other Government Grants	47	-	47
Subtotal	6,139	2,324	3,815
Total Government Grants	170,677	162,453	8,224

Omitting special purpose grants, the operating revenue from the Ministry of Training, Colleges and Universities was \$4,409,000 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). The total additional ELBA distributed as a result of enrolment increases amounted to \$2,127,000, of which approximately \$637,000 related to grant revenue.

2.1.2 Tuition Fees – Credit Programs

Tuition income totalled \$243,711,000 in 2015-2016. This represents an increase of \$20,293,000 (9.1%) over the previous year, and is \$12,589,000 (5.4%) above the original estimate. Details of the 9.1% 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>		
2014-2015	22,157	3,302	25,459	223,418
2015-2016	22,573	3,503	26,076	243,711
Increase (Decrease)	416	201	617	20,293
%	1.9%	6.1%	2.4%	9.1%

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

During the year, \$1,115,000 of the additional tuition revenue was allocated to specific additional expenditures. Undergraduate student support received an additional \$524,000, \$443,000 was allocated for international recruitment, while the balance of \$148,000 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). The total additional ELBA distributed as a result of enrolment increases amounted to \$2,127,000, of which approximately \$1,490,000 related to tuition revenue.

2.1.3 Miscellaneous Income

Miscellaneous income totalled \$10,555,000 in 2015-2016, which is \$1,085,000 over the original budget and \$360,000 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>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items affecting the operating result</u>			
Application and admission fees	2,204	2,130	74
Deferred payment and processing fees	2,612	2,095	517
Omnibus fee	1,015	980	35
Overhead charges	2,867	2,701	166
Library and other fines	72	100	(28)
Facility rentals	763	725	38
Career Placement Services	263	260	3
Other miscellaneous	658	479	179
Subtotal	10,454	9,470	984
<u>Items offset by additional expenditures</u>			
Other income	101	-	101
Subtotal	101	-	101
Total Miscellaneous Income	10,555	9,470	1,085

The positive variance relates mostly to fees associated with outstanding student account balances.

2.1.4 Interest Income

Interest income totalled \$8,529,000 in 2015-2016, which was \$1,849,000 above budget, and \$1,847,000 less than the previous year. The positive variance over budget 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>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items offset by additional expenditures</u>			
Co-op and Career Services	1,812	1,855	(43)
Instructional Media Services and CUOL	1,277	1,174	103
Computing	314	311	3
Centre for Initiatives in Education	880	784	96
Salary recoveries	359	349	10
Science and Technology Centre	57	45	12
Student Experience Office	578	592	(14)
Paul Menton Centre	121	116	5
Alumni and external contributions	1,514	1,439	75
General sales	248	162	86
Other	576	351	225
Subtotal	7,736	7,178	558
<u>Items affecting the operating result</u>			
Benefit recoveries	5	8	(3)
Total Department Income	7,741	7,186	555

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, before appropriations, totalled \$422,361,000 in 2015-2016. This represents a \$5,450,000 (1.3%) increase from the original expense budget of \$416,911,000 and a \$59,765,000 (16.5%) increase from the previous year's total of \$362,596,000. Total appropriations from the operating fund balance at the end of 2015-2016 amounted to \$95,666,000. This represents a net increase of \$18,852,000 in the appropriated fund balance returned from the previous year. Total operating expenses, transfers and appropriations were therefore \$24,302,000 in excess of budget. 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	422,361
Opening budget	<u>416,911</u>
Expenditures above budget	<u>5,450</u>

The items included in the \$5,450,000 increase in expenditures and transfers were:

	<u>\$000</u>	<u>\$000</u>
a) <u>Salary Increases</u>		
2015-2016 cost	6,432	
Less: Contingency in opening budget	<u>6,427</u>	
Additional cost/(savings)		5
b) <u>Mid-Year Allocations</u>		
Total allocations	1,293	
Less: Opening contingency	<u>2,160</u>	
Additional cost/(savings)		(867)
c) <u>Enrolment Incentive</u>		
2015-2016 cost	12,827	
Less: Opening contingency	<u>10,700</u>	
Additional cost/(savings)		2,127
d) <u>Other Contingencies</u>		
2015-2016 cost	36,218	
Less: Opening contingency	<u>36,218</u>	
Net		-
Total additional contingency costs		<u>1,265</u>

<u>Overspent (unspent) balances not appropriated:</u>	<u>\$000</u>	<u>\$000</u>
e) Benefits	15,567	
f) Provision for bad debts	(596)	
g) Utilities	(1,138)	
h) Professional fees	(208)	
i) Student support	(588)	
j) Transfers	2,202	
Other	(91)	
Subtotal		15,148
<u>Expenditures funded by additional income:</u>		
Government grant (section 2.1.1)	3,815	
Tuition income (section 2.1.2)	1,115	
Miscellaneous income (section 2.1.3)	101	
Departmental income (section 2.1.5)	558	
		5,589
Expenditures funded by returned appropriations	79,114	
Total appropriations in 2015-2016	97,966	
Net appropriations (section 2.2.2)	(18,852)	
Add: New appropriations (section 2.2.2)	2,300	
		(16,552)
Total expenditures and transfers above budget		5,450

Notes:

- a) Salary Increases: The cost of compensation increases in 2015-2016 totalled \$6,432,000 against a contingency of \$6,427,000 in the opening budget. This represents an additional cost of \$5,000 as compared to budget.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totalled \$1,293,000 in 2015-2016 as compared to a budget of \$2,160 000. An analysis of the allocations follows:

Allocations from the Mid-Year Contingency Fund:

	<u>\$000</u>
Graduate diploma in Conflict Resolution	540
Arbitration settlement	370
Northern studies program	273
Research & International needs	110
Total allocations	1,293
Opening contingency	(2,160)
Savings	(867)

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 \$2,127,000.

- d) Other Contingencies: The original budget of \$36,218,000 for 2015-2016 included the following:

	<u>\$000</u>
Pension deficit	19,000
Campaign donation matching	13,000
Capital projects	10,900
15-16 budget allocations funded by 14-15 surplus	(6,682)
Total	<u>36,218</u>

During the year, \$7,000,000 was contributed toward the new Health Science building, \$6,000,000 was applied to the regular special pension payment, \$2,900,000 of donations were matched, while the \$6,682,000 earmarked for 2015-2016 budget requests was funded by 2014-2015 surplus that was appropriated, as noted in last year's report. The balance of the 2015-2016 funds were carried forward as part of the capital and pension liabilities reserves. Further discussion on the pension special payments is included below in section (e).

- e) Benefits: Staff benefit costs were \$15,567,000 above budget in 2015-2016. This was due to an additional special pension contribution of \$30 million made on March 31st, 2016. This payment was over and above the \$6,000,000 special payment noted above. The additional payment was necessary to maintain a solvency ratio (i.e. solvency assets/liabilities) above 85% in order to avoid mandatory annual valuations. The \$30,000,000 payment was covered by a draw of \$14,400,000 on the existing pension reserve, with the remaining \$15,600,000 covered by 2015-2016 surplus.
- f) Provision for Bad Debt: The provision for bad debt relates mainly to student tuition fees. The total allowance for bad debt was \$1,394,000, which was \$596,000 under budget and represents 0.57% 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 2015-2016 budget being set conservatively given the volatility in oil and gas markets and the increases in the hydro costs, as well as a very mild winter.
- h) Professional fees: The savings achieved here related mostly to legal fees and as in-house counsel has handled more issues.
- i) Student support: Estimates of graduate student funding exceeded requirements.
- j) Interfund Transfers: The transfer cost exceeded the budget by \$2,202,000. This is due mostly to a decision to re-endow an annual \$1,000,000 contribution of endowment earnings to the operating fund and a \$825,000 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 \$134,000, and were in total, \$51,000 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 2015-2016 and 2014-2015 are as follows:

	2015-2016	2014-2015
	\$000	\$000
General operating budget and contingency	520	586
Vice President (Research and International)	188	188
<u>Faculties</u>		
Engineering and Design	243	243
Arts and Social Sciences	181	181
Science	66	66
Public Affairs	84	84
Business	3	3
Total	1,285	1,350

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:

	\$000
Appropriated to fund balance 2015-2016	97,966
Returned from 2014-2015 fund balance	79,114
Increase in appropriated fund balance	18,852

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	35,834	44,529	8,695
Academic Administration	1,363	1,265	(98)
Students and Enrolment	1,548	874	(674)
Library	706	554	(152)
President	2,003	2,112	109
Research and International	416	1,271	855
Finance and Administration	8,120	8,223	103
Computing infrastructure	1,104	681	(423)
Renovations	5,858	7,639	1,781
Advancement	559	10,919	10,360
Student Support	142	483	341
Pending commitments	372	163	(209)
Self-insurance fund	7	53	46
Pension liabilities reserve	14,400	13,000	(1,400)
Capital reserves	-	3,900	3,900
New allocations	6,682	2,300	(4,382)
Total	79,114	97,966	18,852

New allocations consist of appropriations of unspent funds in addition to those included in the original budget. For 2015-2016, new allocations total \$2,300,000 and will be reinvested in the pension reserve to partially offset the \$14,400,000 draw made for the \$30,000,000 special payment noted above in section 2.2.1(e).

In addition, \$209,727,000 in prior year appropriated funds were not returned during 2015-2016, as the planned expenditures will occur in future fiscal years.

The \$209,727,000 relates to:

	<i>\$000</i>
Pension liability reserve	76,441
Capital reserves	120,087
Strategic Initiatives fund	12,958
Self-insurance fund	241
Total appropriations not returned	209,727

The most immediate allocations from the Capital reserve will be \$37,000,000 for the new Health Sciences building and up to \$15,000,000 for a new co-generation plant. Pending plans for a new business building, and the University's contribution to the recently announced Strategic Initiatives fund projects, will require an amount from this reserve, which is undetermined at this time.

Total appropriations for the Operating Fund amount to \$307,693,000 as of April 30, 2016.

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, along with the amounts projected and presented to the Board earlier in the year.

	Changes in Accumulated Surplus vs Projection		
	<i>Actual</i>	<i>Projected</i>	<i>Variance</i>
	<i>Incr/Decr</i>	<i>Incr/Decr</i>	
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Income Variations</u>			
Government grants (section 2.1.1)	4,409	3,800	609
Tuition fees (section 2.1.2)	11,474	12,500	(1,026)
Miscellaneous income (section 2.1.3)	984	-	984
Interest income (section 2.1.4)	1,849	3,100	(1,251)
Departmental income (section 2.1.5)	(3)	-	(3)
Total income variations	18,713	19,400	(687)
<u>Expenditure Variations</u>			
Expenditures in excess of contingencies (sec 2.2.1)	(1,265)	(2,500)	1,235
Expenditures in excess of allocations (sec 2.2.1)	(15,148)	(16,900)	1,752
Total expenditure variations	(16,413)	(19,400)	2,987
New appropriations (section 2.2.2)	(2,300)	-	(2,300)
Net change in results	-	-	-
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, 2016.

2.3 Ancillary Operations - Operating Results and Fund Balances

Schedule 2, at the end of this Report, details the 2015-2016 operations of the ancillaries as compared to the original budget. Overall the ancillary results can be summarized as follows:

	<i>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>2014-2015 Actual \$000</i>
Income and internal recoveries	64,551	63,843	62,985
Expenses and transfers	63,217	62,368	61,655
Surplus (deficit)	1,334	1,475	1,330
Parking transfer to capital	-	-	8,464
Net surplus (deficit)	1,334	1,475	(7,134)

The fund balances of the ancillaries are all currently in an accumulated surplus position. The change in these balances is as follows:

	<i>Balance at April 2016 \$000</i>	<i>Balance at April 2015 \$000</i>	<i>Variance \$000</i>
Ancillaries with an accumulated surplus	20,057	18,723	1,334

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 2015-2016 results and status of the Recreation and Athletics operations can be summarized as follows:

	<i>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>2014-2015 Actual \$000</i>
<u>Income</u>			
Athletic fees	5,155	5,066	4,945
Other income	8,658	8,191	8,289
	13,813	13,257	13,234
<u>Expenses and Transfers</u>			
Direct expenses	11,473	11,628	11,196
Renovations and alterations	650	1,424	1,133
	12,123	13,052	12,329
Surplus (deficit)	1,690	205	905
Opening fund balance (deficit)	5,913	5,913	5,008
Closing fund balance (deficit)	7,603	6,118	5,913

The Recreation and Athletics operations finished the year with a surplus of \$1,690,000, due mostly to rental income exceeding budget, and some renovation costs being deferred. The accumulated surplus of \$7,603,000 will continue to be used to address the significant deferred maintenance issues.

2.3.2 Bookstore

The 2015-2016 results and status of the Bookstore operations can be summarized as follows:

	<i>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>2014-2015 Actual \$000</i>
<u>Income</u>			
Commissions and reimbursements	680	677	826
<u>Expenses and Transfers</u>			
Direct expenses	526	531	572
Indirect expense contribution	60	60	153
	586	591	725
Surplus from regular operations	94	86	101
Transfer for reduction of debt	300	300	98
Surplus (deficit)	(206)	(214)	3
Opening fund balance (deficit)	235	235	232
Closing fund balance (deficit)	29	21	235

The Bookstore operations finished the year with a deficit of \$206,000, and now has an accumulated surplus of \$29,000. The deficit was planned so as to pay down the outstanding debt related to its expansion in the University Centre several years ago. The balance of the loan is \$126,000 as of April 30, 2016, and is expected to be paid in full in 2016-2017.

2.3.3 Health and Counselling Services

The 2015-2016 results and status of the Health and Counselling Services operations can be summarized as follows:

	<i>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>2014-2015 Actual \$000</i>
<u>Income</u>			
Health Services fee	1,757	1,639	1,658
Insurance recoveries / other	1,689	1,790	1,703
	3,446	3,429	3,361
<u>Expenses and Transfers</u>			
Direct expenses	3,279	3,375	3,205
Indirect expense contribution	32	42	41
	3,311	3,417	3,246
Surplus (deficit)	135	12	115
Opening fund balance (deficit)	426	426	311
Closing fund balance (deficit)	561	438	426

The Health and Counselling Services operation finished the year with a surplus of \$135,000 and now has an accumulated surplus of \$561,000.

2.3.4 Housing and Conference Services

The 2015-2016 results for the Housing and Conference Services operations can be summarized as follows:

	<i>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>2014-2015 Actual \$000</i>
<u>Income</u>			
Residence fees	21,168	20,319	19,624
Conference operations	1,686	2,255	2,527
Commission income	6,953	7,000	6,685
Other income	2,038	1,745	1,879
	31,845	31,319	30,715
<u>Expenses and Transfers</u>			
Direct expenses	15,014	15,199	15,112
Renovations and capital debt	16,421	14,056	13,060
Indirect expense contribution	236	240	138
Contribution to Ancillary Capital Fund	1,140	1,142	1,140
	32,811	30,637	29,450
Surplus (deficit)	(966)	682	1,265
Opening fund balance (deficit)	8,594	8,594	7,329
Closing fund balance (deficit)	7,628	9,276	8,594

The Housing and Conference Services operations finished the year with a deficit of \$966,000. Given the continued strong occupancy rate and food service operations, additional funds were directed towards planned renovations and capital projects, utilizing some of the accumulated surplus. The service now has an accumulated surplus of \$7,628,000, which will continue to be earmarked for future renovations and expansion.

2.3.5 Parking Services

The 2015-2016 results and status of the Parking Services operations can be summarized as follows:

	<i>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>2014-2015 Actual \$000</i>
<u>Income</u>			
Parking charges	4,824	4,708	4,427
Other income	397	425	377
	5,221	5,133	4,804

Expenses and Transfers

Direct operating	4,706	4,868	3,662
Indirect expense contribution	77	75	71
	<u>4,783</u>	<u>4,943</u>	<u>3,733</u>
Surplus from regular operations	438	190	1,071
Transfer to Capital	-	-	8,464
Surplus (deficit)	<u>438</u>	<u>190</u>	<u>(7,393)</u>
Opening fund balance (deficit)	1,071	1,071	8,464
Closing fund balance (deficit)	1,509	1,261	1,071

The Parking Services operation finished 2015-2016 with a surplus from regular operations of \$438,000. The service now has an accumulated surplus of \$1,509,000.

2.3.6 University Centre

The 2015-2016 results and status of the University Centre operations can be summarized as follows:

	<i>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>2014-2015 Actual \$000</i>
<u>Income</u>			
Rents and other recoveries	1,600	1,601	1,543
<u>Expenses and Transfers</u>			
Direct operating	1,147	1,601	1,088
Surplus (deficit)	<u>453</u>	<u>-</u>	<u>455</u>
Opening fund balance (deficit)	1,042	1,042	587
Closing fund balance (deficit)	1,495	1,042	1,042

The University Centre operation is run on a cost recovery basis over time. During the current year, a surplus of \$453,000 was generated, which will be appropriated for future renovations.

2.3.7 The Print Shop

The 2015-2016 results and status of The Print Shop operations can be summarized as follows:

	<i>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>2014-2015 Actual \$000</i>
<u>Income</u>			
Sales: External	1,104	1,038	1,052
Internal	1,868	1,828	1,944
Other	156	191	187
	3,128	3,057	3,183
Less: Cost of goods sold	(492)	(465)	(455)
Gross profit	2,636	2,592	2,728
<u>Expenses and Transfers</u>			
Direct operating	2,600	2,464	2,463
Indirect expense contribution	58	72	59
Contribution to Ancillary Capital Fund	105	100	101
	2,763	2,636	2,623
Surplus (deficit)	(127)	(44)	105
Opening fund balance (deficit)	584	584	479
Closing fund balance (deficit)	457	540	584

The Print Shop operations finished the year with a deficit of \$127,000. The service now has an accumulated surplus of \$457,000.

2.3.8 Ancillary Property Rentals

The 2015-2016 results and status for the Ancillary Property Rental operations can be summarized as follows:

	<i>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>2014-2015 Actual \$000</i>
<u>Income</u>			
Rents and occupancy costs recovery	3,291	3,999	3,917
Interest and sundry income	149	32	72
	3,440	4,031	3,989
<u>Expenses and Transfers</u>			
Occupancy costs and operating expenses	1,656	1,865	1,731
Renovations and capital debt	1,258	2,166	2,359
	2,914	4,031	4,090
Surplus (deficit)	526	-	(101)
Opening fund balance (deficit)	53	53	154
Closing fund balance (deficit)	579	53	53

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 outstanding loan on the CTTC building was paid off during the year which resulted in an overall \$526,000 operating surplus for 2015-2016 and an accumulated surplus of \$579,000.

2.3.9 Ancillary Capital Fund

The 2015-2016 results and status for the Ancillary Capital Fund operations can be summarized as follows:

	<i>2015-2016 Actual \$000</i>	<i>2015-2016 Budget \$000</i>	<i>2014-2015 Actual \$000</i>
<u>Income</u>			
Contributions	1,870	1,804	1,785
<u>Expenses and Transfers</u>			
Direct operating	611	160	3,573
Surplus from regular operations	1,259	1,644	(1,788)
Transfer for reduction of debt	1,868	1,000	700
Surplus (deficit)	(609)	644	(2,488)
Opening fund balance (deficit)	805	805	3,293
Closing fund balance (deficit)	196	1,449	805

The Ancillary Capital Fund operation was initially established to support future capital projects required in the Ancillary operations. At the time, 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 Ancillary Capital fund committed to \$10,916,000 in total for the Field House, the Alumni Hall and Sports Centre and the Ice Arena. As of May 1, 2015, only \$2,028,000 of this commitment remained and it was fully paid during the year.

In addition to the amount noted above, the \$451,000 balance of direct operating costs include some university-wide enhancements, including charging stations for electrical vehicles and investments in tools to report on performance-based metrics relating to the university procurement environment.

2.4 Other Income and Expenditures

As explained in section 2 above, the 2015-2016 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 2015-2016:

	<i>2015-2016 Actual \$000</i>	<i>2014-2015 Actual \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Income and Transfers</u>			
Government grants, other income	1,806	825	981
Transfers to/from operating & ancillary	5,676	971	4,705
Net income	7,482	1,796	5,686
<u>Expenses</u>			
Additions	3,046	1,357	1,689
Surplus (deficit)	4,436	439	3,997
Opening fund balance	(516)	(955)	439
Closing fund balance	3,920	(516)	4,436

The accumulated surplus of \$3,920,000 represents funding for non-capital projects in advance of the expenditures.

2.4.2 Research Funding and Expenditures

The following provides an analysis of Research receipts and disbursements by Funding Agency. In 2015-2016 there was a net increase of \$4,202,000 in the Research Fund balance, from \$45,375,000 to \$49,577,000. Research receipts total \$67,490,000. Disbursements and net transfers out total \$63,288,000. 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 2015-2016 is \$25,193,000. (Key to acronyms is on the next page).

	<i>Balance</i> <i>April 30, 2015</i> <i>\$000</i>	<i>2015-2016</i> <i>Funding</i> <i>\$000</i>	<i>2015-2016</i> <i>Expenditure</i> <i>\$000</i>	<i>Balance</i> <i>April 30, 2016</i> <i>\$000</i>
<u>Canadian Government Departments and Agencies</u>				
Citizenship	(33) -	3	(36)	-
National Defence	129	414	316	227
Energy, Mines and Resources	(402)	1,201	537	262
Environment Canada	(7)	571	555	9
HRDC	-	-	-	-
Indian & Northern Affairs	27	117	115	29
Industry Canada	12	60	25	47
IDRC	261	394	372	283
Health and Welfare	26	191	123	94
NRC	7	250	234	23
Federal Econ. Dev. Agency	(28)	-	(28)	-
Other Federal	53	684	572	165
<u>Tri-Agency Sponsored Research</u>				
CIHR	616	719	617	718
NSERC	6,877	12,988	12,944	6,921
SSHRC	5,032	6,306	6,545	4,793
Canada Research Chairs	170	2,421	2,753	(162)
Research Support Fund	-	4,393	4,393	-
<u>Other Sponsored Research</u>				
COE	322	2,169	1,769	722
Provincial, Municipal Governments	3,218	6,130	8,446	902
CFI	233	3,107	3,195	145
Ontario Research Fund	2,490	1,311	923	2,878
Ontario ERAP	(23)	(100)	(114)	(9)
Businesses and Foundations	3,869	6,957	5,883	4,943
Foreign Governments	(107)	274	129	38
Research Partnership Agreements	852	1,791	478	2,165
<u>Total Sponsored Research</u>	23,594	52,345	50,746	25,193

<i>Funding Source – continued</i>	<i>Balance April 30, 2015</i>	<i>2015-2016 Funding</i>	<i>2015-2016 Expenditure</i>	<i>Balance April 30, 2016</i>
SNO and TRIUMF	-	7,318	7,318	-
Internally Restricted Research	21,781	7,827	5,224	24,384
<u>Total Restricted Research</u>	<u>45,375</u>	<u>67,490</u>	<u>63,288</u>	<u>49,577</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>73,547</u>
Adjustments:	
a) Net change in investment in capital assets	(13,137)
b) Increase in operating appropriations (2.2.2)	(18,852)
c) Research surplus (internally restricted) increase (2.4.2)	(2,603)
d) Enterprise surplus (internally restricted) increase	(692)
e) Scholarship surplus (internally restricted) decrease	2
f) Professional Development decrease	48
g) Loss on unrestricted endowment	70
h) Employee future benefit expense net of cash payment	(32,613)
Total	<u>5,770</u>
Represented by: Operating surplus (section 1.1)	-
Ancillary surplus (section 2.3)	1,334
Plant surplus (section 2.4.1)	4,436
Total	<u>5,770</u>

Notes:

- a) Net change in investment in capital assets: 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 adjustments 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 2015-2016 the following entries were made:

	<u>\$000</u>
Amortization of capital assets	32,746
Less: Amortization of deferred contributions	(12,597)
2015-2016 capital assets additions	(30,929)
Increase in financing of capital assets	<u>(2,357)</u>
	<u>(45,883)</u>
Difference	<u>(13,137)</u>

The \$13,137,000 difference increases the unrestricted surplus shown on the Consolidated Statement of Operations but does not affect the accumulated surpluses of the various activities (ie. Operating, Ancillary or Plant) as it is shown on the Consolidated Statement of Changes in Net Assets. Rather, the \$13,137,000 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 \$2,603,000 during 2015-2016. As these funds are earmarked for the continuation of the research activity being funded, this \$2,603,000 (\$24,384,000 - \$21,781,000) 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 \$692,000 (\$4,769,000 - \$4,077,000) during 2015-2016. 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 decreased by \$2,000 during 2015-2016. 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 2015-2016 the following entries were made:

	<u>\$000</u>
Employee future benefits, non-pension	11,047
Employee future pension benefits	10,688
Less: 2015-2016 contributions removed from expenditure	<u>(54,348)</u>
Difference	<u>(32,613)</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, 2016 were as follows:

	<i>2016</i> <i>Actual</i> <i>\$000</i>	<i>2015</i> <i>Actual</i> <i>\$000</i>	<i>Increase</i> <i>(Decrease)</i> <i>\$000</i>
<u>Sources</u>			
Short term liabilities:			
Accounts payable	35,629	34,922	707
Deferred revenue	68,259	55,276	12,983
Accrued leave	11,160	10,335	825
Current portion of long term debt	3,424	3,273	151
Long term liabilities:			
Employee future benefits	96,554	126,072	(29,518)
Long term debt	74,698	78,177	(3,479)
Net assets:			
General operating fund	498	498	-
Ancillary and plant funds	5,791	1,119	4,672
Endowment fund	231,148	217,597	13,551
Internally restricted funds	<u>358,673</u>	<u>335,478</u>	<u>23,195</u>
	596,110	554,692	41,418
Total – Sources	<u>885,834</u>	<u>862,747</u>	<u>23,087</u>

	<i>2016</i> <i>Actual</i> <i>\$000</i>	<i>2015</i> <i>Actual</i> <i>\$000</i>	<i>Increase</i> <i>(Decrease)</i> <i>\$000</i>
<u>Applications</u>			
Short term assets:			
Cash, equivalents and marketable securities	409,610	361,739	47,871
Accounts receivable	24,174	26,570	(2,396)
Prepaid expenses	5,045	5,688	(643)
Current portion of net investment in lease	674	631	43
Long term assets:			
Net investment in lease	9,859	10,532	(673)
Investments	224,282	208,524	15,758
Capital assets:	595,840	597,657	(1,817)
Less: Investment in capital assets	(304,834)	(291,642)	(13,192)
Deferred capital contributions	(175,370)	(183,024)	7,654
Net assets:			
Provision for employee future benefits	96,554	126,072	(29,518)
Total - Applications	885,834	862,747	23,087

3.2 Source of University Resources

3.2.1 Accounts Payable: \$35,629,000

The accounts payable as at April 30, 2016 comprised:

	<i>2016</i> <i>\$000</i>	<i>2015</i> <i>\$000</i>	<i>Increase</i> <i>(Decrease)</i> <i>\$000</i>
Due to suppliers	9,905	9,220	685
Construction accruals and holdbacks	2,695	3,193	(498)
Payroll taxes and pension	14,533	13,892	641
Amounts held on deposit	3,482	3,388	94
Other taxes payable	595	586	9
Other payables and accrued liabilities	4,419	4,643	(224)
Total	35,629	34,922	707

Amounts due to suppliers at April 30, 2016 are consistent with the prior year.

3.2.2 Deferred Revenue: \$68,259,000

Deferred revenue as at April 30, 2016 comprised:

	2016	2015	Increase (Decrease)
	\$000	\$000	\$000
a) Government grants	6,697	4,550	2,147
b) Research	25,193	23,594	1,599
c) Scholarships	3,284	3,058	226
d) Parker loans	1,035	1,035	-
e) Special purpose	9,464	9,095	369
f) Summer student fees	7,769	501	7,268
g) Other items	14,817	13,443	1,374
Total	68,259	55,276	12,983

Notes:

- a) Of the \$6,697,000 in deferred grant revenue, \$3,879,000 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 \$988,000 relates to graduate support grants and \$1,830,000 relates to 2016-2017 undergraduate and graduate accessibility funding received in April 2016.
- 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) Summer student fees represent payments received prior to April 30th for courses held in the summer term. While summer registration was available prior to the end of the fiscal year in 2015, summer fees were not finalized and therefore not assessed until after May 1st. As such, the summer fee balance is considerably higher than in the prior year.
- 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: \$3,424,000

The current portion of long-term debt is defined as the amount coming due within the next fiscal year. This totalled \$3,424,000 as at April 30, 2016, an increase of \$151,000 over last year.

**3.2.4 Accrued Leave:
\$11,160,000**

The \$11,160,000 compares to \$10,335,000 one year earlier for an increase of \$825,000. 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:
\$96,554,000**

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 or asset 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 surplus of \$13,977,000. It also states that on an actuarially determined basis, a going-concern shortfall of \$87,343,000 and a solvency shortfall of \$159,168,000 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:
\$74,698,000**

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: \$596,110,000

The net assets that constitute a source of resources are:

	2016 \$000	2015 \$000	Increase (Decrease) \$000
Operating fund	498	498	-
Ancillary and plant funds	5,791	1,119	4,672
Internally restricted funds	358,673	335,478	23,195
Endowment fund	231,148	217,597	13,551
Total	596,110	554,692	41,418

Notes:

a) The internally restricted net assets as at April 30, 2016, consist of the following:

	\$000
Appropriated operating funds (section 2.2.2)	307,693
Appropriated ancillary funds (section 2.3)	19,768
Internally restricted research balances (section 2.4.2)	24,384
Enterprise funds	4,769
Scholarship funds	16
Professional Development	2,043
	358,673

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

	\$000
Market Value at April 30, 2016	231,148
Market Value at April 30, 2015	217,597
Increase in Value	13,551

The \$13,551,000 increase is calculated as follows:

	\$000
Unrealized gain (loss) on sale of investment	8,205
Gifts, bequests and other additions (per below)	13,031
Gain (loss) on sale of investments	(1,997)
Investment income	6,038
	25,277
Less: Distributed for endowed spending	(8,567)
Direct and indirect operating costs	(2,110)
Investment management fees	(1,049)
Change in nominal value	13,551

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

	<u>\$000</u>
Carleton University matching contributions	2,900
Evelyn McCorkell Fund	2,256
Jarislowsky Chair in Water and Global Health	2,000
The Clayton H. Riddell Political Management Endowment Fund	1,900
W.E. Cowie Innovation Award	591
Robert and Doreen Loosmore Fellowship	591
Dr. Walter and Mary Chudobiak Entrepreneurship Award in Electrical Engineeri	249
Helmut Kallmann Chair in Canadian Music	246
Helen and Douglas Nicholson Science Entrance Bursary	150
William and Jeannie Barton Chair in Int'l Affairs	140
Kenneth Konstanty Macewicz Memorial Scholarship	120
Charles Douglas Ogilvie Scholarship	100
Doug de Pencier Memorial Scholarship	100
Reesa Greenberg Exhibition Studies Award	100
Chandrika Bhagwandas Shah Endowment Fund	100
Other additions (<\$100,000)	<u>1,488</u>
Total additions	<u>13,031</u>

The realized investment returns for the year totalled \$4,214,000. The amount distributed for endowed spending in 2015-2016 was \$8,567,000. This represents a distribution of \$3.51 per unit held in the investment pool. In addition, \$1,222,000 was paid to investment managers during the year and \$2,110,000 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: \$409,610,000

The cash and short term investment balance is as follows:

	2016	2015	Increase (Decrease)
	\$000	\$000	\$000
Cash balance	(513)	(1,571)	1,058
Cash equivalent investments	333,929	363,310	(29,381)
Marketable securities	76,194	-	76,194
Total	409,610	361,739	47,871

During 2015-2016, the Investment Committee decided to invest a portion of the University's cash balances in marketable securities, with a view to increasing longer term average returns on investment. Using history as a guide, it was decided that \$100,000,000 would be invested, as this amount would not be called upon to meet immediate liquidity needs. As of April 30, 2016, \$75,000,000 of the \$100,000,000 had been invested, with a current value of \$76,194,000.

3.3.2 Accounts Receivable: \$24,174,000

	2016	2015	Increase (Decrease)
	\$000	\$000	\$000
a) Student accounts	10,883	10,570	313
b) Student associations	358	796	(438)
c) General accounts receivable	5,439	4,709	730
d) Staff computer loans	90	80	10
e) HST/GST receivable	1,344	1,239	105
f) Bookstore	55	214	(159)
g) Union groups	192	213	(21)
h) Research funds	5,107	7,219	(2,112)
i) Student loans	9	10	(1)
j) Food service provider	622	1,442	(820)
Other receivables	1,600	1,707	(107)
Sub-total	25,699	28,199	(2,500)
k) Less: Allowance for doubtful accounts	(1,525)	(1,629)	104
Total	24,174	26,570	(2,396)

Notes:

- a) Student accounts: These accounts record activity relating to tuition fees, residence fees and other miscellaneous charges. As at August 26, 2016, the student accounts receivable balance had been reduced to \$4,667,000 from the \$10,883,000 as at April 30, 2016. The \$10,883,000 represents 4.11% (2014 – 4.35%) of the 2015-2016 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 increase in the current year relates to renovations to the externally run Sport Medicine Clinic that were invoiced in April. 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) Bookstore: The 2015-2016 amount receivable is due from Follett Books and represents commission income related to 2015-2016 operations.
- g) Union groups: The various union groups use the University services on a recovery basis. The accounts are generally kept up to date.
- h) 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.
- i) Student loans: Student loans outstanding are issued under the Parker Loan fund which funds the interest and guarantees the principal of the loans.
- j) Food services provider: The 2015-2016 amount receivable from Aramark represents commission and profit share income related to the 2015-2016 operations.
- k) 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: \$5,045,000

Prepaid Expenses as at April 30, 2016 comprised:

	2016	2015	Increase (Decrease)
	\$000	\$000	\$000
Insurance	628	644	(16)
Licences	3,498	3,975	(477)
Physical Plant supplies	331	608	(277)
Other	588	461	127
Total	5,045	5,688	(643)

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). No significant changes occurred during the year.

3.3.4 Current Portion of Net Investment in Lease: \$674,000

The current portion of net investment in lease is defined as the amount collectible within the next fiscal year. This totalled \$674,000 at April 30, 2016 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: \$9,859,000

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: \$224,282,000

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

	2016 \$000	2015 \$000	Increase (Decrease) \$000
Investments held for:			
Endowment	221,689	205,839	15,850
Parker Loan fund	1,123	1,167	(44)
NWRC capital reserve	690	690	-
Sprott Student fund	780	828	(48)
Total	224,282	208,524	15,758

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: \$595,840,000 Investment in Capital Assets: \$304,834,000 Deferred Capital Contributions: \$175,370,000

The net value of capital assets as at April 30, 2016 comprised:

	2016 \$000	2015 \$000	Increase (Decrease) \$000
Capital Assets:			
Land and buildings	600,755	590,769	9,986
Building improvements	140,112	130,094	10,018
Equipment and furnishings	104,167	113,117	(8,950)
Computers and software	9,139	5,507	3,632
Automobile	216	216	-
Library and art collections	49,903	48,534	1,369
	904,292	888,237	16,055
Less: Accumulated depreciation	(308,452)	(290,580)	(17,872)
Net capital assets	595,840	597,657	(1,817)
Funding:			
Investment in capital assets	304,834	291,642	13,192
Deferred capital contributions	175,370	183,024	(7,654)
Total funding	480,204	474,666	5,538
Unfunded assets	115,636	122,991	(7,355)
Financed by:			
Mortgages payable	613	822	(209)
Loans payable	67,041	69,475	(2,434)
Other short-term borrowing	47,982	52,694	(4,712)
Total	115,636	122,991	(7,355)

The specific capital assets funded through financing are as follows:

	2016 \$000	2015 \$000	Increase (Decrease) \$000
<u>Mortgage financing:</u>			
Glengarry residence	574	709	(135)
Grenville and Russell residences	39	113	(74)
	613	822	(209)
<u>External loan financing:</u>			
Prescott residence	13,066	13,740	(674)
Leeds residence	11,951	12,724	(773)
Frontenac residence	13,080	13,345	(265)
Lennox & Addington residence	28,944	29,666	(722)
	67,041	69,475	(2,434)

	2016 \$000	2015 \$000	Increase (Decrease) \$000
<u>Internal loan financing:</u>			
P6/P7 Parking Garage	24,148	23,216	932
Housing and Food Services renovations	16,704	19,152	(2,448)
Ice Arena	5,791	6,340	(549)
Alumni Hall and Sports Centre	4,594	4,810	(216)
Field Bleachers	1,141	1,162	(21)
Health Science building	1,105	-	1,105
University Centre	126	492	(366)
Field House	-	2,028	(2,028)
CTTC building	-	509	(509)
Graphic Services renovation	-	366	(366)
Other (funding in advance of expense)	(5,627)	(5,381)	(246)
	47,982	52,694	(4,712)
Financed assets	115,636	122,991	(7,355)

**3.3.8 Net Assets, requiring an application of resources:
\$96,554,000**

The net assets classified as an application of resources include:

	2016 \$000	2015 \$000	Increase (Decrease) \$000
Provision for employee future benefits	96,554	126,072	(29,518)
Total	96,554	126,072	(29,518)



M. Piché
Vice-President
(Finance and Administration)



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

**GENERAL OPERATING FUND 2015-2016
INCOME, EXPENSES AND ACCUMULATED SURPLUS
COMPARISON TO BUDGET (MAY 2015) AND 2015-16 ACTUAL**

	2015-16 Actual \$000's	2015-16 Budget \$000's	Actual to Budget \$000's %		2014-15 Actual \$000's	Actual to Prior Yea \$000's %	
INCOME							
Government Grant	170,677	162,453	8,224	5.1	168,729	1,948	1.2
Tuition Fees	243,711	231,122	12,589	5.4	223,418	20,293	9.1
Miscellaneous Income	10,555	9,470	1,085	11.5	10,195	360	3.5
Interest Income	8,529	6,680	1,849	27.7	10,376	(1,847)	(17.8)
Departmental Income	7,741	7,186	555	7.7	7,277	464	6.4
Total Operating Income	441,213	416,911	24,302	5.8	419,995	21,218	5.1
EXPENSES							
Faculty of Arts & Social Sciences	47,957	49,795	(1,838)	(3.7)	46,749	1,208	2.6
Faculty of Public Affairs	30,626	31,911	(1,285)	(4.0)	29,546	1,080	3.7
Sprott School of Business	11,988	12,190	(202)	(1.7)	11,322	666	5.9
Faculty of Science	30,374	31,430	(1,056)	(3.4)	28,676	1,698	5.9
Faculty of Engineering and Design	30,029	33,790	(3,761)	(11.1)	27,589	2,440	8.8
Provost and Vice-President (Academic)	9,986	9,616	370	3.8	9,950	36	0.4
Vice-President (Students and Enrolment)	19,461	17,556	1,905	10.9	17,734	1,727	9.7
Library	16,093	15,900	193	1.2	15,373	720	4.7
Vice-President (Research and International)	3,682	4,530	(848)	(18.7)	3,354	328	9.8
Vice-President (Finance & Administration)	39,143	40,471	(1,328)	(3.3)	39,031	112	0.3
President	4,068	3,931	137	3.5	3,860	208	5.4
Advancement	5,063	15,429	(10,366)	(67.2)	4,958	105	2.1
University Budgets	149,619	128,350	21,269	16.6	114,394	35,225	30.8
Interfund Transfers (net)	24,272	22,012	2,260	10.3	10,060	14,212	141.3
Sub-Total Operating Expenses	422,361	416,911	5,450	1.3	362,596	59,765	16.5
Net Appropriations	18,852	-	18,852		57,399	(38,547)	
Total Expenses	441,213	416,911	24,302	5.8	419,995	21,218	5.1
Increase in Surplus for the Year	-	-	-		-	-	
Opening Accumulated Surplus/(Deficit)	498	498	-		498	-	
Closing Accumulated Surplus/(Deficit)	498	498	-		498	-	

Note: 2015-2016 budget figures reflect the opening May 1, 2015 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, 2016

	2015-16 Actual			2015-16 Budget			Actual as Compared to Budget			Accumulated Surplus/(Deficit)		
	<u>Income</u> \$000	<u>Expenses & Transfers</u> \$000	<u>Surplus (Deficit)</u> \$000	<u>Income</u> \$000	<u>Expenses & Transfers</u> \$000	<u>Surplus (Deficit)</u> \$000	<u>Income</u> \$000	<u>Expenses & Transfers</u> \$000	<u>Surplus (Deficit)</u> \$000	<u>Opening</u> \$000	<u>Contribution to Capital</u>	<u>Closing</u> \$000
Recreation and Athletics	13,813	12,123	1,690	13,257	13,052	205	556	(929)	1,485	5,913	-	7,603
Bookstore	680	886	(206)	677	891	(214)	3	(5)	8	235	-	29
Health Services	3,446	3,311	135	3,429	3,417	12	17	(106)	123	426	-	561
Housing and Conference Services	31,845	32,811	(966)	31,319	30,637	682	526	2,174	(1,648)	8,594	-	7,628
Parking	5,221	4,783	438	5,133	4,943	190	88	(160)	248	1,071	-	1,509
University Centre	1,600	1,147	453	1,601	1,601	-	(1)	(454)	453	1,042	-	1,495
The Print Shop	2,636	2,763	(127)	2,592	2,636	(44)	44	127	(83)	584	-	457
Ancillary Property Rentals	3,440	2,914	526	4,031	4,031	-	(591)	(1,117)	526	53	-	579
Ancillary Capital Fund	<u>1,870</u>	<u>2,479</u>	<u>(609)</u>	<u>1,804</u>	<u>1,160</u>	<u>644</u>	<u>66</u>	<u>1,319</u>	<u>(1,253)</u>	<u>805</u>	<u>-</u>	<u>196</u>
Total Ancillaries	<u>64,551</u>	<u>63,217</u>	<u>1,334</u>	<u>63,843</u>	<u>62,368</u>	<u>1,475</u>	<u>708</u>	<u>849</u>	<u>(141)</u>	<u>18,723</u>	<u>-</u>	<u>20,057</u>
Unappropriated fund balance										53		289
Appropriated fund balance										<u>18,670</u>		<u>19,768</u>
										<u>18,723</u>		<u>20,057</u>