



FINANCIAL REPORT TO THE BOARD OF GOVERNORS
2017-2018



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I. Management Discussion and Analysis

Introduction

In 1942, the community opened the doors of Carleton College in Ottawa to students building their careers after the Depression and military service in the Second World War. Today, 75 years later, Carleton University takes pride in its continued connections to the community.

Our campus community is made up of more than 30,600 undergraduate and graduate students and more than 2,000 faculty and staff. Carleton offers 65 degree programs in six faculties: Arts and Social Sciences, Engineering and Design, Public Affairs, Science, Business and Graduate and Postdoctoral Affairs.

We are known for the breadth and excellence of our research enterprise, as well as for the exceptional level of co-operation across disciplines, allowing faculty and students to explore the full complexity of real-world challenges.

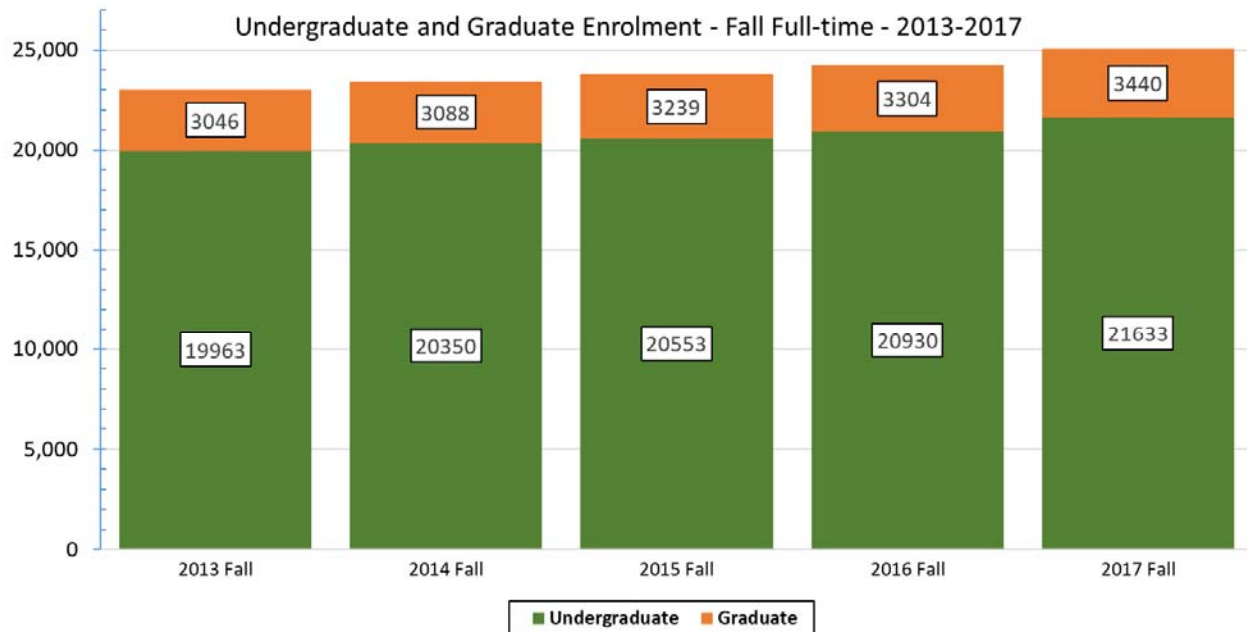
The 2017-2018 fiscal year was an exciting time for Carleton, as it celebrated its 75th anniversary with a wide range of events that brought together students, faculty, staff, alumni and community partners who have contributed in making Carleton Canada's Capital University.

Carleton's [Strategic Integrated Plan \(SIP\) – 2013-2018](#), *Sustainable Communities – Global Prosperities*, is constructed along the themes of research and teaching excellence, accessibility, and leadership. These themes support the setting of operating priorities overseen by the Strategic Integrated Planning Committee (SIPC) in areas of teaching, enrolment, student support, leadership development, and environmental stewardship. More specifically:

- Teaching – Improving graduation and retention rates for undergraduate and graduate students, and adapting enrolment management to reflect the requirements of the Ontario Government Strategic Mandate Agreement funding framework
- Students – Advancing the student experience with focus on skills development towards higher employability, and professional development opportunities for graduate students. Other key priorities evolve around improving student accessibility support
- Research – Increasing the level of research funding and the number of formal research partnerships with expected improvements in the number of papers published and citations reported
- Organization – Achieving Carleton's \$300-million Capital Campaign. Other priorities include leadership development initiatives and the improvement of academic and administrative processes along with campus-wide energy management and sustainability initiatives (e.g. Co-generation, recycling).

Operating Environment

Through strong enrolment management, Carleton has been able to maintain sustainable growth over the years (see graph below), which has enabled the university to achieve the financial strength necessary to modernize its infrastructure, invest in new academic programs, and address ongoing challenges, such as government funding limitations and pension liability.



Office of Institutional Research and Planning - Aug. 9, 2018

In early 2017, there was an unusual amount of transition within the senior ranks of the university, including the departure of the President and the Vice-President (Academic). That challenge was short-lived as the university soon recruited an experienced Interim President, who was successful in advancing the university's agenda and setting the stage for the transition to new leadership.

In 2017-2018, Carleton signed a new Strategic Mandate Agreement (SMA) with the province. The SMA details the objectives and priorities of the Ontario government, a new funding model and performance metrics. Although these performance metrics will not influence funding until SMA3 (2020-2021), universities will be required to manage and report results achieved. For Carleton, the new (corridor) funding mechanism essentially sets the 2017-2018 enrolment grant funding at the 2016-2017 level, and consolidated most grants into three envelopes – “Core Operating Grant” (90% of total grant), “Differentiation/Performance/Student Success” (8%) and other “Special Purpose Grants” (2%). In addition, the Ministry of Training, Colleges, and Universities provided one-time funding of \$4.5 million to support the transition to the new funding model. We were also approved for \$5 million in funding over the next two years from the ministry for the creation of the David C. Onley Initiative for Employment & Enterprise. This funding will assist students with disabilities at all Ottawa post-secondary institutions through support and mentorship for entrepreneurial development; employment support (including connecting students to employers); and one-on-one coaching and mentoring.

During 2017-2018, Carleton negotiated new labour agreements with the Carleton University Academic Staff Association (CUASA), and the Canadian Union of Public Employees - Clerical, Technical and Administrative Staff (CUPE 2424). As of early August 2018 negotiations are ongoing with CUPE 3778 – Central Heating Plant Staff, CUPE 910 – Operational and Maintenance Staff, and Carleton University Postdoctoral Union. Although agreements with CUASA and CUPE 2424 were completed on mutually satisfactory terms, negotiations with CUPE 2424 resulted in a five week labour disruption, which we expect will have some impact on student enrolment for 2018-2019.

Using the Financial Report

The annual Financial Report needs to be read in conjunction with the Audited Financial Statements.

The accumulated balances for the operating, ancillary and plant funds described in the Financial Report match those shown in the audited Consolidated Statement of Changes in Net Assets. However, financial information related to operating results is presented on a separate basis from the Consolidated Statement of Operations. This basis of reporting provides management with information needed to support operating decisions and assess financial performance through budgets approved by the Board of Governors. The significant differences between information provided in the Financial Report and the Audited Consolidated Statement of Operations relates to the treatment of capital acquisitions, internal appropriations, and contributions to endowment funds.

For capital acquisitions, the university internally accounts for the expenditures on a cash basis, as this provides a better link between funding and budgets. However, under generally accepted accounting principles, the audited financial statements include only a calculated amortization expense for capital assets, based on the expected life of the asset.

Appropriations represent commitments that are internally recognized as charges against the operating results in the Financial Report and as internally restricted assets in the audited Consolidated Statement of Operations. Internally restricted assets cover specific reserves for future commitments such as pension, capital projects, ongoing research initiatives, or carry-forward budget balances available for future purposes. This is seen as an effective institutional policy in the management of financial resources, as it allows managers to plan expenditures over a period that extends beyond the fiscal year.

Regarding endowment funds, internal matching contributions to any endowment (externally restricted or Board designated) are not included in the audited Consolidated Statement of Operations, but as direct increases to endowment net assets and decreases to unrestricted net assets, after surplus. For internal purposes, and as reported in the Financial Report, the university considers these as expenditures. Similarly, income or losses on Board designated endowments are not included in the Financial Report's operating results, but are on the Consolidated Statement of Operations.

A reconciliation of the audited Consolidated Statement of Operations to the Financial Report internal operating results is shown below:

Excess of revenue over expense per audited statements	\$	89.4 M
Net change in investment in capital assets	\$	(61.6 M)
Increase in internal appropriations	\$	(4.4 M)
Internal contributions to endowment	\$	(20.4 M)
Other items*	\$	<u>(3.1 M)</u>
Excess of revenue over expense per Financial Report	\$	nil

*Other items include the difference in calculated employee future benefit expenses versus the net cash payment for those benefits.

Section 2.5 of the Financial Report provides further details on the differences between the audited Consolidated Statement of Operations and the Financial Report. Schedule 1 of the Financial Report provides specific financial analysis of operating income and expenses in comparison to the 2017-2018 operating budget approved by the Board of Governors.

Audited Consolidated Financial Statements

The audited financial statements combine all activities of the university (general operating, ancillary, research, capital, trust) into one statement, and should be read in conjunction with the Financial Report, which highlights key operating income and expenses as compared to the approved 2017-2018 Operating Budget.

As shown in the Consolidated Financial Statements, the university generated an excess of revenue over expenses of \$89.4 million in 2017-2018. This surplus reflects timing differences in the recognition of operating expenses, such as investments in capital assets (\$61.5 million) and the impact of internal contributions to endowment funds (\$20.4 million).

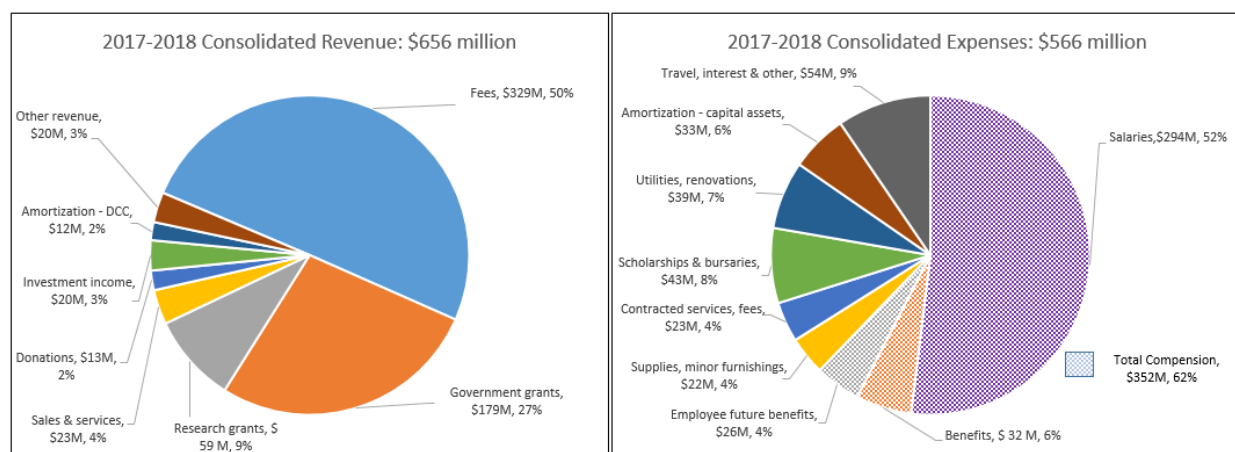
The university's consolidated revenue of \$656 million was up 4.2% from the previous year while consolidated expenses of \$566.5 million increased by 7.1%. Enrolment growth of 3.1% and average tuition fee increases of 3% were key contributors to the higher revenue.

In addition, government grants increased by 3.3% during the year, reflecting transitional monies received to support the shift to the government's new "corridor funding" model, along with new student-focused special purpose grants.

Research grants and contracts recognized in the financial statements increased by \$7.4 million or 14.5% over the previous year, while deferred research revenues climbed \$8.0 million to \$31.5 million, reflecting the success of Carleton's efforts to expand research activities.

Salaries and benefits still form the largest part of the university's consolidated expenditures at \$352 million or 62%. This represents an increase of \$21 million over 2016-2017.

The charts below illustrate the sources of consolidated revenue and expenditures for 2017-2018.

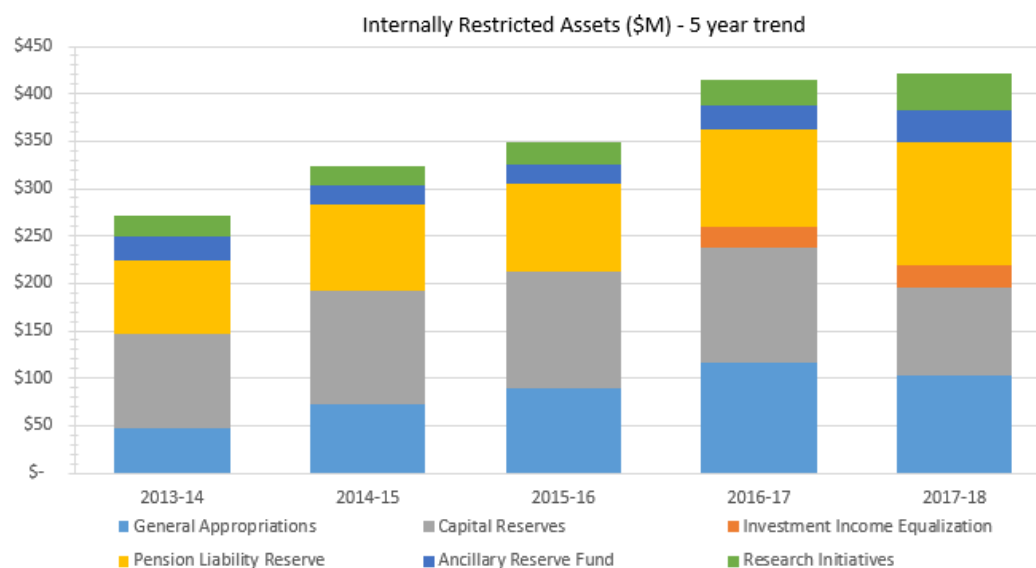


The strong financial results for the year saw the university's net assets increase by \$102.9 million to \$990.1 million, an 11.6% increase over the previous year. This increase reflects the \$89.4 million excess of revenues over expenses, the \$26.1 million positive re-measurement of employee future benefits (offset by a \$12.7 million negative adjustment for net endowment contributions), and unrealized losses. Additional investments in capital assets included major projects such as the Health Sciences Building, the Institute for Advanced Research and Innovation in Smart Environments (ARISE), a new Co-generation plant, and a multi-year building modernization program (deferred maintenance).

Endowed net assets reached \$269.4 million in 2017-18, after income distributions of \$9.8 million and an \$11.9 million withdrawal of capital and income related to a specific donor agreement. The majority of endowment distributions are to support student initiatives including scholarships and bursaries.

Gifts and pledges received as part of Carleton's \$300-million Capital Campaign reached just under \$270 million in 2017-2018. Donation revenue recognized during the year amounted to \$12.9 million, an increase of 59% from the previous year. In addition, contributions to endowment funds amounted to \$7.1 million. Contributions from donors form a vital part of the university's annual operations and help finance student activities and financial aid.

Internal reserves previously described are shown in the Consolidated Statement of Financial Position as internally restricted assets. The chart below shows the evolution of these reserves over the last five years with the largest increase associated with pension liabilities.



More details on the balances within the Consolidated Statement of Financial Position can be found in section 3 of the Financial Report.

The ministry and the university recognize that financial sustainability is critical to ensure a healthy post-secondary education system. To that end, certain system-wide financial metrics have been developed and are being tracked as part of the SMA framework. These financial metrics are described below, and demonstrate that Carleton is in good financial health, which provides flexibility to address future opportunities and funding challenges.

System-Wide Financial Metrics*

	2015-2016	2016-2017 (Preliminary)	2016-2017 (Sector Average)
Net Income/Loss Ratio <i>(Profitability Indicator)</i>	12.7%	16.0%	5.1%
Net Operating Revenue Ratio <i>(Indicator of cash flow generation)</i>	13.5%	19.1%	9.0%
Primary Reserve Ratio (days) <i>(Ability to operate using unrestricted reserves)</i>	265	309	106
Viability Ratio <i>(Ability to cover long-term debt using unrestricted assets)</i>	4.9	6.3	2.8
Interest Rate Burden Ratio <i>(Proportion of total expenses to cover Interest payments)</i>	0.8%	0.8%	2.2%

* Source: Council of Ontario Financial Officers (COFO)

Capital Investments and Facility Renewal

Since 2008, Carleton's enrolment has grown from 24,211 students to more than 30,600 (fall 2018 count). In order to accommodate that growth, the university has invested over \$386 million in major capital projects, which saw the commissioning of the Canal Building - Engineering (\$30 million), Richcraft Hall – Public Affairs (\$55 million) and, more recently, the Health Sciences Building (\$52 million). Work is under way to complete the Advance Research and Innovations in Smart Environments (ARISE) Building (\$29.5 million) and the Board has recently approved construction of a new Nicol Building – Business (\$65 million), which will provide much needed classroom and workshop space.

In addition to investing in new facilities, the university has to address a backlog of deferred maintenance projects to maintain existing buildings in acceptable condition. Carleton's 2016-2017 building condition assessment indicated that over 60% of the buildings on campus were considered in poor condition. In order to address the backlog of deferred maintenance projects, the Board approved funding of \$140 million over a 10-year period in 2016. To date, \$36 million has been spent on building modernization projects, including \$20.6 million in 2017-2018.

Conclusion

Looking forward, many drivers affect today's higher education environment. Factors such as slow growth of the post-secondary cohort, uncertainty about government funding, and demands for increased accountability, have added risks facing the university community. We continue to address and manage our ongoing financial risks through prudent management of our resources. For example, continued contributions to the university's pension reserve have mitigated pending financial implications of future funding requirement changes. Similarly, increased funding to our capital reserves will address future space requirements, as well as deferred maintenance for existing campus buildings and laboratories.

Carleton has been fortunate to maintain a robust financial position which will allow us to address the emerging challenges of the future.



M. Piché
Vice-President
(Finance and Administration)

September 2018

Consolidated Statements – Executive Summary

1.1 Operating Fund – Schedule 1 & 1A

As summarized in section 2.2.3, operating results for 2017-2018, before additional appropriations, showed a surplus of \$23.6 million. This compares to an estimate of \$10.1 million earlier in the year. A comparison of actuals to the revised opening budget is presented in Schedule 1, while actuals compared to the projection is presented in Schedule 1A.

A breakdown and comparison follows:

	<i>2017-2018 Actual \$M</i>	<i>2017-2018 Projection \$M</i>	<i>2017-2018 Budget \$M</i>
Surplus generated for the year	23.6	10.1	-
Additional appropriations	23.6	10.1	-
Increase in accumulated surplus	-	-	-

The breakeven result for 2017-2018 leaves the accumulated surplus unchanged at \$0.5M as of April 2018. A summary of the individual budgetary improvements and shortfalls is set out below. It excludes items where specific income was offset by related expenditure (see section 2.1).

Income: \$25.3 million above budget

As outlined in section 2.2.3, the income items over budget were: Grant income \$7.2 million, Tuition income \$12.2 million, Miscellaneous income \$1.5 million and Investment income \$4.4 million.

Expenses and Appropriations: \$25.3 million above budget

Allocations more than contingency funds -	\$ 5.8 million cost
Expenses less than allocations -	\$ (4.1) million savings
New appropriations -	\$ 23.6 million cost

1.2 Ancillary Operations: Schedule 2

The ancillary operations finished the year with a surplus of \$7.7 million from regular operations. The results of the individual services varied considerably and each is reviewed in section 2.3 of this report.

1.3 Statement of Financial Position (balance sheet)

Cash and cash equivalents and marketable securities increased by \$69.6 million in 2017-2018, which is directly related to the increase in deferred revenue and accounts payable of \$41.3 million and, to a lesser extent, an increase in internally restricted net assets of \$4.4 million.

Deferred revenue increased by \$33.9 million over last year, and relates mostly to restricted contributions. The government provided a \$5.0 million grant for the pending purchase of the Dominion Chalmers Church, while a significant donation of three-year software licences increased the balance by \$16.2 million.

A significant investment in capital assets was made during the year, with additions totalling \$61.3 million dollars. The majority of this related to building and building improvements, including the Strategic Investment Fund (SIF) funded ARISE building and Energy project, and the internally funded Health Science building.

2. Consolidated Statement of Operations

The Consolidated Financial Statements record income and expenses in accordance with Canadian accounting standards for not-for-profit organizations, 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 2017-2018 operating budget as approved by the Board of Governors in spring 2017.

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 \$506,449,000 in 2017-2018. This compares to an original budget of \$476,247,000 and a total for the previous year of \$487,797,000. Total operating income was therefore \$30,202,000 (6.3%) above budget, and \$18,652,000 (3.8%) above the previous year.

	<i>2017-2018</i> <i>Actual</i> <i>\$000</i>	<i>2017-2018</i> <i>Budget</i> <i>\$000</i>	<i>Variance</i> <i>\$000</i>
Revenues	506,449	476,247	30,202
Items offset by expenditures (section 2.2.1)	4,928	-	4,928
Net Revenues	501,521	476,247	25,274

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 \$182,592,000 included in Schedule 1 is \$10,848,000 (6.3%) above the original estimate, and \$6,943,000 (4.0%) more than the previous year. A comparison to the estimate in the original budget is set out below:

	<i>2017-2018 Actual \$000</i>	<i>2017-2018 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items Affecting the Operating Result</u>			
Basic/Core Operating Grant	134,026	132,127	1,899
International Student Recovery	(2,693)	(2,510)	(183)
Accessibility/Performance Funding	35,069	34,228	841
Research Overheads	5,156	5,118	38
Enrolment transition	4,451	-	4,451
Other government grants	361	260	101
Subtotal	176,370	169,223	7,147
<u>Items offset by expenses</u>			
Student Aid Funds	2,621	-	2,621
Municipal Tax Funding	1,606	1,576	30
Access for the Disabled	1,196	945	251
Aboriginal Education and Training	359	-	359
First Generation programs	208	-	208
Other Government Grants	232	-	232
Subtotal	6,222	2,521	3,701
Total Government Grants	182,592	171,744	10,848

Omitting special purpose grants, the operating revenue from the Ministry of Advanced Education and Skills Development was \$7,147,000 above the original projection. The increase relates mostly to a one-time transition grant provided by the ministry to assist institutions in the realignment of grants to a corridor funding system. This realignment also resulted in additional performance and basic or core operating funds being received.

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 \$286,430,000 in 2017-2018. This represents an increase of \$21,552,000 (8.1%) over the previous year, and is \$12,228,000 (4.5%) above the original estimate. Details of the 8.1% increase over the previous year are as follows:

	<i>Tuition Income (\$000)</i>		<i>Increase/Decrease</i>	
	<i>2017-2018</i>	<i>2016-2017</i>	<i>\$000</i>	<i>%</i>
Undergraduate - Domestic	170,183	158,382	11,801	7.5%
Undergraduate - International	80,552	72,043	8,509	11.8%
	250,735	230,425	20,310	8.8%
Graduate - Domestic	22,455	21,724	731	3.4%
Graduate - International	13,240	12,729	511	4.0%
	35,695	34,453	1,242	3.6%
Total	286,430	264,878	21,552	8.1%

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

The 3.1% increase in enrolment from the previous year is detailed below:

	<i>Enrolment (F.T.E.)</i>		<i>Increase/Decrease</i>	
	<i>2017-2018</i>	<i>2016-2017</i>	<i>#</i>	<i>%</i>
Undergraduate - Domestic	20,885	20,298	587	2.9%
Undergraduate - International	3,047	2,878	169	5.9%
	23,932	23,176	756	3.3%
Graduate - Domestic	2,853	2,782	71	2.6%
Graduate - International	863	849	14	1.6%
	3,716	3,631	85	2.3%
Total	27,648	26,807	841	3.1%

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 tuition revenue, as a result of positive enrolment changes, amounted to \$9,000,000.

2.1.3 Miscellaneous Income

Miscellaneous income totalled \$11,893,000 in 2017-2018, which is \$1,694,000 over the original budget and \$1,691,000 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>2017-2018 Actual \$000</i>	<i>2017-2018 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items affecting the operating result</u>			
Application and admission fees	2,742	2,130	612
Deferred payment and processing fees	2,630	2,458	172
Omnibus fee	1,100	1,055	45
Overhead charges	3,309	2,791	518
Facility rentals	788	776	12
Career Placement Services	278	270	8
Commission income	203	175	28
Library and other fines	67	50	17
Other miscellaneous	621	494	127
Subtotal	11,738	10,199	1,539
<u>Items offset by additional expenditures</u>			
Other income (insurance proceeds)	155	-	155
Subtotal	155	-	155
Total Miscellaneous Income	11,893	10,199	1,694

2.1.4 Investment Income

Investment income totalled \$12,610,000 in 2017-2018, which was \$4,360,000 above budget, and \$15,564,000 less than the previous year. Since the Investment Committee decided to invest \$100,000,000 in equity funds in 2016-2017, the returns have been very favourable overall, but are also subject to market risks as the investments are carried at fair value. As a result, any unrealized gain or loss at the end of the fiscal year must be included in our operating statement.

An unrealized loss of \$5,546,000 was included in investment income as of April 30, 2018, but is offset by realized gains and other interest of \$7,064,000. This compares to an unrealized gain of \$12,769,000 that was recognized as of April 30, 2017.

To mitigate the risks associated with equity investments and associated impact on the university's operations, in March 2017 the Investment Committee approved the use of an Investment Income Equalization Fund. Earnings, realized or unrealized, in excess of the opening investment income budget are to be appropriated to this fund. Alternatively, in years where investment income is below the amount budgeted, the shortfall can be covered by this reserve. As such, the amount of \$4,360,000 was appropriated as of April 30, 2018.

2.1.5 Departmental Income

The following items are included in departmental income:

	<i>2017-2018 Actual \$000</i>	<i>2017-2018 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items offset by additional expenditures</u>			
Co-op and Career Services	2,238	2,205	33
Instructional Media Services and CUOL	1,332	1,172	160
Information Technology Services (ITS)	320	332	(12)
Centre for Initiatives in Education	974	823	151
Salary recoveries	647	604	43
Science and Technology Centre	20	47	(27)
Student Experience Office	643	667	(24)
Paul Menton Centre	158	144	14
Alumni and external contributions	5,429	5,269	160
General sales	453	325	128
Other	710	264	446
Total Department Income	<u>12,924</u>	<u>11,852</u>	<u>1,072</u>

Departmental income relates to sales and rentals that are under the jurisdiction of the departmental managers. Generally, any shortfalls in income as compared to budget must be matched by a corresponding decrease in expenditures in the department concerned, while any income in excess of budget is available for additional expenditure. Variations in departmental income should not therefore generally affect the overall operating results of the university.

2.2 Operating Expenditures, Transfers, and Appropriations

Operating fund expenditures and transfers, before appropriations, totalled \$523,020,000 in 2017-2018. This represents a \$46,773,000 (9.8%) increase from the original expense budget of \$476,247,000 and a \$113,304,000 (27.7%) increase from the previous year's total of \$409,716,000. Total appropriations from the operating fund balance at the end of 2017-2018 amounted to \$161,946,000. This represents a net decrease of \$16,571,000 in the appropriated fund balance returned from the previous year. Total operating expenses, transfers and appropriations were therefore \$30,202,000 (\$46,773,000 increase in expenses less \$16,571,000 decrease in appropriations) 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	523,020
Opening budget	<u>476,247</u>
Expenditures above budget	<u>46,773</u>

The items included in the \$46,773,000 increase in expenditures and transfers were:

	<u>\$000</u>	<u>\$000</u>
a) <u>Salary Increases</u>		
2017-2018 cost	7,784	
Less: Contingency in opening budget	10,270	
Additional cost/(savings)		<u>(2,486)</u>
b) <u>Mid-Year Allocations</u>		
Total allocations	3,669	
Less: Opening contingency	2,239	
Additional cost/(savings)		<u>1,430</u>
c) <u>Enrolment Incentive</u>		
2017-2018 cost	18,454	
Less: Opening contingency	11,306	
Additional cost/(savings)		<u>7,148</u>
d) <u>Other Contingencies</u>		
2017-2018 cost	48,956	
Less: Opening contingency	49,279	
Net		<u>(323)</u>
Total additional contingency costs		<u>5,769</u>

<u>Overspent (unspent) balances not appropriated:</u>	<u>\$000</u>	<u>\$000</u>
e) Utilities	(4,403)	
f) Student support	365	
g) Interfund transfers	98	
Other minor balances	(190)	
Subtotal		(4,130)
 <u>Expenditures funded by additional income:</u>		
Government grant (section 2.1.1)	3,701	
Tuition income (section 2.1.2)	-	
Miscellaneous fees & income (section 2.1.3)	155	
Departmental income (section 2.1.5)	1,072	
		4,928
Expenditures funded by returned appropriations	178,517	
Total appropriations in 2017-2018	161,946	
Net appropriations (section 2.2.2)	16,571	
Add: New appropriations (section 2.2.2)	23,635	
		40,206
Total expenditures and transfers above budget		46,773

Notes:

- a) Salary Increases: The cost of compensation increases in 2017-2018 totalled \$7,784,000 against a contingency of \$10,270,000 in the opening budget. This represents a savings of \$2,486,000 as compared to budget, much of which is due to the month long labour disruption.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totalled \$1,669,000 in 2017-2018 as compared to a budget of \$3,669,000. An analysis of the allocations follows:

Allocations from the Mid-Year Contingency Fund:

	<u>\$000</u>
Health Science building – fit-up costs	1,900
Life Sciences Research building, animal care – temporary relocation	860
Work Study program expansion	390
Presidential search	250
Sexual Violence policy implementation	150
Compensation project	87
Ethics, privacy position top-ups	32
Total allocations	3,669
Opening contingency	(2,239)
Additional costs	1,430

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 \$7,148,000.

d) Other Contingencies: The original budget of \$49,279,000 for 2017-2018 included the following:

	<u>\$000</u>
Pension deficit	35,000
Capital projects	8,000
Student bursary endowment	5,000
Pending positions and allocations	1,279
Total	<u>49,279</u>

During the year, the full \$8,000,000 capital contingency was contributed toward the new business building while the \$5,000,000 for student bursaries was endowed to provide additional bursaries in perpetuity. A total of \$34,600,000 of the pension contingency was applied to the special pension deficit payment and the reserve for future payments. The balance of allocations relate mostly to international recruitment agent fees.

e) Utilities: Savings continue to be achieved as the budget remains conservatively set, pending the full implementation of the Co-generation plant. As the university provides residences for its student, it has also benefited from a residential hydro rebate.

f) Student support: Student support costs exceeded budget by \$365,000 as the amount of the ministry mandated tuition set-aside requirement increased due to enrolment increases.

g) Interfund Transfers: The net transfer cost was less than the budget by \$98,000. This is due mostly to contract overhead recoveries into the Operating Fund from the Research Fund, as they exceeded the original budget by \$121,000. As a general rule, the university charges overheads on research contracts and international contribution agreements. The distribution of the indirect costs recovery is generally 40% to the central operation budget, 15% to the Vice-President (Research and International) and 45% to the faculty performing the contractual work. 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 2017-2018 and 2016-2017 are as follows:

	<u>2017-2018</u>	<u>2016-2017</u>
	<u>\$000</u>	<u>\$000</u>
General operating budget and contingency	533	564
Vice President (Research and International)	174	184
<u>Faculties</u>		
Engineering and Design	248	172
Arts and Social Sciences	95	178
Science	89	98
Public Affairs	84	112
Business	12	-
Total	<u>1,235</u>	<u>1,308</u>

2.2.2 Appropriations

Appropriations represent commitments that are recognized as charges against the operating results in the current year, although expenditure has not taken place. The commitment can either be to an outside supplier (i.e. an outstanding encumbrance may exist based on a purchase order which has not yet been fulfilled), or an internal commitment to a departmental manager that budgetary balances available in the current year can be used for specific projects in the future. Generally, unspent budgetary balances are carried forward into the next year. This is seen as an effective institutional policy as it allows managers to plan expenditures over a period that extends beyond the fiscal year, and deters any potentially wasteful spending towards the year end that may arise if budgetary funds were no longer available.

The net decrease in appropriations for the year is calculated as follows:

	<u>\$000</u>
Appropriated to fund balance 2017-2018	161,946
Returned from 2016-2017 fund balance	178,517
Decrease in appropriated fund balance	<u>(16,571)</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	54,738	63,702	8,964
Academic Administration	1,580	952	(628)
Students and Enrolment	582	2,545	1,963
Library	541	1,236	695
President	1,248	1,172	(76)
Research and International	1,703	2,935	1,232
Finance and Administration	6,927	7,048	121
Computing infrastructure	1,535	1,366	(169)
Renovations	22,250	14,210	(8,040)
Advancement	12,720	16,333	3,613
Student Support	914	1,482	568
Pending commitments	420	273	(147)
Self-insurance fund	90	57	(33)
Capital reserves	45,269	-	(45,269)
Pension liability reserve	-	25,000	25,000
Endowed student aid matching funds	10,000	-	(10,000)
Endowed academic chair matching funds	8,200	-	(8,200)
Strategic Initiatives fund	9,800	-	(9,800)
Subtotal	<u>178,517</u>	<u>138,311</u>	<u>(40,206)</u>
New allocations	-	23,635	23,635
Total	<u>178,517</u>	<u>161,946</u>	<u>(16,571)</u>

New allocations represent appropriations of unspent funds over and above those included in the original budget. For 2017-2018, new allocations total \$23,635,000 as detailed below:

	<u>\$000</u>
Capital reserves	16,134
Endowed student aid matching funds	3,141
Investment income equalization fund (see section 2.1.4)	4,360
	<u>23,635</u>

In addition, \$207,257,000 in prior year appropriated funds were not returned during 2017-2018, as the planned expenditures will occur in future fiscal years.

The \$207,257,000 relates to:

	<u>\$000</u>
Pension liability reserve	103,941
Capital reserves	75,846
Investment income equalization fund	20,994
Strategic Initiatives fund	3,158
Endowed chair matching funds	1,800
Future program commitment	1,255
Self-insurance fund	263
Total appropriations not returned	<u>207,257</u>

The most immediate commitments against the Capital reserve will be \$45,600,000 for the Nicol business building, \$8,200,000 for the Health Sciences building, \$4,796,000 for the Co-generation plant, and approximately \$5,900,000 for the ARISE project.

Total appropriations for the Operating Fund amount to \$369,203,000 as of April 30, 2018.

2.2.3 Operating Result

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

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)	7,147	(133)	7,280
Tuition fees (section 2.1.2)	12,228	12,348	(120)
Miscellaneous income (section 2.1.3)	1,539	614	925
Investment income (section 2.1.4)	4,360	1,944	2,416
Departmental income (section 2.1.5)	-	37	(37)
Total income variations	25,274	14,810	10,464
<u>Expenditure Variations</u>			
Expenditures in excess of contingencies (sec 2.2.1)	(5,769)	(7,950)	2,181
Expenditures less than allocations (sec 2.2.1)	4,130	3,225	905
Total expenditure variations	(1,639)	(4,725)	3,086
Change in results	23,635	10,085	13,550
New appropriations (section 2.2.2)	(23,635)	(10,085)	(13,550)
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, 2018.

2.3 Ancillary Operations - Operating Results and Fund

Schedule 2, at the end of this Report, details the 2017-2018 operations of the ancillaries as compared to the original budget. Overall the ancillary results can be summarized as follows:

	<i>2017-18 Actual \$000</i>	<i>2017-18 Budget \$000</i>	<i>2016-17 Actual \$000</i>
Income and internal recoveries	69,633	67,609	70,805
Expenses and transfers	40,382	43,211	41,004
Surplus from operating activity	29,251	24,398	29,801
Renovations and capital debt	21,502	21,995	24,977
Surplus for the year	7,749	2,403	4,824

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 2018 \$000</i>	<i>Balance at April 2017 \$000</i>	<i>Variance \$000</i>
Accumulated Surplus	32,630	24,881	7,749

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 2017-2018 results and status of the Recreation and Athletics operations can be summarized as follows:

	<i>2017-18 Actual \$000</i>	<i>2017-18 Budget \$000</i>	<i>2016-17 Actual \$000</i>
<u>Revenue</u>			
Athletic fees	5,575	5,358	5,349
Other income	8,312	7,737	7,823
Internal revenue	1,375	1,224	1,278
	15,262	14,319	14,450
<u>Operating expenses and transfers</u>			
Direct expenses and transfers	11,367	12,275	11,196
Surplus from operating activity	3,895	2,044	3,254

<u>Renovations and capital debt</u>			
Renovations and alterations	1,309	2,465	1,678
Debt repayments	946	764	946
	<u>2,255</u>	<u>3,229</u>	<u>2,624</u>
Surplus for the year	1,640	(1,185)	630
Opening fund balance	8,233	8,233	7,603
Closing fund balance	9,873	7,048	8,233

The Recreation and Athletics operations finished the year with a surplus of \$1,640,000. This surplus can be attributed to lower than anticipated expenses for renovation and alteration as the locker room HVAC and Pool Restoration projects were deferred. The accumulated surplus of \$9,873,000 will continue to be used to address the significant deferred maintenance issues.

2.3.2 Bookstore

The 2017-2018 results and status of the Bookstore operations can be summarized as follows:

	<u>2017-18</u> <i>Actual</i> \$000	<u>2017-18</u> <i>Budget</i> \$000	<u>2016-17</u> <i>Actual</i> \$000
<u>Revenue</u>			
Commissions and reimbursements	696	695	717
<u>Operating expenses</u>			
Direct expenses	479	469	446
Indirect expense contribution	61	61	61
	<u>540</u>	<u>530</u>	<u>507</u>
Surplus from operating activity	156	165	210
<u>Renovations and capital debt</u>			
Capital debt	-	-	128
Surplus (deficit) for the year	<u>156</u>	<u>165</u>	<u>82</u>
Opening fund balance	111	111	29
Closing fund balance	267	276	111

The Bookstore operations finished the year with a surplus of \$156,000, and now has an accumulated surplus of \$267,000. The slight increase in direct expenses is due to additional marketing costs aimed at strengthening other sales, including digital and rental text, as new textbook sales continue to decline.

2.3.3 Health and Counselling Services

The 2017-2018 results and status of the Health and Counselling Services operations can be summarized as follows:

	<i>2017-18 Actual \$000</i>	<i>2017-18 Budget \$000</i>	<i>2016-17 Actual \$000</i>
<u>Revenue</u>			
Health Services Student Fee	1,990	1,918	1,821
Insurance recoveries, other	1,502	1,700	1,552
	<u>3,492</u>	<u>3,618</u>	<u>3,373</u>
<u>Expenses and Transfers</u>			
Direct expenses	3,333	3,484	3,291
Indirect expense contribution	29	34	30
	<u>3,362</u>	<u>3,518</u>	<u>3,321</u>
Surplus for the year	<u>130</u>	<u>100</u>	<u>52</u>
Opening fund balance	613	613	561
Closing fund balance	743	713	613

The Health and Counselling Services operation finished the year with a surplus of \$130,000 and now has an accumulated surplus of \$743,000. The accumulated surplus will be used for renovations in summer 2018 and required upgrades to clinic space and equipment.

2.3.4 Housing and Residence Life, Conference Services and Dining

The 2017-2018 results for the Housing and Residence Life, Conference Services and Dining Services operations can be summarized as follows:

	<i>2017-18 Actual \$000</i>	<i>2017-18 Budget \$000</i>	<i>2016-17 Actual \$000</i>
<u>Revenue</u>			
Residence fees	21,688	21,664	21,231
Conference operations	3,551	2,745	2,745
Commission income	7,247	6,931	6,885
Other income	1,591	1,551	2,660
	<u>34,077</u>	<u>32,891</u>	<u>33,521</u>
<u>Expenses and transfers</u>			
Direct expenses	15,266	16,558	15,603
Indirect expense contribution	253	247	249
Contribution to Ancillary Capital Fund	1,130	1,290	1,130
	<u>16,649</u>	<u>18,095</u>	<u>16,982</u>
Surplus from operating activity	17,428	14,796	16,539

<u>Renovations and capital debt</u>			
Renovations and alterations	5,459	6,000	3,926
Debt repayments	10,191	8,381	12,318
	<u>15,650</u>	<u>14,381</u>	<u>16,244</u>
Surplus (deficit) for the year	<u>1,778</u>	<u>415</u>	<u>295</u>
Opening fund balance	7,923	7,923	7,628
Closing fund balance	9,701	8,338	7,923

The Housing and Residence Life, Conference Services and Dining Services operations finished the year with a surplus of \$1,778,000. This surplus was higher than expected due to increased conference revenue as a result of the Canada 150 celebrations and Carleton's 75 anniversary events. The service now has an accumulated surplus of \$9,701,000, which will continue to be earmarked for outstanding deferred maintenance, future renovations and capital debt repayments.

2.3.5 Parking Services

The 2017-2018 results and status of the Parking Services operations can be summarized as follows:

	<i>2017-18 Actual \$000</i>	<i>2017-18 Budget \$000</i>	<i>2016-17 Actual \$000</i>
<u>Revenue</u>			
Parking charges	5,068	5,114	4,920
Other income	290	435	380
	<u>5,358</u>	<u>5,549</u>	<u>5,300</u>
<u>Expenses and transfers</u>			
Direct operating	2,150	2,300	2,177
Indirect expense contribution	66	81	76
	<u>2,216</u>	<u>2,381</u>	<u>2,253</u>
Surplus from operating activity	3,142	3,168	3,047
<u>Renovations and capital debt</u>			
Renovations and alterations	1,013	995	1,370
Debt repayments	1,236	1,236	1,235
	<u>2,249</u>	<u>2,231</u>	<u>2,605</u>
Surplus for the year	<u>893</u>	<u>937</u>	<u>442</u>
Opening fund balance	1,951	1,951	1,509
Closing fund balance	2,844	2,888	1,951

The Parking Services operation finished 2017-2018 with a surplus from regular operations of \$893,000. The service now has an accumulated surplus of \$2,844,000 which will be used for outstanding deferred maintenance and capital debt repayments.

2.3.6 University Centre

The 2017-2018 results and status of the University Centre operations can be summarized as follows:

	<i>2017-18 Actual \$000</i>	<i>2017-18 Budget \$000</i>	<i>2016-17 Actual \$000</i>
<u>Revenue</u>			
Rental revenue	652	656	625
Internal recoveries	1,089	1,089	1,019
	<u>1,741</u>	<u>1,745</u>	<u>1,644</u>
<u>Expenses and transfers</u>			
Direct operating expenses	1,145	1,245	1,173
Surplus from operating activity	596	500	471
<u>Renovations and capital debt</u>			
Renovations and alterations	-	500	71
Surplus for the year	<u>596</u>	<u>-</u>	<u>400</u>
Opening fund balance	1,895	1,895	1,495
Closing fund balance	2,491	1,895	1,895

The University Centre operation is run on a cost recovery basis over time. During the current year, a surplus of \$596,000 was generated, which will be appropriated for future renovations which are anticipated to start with the roof in spring 2019.

2.3.7 The Print Shop

The 2017-2018 results and status of The Print Shop operations can be summarized as follows:

	<i>2017-18 Actual \$000</i>	<i>2017-18 Budget \$000</i>	<i>2016-17 Actual \$000</i>
<u>Revenue</u>			
External sales	569	514	551
Internal sales	2,190	2,228	2,455
Other income	282	148	198
	<u>3,041</u>	<u>2,890</u>	<u>3,204</u>
Less: Cost of goods sold	446	460	496
Gross profit	<u>2,595</u>	<u>2,430</u>	<u>2,708</u>
<u>Expenses and Transfers</u>			
Direct operating	2,002	2,029	2,029
Indirect expense contribution	61	45	40
Contribution to Ancillary Capital Fund	94	91	92
	<u>2,157</u>	<u>2,165</u>	<u>2,161</u>
Surplus from operating activity	438	265	547

<u>Renovations and capital debt</u>			
Debt repayments	-	-	-
Surplus (deficit) for the year	438	265	547
Opening fund balance	1,004	1,004	457
Closing fund balance	1,442	1,269	1,004

The Print Shop operations finished the year with a surplus of \$438,000. The service now has an accumulated surplus of \$1,442,000.

2.3.8 Ancillary Property Rentals

The 2017-2018 results and status for the Ancillary Property Rental operations can be summarized as follows:

	<i>2017-18 Actual \$000</i>	<i>2017-18 Budget \$000</i>	<i>2016-17 Actual \$000</i>
<u>Revenue</u>			
External rental revenue	1,991	2,536	1,934
Internal rent and occupancy cost recovery	1,773	1,114	1,746
Interest and sundry income	23	32	39
	3,787	3,682	3,719
<u>Expenses and Transfers</u>			
Occupancy costs and operating expenses	1,701	1,772	1,822
Surplus from operating activity	2,086	1,910	1,897
<u>Renovations and capital debt</u>			
Renovations and alterations	9	200	256
Debt repayments	1,339	1,454	1,399
	1,348	1,654	1,655
Surplus for the year	738	256	242
Opening fund balance	821	821	579
Closing fund balance	1,559	1,077	821

The Ancillary Property Rentals include the Carleton Technology and Training Centre (CTTC) and the National Wildlife Research Centre (NWRC). The Ancillary Property Rentals finished the year with a \$738,000 surplus, and an accumulated surplus of \$1,559,000.

2.3.9 Ancillary Capital Fund

The 2017-2018 results and status for the Ancillary Capital Fund operations can be summarized as follows:

	<i>2017-18 Actual \$000</i>	<i>2017-18 Budget \$000</i>	<i>2016-17 Actual \$000</i>
<u>Revenue</u>			
External contributions	744	673	2,549
Internal contributions	1,435	1,547	2,328
	<u>2,179</u>	<u>2,220</u>	<u>4,877</u>
<u>Expenses and Transfers</u>			
Debt repayments	-	-	1,285
Capital projects	-	-	365
Transfers	717	770	695
Other expenses	82	-	398
	<u>799</u>	<u>770</u>	<u>2,743</u>
Surplus (deficit)	<u>1,380</u>	<u>1,450</u>	<u>2,134</u>
Opening fund balance	2,330	2,330	196
Closing fund balance	3,710	3,780	2,330

The Ancillary Capital Fund has been established to support future capital projects that may be required for ancillary units. In addition, the Ancillary Capital Fund also provides ongoing support to Athletics and Football for internally financed loan repayments, scholarships and general operations.

The Ancillary Capital Fund now has an accumulated surplus of \$3,710,000.

2.4 Other Income and Expenditures

As explained in section 2 above, the 2017-2018 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 Capital Investments, Plant Income and Expenses

As discussed earlier, the accounting for investments in capital assets is one of the major differences in how the university accounts for expenditures internally, versus those that are accounted for on the audited financial statements. Included here is a high-level discussion of capital investments, as well as operating results for the non-capital portion of renovation projects, known as Plant income and expenses.

Since 2008, to accommodate enrolment growth, the university has invested over \$386 million in major capital projects, including several new buildings. In addition to investing in new facilities, the university has had to address a considerable backlog of deferred maintenance projects to maintain existing buildings in acceptable condition. In 2016, the Board approved \$140 million be spent on deferred maintenance over a 10-year period. To date, \$36 million has been spent on building modernization projects, including \$20.6 million in 2017-18, for the following buildings: MacOdrum Library (\$6.2 million), Steacie (\$4.9 million), Mackenzie (\$4.5 million), Herzberg (\$4.0 million), CTTC (\$3.9 million), Loeb (\$3.7 million) and Dunton Tower (\$2.0 million). These projects included improvements to the indoor environment and energy conservation, resulting in considerable savings in utility costs and carbon emission reductions.

The Plant income and expenses included here 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 2017-2018:

	<i>2017-2018</i>	<i>2016-2017</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	495	1,450	(955)
Transfers to/from operating & ancillary	2,255	(1,560)	3,815
Net income	2,750	(110)	2,860
<u>Expenses</u>			
Additions	3,568	4,492	(924)
Surplus (deficit)	(818)	(4,602)	3,784
Opening fund balance	(682)	3,920	(4,602)
Closing fund balance	(1,500)	(682)	(818)

The accumulated deficit of \$1,500,000 represents expenditures incurred in advance of funding for non-capital projects, mostly related to energy retrofits.

2.4.2 Research Funding and Expenditures

The following provides a summary of externally sponsored and internally funded research activity.

Externally sponsored research funding is considered restricted revenue and is not recognized as revenue on the audited financial statements until matching expenditures are made. Funding received but not spent during the year is shown as deferred revenue. Internally funded research does not have external restrictions placed on it and is recognized as revenue when received. Unspent funds at yearend are shown as internally restricted balances on the financial statements.

	<i>Balance</i> <i>April 30, 2017</i> <i>\$000</i>	<i>2017-2018</i> <i>Funding</i> <i>\$000</i>	<i>2017-2018</i> <i>Expenditure</i> <i>\$000</i>	<i>Balance</i> <i>April 30, 2018</i> <i>\$000</i>
<u>Canadian Government Departments and Agencies</u>				
National Defence	134	50	129	55
Natural Resources Canada	127	1,968	1,918	177
Environment and Climate Change Canada	(2)	339	343	(6)
HRDC	-	34	20	14
Indigenous and Northern Affairs	66	296	285	77
ISED	25	69	67	27
IDRC	353	16	369	-
Health Canada	17	141	92	66
NRC	63	163	118	108
Other Federal	61	1,017	874	204
<u>Tri-Agency Sponsored Research</u>				
CIHR	1,040	834	500	1,374
NSERC	7,645	15,810	15,613	7,842
SSHRC	5,235	7,390	7,395	5,230
Canada Research Chairs	(182)	2,400	2,401	(183)
Research Support Fund	-	4,561	4,561	-
<u>Other Sponsored Research</u>				
COE	312	1,275	1,207	380
Provincial, Municipal Governments	760	5,059	4,894	925
CFI	54	9,382	9,371	65
Ontario Research Fund	1,560	1,749	3,725	7,034
Ontario ERAP	135	121	185	71
Businesses and Foundations	4,981	8,176	7,035	6,122
Foreign Governments	151	423	220	354
Research Partnership Agreements	995	2,068	1,548	1,515
SNO and TRIUMF	-	8,523	8,523	-
<u>Total Sponsored Research</u>	<u>23,530</u>	<u>71,864</u>	<u>63,943</u>	<u>31,451</u>

<u>Funding Source – continued</u>	<u>Balance</u> <u>April 30, 2017</u>	<u>2017-2018</u> <u>Funding</u>	<u>2017-2018</u> <u>Expenditure</u>	<u>Balance</u> <u>April 30, 2018</u>
	-			-
Internally Restricted Research	26,605	20,149	7,383	39,371
<u>Total Research</u>	<u>50,135</u>	<u>92,013</u>	<u>71,326</u>	<u>70,822</u>

Notes: Key to acronyms

CFI	Canadian Foundation for Innovation
CIHR	Canadian Institutes for Health Research
COE	Federal/Provincial Centres of Excellence
ERAP	Early Researcher Award Program (Ontario)
IDRC	International Development Research Centre
ISED	Innovation, Science and Economic Development Canada
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

Sponsored research funding received increased by \$15,392,000 (27%) from \$56,472,000 in 2016-2017 to \$71,864,000 in 2017-2018, and related expenditures on these projects increased by \$4,808,000 from \$59,135,000 to \$63,943,000. The sponsored research fund balance increased by \$7,921,000 from \$23,530,000 to \$31,451,000 as at April 30, 2018, and this balance is included in deferred revenue.

Internally restricted research funding increased by \$12,720,000 from \$7,429,000 in 2016-2017 to \$20,149,000 in 2017-2018, while expenditures from these funds increased from \$5,208,000 to \$7,383,000. As a result, the internally funded research balance increased from \$26,605,000 to \$39,371,000.

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>	89,357
Adjustments:	
a) Net change in investment in capital assets	(61,555)
b) Decrease in operating appropriations (2.2.2)	16,571
c) Research surplus (internally restricted) increase (2.4.2)	(12,766)
d) Enterprise surplus (internally restricted) increase	(282)
e) Scholarship surplus (internally restricted) decrease	12
f) Professional Development increase	(132)
g) Increase in unrestricted endowment	(5,006)
h) Employee future benefit expense net of cash payment	(3,912)
i) Internal contributions to restricted endowments	(15,356)
j) Ancillary surplus (section 2.3)	(7,749)
k) Plant deficit (section 2.4.1)	818
Operating budget result	<u>-</u>

Notes:

- a) Net change in investment in capital assets: For the purposes of managing general operations, the university accounts for funds received for, and expended on, the purchase of capital assets in the year the purchase is made. However, under Canadian generally accepted accounting principles (GAAP), the receipts and costs must be amortized over the life of asset (i.e. 10 to 40 years). The result of this is that expenditures incurred during the year for capital assets are removed from those shown in the statements of operations and a calculated amount for amortization expenditure is recognized. Similarly, any restricted funds received during the year for capital purchases are removed from revenues and brought into income over the life of the asset. During 2017-2018 the following entries were made:

	<u>\$000</u>
Current year capital assets expenditures removed from expenses	(61,295)
Addback donated artwork	116
Current year funding received for capital assets removed from revenues	25,520
Current year change in capital asset financing removed from expenses	(46,093)
	<u>(81,752)</u>
Addback calculated amounts:	
Amortization of capital asset expense	32,576
Amortization of capital asset funding	(12,379)
Difference	<u>(61,555)</u>

The \$61,555,000 difference represents the excess of net cash outlays (i.e. actual cash expenditures less the actual cash received) over the calculated amounts reflected in the

Consolidated Statement of Operations. It is shown as a reduction in Unrestricted Net Assets and an increase in Investment in Capital Assets.

- 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 funds: As shown in section 2.4.2 above, internally restricted research balances increased by \$12,766,000 during 2017-2018. As these funds are earmarked for the continuation of the research activity being funded, this \$12,766,000 (\$39,371,000 - \$26,605,000) is shown as an increase to the internally restricted amounts on the Consolidated Statement of Changes in Net Assets.
- d) Enterprise funds: As shown on the Consolidated Statement of Changes in Net Assets, enterprise balances have increased by \$282,000 (\$4,384,000 - \$4,102,000) during 2017-2018. As these funds are earmarked for continuation of the specific project, this change is shown as a decrease to the internally restricted amounts on the Consolidated Statement of Changes in Net Assets.
- e) Scholarship funds: As shown on the Consolidated Statement of Changes in Net Assets, internally restricted scholarship balances have decreased by \$12,000 during 2017-2018. Although these scholarships do not have donor placed restrictions on them, the funds have been earmarked for student support in future years.
- f) Professional Development: As shown on the Consolidated Statement of Changes in Net Assets, we have an internally restricted balance for professional development funds earned by faculty members but not yet used.
- g) Gain on unrestricted endowment: The undistributed portion of the gain on the unrestricted endowment is recognized as gain in the unrestricted fund, thus increasing the surplus. However, as this amount does not actually impact 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 2017-2018 the following entries were made:

	<u>\$000</u>
Employee future benefits, non-pension	12,381
Employee future pension benefits	14,024
Less: 2017-2018 contributions removed from expenditure	(30,317)
Difference	<u>(3,912)</u>

- i) Internally endowed amounts: Unrestricted contributions are recognized as revenue in the period in which they are received. When they are subsequently reallocated to the endowment fund, the transfer is shown on the Statement of Changes in Net Assets as a reduction in unrestricted net assets.
- j) Ancillary surplus: As presented in section 2.3, the ancillary operations resulted in a surplus of \$7,749,000 in 2017-2018.
- k) Plant deficit: As presented in section 2.4.1, the plant fund for non-capital and renovation projects resulted in a deficit of \$818,000 in 2017-2018.

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, 2018 were as follows:

	<i>2018</i>	<i>2017</i>	<i>Increase</i>
	<i>Actual</i>	<i>Actual</i>	<i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Sources</u>			
Short-term liabilities:			
Accounts payable	50,790	43,396	7,394
Deferred revenue	102,533	68,663	33,870
Accrued leave	11,939	11,638	301
Current portion of long-term debt	3,798	3,584	214
Long-term liabilities:			
Employee future benefits	106,539	136,585	(30,046)
Long-term debt	67,352	71,150	(3,798)
Net assets:			
General operating fund	498	498	-
Ancillary and plant funds	194	1,030	(836)
Endowment fund	269,386	261,744	7,642
Internally restricted funds	447,592	443,228	4,364
	<u>717,670</u>	<u>706,500</u>	<u>11,170</u>
Total – Sources	<u>1,060,621</u>	<u>1,041,516</u>	<u>19,105</u>

	<i>2018</i>	<i>2017</i>	<i>Increase</i>
	<i>Actual</i>	<i>Actual</i>	<i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Applications			
Short-term assets:			
Cash, equivalents and marketable securities	552,539	482,925	69,614
Accounts receivable	32,969	27,252	5,717
Prepaid expenses	19,826	4,302	15,524
Current portion of net investment in lease	768	719	49
Long-term assets:			
Net investment in lease	8,372	9,140	(768)
Investments	269,751	264,643	5,108
Capital assets:			
Less: Investment in capital assets	(378,937)	(317,266)	(61,671)
Deferred capital contributions	(196,056)	(182,915)	(13,141)
Net assets:			
Provision for employee future benefits	106,539	136,585	(30,046)
Total - Applications	1,060,621	1,041,516	19,105

3.2 Source of University Resources

3.2.1 Accounts Payable: \$50,790,000

The accounts payable as at April 30, 2018 comprised:

	<i>2018</i>	<i>2017</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	5,904	9,048	(3,144)
Construction accruals and holdbacks	12,905	10,389	2,516
Payroll related amounts	18,373	13,390	4,983
Amounts held on deposit	4,110	2,655	1,455
Other taxes payable	606	606	-
Other payables and accrued liabilities	8,892	7,308	1,584
Total	50,790	43,396	7,394

Collectively, amounts due to suppliers and construction related payables at April 30, 2018 are consistent with the prior year and vary only due to timing differences depending on whether the payable was submitted for processing (due to supplier) or had to be manually accrued. The increase in payroll related payables is for recent union contract settlements relating to the fiscal year yet paid subsequently.

3.2.2 Deferred Revenue: \$102,533,000

Deferred revenue as at April 30, 2018 comprised:

	2018 \$000	2017 \$000	Increase (Decrease) \$000
a) Government grants	10,513	4,699	5,814
b) Research	31,451	23,530	7,921
c) Scholarships	4,093	4,091	2
d) Parker loans	1,035	1,035	-
e) Special purpose	13,310	11,750	1,560
f) Donated software	16,223	626	15,597
g) Summer student fees	12,693	12,045	648
h) Other items	13,215	10,887	2,328
Total	102,533	68,663	33,870

Notes:

- a) Of the \$10,513,000 in deferred grant revenue, \$1,216,000 relates to 2018-2019 performance funding received in April 2018, \$1,065,000 relates to restricted student support grants and \$2,761,000 relates capital grants from the Strategic Investment and Graduate Capital Expansion funds. A further \$5,000,000 relates to capital support received from the ministry for the pending purchase of the Dominion Chalmers Church.
- 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) During the year, the Earth Sciences department received a significant gift-in-kind of software licences for the period of September 2017 to August 2020. The value of \$16,223,000 represents the remaining balance of the restricted donation to be recognized in future years.
- g) Summer student fees represent payments received prior to April 30th for courses held in the summer term.
- h) 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: \$3,798,000

The current portion of long-term debt is defined as the amount coming due within the next fiscal year. This totalled \$3,798,000 as at April 30, 2018, an increase of \$214,000 over last year.

3.2.4 Accrued Leave: \$11,939,000

The \$11,939,000 compares to \$11,638,000 one year earlier for an increase of \$301,000. 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:
\$106,539,000**

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 ongoing cash demands of these benefits remain unchanged. As such, the deficit created by this accounting policy change does not have a significant impact on the operations of the university. Refer to note 11 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, which can lead to large swings in the liability or asset amount each year. Additional details are provided in note 11 of the audited financial statements. This note shows that, on an accounting basis, the pension plan is in a surplus position of \$25,574,000. It also states that on an actuarially determined basis, a going-concern shortfall of \$80,101,000 and a solvency shortfall of \$223,736,000 existed as at July 2016. As this actuarial determination relates more closely to actual and 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).

In 2017-2018, the non-pension employee future benefit obligation increased by \$4,143,000, while the pension liability decreased by \$34,189,000. For the non-pension benefits, the growing, unfunded obligation is mainly due to increasing plan membership. Meanwhile, the decrease in pension liability relates to actuarial gains on the obligation and higher employer contributions.

**3.2.6 Long-Term Debt:
\$67,352,000**

The loans and mortgages payable are described in some detail in note 9 of the audited financial statements at the beginning of this report.

**3.2.7 Net Assets, providing a source of resources:
\$717,670,000**

The net assets that constitute a source of resources are:

	2018	2017	<i>Increase</i>
	\$000	\$000	<i>(Decrease)</i>
			\$000
Operating fund	498	498	-
Ancillary and plant funds	194	1,030	(836)
Internally restricted funds	447,592	443,228	4,364
Endowment fund	269,386	261,744	7,642
Total	717,670	706,500	11,170

Notes:

a) The internally restricted net assets as at April 30, 2018, consist of the following:

	<u>\$000</u>
Appropriated operating funds (section 2.2.2)	369,203
Appropriated ancillary funds (section 2.3)	32,517
Internally restricted research balances (section 2.4.2)	39,371
Enterprise funds	4,384
Scholarship funds	12
Professional Development	<u>2,105</u>
	<u>447,592</u>

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

	<u>\$000</u>
Market Value at April 30, 2018	269,386
Market Value at April 30, 2017	<u>261,744</u>
	<u>7,642</u>

The \$7,642,000 increase is calculated as follows:

	<u>\$000</u>
Unrealized gain (loss) on investment	(10,192)
Gifts, bequests and other additions (per below)	27,422
Gain (loss) on sale of investments	8,332
Investment income	<u>7,571</u>
	33,133
Less: Distributed for endowed spending	(9,800)
Divestment per donor for Nicol Building	(11,946)
Direct and indirect operating costs	(2,563)
Investment management fees	<u>(1,182)</u>
Change in nominal value	<u>7,642</u>

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

	<u>\$000</u>
Carleton University transfers and matching contributions	20,356
The Clayton H. Riddell Political Management Endowment Fund	1,900
Maatje Nix Memorial Graduate Entrance Scholarship	463
KCT Bursary	400
President's Endowment Fund (Singhal Family Foundation)	335
Jaskula-Dondlinger Sports Analytics Internship	300
Helmut Kallmann Chair in Canadian Music	227
CU Engineering Students Equipment Fund	210
Dr. Paul Mandl Bursary	160
Borealis Foundation Endowment	115
Shannon History Scholarship Fund	112
Shannon History Fund	112
Yves and Cynthia Bled Future Achiever Scholarship	101
Paul Kitchen Memorial Scholarship	100
Other additions (<\$100,000)	2,531
Total additions	<u>27,422</u>

The realized investment returns for the year, including gains on sale and direct investment income, totalled \$15,903,000. The amount distributed for endowed spending in 2017-2018 was \$21,746,000, including a donor directed full distribution of \$11,946,000 to be used for construction of the Nicol building. Excluding the Nicol distribution, this represents a distribution of \$3.685 per unit held in the investment pool. In addition, \$1,182,000 was paid to investment managers during the year and \$2,563,000 in direct and indirect expenditures were charged to the fund in 2017-2018.

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: \$552,539,000

The cash and short term investment balance is as follows:

	2018 \$000	2017 \$000	Increase (Decrease) \$000
Cash balance	(3,553)	1,178	(4,731)
Cash equivalent investments	456,377	359,968	96,409
Marketable securities	99,715	121,779	(22,064)
Total	552,539	482,925	69,614

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. During the year, the market value of the securities reached \$126,500,000 and therefore, \$26,500,000 was transferred to cash equivalent investments. The current market value of the remaining marketable securities is \$99,715,000 (2017 - \$121,779,000).

3.3.2 Accounts Receivable: \$32,969,000

	2018 \$000	2017 \$000	Increase (Decrease) \$000
a) Student accounts	11,251	11,594	(343)
b) Student associations	242	247	(5)
c) General accounts receivable	5,811	7,870	(2,059)
d) Staff computer loans	90	92	(2)
e) HST/GST receivable	1,323	1,504	(181)
f) Bookstore	32	34	(2)
g) Union groups	81	130	(49)
h) Research funds	8,178	4,798	3,380
i) Student loans	1	7	(6)
j) Food service provider	1,729	671	1,058
k) Deposit pending sale	5,000	-	5,000
Other receivables	569	1,584	(1,015)
Sub-total	34,307	28,531	5,776
l) Less: Allowance for doubtful accounts	(1,338)	(1,279)	(59)
Total	32,969	27,252	5,717

Notes:

- a) Student accounts: These accounts record activity relating to tuition fees, residence fees and other miscellaneous charges. The \$11,251,000 represents 3.65% (2017 – 4.05%) of the 2017-2018 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 current year balance is more consistent with years prior to 2017. As noted last year, there was a large receivable from the Ontario Universities' Application Centre (OUAC) for fees normally received in April of each year. 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.
- f) Bookstore: The 2017-2018 amount receivable is due from Follett Books and represents commission income related to 2017-2018 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 2017-2018 amount receivable from Aramark represents commission and profit share income related to the 2017-2018 operations.
- k) Deposit pending sale: In March 2018, the university receive \$5,000,000 from the Ministry of Advanced Education and Skills Development for the pending purchase of the Dominion Chalmers Church. These funds were forwarded to the trustee in charge of the sale, as a deposit. As the sale did not close until June 25, 2018, the balance is shown as a receivable as of April 30, 2018.
- l) Allowance for doubtful accounts: The allowance includes \$1,200,000 for student fees, while the balance is for other overdue items.

**3.3.3 Prepaid Expenses:
\$19,826,000**

Prepaid Expenses as at April 30, 2018 comprised:

	<i>2018</i>	<i>2017</i>	<i>Increase (Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Insurance	619	639	(20)
Licences	18,615	2,662	15,953
Physical Plant supplies	379	373	6
Other	213	628	(415)
Total	19,826	4,302	15,524

Prepaid expenses represent payments to third parties for services to be provided in future periods (e.g. insurance, licences), as well as any significant stock of materials and supplies for internal use (e.g. Facilities Management & Planning supplies). The increase in prepaid licences is due to the large gift in kind of software licences noted above in the deferred revenue section.

**3.3.4 Current Portion of Net Investment in Lease:
\$768,000**

The current portion of net investment in lease is defined as the amount collectible within the next fiscal year. This totalled \$768,000 at April 30, 2018 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:
\$8,372,000**

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:
\$269,751,000

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

	2018	2017	<i>Increase (Decrease)</i>
	\$000	\$000	\$000
Investments held for:			
Endowment	266,732	261,631	5,101
Parker Loan fund	1,207	1,242	(35)
NWRC capital reserve	799	792	7
Sprott Student fund	1,013	978	35
Total	269,751	264,643	5,108

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: \$644,850,000
Investment in Capital Assets: \$378,937,000
Deferred Capital Contributions: \$196,056,000

The net value of capital assets as at April 30, 2018 comprised:

	2018	2017	<i>Increase (Decrease)</i>
	\$000	\$000	\$000
Capital Assets:			
Land and buildings	672,377	632,063	40,314
Building improvements	156,438	149,419	7,019
Equipment and furnishings	98,904	104,741	(5,837)
Computers and software	6,268	6,378	(110)
Automobile	225	233	(8)
Library and art collections	45,183	45,922	(739)
	979,395	938,756	40,639
Less: Accumulated depreciation	(334,545)	(322,625)	(11,920)
Net capital assets	644,850	616,131	28,719
Funding:			
Investment in capital assets	378,937	317,266	61,671
Deferred capital contributions	196,056	182,915	13,141
Total funding	574,993	500,181	74,812
Unfunded assets	69,857	115,950	(46,093)
Financed by:			
Mortgages payable	277	430	(153)
Loans payable	61,739	64,453	(2,714)
Other short-term borrowing	7,841	51,067	(43,226)
Total	69,857	115,950	(46,093)

The specific capital assets funded through financing are as follows:

	2018 \$000	2017 \$000	Increase (Decrease) \$000
<u>Mortgage financing:</u>			
Glengarry residence	277	430	(153)
Grenville and Russell residences	-	-	-
	<u>277</u>	<u>430</u>	<u>(153)</u>
<u>External loan financing:</u>			
Prescott residence	11,586	12,349	(763)
Leeds residence	10,226	11,111	(885)
Frontenac residence	12,499	12,798	(299)
Lennox & Addington residence	27,428	28,195	(767)
	<u>61,739</u>	<u>64,453</u>	<u>(2,714)</u>
<u>Internal loan financing:</u>			
P6/P7 Parking Garage	23,375	23,813	(438)
Housing and Food Services renovations	8,430	12,352	(3,922)
Ice Arena	4,693	5,242	(549)
Alumni Hall and Sports Centre	2,337	2,838	(501)
Field Bleachers	996	1,069	(73)
Health Sciences building	-	7,840	(7,840)
Other (funding in advance of expense)	(31,990)	(2,087)	(29,903)
	<u>7,841</u>	<u>51,067</u>	<u>(43,226)</u>
Financed assets	<u>69,857</u>	<u>115,950</u>	<u>(46,093)</u>

3.3.8 Net Assets, requiring an application of resources: \$106,539,000

The net assets classified as an application of resources include:

	2018 \$000	2017 \$000	Increase (Decrease) \$000
Provision for employee future benefits	106,539	136,585	(30,046)
Total	<u>106,539</u>	<u>136,585</u>	<u>(30,046)</u>

As discussed in section 3.2.5, this represents the unfunded balance of employee future benefits as at April 30, 2018.

**GENERAL OPERATING FUND 2017-2018
INCOME, EXPENSES AND ACCUMULATED SURPLUS
COMPARISON TO BUDGET (MAY 2017) AND 2016-17 ACTUAL**

	2017-18		Actual to Budget		2016-17		Actual to Prior	
	Actual \$000's	Budget \$000's	\$000's	%	Actual \$000's	Year \$000's	%	%
INCOME								
Government Grant	182,592	171,744	10,848	6.3	175,649	6,943	4.0	
Tuition Fees	286,430	274,202	12,228	4.5	264,878	21,552	8.1	
Miscellaneous Income	11,893	10,199	1,694	16.6	10,202	1,691	16.6	
Investment Income	12,610	8,250	4,360	52.8	28,174	(15,564)	(55.2)	
Departmental Income	12,924	11,852	1,072	9.0	8,894	4,030	45.3	
Total Operating Income	506,449	476,247	30,202	6.3	487,797	18,652	3.8	
EXPENSES								
Faculty of Arts & Social Sciences	51,468	52,214	(746)	(1.4)	50,214	1,254	2.5	
Faculty of Public Affairs	32,831	34,454	(1,623)	(4.7)	32,167	664	2.1	
Sprott School of Business	12,529	13,180	(651)	(4.9)	12,274	255	2.1	
Faculty of Science	39,667	37,899	1,768	4.7	33,490	6,177	18.4	
Faculty of Engineering and Design	32,646	39,720	(7,074)	(17.8)	32,648	(2)	(0.0)	
Provost and Vice-President (Academic)	11,266	10,471	795	7.6	9,989	1,277	12.8	
Vice-President (Students and Enrolment)	21,506	22,720	(1,214)	(5.3)	20,649	857	4.2	
Library	16,232	16,931	(699)	(4.1)	16,509	(277)	(1.7)	
Vice-President (Research and International)	3,804	4,901	(1,097)	(22.4)	3,639	165	4.5	
Vice-President (Finance & Administration)	37,546	52,414	(14,868)	(28.4)	36,942	604	1.6	
Advancement	5,063	5,147	(84)	(1.6)	5,066	(3)	(0.1)	
President	4,181	3,836	345	9.0	4,189	(8)	(0.2)	
University Budgets and Provisions	154,879	159,619	(4,740)	(3.0)	134,664	20,215	15.0	
Interfund Transfers (net)	99,402	22,741	76,661	337.1	17,276	82,126	475.4	
Sub-Total Operating Expenses	523,020	476,247	46,773	9.8	409,716	113,304	27.7	
Net Appropriations	(16,571)	-	(16,571)		78,081	(94,652)		
Total Expenses	506,449	476,247	30,202	6.3	487,797	18,652	3.8	
Increase in Surplus for the Year	-	-	-		-	-		
Opening Accumulated Surplus/(Deficit)	498	498	-		498	-		
Closing Accumulated Surplus/(Deficit)	498	498	-		498	-		

Note: 2017-2018 budget figures reflect the opening May 1, 2017 budget, with reallocations made to assist in comparison.

**GENERAL OPERATING FUND 2017-2018
INCOME, EXPENSES AND ACCUMULATED SURPLUS
COMPARISON TO PROJECTION (MARCH 2018)**

INCOME	2017-18	2017-18	Actual to Projected	
	Actual \$000's	Projected \$000's	\$000's	%
Government Grant	182,592	176,475	6,117	3.5
Tuition Fees	286,430	286,550	(120)	(0.0)
Miscellaneous Income	11,893	10,913	980	9.0
Investment Income	12,610	10,194	2,416	23.7
Departmental Income	12,924	5,953	6,971	117.1
Total Operating Income	506,449	490,085	16,364	3.3
EXPENSES				
Faculty of Arts & Social Sciences	51,468	52,220	(752)	(1.4)
Faculty of Public Affairs	32,831	34,450	(1,619)	(4.7)
Sprott School of Business	12,529	13,216	(687)	(5.2)
Faculty of Science	39,667	32,921	6,746	20.5
Faculty of Engineering and Design	32,646	39,231	(6,585)	(16.8)
Provost and Vice-President (Academic)	11,266	10,438	828	7.9
Vice-President (Students and Enrolment)	21,506	23,077	(1,571)	(6.8)
Library	16,232	16,808	(576)	(3.4)
Vice-President (Research and International)	3,804	4,824	(1,020)	(21.1)
Vice-President (Finance & Administration)	37,546	37,592	(46)	(0.1)
Advancement	5,063	5,080	(17)	(0.3)
President	4,181	4,093	88	2.2
University Budgets and Provisions	154,879	143,370	11,509	8.0
Interfund Transfers (net)	99,402	62,680	36,722	58.6
Sub-Total Operating Expenses	523,020	480,000	43,020	9.0
Net Appropriations	(16,571)	10,085	(26,656)	(264.3)
Total Expenses	506,449	490,085	16,364	3.3
Increase in Surplus for the Year	-	-	-	
Opening Accumulated Surplus/(Deficit)	498	498	-	
Closing Accumulated Surplus/(Deficit)	498	498	-	

Note: The 2016-2017 Projected amounts were those presented to the Board in March 2018.

**Carleton University Ancillary Operations
Income and Expenditure as Compared to Budget
and Accumulated Operating Results as at April 30, 2018**

	2017-18 Actual			2017-18 Budget			Actual as Compared to Budget			Accumulated Surplus/(Deficit)		
	<u>Income</u> \$000	<u>Expenses and Transfers</u> \$000	<u>Surplus (Deficit)</u> \$000	<u>Income</u> \$000	<u>Expenses and Transfers</u> \$000	<u>Surplus (Deficit)</u> \$000	<u>Income</u> \$000	<u>Expenses and Transfers</u> \$000	<u>Surplus (Deficit)</u> \$000	<u>Opening</u> \$000	<u>Contribution to Capital</u>	<u>Closing</u> \$000
Recreation and Athletics	15,262	13,622	1,640	14,319	15,504	(1,185)	943	(1,882)	2,825	8,233	-	9,873
Bookstore	696	540	156	695	530	165	1	10	(9)	111	-	267
Health Services	3,492	3,362	130	3,618	3,518	100	(126)	(156)	30	613	-	743
Residence and Dining Services	34,077	32,299	1,778	32,891	32,476	415	1,186	(177)	1,363	7,923	-	9,701
Parking	5,358	4,465	893	5,549	4,612	937	(191)	(147)	(44)	1,951	-	2,844
University Centre	1,741	1,145	596	1,745	1,745	-	(4)	(600)	596	1,895	-	2,491
The Print Shop	3,041	2,603	438	2,890	2,625	265	151	(22)	173	1,004	-	1,442
Ancillary Property Rentals	3,787	3,049	738	3,682	3,426	256	105	(377)	482	821	-	1,559
Ancillary Capital Fund	<u>2,179</u>	<u>799</u>	<u>1,380</u>	<u>2,220</u>	<u>770</u>	<u>1,450</u>	<u>(41)</u>	<u>29</u>	<u>(70)</u>	<u>2,330</u>	<u>-</u>	<u>3,710</u>
Total Ancillaries	<u>69,633</u>	<u>61,884</u>	<u>7,749</u>	<u>67,609</u>	<u>65,206</u>	<u>2,403</u>	<u>2,024</u>	<u>(3,322)</u>	<u>5,346</u>	<u>24,881</u>	<u>-</u>	<u>32,630</u>
										Unappropriated fund balance	131	113
										Appropriated fund balance	<u>24,750</u>	<u>32,517</u>
											<u>24,881</u>	<u>32,630</u>